

## IMPORTANT NOTICE

**THE ATTACHED BASE PROSPECTUS MAY ONLY BE DISTRIBUTED TO INVESTORS WHO ARE EITHER (1) QIBS (AS DEFINED BELOW) OR (2) NON-U.S. PERSONS (AS DEFINED BELOW) LOCATED OUTSIDE THE UNITED STATES.**

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the base prospectus attached to this electronic transmission (the “**Base Prospectus**”) and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer, the Arranger or the Dealers (each as defined in the Base Prospectus) as a result of such access.

**Confirmation of Your Representation:** In order to be eligible and by accessing the Base Prospectus, you are deemed to have confirmed to the Arranger, the Dealers and the Issuer that (i) you have understood and agreed to the terms set out herein, (ii) you and any customer you represent are either (a) outside of the United States and not a U.S. person within the meaning of Regulation S under the U.S. Securities Act 1933, as amended (the “**Securities Act**”) (a “**non-U.S. Person**”), and are not acting for the account or benefit of any U.S. person, and that the electronic mail address you have given to us is not located in the United States, its territories and possessions, or (b) a person that is a “qualified institutional buyer” within the meaning of Rule 144A under the Securities Act (a “**QIB**”), (iii) you consent to delivery by electronic transmission, (iv) you will not transmit the Base Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Arranger and the Dealers, and (v) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the Notes.

You are reminded that the Base Prospectus has been delivered to you on the basis that you are a person into whose possession the Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Base Prospectus, electronically or otherwise, to any other person and in particular to any U.S. person or to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable securities laws of other jurisdictions.

**RESTRICTIONS: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.**

**THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”)) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.**

**THE BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE BASE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED, AND WILL NOT BE ABLE, TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.**

Under no circumstances shall the Base Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Base Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of the Base Prospectus is only being made to those persons who are investment

professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Financial Promotion Order**”) or falling within any of the categories of persons described in Article 49 of the Financial Promotion Order, or to other persons to whom the Base Prospectus may otherwise be distributed without contravention of the Financial Services and Markets Act 2000, or any person to whom it may otherwise lawfully be made. This communication is being directed only at persons having professional experience in matters relating to investments and any investment or investment activity to which this communication relates will be engaged in only with such persons. No other person should rely on it.

The Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Arranger or the Dealers, any person who controls any of the Arranger or the Dealers, the Issuer, any director, officer, employee or agent of or public official representing any of them, or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Arranger or any of the Dealers.

If you received the Base Prospectus by e-mail, you should not reply by e-mail to this communication. Any reply e-mail communications, including those you generate by using the “Reply” function on your email software, will be ignored or rejected. If you receive the Base Prospectus by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Arranger, the Dealers or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Arranger, the Dealers or such respective affiliate(s) on behalf of the Issuer in such jurisdiction.

Recipients of the Base Prospectus who intend to subscribe for or purchase the Notes are reminded that any subscription or purchase may only be made on the basis of the information contained in the Base Prospectus.

**The distribution of the Base Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the Base Prospectus comes are required by the Arranger, the Dealers and the Issuer to inform themselves about, and to observe, any such restrictions.**

## BASE PROSPECTUS



### The Oil & Gas Holding Company B.S.C. (c)

(a company incorporated under the laws of the Kingdom of Bahrain and registered under commercial registration number 66088)

U.S.\$3,000,000,000

### Global Medium Term Note Programme

Under this Global Medium Term Note Programme (the “**Programme**”), The Oil & Gas Holding Company B.S.C. (c) (the “**Issuer**” or the “**Company**”), may elect, subject to compliance with all relevant laws, regulations and directives, from time to time to issue notes (the “**Notes**”) denominated in any currency agreed between the Issuer and the relevant Dealer(s) (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 of the Programme**” and any additional Dealer(s) appointed under the Programme from time to time by the Issuer (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(s)**” 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 Central Bank of Ireland (the “**CBI**”), as competent authority under Regulation (EU) 2017/1129 (as amended, the “**Prospectus Regulation**”). The CBI only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or 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 Irish Stock Exchange plc trading as Euronext Dublin (“**Euronext Dublin**”) for the 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 Euronext Dublin (the “**Official List**”) and to trading on its regulated market (the “**Regulated Market**”). The Regulated Market is a regulated market for the purposes of Directive 2014/65/EU (as amended, “**MiFID II**”). Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of MiFID II and/or which are to be offered to the public in any member state of the European Economic Area (the “**EEA**”).

References in this Base Prospectus to Notes being “**listed**” (and all related references) shall mean that such Notes have been (a) admitted to the Official List, (b) admitted to trading on the Regulated Market and/or (c) another MiFID II regulated market as may be specified in the applicable final terms relating to the relevant Tranche (the “**Final Terms**”). 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(s). However, unlisted Notes may also be issued pursuant to the Programme. The Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Regulated Market (or any other stock exchange). This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date. 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. This Base Prospectus should be read and construed together with any amendment or supplement hereto. In relation to a Tranche of Notes, this Base Prospectus should be read and construed together with the Final Terms. Copies of the Final Terms in relation to Notes to be listed on Euronext Dublin will also be published on the website of Euronext Dublin.

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 herein) of Notes will be set out in the applicable Final Terms. Payments of interest on Notes issued under the Programme will be made without deduction for, or on account of, taxes imposed by a Relevant Taxing Jurisdiction (as defined in the “**Terms and Conditions of the Notes**” (the “**Conditions**”)), to the extent described in Condition 13 (**Taxation**).

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form may be 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. tax regulations. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)) except in certain transactions exempt from the registration requirements of the Securities Act. The Notes may be offered and sold (i) in bearer form or registered form outside the United States to non-U.S. persons in reliance on Regulation S and (ii) in registered form within the United States to persons who are “**qualified institutional buyers**” (“**QIBs**”) in reliance on Rule 144A under the Securities Act (“**Rule 144A**”). Prospective purchasers who are QIBs are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Base Prospectus, see “**Subscription and Sale**” and “**Transfer Restrictions**”.

The Programme has been assigned a credit rating of B+ by Fitch Ratings Ireland Limited (“**Fitch**”). Fitch is established in the European Union (the “**EU**”) and is registered under Regulation (EC) No. 1060/2009 (as amended, the “**CRA Regulation**”). As such, Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority (the “**ESMA**”) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Fitch is not established in the United Kingdom (the “**UK**”) but it is part of a group in which one of its undertakings, Fitch Ratings Limited, is registered in the UK and is registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”) (the “**UK CRA Regulation**”). The Programme rating has been issued by Fitch in accordance with the CRA Regulation before the end of the transition period and has not been withdrawn. As such, the rating issued by Fitch may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation until January 2022. Certain tranches of Notes (each, a “**Tranche**”) to be issued under the Programme may be rated or unrated and, if rated, the credit rating agency issuing such rating will be specified in the Final Terms. Where a Tranche is rated, such rating will not necessarily be equivalent to the ratings assigned to the Issuer. Whether or not the credit rating applied for in relation to a Tranche will be (a) issued by a credit rating agency established in the EU and registered under the CRA Regulation, or (b) issued by a credit rating agency which is not established in the EU but will be endorsed by a credit rating agency which is established in the EU and registered under the CRA Regulation, or (c) issued by a credit rating agency which is not established in the EU but which is certified under the CRA Regulation will also be disclosed in the Final Terms. A credit rating is not a recommendation to buy, sell or hold the Notes, does not address the likelihood or timing of repayment and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Amounts payable under the Notes may be calculated by reference to either the London interbank offered rate (“**LIBOR**”) or the Euro interbank offered rate (“**EURIBOR**”), which are respectively provided by ICE Benchmark Administration Limited (“**IBA**”) and the European Money Markets Institute (the “**EMMI**”). As at the date of this Base Prospectus, the EMMI appears on the register of administrators and benchmarks established and maintained by the ESMA pursuant to Article 36 of Regulation (EU) No. 2016/1011 (the “**EU Benchmarks Regulation**”). As at the date of this Base Prospectus, IBA does not appear on the register of administrators and benchmarks established and maintained by the ESMA pursuant to Article 36 of the EU Benchmarks Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the EU Benchmarks Regulation apply, such that IBA is not currently required to obtain authorisation or registration (or, if located outside the EU, recognition, endorsement or equivalence).

**Arranger and Dealer**

**J.P. Morgan**

**Dealers**

**Gulf International Bank**

**HSBC**

The date of this Base Prospectus is 30 March 2021.

This Base Prospectus comprises a base prospectus for the purposes of Article 8 of the Prospectus Regulation and for the purpose of giving information with regard to the Issuer and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, profits and losses, financial position, and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms 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 does not omit anything likely to affect its import. The opinions, assumptions, intentions, projections and forecasts expressed in this Base Prospectus with regard to the Issuer are honestly held by the Issuer, not misleading in any material respect, have been reached after considering all relevant circumstances and are based on reasonable assumptions.

Where information in this Base Prospectus has been sourced from a third party, the Issuer confirms that such information has been accurately reproduced and that, as far as the Issuer is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third party information contained in this Base Prospectus is stated where such information appears in this Base Prospectus.

Each Tranche of Notes will be issued on the terms set out in the Conditions as completed by the applicable Final Terms. This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the applicable Final Terms. The information on the websites to which this Base Prospectus refers do not form part of this Base Prospectus and have not been scrutinised or approved by the CBI.

None of the Arranger, the Dealers (each as specified under “*Overview of the Programme*”) or the Agents (as defined in the “*Terms and Conditions of the Notes*”) or any of their respective affiliates have independently verified (i) the information contained or incorporated by reference in this Base Prospectus or (ii) any statement, representation, or warranty, or compliance with any covenant, of the Issuer contained in any Notes or any other agreement or document relating to any Notes or made in connection with the Programme, or any other agreement or document relating to the Programme. Accordingly, none of the Arranger, the Dealers or the Agents or any of their respective affiliates makes any representation or warranty or accepts any responsibility as to (a) the accuracy or completeness of the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme or any issuance of Notes thereunder or (b) the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of any Notes or any other agreement or document relating to any Notes or the Programme. None of the Arranger, the Dealers or the Agents or any of their respective affiliates accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by any of the Issuer, the Arranger, the Dealers or the Agents.

Neither this Base Prospectus nor any Final Terms are intended to provide the basis of any credit or other evaluation, and should not be considered as a recommendation by any of the Issuer, the Arranger, the Dealers, the Agents or any of their affiliates that any recipient of this Base Prospectus or any Final Terms or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained or incorporated by reference in this Base Prospectus and any Final Terms, make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and its purchase of any Notes should be based upon such investigation as it deems necessary. 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 Arranger, the Dealers or the Agents or any of their affiliates to any person to subscribe for or to purchase any Notes. None of the Arranger, the Dealers or the Agents undertakes to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor or potential investor in the Notes of any information coming to the attention of the Arranger, the Dealers or the Agents. Investors should review the most recently published documents incorporated by reference into this Base Prospectus when deciding whether or not to purchase any Notes.

Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained or incorporated by reference in this Base Prospectus is true subsequent to the date hereof or, if applicable, the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) or prospects of the Issuer since the date hereof or, if applicable, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

## **IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY**

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 Dealers, the Arranger, the Agents and their affiliates 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 Dealers, the Arranger, the Agents or any of their affiliates 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 materials may be distributed or published in any jurisdiction, except in circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer, the Arranger, the Dealers, and the Agents to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see “*Subscription and Sale*”. In particular, the Notes have not been and will not be registered under the Securities Act and may be subject to U.S. tax law requirements.

None of the Dealers, the Arranger, any Agents, any of their affiliates or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of the purchase of any Notes.

Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Notes or possess this Base Prospectus. Any consents or approvals that are needed in order to purchase any Notes must be obtained prior to the deadline specified for any such consent or approval. The Issuer, the Arranger, the Dealers, the Agents and their respective affiliates are not responsible for compliance with these legal requirements.

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 should:

- (a) have 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 or incorporated by reference in this Base Prospectus or any applicable supplement;
- (b) have 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;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able 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.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal and tax advisers to determine whether and to what extent: (i) the Notes are legal investments for it; (ii) the Notes can be used as collateral for various types of borrowing; and (iii) 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 the Notes under any applicable risk-based capital or similar rules.

## SUPPLEMENTS TO THIS BASE PROSPECTUS

The Issuer has agreed to comply with any undertakings given by it from time to time to Euronext Dublin in connection with Notes in a Series (as defined herein) to be listed on the Official List and, without prejudice to the generality of the foregoing, shall in connection with the listing of the Notes on the Official List or on any other relevant stock exchange, so long as any Note remains outstanding, prepare a supplement to this Base Prospectus, or, as the case may be, publish in a new Base Prospectus, whenever required by the rules of Euronext Dublin or any other relevant stock exchange. In the event that a supplement to this Base Prospectus is produced pursuant to such undertakings, a copy of such supplement will accompany this Base Prospectus. Any such supplement to this Base Prospectus will also be available from the specified office of Citibank N.A., London Branch in its capacity as fiscal agent (the “**Fiscal Agent**”). See “*General Information—Documents on Display*”.

## NOTICE TO U.S. INVESTORS

This Base Prospectus may be 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 which may be 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.

Any Notes in bearer form 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 or for the account of 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 and the Treasury regulations promulgated thereunder.

Registered Notes may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act in reliance on Rule 144A under the Securities Act or any other applicable exemption from registration under the Securities Act. The Registered Notes have not been and will not be registered under the Securities Act and the Registered Notes 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. Any U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being 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 Restricted Global Certificate 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 Restrictions*”.

NEITHER THE PROGRAMME NOR THE NOTES HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE “**SEC**”), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF ANY OFFERING OF NOTES OR THE ACCURACY OR ADEQUACY OF THIS INFORMATION MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

## AVAILABLE INFORMATION

The Issuer is not currently required to file periodic reports under Section 13 or 15 of the Exchange Act with the U.S. Securities and Exchange Commission. 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 30 March 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, the Issuer is neither a reporting company under Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder. Any such request should be directed to the Issuer.

## NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

This Base Prospectus has been prepared on the basis that any offer of Notes to the public in any Member State of the EEA (each, a “**Member State**”) will be made pursuant to an exemption under the Prospectus Regulation from

the requirement 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 such offers of Notes. Accordingly any person making or intending to make an offer of Notes to the public in that Member State may only do so in circumstances in which no obligation arises for the Issuer, the Arranger, any Dealer or any of their affiliates to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. None of the Issuer, the Arranger, any Dealer or any of their affiliates have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

### **IMPORTANT – EEA RETAIL INVESTORS**

If the Final Terms in respect of any 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 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; (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 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.

### **MiFID II PRODUCT GOVERNANCE / TARGET MARKET**

The applicable Final Terms in respect of any Series of Notes may 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 “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of any Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made at the time of issue about whether, for the purpose of the MiFID 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 Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

### **IMPORTANT – UK RETAIL INVESTORS**

If the Final Terms in respect of any 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; (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (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.

### **UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET**

The Final Terms in respect of any Notes may 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 “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to the Financial Conduct Authority (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 Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

#### **NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA**

This Base Prospectus 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 the Kingdom of Saudi Arabia (the “**Capital Market Authority**”).

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Base Prospectus and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Base Prospectus. Prospective purchasers of Notes issued under the Programme should conduct their own due diligence on the accuracy of the information relating to the Notes. If a prospective purchaser does not understand the contents of this Base Prospectus, he or she should consult an authorised financial adviser.

#### **NOTICE TO RESIDENTS OF 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 or any applicable Final Terms (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 of National Instrument 33-105 *Underwriting Conflicts* (“**NI 33-105**”), so long as a concurrent distribution of the Notes is made to investors in the United States, the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering. In the event the Notes are distributed to investors in Canada without a concurrent distribution of the Notes to investors in the United States, the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest may apply.

#### **NOTICE TO RESIDENTS OF BAHRAIN**

This Base Prospectus does not constitute an offer of securities in the Kingdom of Bahrain (the “**Kingdom**” or “**Bahrain**”) in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006, as amended from time to time). This Base Prospectus and any related offering documents have not been and will not be registered as a prospectus with the Central Bank of Bahrain. 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 Bahrain, other than as marketing to “accredited investors”, as such term is defined by the Central Bank of Bahrain, for an offer outside Bahrain.

A copy of this Base Prospectus has been filed with the Central Bank of Bahrain. The Central Bank of Bahrain has not reviewed, approved or registered this Base Prospectus or any related offering documents and it has not in any way considered the merits of the Notes to be marketed for investment, whether in or outside Bahrain. Therefore, the Central Bank of Bahrain 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 securities will be made to the public in 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.

The Issuer complies with Legislative Decree No. (4) of 2001 with respect to the Prevention and Prohibition of the Laundering of Money, as amended from time to time, and the Ministerial Orders issued thereunder, including, but not limited to, Ministerial Order No. (7) of 2001 with respect to Institutions' Obligations Concerning the Prohibition and Combating of Money Laundering and Anti-Money Laundering and the Combating of Financial Crime Module contained in the Central Bank of Bahrain Rulebook.

## NOTICE TO RESIDENTS OF THE STATE OF QATAR

Any Notes to be issued under the Programme will not be offered, sold or delivered at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Base Prospectus has not been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority in accordance with their regulations or any other regulations in the State of Qatar (including the Qatar Financial Centre). The Notes are not and will not be traded on the Qatar Stock Exchange. The Notes and interests therein will not be offered to investors domiciled or resident in Qatar and do not constitute debt financing in the State of Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of State of Qatar.

## PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289)

THE APPLICABLE FINAL TERMS IN RESPECT OF ANY NOTES MAY INCLUDE A LEGEND ENTITLED "SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION", WHICH WILL STATE THE PRODUCT CLASSIFICATION OF THE NOTES PURSUANT TO SECTION 309B(1) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE "SFA"). THE ISSUER WILL MAKE A DETERMINATION AND, PRIOR TO MAKING ANY OFFERING OF NOTES IN SINGAPORE, PROVIDE THE APPROPRIATE WRITTEN NOTIFICATION TO "RELEVANT PERSONS" (AS DEFINED IN SECTION 309A(1) OF THE SFA) IN RELATION TO EACH ISSUE ABOUT THE CLASSIFICATION OF THE NOTES BEING OFFERED FOR PURPOSES OF SECTION 309B(1)(A) AND SECTION 309B(1)(C) OF THE SFA.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Historical financial statements

The consolidated financial statements relating to the Company and its consolidated subsidiaries (together, the "Group") and incorporated by reference in this Base Prospectus are as follows:

- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2020 (including the unaudited comparative information as at and for the year ended 31 December 2019), together with the notes thereto and the audit report in respect thereof (the "2020 Financial Statements"); and
- the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 (including the unaudited comparative information as at and for the year ended 31 December 2018), together with the notes thereto and the audit report in respect thereof (the "2019 Financial Statements" and together with the 2020 Financial Statements, the "Audited Financial Statements").

The financial information as at, and for the financial year ended 31 December 2020 included in this Base Prospectus has been derived from the 2020 Financial Statements. The financial information as at, and for the financial year ended 31 December 2019, included in this Base Prospectus has been derived from the 2019 Financial Statements, except for such 2019 financial information which was subsequently reclassified and hence is extracted or derived from the unaudited comparative column of the 2020 Financial Statements (see "*Reclassifications of certain 2019 Financial Information*" below for further detail). The financial information as at, and for the financial year ended 31 December 2018, has been derived from the unaudited comparative information as at, and for the financial year ended, 31 December 2018, contained in the 2019 Financial Statements.

The Audited Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The 2020 Financial Statements incorporated by reference in this Base Prospectus have been audited by PricewaterhouseCoopers M.E Limited ("PwC") without qualification, as stated in their audit report. The 2019 Financial Statements incorporated by

reference in this Base Prospectus have been audited by Ernst & Young Bahrain (“EY”) without qualification, as stated in their audit report.

The Company presents its consolidated financial statements in Bahraini dinar. The Company’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.

The preparation of the Group’s consolidated financial statements requires management to make certain judgments and estimations. The exercise of such judgments and estimations may have a material effect on the Group’s results of operations as presented in its consolidated financial statements, and the results of operations 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.

### Reclassifications of certain 2019 Financial Information

Certain comparative figures for the year ended 31 December 2019 have been reclassified to conform to the 31 December 2020 classification or in accordance with the relevant requirement of IFRS, and hence differ from the other financial information included in the 2019 Financial Statements. There was no impact on profit or loss for the year ended 31 December 2019 or total equity as a result of such reclassifications and they were made to achieve a clearer presentation of the consolidated financial statements.

The table below sets out the reclassifications made in the 2020 Financial Statements.

	<u>2020</u>	<u>2019</u>	<u>2019</u>
<b>Consolidated statement of profit or loss and other comprehensive income:</b>		Reclassified <sup>(1)</sup>	
		<b>BD’000</b>	
Cost of materials.....	(1,239,440)	(2,100,498)	(2,102,879)
Gross profit.....	403,973	569,700	567,319
Impairment for doubtful trade and other receivables.....	(1,848)	(6,447)	—
Other expenses.....	(119,744)	(117,589)	(121,655)

**Note:**

(1) Extracted from the unaudited comparative column of the 2020 Financial Statements.

	<u>2020</u>	<u>2019</u>	<u>2019</u>
<b>Consolidated statement of cash flows:</b>		Reclassified <sup>(1)</sup>	
		<b>BD’000</b>	
Net cash flows from operating activities.....	256,739	322,718	337,237
Net cash flows from financing activities.....	167,496	85,989	71,470

**Note:**

(1) Extracted from the unaudited comparative column of the 2020 Financial Statements.

	<u>2020</u>	<u>2019</u>	<u>2019</u>
<b>Other income:</b>		Reclassified <sup>(1)</sup>	
		<b>BD’000</b>	
Income relating to non-associated gas.....	83,126	62,397	56,725
Service income from NOGA.....	5,573	1,059	19,651
Miscellaneous income.....	31,114	42,535	29,615

**Note:**

(1) Extracted from the unaudited comparative column of the 2020 Financial Statements.

All other financial information as at and for the year ended 31 December 2019 relating to the Group and included in this Base Prospectus has been extracted from the 2019 Financial Statements.

### Alternative Performance Measures

This Base Prospectus includes certain references to non-IFRS financial measures, which the Company considers constitute Alternative Performance Measures (“APMs”), as defined in the European Securities and Markets Authority Guidelines on Alternative Performance Measures (the “ESMA Guidelines”). The Group uses these APMs to evaluate performance, and this additional financial information is presented in this Base Prospectus. However, investors should note that, since not all companies calculate financial measurements, such as the APMs

presented by the Company in this Base Prospectus, in the same manner, these are not always directly comparable to similarly titled financial measures reported by other companies, including the Group’s competitors. Additionally, the APMs presented by the Company in this Base Prospectus are unaudited and have not been prepared in accordance with IFRS or any other accounting standards. Accordingly, these financial measures should not be seen as a substitute for measures defined according to IFRS.

For the purposes of the ESMA Guidelines, the Company considers that the following metrics constitute APMs:

<b>Metric</b>	<b>Method of Calculation</b>	<b>Rationale for inclusion</b>
EBITDA	Operating profit / (loss) for the period plus depreciation expense	Performance measure
EBITDA margin	EBITDA divided by total revenue (expressed as a percentage)	Performance measure
Gross refining margin	The difference between the current market price of refined petroleum products produced in a relevant period and the price of crude oil and other feedstock purchased in order to produce such products.	Performance measure
Net refining margin	Gross refining margin minus cost of materials, variable costs and operating expenses.	Performance measure

For a description and reconciliation to the Audited Financial Statements of EBITDA and EBITDA margin, see “*Selected Financial Information—EBITDA and EBITDA margin*”. For a description of gross refining margin and net refining margin, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Principal components of, and key factors affecting, results of operations—Changes in refining margins*”.

### **Presentation of Statistical Information**

The statistical information in the sections entitled “*Overview of Bahrain*”, “*Economy of Bahrain*” and “*Public Finance*” have been derived from a number of different identified sources, including the Ministry of Finance and National Economy (“**MOFNE**”), the Central Bank of Bahrain and the Information eGovernment Authority (the “**IGA**”), and certain other named sources. The source of any third party information contained in this Base Prospectus is stated where such information appears in this Base Prospectus. The Issuer confirms that 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.

Although every effort has been made to include in this Base Prospectus the most reliable and the most consistently presented data, no assurance can be given that such data was compiled or prepared on a basis consistent with international standards for a variety of reasons, including the use of different definitions and different cut-off times. The Company and the Dealers have not separately investigated the accuracy of such statistical information and no assurance can be given that any such information, where it differs from that provided by other sources, is more accurate or reliable. Where specified, certain statistical information has been estimated based on information currently available and should not be relied upon as definitive or final. Such information may be subject to future adjustment. In addition, in certain cases, the information is not available for recent periods and, accordingly, has not been updated. The information for past periods should not be viewed as indicative of current circumstances, future periods or periods not presented.

Annual information presented in this Base Prospectus is based upon 1 January to 31 December periods, unless otherwise indicated. Notwithstanding the foregoing, for the purposes of the Government of Bahrain’s budget (the details of which are set forth in “*Public Finance*”), the Government of Bahrain’s fiscal year commences on 31 December and ends on 30 December in the following year. References in this Base Prospectus to a specific “**fiscal year**” are to the 12-month period commencing on 31 December of the preceding calendar year and ending on 30 December of the specified year.

## Certain Defined Terms and Conventions

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed thereto in “*Terms and Conditions of the Notes*” or any other section of this Base Prospectus. In addition, all references in this Base Prospectus to:

- “**Bahrain**” or to the “**Kingdom**” are to the Kingdom of Bahrain;
- the “**Government**” are to the government of Bahrain;
- “**bpd**” are to barrels per day;
- “**bbls**” are to barrels;
- “**kg**” are to kilograms;
- “**km**” are to kilometres;
- “**kV**” are to kilovolts;
- “**kW**” are to kilowatts;
- “**MW**” are to megawatts;
- “**mbpd**” are to million barrels per day;
- “**mcf**” are to million cubic feet per day;
- “**mscfd**” are to million standard cubic feet per day;
- “**mtpy**” are to million tonnes per year;
- “**scfd**” are to square cubic feet per day; and
- “**tonnes**” are to metric tonnes.

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

## Currencies and Exchange Rates

All references in this Base Prospectus to:

- “**Bahraini dinars**” and “**BD**” refer to Bahraini dinars, the legal currency of Bahrain for the time being;
- “**U.S. dollars**”, “**dollars**”, “**U.S.\$**” and “**\$**” refer to United States dollars, the legal currency of the United States for the time being;
- “**pounds sterling**”, “**pounds**”, “**GBP**” and “**£**” refer to pounds sterling, the legal currency of the United Kingdom for the time being; and
- “**euro**”, “**EUR**” and “**€**” refer to euro, the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to The Treaty of European Union, as amended.

This Base Prospectus contains a conversion of certain Bahraini dinar amounts into dollars at specified rates solely for the convenience of the reader. The Bahraini dinar has been pegged to the U.S. dollar at a fixed exchange rate of  $BD0.376 = U.S.\$1.00$  and, accordingly, unless otherwise indicated, U.S. dollar amounts in this Base Prospectus have been converted from Bahraini dinar at this exchange rate.

## Websites and Web Links

The websites and/or web links referred to in this Base Prospectus are included for information purposes only and the content of such websites or web links is not incorporated into, and does not form part of, this Base Prospectus.

## Foreign Language

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

## References to Law

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.

## FORWARD-LOOKING STATEMENTS

Certain statements included in this Base Prospectus may constitute “forward looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the United States Exchange Act of 1934, as amended (the “**Exchange Act**”). However, this Base Prospectus is not entitled to the benefit of the safe harbour created thereby. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “projects”, “expects”, “intends”, “may”, “will”, “seeks” or “should” or, in each case, their negative or other variations or comparable terminology, or in relation to discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements are statements that are not historical facts, including statements about the Issuer’s beliefs and expectations. These statements are based on current plans, estimates and projections and, therefore, undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. Although the Issuer believes that beliefs and expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such beliefs and expectations will prove to have been correct.

Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those expressed in any forward-looking statement. The information contained in this Base Prospectus identifies important factors that could cause such differences, including, but not limited to:

- the Company’s ability to receive distributions and other revenue flows from its investments (including its subsidiaries);
- the Company’s ability to obtain and maintain sufficient capital to fund its current and future investments and financial obligations, including the Company’s ability to obtain external financing;
- the Company’s ability to manage the growth of the Group successfully;
- actions taken by the Group’s joint venture partners that may not be in accordance with the Company’s policies and/or objectives;
- the impact of the COVID-19 pandemic on the Group’s operations and financial results;
- changes in international oil and gas prices and market prices for refined and petrochemicals;
- regulatory restrictions applicable to certain companies within the Group pursuant to environmental and health and safety laws and potential liabilities arising thereunder;
- changes in political, social, legal or economic conditions in the markets that affect the Group and the value of the Group’s investments; and
- the political and economic conditions in Bahrain and the Middle East.

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 herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward-looking statement is based.

## SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

A substantial portion of the assets of the Group are located outside the United States and the United Kingdom. As a result, it may not be possible for investors to effect service of process within the United States and/or the United Kingdom upon the Issuer or to enforce against it in the United States courts or courts located in the United Kingdom judgments obtained in United States courts or courts located in the United Kingdom, respectively, including judgments predicated upon the civil liability provisions of the securities laws of the United States or the securities laws of any state or territory within the United States.

The Group primarily conducts its operations, and substantially all of its assets are located, in Bahrain. The Agency Agreement, the Conditions (as defined herein), and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

Any dispute in relation to the Agency Agreement, the Conditions, and any non-contractual obligations arising out of or in connection with them, may be referred to arbitration in London, England under the London Court of International Arbitration Rules. Bahrain has ratified the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “**New York Convention**”) and the party seeking to enforce the arbitral award must supply: (a) the duly authenticated/apostilled original or a duly certified copy of the award; and (b) the original or a duly certified copy of the arbitration agreement. Any arbitral award rendered in London should therefore be enforceable in Bahrain in accordance with the terms of the New York Convention.

However, the enforcement of the arbitral award may be refused at the request of the party against whom it is invoked, if that party furnishes to the competent authority where the recognition and enforcement is sought proof that:

- (i) the party to the agreement was, under the law applicable to it, under some incapacity, or the said agreement is not valid under the law which the parties have subjected to or failing any indication thereon under the law of Bahrain;
- (ii) the party against whom the award is invoked was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings or was otherwise unable to present his case;
- (iii) the award deals with a dispute not contemplated by or not falling within the terms of the submission to arbitration or it contains decisions on matters beyond the scope of the submission to arbitration, provided that if the decision on matters submitted to arbitration can be separated from those not so submitted, only that part of the award which contains decisions on matters not submitted to arbitration may be set aside;
- (iv) the composition of the arbitral authority or the arbitral procedure was not in accordance with the agreement of the parties, or failing such agreement, was not in accordance with the laws of the country where the arbitration took place; or
- (v) the award has not yet become binding on the parties, or has been set aside or suspended by a competent authority of the country in which, or under the laws of which that award was made.

Recognition and enforcement of an arbitral award may also be refused if the competent authority in Bahrain finds that:

- (i) the subject matter of the dispute is not capable of settlement by arbitration under the laws of that country; or
- (ii) the recognition or enforcement of the award would be contrary to the public policy of that country.

In addition, no document will be admitted in evidence in the courts of Bahrain (the “**Bahraini Courts**”) unless they are submitted in Arabic or accompanied by a duly authenticated Arabic translation approved by the Official Translator of the Bahraini Courts, which will be the official text.

Under the Conditions, any dispute may also be referred to the courts of England (who shall have exclusive jurisdiction to settle any dispute arising from such documents) if the Noteholder(s) require. In these circumstances, the Company irrevocably agrees to submit to the exclusive jurisdiction of the courts of England.

Notwithstanding that a judgment may be obtained in an English court, there is no assurance that the Company has or would at the relevant time have assets in the United Kingdom against which such a judgment could be enforced since almost all of the Company's operations and assets are currently located in Bahrain.

Accordingly, there may be insufficient assets of the Company to satisfy in whole or part any judgment obtained from an English court relating to amounts owing under the Notes.

As there has been no reciprocity between England and Bahrain and the United States and Bahrain, the Bahraini Courts are unlikely to enforce an English court judgment or a United States court judgment without requesting that a fresh case is filed in the Bahraini Courts which may lead to the possibility that the Bahraini Courts may re-examine the merits of the claim although the Bahraini Courts may also accept the English court judgment or the United States court judgment as evidence of a debt. The choice by the parties of English law as the governing law of the transaction will be recognised by the Bahraini Courts provided that the provisions thereof are (i) proved, as a matter of evidence, by the party relying on it; and (ii) not contrary to Bahraini public order and morality.

Judicial precedents in Bahrain generally do not have binding effect on subsequent decisions except as a directive for decisions of the Constitutional Court (the "**Constitutional Court**"). Although decisions rendered by the Court of Cassation (the "**Court of Cassation**") do not have binding effect on lower courts, the present practice is for the lower courts to adhere to the precedents and principles laid down by the Court of Cassation. There is no formal system of reporting court decisions in Bahrain except for those decisions of the Court of Cassation and the Constitutional Court.

In addition, there is limited reciprocity between Bahrain and other countries in relation to the recognition and enforcement of judgments. The Bahraini Courts may enforce a foreign court judgment without re-examining the merits of the claim, provided that:

- (i) such court enforces judgments and orders rendered in Bahrain;
- (ii) the Bahraini Courts did not have jurisdiction in the matter in respect of which the order or judgment has been made and it was made by a foreign court of competent jurisdiction under the jurisdiction rules or laws applied by such court;
- (iii) the parties had been served with due notice to attend and had been properly represented;
- (iv) the judgment was final in accordance with the law of the court making it; and
- (v) the judgment did not conflict with any previous decision of the Bahraini Courts and did not involve any conflict with public order or morality in Bahrain.

Generally, where provisions relating to interest payments are provided for in an agreement, the Bahraini Courts may give effect to such a provision so long as the agreement between the parties which provides for payment of interest is a commercial agreement relating to commercial activities.

See "*Risk Factors—Risks relating to enforcement in Bahrain—Risks associated with enforcing arbitral awards and foreign judgments in Bahrain*".

## STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilisation manager(s) in the applicable Final Terms (the "**Stabilisation Manager(s)**") (or persons acting on behalf of any Stabilisation Manager(s)) 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 person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.



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## OVERVIEW OF THE PROGRAMME

The following overview must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of the Base Prospectus as a whole, including the documents incorporated by reference. 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, is completed by the applicable Final Terms.

This overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) No. 2019/980.

Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this overview.

<b>Issuer</b> .....	The Oil & Gas Holding Company B.S.C. (c)
<b>Issuer’s Legal Entity Identifier (LEI)</b> .....	549300OBH16L6TS6IW50.
<b>Description</b> .....	Global Medium Term Note Programme.
<b>Programme Amount</b> .....	Up to U.S.\$3,000,000,000 (or its equivalent in other currencies) outstanding at any time (the “ <b>Programme Amount</b> ”). The Issuer may increase the Programme Amount in accordance with the terms of the Dealer Agreement.
<b>Risk Factors</b> .....	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 and risks relating to the structure of a particular Series of Notes issued under the Programme. All of these are set out under “ <i>Risk Factors</i> ”.
<b>Arranger</b> .....	J.P. Morgan Securities plc
<b>Dealers</b> .....	Gulf International Bank B.S.C. HSBC Bank plc J.P. Morgan Securities plc  and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
<b>Fiscal Agent, Rule 144A Paying Agent, Reg S Transfer Agent and Rule 144A Transfer Agent</b> .....	Citibank N.A., London Branch
<b>Reg S Registrar and Rule 144A Registrar</b> .....	Citigroup Global Markets Europe AG
<b>Irish Listing Agent</b> .....	Matheson
<b>Currencies</b> .....	Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, as agreed between the Issuer and the relevant Dealer(s).
<b>Final Terms</b> .....	Notes issued under the Programme may be issued pursuant to this Base Prospectus and the Final Terms. The terms and conditions applicable to any particular Tranche of Notes will be the terms and conditions set out herein (the “ <b>Conditions</b> ”), as completed by the Final Terms.

**Listing and Trading**..... Application has been made to Euronext Dublin for Notes to be admitted to the Official List and trading on the Regulated Market.

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(s) in relation to the relevant Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The Final Terms 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.

**Clearing Systems** ..... Euroclear Bank SA/NV (“**Euroclear**”), Clearstream Banking S.A. (“**Clearstream**”) and/or The Depository Trust Company (“**DTC**”), unless otherwise agreed, and such other clearing system(s) as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer(s).

**Method of Issue**..... The Notes will be issued on a syndicated or non-syndicated basis. Notes will be issued in series (each, a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the amount and date of the first payment of interest and the date from which interest starts to accrue) to the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may comprise one or more tranches (each, a “**Tranche**”) issued on the same or different issue dates. The specific terms of each Tranche (which will comprise, where necessary, the relevant terms and conditions and, save in respect of the issue date, issue price, date of the first payment of interest and nominal amount of the Tranche), will be identical to the terms of other Tranches of the same Series and will be completed in the Final Terms.

**Status of the Notes** ..... The Notes are (subject to Condition 6 (*Negative Pledge*)) direct, unconditional and unsecured obligations of the Issuer which rank *pari passu*, without any preference among themselves and, subject as aforesaid, with all other outstanding present and future unsecured and unsubordinated obligations of the Issuer (save for such exceptions as may be provided by applicable legislation and subject to Condition 6 (*Negative Pledge*)).

**Issue Price** ..... Notes may be issued at any price and either on a fully or partly paid basis, as specified in the Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

**Maturities**..... The Notes may have any maturity as agreed between the Issuer and the relevant Dealer(s), subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

**Forms of Notes**..... Notes may be issued in bearer form or in registered form. Bearer Notes may not be exchanged for Registered Notes and Registered Notes will not be exchangeable for Bearer Notes. No single Series or Tranche may comprise both Bearer Notes and Registered Notes.

***Bearer Notes***

Each Tranche of Bearer Notes will initially be in the form of either a Temporary Bearer Global Note or a Permanent Bearer Global Note, in each case as specified in the Final Terms. Each Global Note will be deposited on or around the relevant issue date with a common depository for Euroclear and/or Clearstream and/or any other relevant clearing

system. Bearer Notes will only be delivered outside the United States and its possessions. Each Temporary Bearer Global Note will be exchangeable for a Permanent Bearer Global Note or, if so specified in the Final Terms, for Definitive Notes upon certification of non-U.S. beneficial ownership as required by United States Treasury regulations (the “U.S. Treasury Regulations”). If the TEFRA D Rules (as defined below) are specified in the Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Bearer Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Bearer Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons (as defined herein) attached and, if appropriate, a Talon (as defined herein) for further Coupons.

**Registered Notes**

Each Tranche of Registered Notes will be represented by either:

- (i) Individual Note Certificates; or
- (ii) one or more Unrestricted Global Certificates in the case of Registered Notes sold outside the United States to non-U.S. persons in reliance on Regulation S and/or one or more Restricted Global Certificates in the case of Registered Notes sold to QIBs in reliance on Rule 144A,

in each case as specified in the Final Terms.

Each Note represented by an Unrestricted Global Certificate will be registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, registered in the name of Cede & Co., as nominee for DTC, if such Unrestricted Global Certificate will be held for the benefit of Euroclear and/or Clearstream through DTC and/or any other relevant clearing system and the relevant Unrestricted Global Certificate will be deposited on or about the issue date with the common depository or such other nominee or custodian.

Each Note represented by a Restricted Global Certificate will be registered in the name of Cede & Co. (or such other entity as is specified in the Final Terms), as nominee for DTC, and the relevant Restricted Global Certificate will be deposited on or about the issue date with the DTC Custodian. Beneficial interests in Notes represented by a Restricted Global Certificate may only be held through DTC at any time.

**Fixed Rate Notes** ..... Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) 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(s).

**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.

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

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on the Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s), 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(s).

**Zero Coupon Notes**..... Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

**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 or screen rate (as applicable) specified in the applicable Final Terms, then the Issuer may (subject to certain conditions) be permitted to substitute such benchmark and/or screen rate (as applicable) with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of such Series of Notes and, potentially, the application of an Adjustment Spread (which could be positive, negative or zero)). See Condition 8.5 (*Benchmark Replacement*) for further information.

**Redemption**..... Subject to any purchase and cancellation or early redemption, the Notes will be redeemed at par on such dates and in such manner as may be specified in the Final Terms. Please see Condition 10 (*Redemption and Purchase*).

**Optional Redemption**..... Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders of the Notes (the “**Noteholders**”) to the extent (if at all) specified in the Final Terms.

**Change of Control** ..... If so specified in the applicable Final Terms, each holder will have the right to require the redemption of its Notes if a Change of Control (see below) occurs. Please see Condition 10.6 (*Redemption on a Change of Control*).

A “**Change of Control**” will occur if there is a Change of Issuer Control or a Change of Bapco Control (each as defined in the Conditions).

**Early Redemption for Taxation Reasons**..... Notes may be redeemed before their stated maturity at the option of the Issuer for tax reasons. Please see Condition 10.5 (*Redemption for Taxation Reasons*).

**Interest**..... Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series as specified in the Final Terms.

**Denominations**..... The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as specified in the Final Terms (the “**Specified Denomination**”), subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, and

save that the minimum Specified Denomination shall be U.S.\$200,000 (or, if the Notes are denominated in a currency other than U.S. dollars, the equivalent amount in such currency).

***Notes having a maturity of less than one year***

Notes (including Notes denominated in pounds sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the 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 other currencies). See “*Subscription and Sale*”.

**Negative Pledge**..... The Notes will have the benefit of a negative pledge, as described in Condition 6 (*Negative Pledge*).

**Cross Acceleration**..... The Notes will have the benefit of a cross-acceleration clause, as described in Condition 14.3 (*Cross-acceleration of the Issuer*).

**Taxation**..... All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Relevant Taxing Jurisdiction (as defined in Condition 10.5 (*Redemption for Taxation Reasons*)) in accordance with Condition 13 (*Taxation*). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 13 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.

**ERISA**..... Generally, Notes (and interests therein) may be acquired and held by employee benefit plans and other plans that are subject to ERISA (as defined below) or Section 4975 of the Code (as defined below) and by other employee benefit plans, subject to certain restrictions. Purchasers, transferees and holders of Notes (or any interest therein) will be deemed to have given certain assurances regarding ERISA and Section 4975 of the Code.

**Enforcement of Notes in Global Form** ..... In the case of Global Notes and Global Certificates, individual investors’ rights against the Issuer will be governed by a deed of covenant dated on or about 30 March 2021 (the “**Deed of Covenant**”), a copy of which will be available for inspection at the specified office of the Fiscal Agent.

**Ratings**..... The rating of certain Series of Notes to be issued under the Programme may be specified in the Final Terms. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

Notes issued under the Programme may be rated or unrated. Where a Tranche is rated, the applicable rating(s) will be specified in the Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (a) issued by a credit rating agency established in the EU and registered under the CRA Regulation, or (b) issued by a credit rating agency which is not established in the EU but will be endorsed by a credit rating agency which is established in the EU and registered under the CRA Regulation or (c) issued by a credit rating agency which is not established in the EU but which is certified under the CRA Regulation will also be disclosed in the applicable Final Terms. The list of credit rating agencies registered and/or certified under the CRA Regulation is available on the ESMA website:

<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk> (last updated 4 January 2021).

**Selling Restrictions and Transfer Restrictions .....**

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, Canada, the EEA, the United Kingdom, Kingdom of Saudi Arabia, Qatar (including the Qatar Financial Centre), Bahrain, the United Arab Emirates (excluding the Abu Dhabi Global Market (the “**ADGM**”) and the Dubai International Financial Centre (the “**DIFC**”), the ADGM, the DIFC, Singapore, Hong Kong, Japan and such other restrictions as may be required in connection with the offering and sale of the Notes. See “*Subscription and Sale*”.

There are restrictions on the transfer of Notes sold pursuant to Regulation S and Rule 144A. See “*Transfer Restrictions*”.

In the case of Bearer Notes, the Final Terms will specify whether United States Treasury Regulations §1.163-5(c)(2)(i)(C) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Internal Revenue Code of 1986, as amended (the “**TEFRA C Rules**”) or United States Treasury Regulations §1.163-5(c)(2)(i)(D) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Internal Revenue Code of 1986, as amended (the “**TEFRA D Rules**”) are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

**United States Selling Restrictions**

Regulation S, Category 2. Rule 144A and TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms.

**Governing Law .....**

English law.

## RISK FACTORS

*The purchase of Notes involves risks and is suitable only for, and should be made only by, investors that have such knowledge and experience in financial and business matters as may enable them to evaluate the risks and the merits of an investment in the Notes. Prior to making an investment decision, prospective investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information set forth herein and, in particular, the risk factors set forth below.*

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies, which may or may not occur. In addition, factors which the Issuer believes are material for the purpose of assessing the market risks associated with the Notes are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

### **FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME**

#### **Risks relating to the structure of the Group**

*The Company relies on distributions and other revenue flows from its strategic investment in its portfolio companies to meet its financial obligations*

The Company conducts its operations principally through, and derives substantially all of its revenues from, its strategic investments in its portfolio companies and has limited revenue-generating operations of its own. Consequently, the Company's cash flows and ability to meet its cash requirements, including its obligations under the Notes, depend upon dividends or other distributions by its portfolio companies. Because the Company's portfolio companies are not providing guarantees or any other form of security with respect to the Notes, investors in the Notes will not have any direct claim on the cash flows or assets of the portfolio companies in the event of an insolvency of the Company, and the portfolio companies will have no obligation, contingent or otherwise, to pay amounts due under the Notes, or to make funds available to the Company to make those payments.

The terms and conditions of the Notes do not restrict the amount of indebtedness that the Group may incur, including indebtedness of the Company's portfolio companies. Such indebtedness, in certain cases, may contain covenants that, under certain adverse circumstances, might prevent or restrict distributions to the Company until such time as the relevant adverse circumstance has been cured or the relevant indebtedness has been repaid. The ability of the Company's portfolio companies to pay dividends or make other distributions or payments to the Company will also 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 the Company to enable the Company to meet its payment obligations under the Notes.

*The Group principal source of revenues are derived from Bapco, which is currently restricted from making distributions to the Company under the terms of the BMP Project Financing*

The Company's principal source of revenues, on a consolidated basis, are derived from the international and domestic sale of refined oil products by Bahrain Petroleum Company B.S.C. (c) ("**Bapco**"). The Group's international and domestic revenues from the sale of refined oil products accounted for 95.1 per cent., 93.8 per cent. and 92.3 per cent. of the Group's revenue in each of 2018, 2019 and 2020, respectively. The operations of Bapco are described further under "*Description of the Group—Subsidiaries, Associates and Joint Operations—Subsidiaries—Bapco*".

Any interruption to Bapco's business or restrictions on Bapco's ability to make dividends or distributions to the Company could therefore adversely affect the Group's business, results of operations, financial condition and



prospects and, therefore, the ability of the Company to meet its payment obligations under the Notes. In particular, Bapco's ability to make distributions may be limited by its significant capital investment programme, namely the Bapco Modernisation Programme (as defined below). In order to finance the Bapco Modernisation Programme, Bapco has entered into project debt financing facilities agreements amounting to an aggregate of U.S.\$4.1 billion (the "**BMP Project Financing**"). The BMP Project Financing is a limited recourse project financing relying solely on Bapco's cash flow generation for repayment of the debt, and which may only be utilised for Bapco Modernisation Programme project-related payments. The terms of the BMP Project Financing require Bapco's revenues to be ring-fenced into accounts secured in favour of the lenders, and restricts Bapco's ability to distribute dividends to the Company until financial completion of the Bapco Modernisation Programme, which is expected by mid-2023. Following financial completion, the BMP Project Financing will be repaid by Bapco over a 12-year period until mid-2035. Following financial completion, Bapco will be permitted to pay dividends to the Company, subject to satisfaction of certain liquidity thresholds. The BMP Project Financing does not provide recourse to the Company in respect of Bapco's obligations, except in very limited circumstances.

During the period until financial completion of the Bapco Modernisation Programme, the Company will therefore be reliant on dividends and other distributions received from the Group's other portfolio companies, plus a management fee amounting to 10 per cent. of Tatweer's oil and gas capital expenditure and operating costs, paid by MOFNE, in addition to the financing arrangements with MOFNE with respect to all project costs incurred by Tatweer (see "*Description of the Group—Subsidiaries—Tatweer*"). Dividends paid to the Company by its other portfolio companies amounted to U.S.\$115.1 million (from GPIC and Banagas) in the year ended 31 December 2019 and U.S.\$77.0 million (from GPIC, Banagas and SBPC) in the year ended 31 December 2020, while the management fee from MOFNE amounted to U.S.\$51.7 million in the year ended 31 December 2019 and U.S.\$79.1 million in the year ended 31 December 2020.

As Bapco is the most significant source of revenues and profits for the Group on a consolidated basis, the restrictions on Bapco's ability to pay dividends to the Company under the BMP Project Financing may have a material and adverse effect on the Company's ability to meet its payment obligations under the Notes. For additional details with regard to the BMP Project Financing, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—BMP Project Financing*".

## **Risks relating to the strategy of the Group**

### ***The Group may experience difficulties in funding its significant planned capital expenditure programme***

The Group, through its portfolio companies, is currently engaged in a number of significant projects to develop and enhance the oil and gas sector in Bahrain that, as of 31 December 2020, are expected to require in excess of U.S.\$9.8 billion in capital expenditure through the end of 2024, comprising U.S.\$6.9 billion for the purposes of the Bapco Modernisation Programme, which has been fully funded pursuant to the BMP Project Financing, and U.S.\$2.9 billion for the purposes of the Bahrain Field Oil and Gas Development and Expansion Programme (as defined below), which is yet to be funded. The success of the Group's project development strategy will be substantially dependent upon its ability to fund its capital expenditure programme. The most significant projects of the Group are summarised below:

- Bapco is currently undertaking a modernisation programme (the "**Bapco Modernisation Programme**") with the aim of increasing its refining capacity at the Sitra oil refinery by approximately 42 per cent., significantly improving the value and quality of its product mix. The Bapco Modernisation Programme is expected to be completed in 2023 and estimated to cost approximately U.S.\$6.9 billion, which has been fully funded through a mixture of senior long-term secured debt and equity. In February 2018, Bapco signed a U.S.\$4.1 billion EPC contract with a consortium led by French-U.S. petroleum services group TechnipFMC. In December 2018, greenfield construction at the site was commenced and the foundation stone ceremony for the Bapco Modernisation Project took place in March 2019. Financial close for the BMP Project Financing occurred on 9 May 2019. Please see "*Description of the Group—Subsidiaries, Associates and Joint Operations—Subsidiaries—Bapco—Bapco Modernisation Programme*" for a description of the Bapco Modernisation Programme and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—BMP Project Financing*" for a description of the BMP Project Financing.
- Tatweer Petroleum Bahrain Field Development Company W.L.L. ("**Tatweer**") is currently undertaking an oil and gas field development and expansion programme (the "**Bahrain Field Oil and Gas Development and Expansion Programme**") with the aim of increasing onshore oil and gas production capacity across a number of oil and gas fields. The estimated cost of the Bahrain Field Oil and Gas Development and Expansion

Programme is U.S.\$2.9 billion (comprising U.S.\$1.5 billion allocated to the gas development component and U.S.\$1.4 billion allocated to the oil development component), which is yet to be funded. The Group ultimately expects to obtain financing for the costs of the Bahrain Field Oil and Gas Development and Expansion Programme from MOFNE plus a management fee amounting to 10 per cent. of Tatweer's oil and gas costs. Please see "*Description of the Group—Subsidiaries—Tatweer—Bahrain Field Oil and Gas Development and Expansion Programme*" for further information. In addition to the foregoing, Tatweer is currently involved in the process of drilling a number of appraisal wells to help delineate the asset and collect important production information of the unconventional oil discovered in the Khalij Al-Bahrain Basin, encompassing areas of both offshore and onshore Bahrain. Please see "*Overview of Bahrain—Economy of Bahrain*" and "*Description of the Group—Subsidiaries—Tatweer—Oil and gas discovery*" for further information.

- In addition, Tatweer is currently engaged in the technical de-risking of different exploration and appraisal opportunities through the acquisition, processing and interpretation of geological and geophysical data. A number of studies both in-house and through third-party consultancies have been conducted with the aim of integrating available datasets and providing an updated geological understanding of new opportunities. Furthermore, Tatweer has also engaged a number of international oil companies with the aim of assessing the potential for joint collaboration in offshore oil exploration and production projects. These agreements include a joint study with ENI focusing on offshore Block-2, a memorandum of understanding with Total concerning oil and gas exploration opportunities, in particular in relation to the Khalij Al-Bahrain Basin, and a technical evaluation study with Chevron focusing on the unconventional production potential in the Khalij Al-Bahrain Basin. As at the date of this Base Prospectus, this project remains under appraisal, and no determination has been made to date in respect of the planned capital expenditure in relation to the project.
- The Company is working with ENI to conduct exploration and drilling in offshore Block-1, as part of an exploration and production-sharing agreement signed in 2019 following completion of a joint study agreement signed in 2016, and under which ENI is responsible for the payment of costs associated with the conduct of appraisals. ENI plans to drill its first well in the second quarter of 2021 as part of the exploration and production-sharing agreement minimum work programme. As at the date of this Base Prospectus, geological and geophysical evaluations of the block are progressing as per the exploration and production sharing agreement work programme.

Please see "*Description of the Group*" for a description of the significant projects that the Group is currently undertaking.

The ability of the Group to obtain external financing and the cost of such financing depends on numerous factors, including the general economic and market conditions, international interest rates, credit availability from banks or other financiers, investor sentiment towards emerging markets, investor confidence in the Group and the Government and the credit rating and financial condition of the relevant borrower. External funding may not be available to the Group on acceptable terms or at all.

If the Group raises additional debt in the future, it may become subject to additional or more restrictive financial covenants and ratios, or may be required to extend security over its assets for the benefit of lenders. The increased indebtedness that the Group is planning in connection with its project development programmes may require a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest (to the extent payable) on the Group's indebtedness, thereby reducing its ability to use its cash flow to fund its operations and future business opportunities. Additionally, it may limit its ability to raise capital to fund any future capital expenditure or operations, expose the Group to the risk of increased interest rates and/or increased costs to hedge interest rates and expose the Group to refinancing risk, to the extent that the Group is unable to repay its borrowings out of internally generated cash flow. There can be no assurance that the Group will be able to refinance its existing indebtedness on acceptable terms or at all, and there may be additional costs and risks associated with the refinancing of the Group's existing indebtedness. Any of the foregoing could have a material adverse effect on Group's business, financial condition, results of operations and cash flows and may affect the ability of the Company to meet its payment obligations under the Notes.

If the Group is not able to obtain adequate financing or other capital contributions to fund capital and investment expenditures in the future, including any additional financing required in respect of the Bapco Modernisation Programme or the Bahrain Field Oil and Gas Development and Expansion Programme, this could require it to alter, reduce the scope of, defer or cancel such projects. A number of these projects, including the Bapco Modernisation Programme and the Bahrain Field Oil and Gas Development and Expansion Programme, are expected to improve the profitability and competitiveness of the Group's operations. Any scaling back, deferral

or cancellation of these projects could therefore have a material and adverse effect on the Group's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

***The Group has significant plans to expand its oil and gas capacities and these plans are subject to development and construction risks***

As described above, the Group is currently engaged in a number of significant projects to enhance the oil and gas sector in Bahrain. These projects are mostly outsourced to third-party contractors through "turnkey" contracts, meaning that each phase of such projects, including the planning, design and construction phases, are outsourced to third-party contractors. These projects may take months or years before they become operational, during which time the Group may be subject to a number of construction, operating and other risks beyond its control including:

- an inability to find a suitable contractor or sub-contractor either at the commencement of a project or following a default by an appointed contractor or sub-contractor;
- default or failure by its contractors or sub-contractors to finish projects or parts of projects on time, according to specifications or within budget;
- disruption in service and limited access to third parties, such as architects, engineers or other service providers;
- difficulties in connecting any new facilities or plants to existing or new distribution networks;
- shortages or escalating costs of construction materials and increased global commodity prices;
- shortages or increases in the costs of equipment;
- breakdown or failure of equipment, processes or technology;
- delays due to adverse weather or other events beyond the Group's control;
- environmental issues and costs;
- start-up and commissioning problems;
- onerous contract terms and/or disputes with contractors or sub-contractors; or
- work stoppages or labour disputes.

There can be no assurance that any or all of the Group's current or future projects will be completed in the anticipated timeframe or at all, whether as a result of the factors specified above or for any other reason. The Group's inability to complete a project in the anticipated timeframe, or at all, could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

In addition, the performance achieved by any of the Group's new projects could be below expected levels of output or efficiency due to issues such as those relating to a project's design or specifications. If new projects fail to achieve the required levels of performance, this could adversely affect the return on the Group's investment in such projects which, in turn, may have an adverse effect on the Group's business, financial condition, results of operations and cash flow and therefore on the ability of the Company to meet its payment obligations under the Notes.

These projects are capital intensive and such expenditure may materially and adversely affect the profits of the Group. The actual capital and investment expenditures required by these projects may be higher or lower than the planned amounts due to various factors, including unplanned cost overruns. The Company can make no assurances with regard to whether, or at what cost, the planned or other possible capital projects of the Group will be completed or that these projects will be successful if completed.

Any delay in the completion, or increase in the cost of the construction, of the Group's significant projects could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

***The COVID-19 pandemic and its impact on business and economic conditions could negatively affect the Group's business, financial position, cash flow, results of operations and price of the Notes***

The outbreak of COVID-19, caused by a novel coronavirus (SARS-CoV-2), was first detected in China in December 2019 and was designated as a global pandemic by the World Health Organisation on 11 March 2020. The COVID-19 pandemic and measures taken to combat it are having a widespread impact on business and economic conditions, including on the demand for crude oil, natural gas, refined products and petrochemicals. Public health authorities and governments at local, national and international levels have announced various measures to respond to the pandemic, including restrictions on travel, voluntary or mandatory quarantines, workforce reductions of personnel who are deemed to be non-essential and the full closure of business activities deemed to be non-essential. These measures have severely impacted economic activity and led to lower demand for crude oil, natural gas, refined products and petrochemicals. Moreover, the COVID-19 pandemic has resulted in volatility in global capital markets and investor sentiment, which may affect the availability, amount and type of financing available to the Group in the future.

In addition to its impact on economic activity, COVID-19 could have a direct impact on the Group's operations. In Bahrain, public health authorities have taken various measures to combat the spread of COVID-19, including the introduction of social distancing measures such as a ban on gatherings of more than five individuals. In response to the economic slowdown caused by the COVID-19 pandemic, the Group initiated a three-stage cost containment exercise designed to manage its administrative and operational costs, including cost cutting, cancellation of non-essential projects, deferral of certain projects, contract re-negotiation, and the de-prioritisation of initiatives and projects with lower strategic importance. The Group also implemented various measures to limit the spread of COVID-19 and maintain production levels, such as the implementation of a remote working scheme, the adjustment of employee shift schedules and further social distancing measures in its premises. In addition, the health of some of the Group's employees has been impacted and some of its personnel have been quarantined, with 652 of the Group's employees having tested positive for COVID-19 and two COVID-19 related deaths having occurred as at 14 February 2021. If public health authorities determine that persons suspected of or confirmed to have COVID-19 have spent time at any of the Group's facilities, the Group may be required to pause certain operations or close certain facilities for a considerable time. If a significant percentage of the Group's workforce is unable to work or if the Group is required to close facilities because of illness or government restrictions in connection with the COVID-19 pandemic, the Group's operations may be negatively impacted.

In particular, the Company currently anticipates a delay of at least 12 months in the originally scheduled timeline for completion of the Bapco Modernisation Programme, primarily due to limitations in workforce availability for subcontractors as a result of the COVID-19 pandemic. In addition, Tatweer delayed plans for drilling and testing a number of key appraisal wells offshore until 2021 due to the risks and limitations of operating in the COVID-19 pandemic environment. While the Company does not currently anticipate these delays to result in a material impact on the overall cost of these projects, there can be no assurance that the COVID-19 pandemic, or measures taken in response to it, will not result in further delays to the Bapco Modernisation Programme, the Bahrain Field Oil and Gas Development and Expansion Programme, or any other projects being undertaken by the Group.

The Company is not able to predict how long the COVID-19 pandemic will persist or how long the measures that have been introduced to respond to it will remain in place. The Company also cannot predict how long the effects of COVID-19 and the efforts to contain it will continue to impact its business after the pandemic is under control or if additional, more restrictive measures to combat the pandemic will be implemented. These impacts could result in a worsening of the effects of the pandemic on the Group's business, cash flows, results of operations and price of its securities. The extent to which COVID-19 could impact the Group's business depends on future developments that are highly uncertain and are outside of the Company's control, including new information which may quickly emerge concerning the severity of the virus, the scope of the pandemic and actions to contain the virus or treat its impact and the efficacy of such actions, among others.

***The Government of Bahrain may exercise significant influence over the Company's operations and the Government's interests may, in certain circumstances, be different from the interests of the Noteholders***

The Company is wholly-owned by the Government and undertakes considerable capital and other expenditures (such as the Bahrain Field Oil and Gas Development and Expansion Programme described above) for the benefit of the Government. The Government has the power to influence directly or indirectly the Company's commercial

and operational affairs, including its investment and divestment decisions. To date, the Company has taken strategic investment decisions based on commercial principles with an expectation of reasonable economic returns. However, it is possible that, in the future, the Company may be asked by the Government to work on important strategic projects for Bahrain, which are expected to contribute to the overall economy of Bahrain, but which may not be expected to deliver suitable returns for the Company. While any such projects may receive some financial support directly from the Government, there can be no assurance that this will in fact be the case. In addition, any involvement in such projects could divert the Company's managerial attention and resources.

There can be no assurance that the Government will not exercise significant influence over the commercial affairs of the Company (even though, to date, the Government has not exercised any such influence since the establishment of the Company). The Government's interests may also conflict with those of the Company or the Noteholders. Most of the Company's current portfolio consists of state-owned enterprises of strategic and national importance. Thus, the outcome from any decision making processes relating to the Company's investments may not always be strictly commercial or transparent, or made on a timely basis, which in turn could have a material and adverse effect on the Company's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

***The Government may alter its relationship with the Company***

The Government has the ability to limit the Company's mandate, or limit the assets granted to, the Company. Any such actions by the Government could have a material and adverse effect on the Company's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

***The Company has historically paid and is likely to continue to pay dividends to the Government in the future***

The terms and conditions of the Notes do not restrict the amount of distributions that the Group may pay to the Government and the Group has made significant distributions in the past and may be required to do so again in the future.

The Company declared and paid a dividend of BD56.6 million (U.S.\$150.5 million) to MOFNE in 2019 (relating to the financial year ended 31 December 2018) and, as part of the Company's contribution to the state budget, is expected to pay a dividend of BD56.6 million (U.S.\$150.5 million) to MOFNE relating to the financial year ended 31 December 2019, which has not yet been declared and is yet to be paid.

These dividends are in addition to the BD797.3 million (U.S.\$2,120.5 million), which was set off from the amount due from the Government against the Company's retained earnings in the year ended 31 December 2019. See "*Risks relating to the structure of the Group—The Company relies on distributions and other revenue flows from its strategic investment in its portfolio companies to meet its financial obligations*" and "*Risks relating to the structure of the Group—The Group principal source of revenues are derived from Bapco, which is currently restricted from making distributions to the Company under the terms of the BMP Project Financing*".

The Government may in the future seek to maintain the current levels of dividends or require a greater contribution from the Company to meet its deficit reduction targets. If the Company's board of directors were to recommend a dividend to the Government in the future or be expected to contribute to the Government's budget, any dividend payment or budget contribution to the Government could be made out of, among other things, the Company's revenues, retained earnings or proceeds from corporate divestitures, if any. Moreover, the terms of the BMP Project Financing restrict Bapco's ability to distribute dividends to the Company until financial completion of the Bapco Modernisation Programme, which is expected by mid-2023 (see "*The Group principal source of revenues are derived from Bapco, which is restricted from making distributions to the Company under the terms of the BMP Project Financing*" above, and "*Description of the Group—Subsidiaries—Bapco*"). As such, any future requirements to maintain dividend payments or for the Company to provide a greater contribution to the Government could have a material and adverse effect on the Company's available liquidity, business, results of operations, financial condition and prospects and therefore, on the ability of the Company to meet its payment obligations under the Notes.

***The Company's financial obligations, including its obligations under the Notes are not guaranteed by the Government absent an explicit guarantee***

Although the Company is wholly-owned by the Government, the Company's obligations under the Notes are not guaranteed by the Government. In addition, the Government is under no obligation to extend financial support to

the Company. Accordingly, the Company's financial obligations, including its obligations under the Notes, are not, and should not be regarded as, obligations of the Government. The Company's ability to meet its financial obligations under the Notes is dependent on its ability to fund such amounts from its operating revenues, profits and cash flows. Therefore, any decline in the Company's operating revenues, profits and cash flows from the Group, or any difficulty in securing external funding, could have a material and adverse effect on the ability of the Company to meet its payment obligations under the Notes.

***The Company and each of its portfolio companies are highly dependent on their personnel and management teams and the failure to attract and retain qualified and experienced personnel and management could have a material adverse effect on the Group's business***

If the Group is unable to attract or retain experienced, capable and reliable personnel, especially senior and middle management with appropriate professional qualifications, or if the Group fails to recruit skilled professional and technical staff at a pace consistent with its growth, its business, financial condition, results of operations and prospects may be materially adversely affected.

Experienced and capable personnel in the oil and gas industry remain in high demand and there is continuous competition for their talents. The Group may not be able to successfully recruit, train or retain the necessary qualified personnel in the future. The Group is dependent upon their executive officers and key personnel, and the success of its business is driven by the performance of such officers and key employees and the ability of the Group to retain them. The unexpected loss of the services of the Group's executive officers or key personnel could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

The Group may need to offer competitive compensation and other benefits in order to attract and retain key personnel in the future. If the Group cannot recruit new qualified personnel to support its growing business, this could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

***The Company may not be able to manage the growth of the Group successfully***

The Group has recently embarked upon a period of significant growth and the Company expects that the Group will continue to grow significantly in future years, as a result of its investments in strategic projects. Future growth may place a significant strain on the Company's managerial, operational, financial and other resources. The need to manage the Group's investments may require continued development of procedures and management controls, hiring and training additional personnel, as well as training and retaining its employee base. Such growth may also significantly increase costs, including the cost of compliance arising from exposure to additional activities and jurisdictions.

As part of its strategy, the Group may from time to time make substantial acquisitions of oil and gas interests, which may include oil and gas assets, companies or businesses. The integration of those assets, companies or businesses and their operations, technologies and employees, may expose the Group to operating difficulties and expenditure associated with the retention of key employees, legal contingencies and risks related to the acquired business, and the maintenance and integration of procedures, controls and quality standards. As a result of these or other factors, the Group may not be able to achieve the anticipated benefits from any acquisition or investment, and the consideration paid for an acquisition or investment may also affect the Group's financial results.

Such strategic acquisitions and investments could also divert management's time and focus from operating the Group's business. The financing of acquisitions or investments in other companies may require the Group to use a substantial portion of its available cash, raise debt, which would increase the Group's interest expense, or for Group entities to issue shares or other rights to purchase shares, which may result in dilution to the existing shareholders and decrease the Company's earnings per share from such Group entities. Moreover, acquisitions may result in write-offs and restructuring charges as well as in creation of goodwill and other intangible assets that are subject to an impairment test, which could result in future impairment charges. All of these factors could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

If the Group is not successful in meeting the challenges associated with any significant acquisitions which it may make, or in managing its growth successfully, this could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

***The Company's historical consolidated financial statements may be difficult to compare from one financial period to another due to its significant strategic investment activity in recent years***

The Company has engaged in significant strategic investment activities in recent years. Since 1 January 2018, the Company's investment activities have included, amongst others, the acquisition of a 37 per cent. stake in Arab Shipbuilding and Repair Yard Co. B.S.C. (c) ("Asry") and the establishment of Bapco Retail Company W.L.L. ("BRC"). Moreover, the Company has undertaken the corporatisation of Bapco, which has seen the cessation of the Government cash-call mechanism that was previously in place. Please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal components of, and key factors affecting, results of operations—Acquisitions and Disposals*".

As a result, year-on-year comparisons of the Company's financial statements may be difficult and may not be representative of the Company's underlying financial performance. For example, the transfer of the Company's current economic ownership in Asry, as indicated above, has been considered as a contribution from the Government in the amount of BD0.6 million (U.S.\$1.6 million) and has been credited to equity. As part of a debt restructuring of Asry, the Company has an obligation to provide an interest free shareholder loan up to an amount of BD11.3 million (U.S.\$30.1 million). The management of the Company expects this shareholder loan to be shared between all shareholders of Asry and that this shareholder loan will take priority over the equity of Asry without any exposure to variable returns.

The Company's historical consolidated financial statements may therefore be difficult to compare from one financial period to another and may not be sufficient to adequately assess the Company's future cash flows, results of operations, rate of growth or the ability of the Company to meet its payment obligations under the Notes.

***Almost all of the Company's current investment portfolio is illiquid, which may adversely affect the Company's ability to divest its investments or generate liquidity if required***

The Company is a key vehicle for the achievement of Bahrain's long-term economic development strategy and almost all of the current investments and a significant portion of the Company's future investments may require a long-term commitment of capital to facilitate the implementation of this development strategy. The long-term investment horizon and the illiquid nature of these investments may make it difficult to sell investments if the need arises or if the Company determines it would be in its best interests to sell. In addition, if the Company were required to liquidate all or a portion of an investment quickly, it may realise significantly less than the carrying value, which could have a material and adverse effect on the Company's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

***The Group may be subject to risks resulting from disputes and/or litigation***

The Group is subject to risks relating to legal and regulatory proceedings to which it or its subsidiaries, associates and joint operations are currently a party or which could develop in the future (see "*Description of the Group—Litigation*"). In particular, the primary industry in which the Group operates, being oil and gas, is sensitive and may be uniquely affected by litigation, regulatory actions, investigations or disputes. The Group's involvement in litigation and regulatory proceedings may result in the imposition of fines or penalties or could adversely affect its reputation.

Furthermore, litigation and regulatory proceedings are unpredictable, and legal or regulatory proceedings in which the Group is or becomes involved (or settlements thereof) could result in substantial penalties and may have a material and adverse effect on the Group's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

***Credit ratings assigned to the Company and/or the Notes are subject to ongoing evaluation and there can be no assurance that the rating currently assigned to the Company and/or the Notes will not be placed on credit watch or downgraded***

As at the date of this Base Prospectus, the Programme has been assigned a credit rating of B+ by Fitch. Fitch is established in the European Union and is registered under the CRA Regulation.

One or more independent credit rating agencies may also assign credit ratings to the Notes. Any ratings of either the Company or the Notes may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this Base Prospectus and other factors that may affect the value of the Notes. Nevertheless,

real or anticipated changes in the Company's credit ratings or the ratings of the Notes generally will affect the market value of the Notes. Any adverse change in the applicable credit rating could adversely affect the trading price of the Notes. Additionally, investors should be aware that, in the future, the Notes may not have the same rating as the Company for any number of reasons including the specific terms and conditions of the Notes, current and future financings by members of the Group, rating agency methodology or other factors.

In addition to the Programme rating above, the Company has been assigned a rating of B+ with a stable outlook by Fitch Ratings Ltd. ("**Fitch Ratings**"). The Company's credit ratings are an important factor in determining the Group's cost of borrowing. The Group's borrowing costs are also partly dependent on its credit ratings. There is no assurance that the Company's credit rating will remain in effect for any given period of time or that the rating will not be lowered or withdrawn entirely if circumstances in the future so warrant. A downgrade of the Company's credit rating, or a negative change in its outlook, may: (i) limit the Group's ability to raise funding; (ii) increase the Group's cost of borrowing; and (iii) limit the Group's ability to raise capital. In addition, actual or anticipated changes in the Company's credit rating may negatively affect the market value of any Notes issued under the Programme.

The Company's credit rating is also closely linked to that of the sovereign credit rating of Bahrain. Bahrain has been assigned the following credit ratings: B+ (stable outlook) by Fitch Ratings and B+ (stable outlook) by S&P Global Ratings Europe Limited ("**S&P**"). The current credit ratings assigned to Bahrain by Fitch Ratings and S&P are a result of a downgrade by each of these credit ratings agencies from, in the case of Fitch Ratings, BB- (stable outlook) to B+ (stable outlook) on 14 August 2020 and, in the case of S&P, from BB- (negative) to B+ (stable) on 1 December 2017. S&P revised its outlook from stable to positive on 29 November 2019, followed by a subsequent downward revision to stable on 26 March 2020. Furthermore, on 3 August 2018, Moody's, which rates Bahrain on an unsolicited basis, cut Bahrain's long term issuer credit rating from B1 (negative outlook) to B2 (negative outlook). Subsequently, on 17 December 2018, Moody's revised the outlook on Bahrain's long term issuer credit rating to B2 (stable outlook), which was affirmed in October 2020. For each of the revised ratings mentioned above, the relevant ratings agency cited a fall in oil prices having led to a material deterioration in Bahrain's credit profile and the expectation of a deterioration in Bahrain's financial position as among the reasons for the revision. In addition, Fitch Ratings' downgrade also reflected the combined impact of lower oil prices and the COVID-19 pandemic on Bahrain, which are causing increases in budget deficit and government debt, as well as continuing pressure on foreign currency reserves and GDP.

In the event that any of Fitch Ratings and/or S&P and/or any other agency that provides the sovereign credit rating for the Government downgrades the Government's sovereign credit rating, there can be no assurance that such downgrade of the Government's sovereign credit rating will not materially and adversely affect the credit rating of the Company and/or its debt securities (including the Notes).

#### ***Cyber security risks and threats could affect the Group's business***

The Group relies heavily on information systems to conduct its business. There can be no assurance that the systems the Group has designed to prevent or limit the effects of cyber incidents or attacks will be sufficient to prevent or detect such incidents or attacks, or to avoid a material impact on the Group's systems when such incidents or attacks do occur. For instance, on 24 December 2019, a ransomware attempt was made on a part of the Bapco network, for which attribution could not be established, while in early May 2020 Bahrain LNG W.L.L. ("**Bahrain LNG**") was targeted in a phishing incident, which is currently under investigation by the relevant authorities in Bahrain. Although the Company, its subsidiaries and its affiliates have taken steps to enhance security measures in response to these incidents, if the Group's systems for protecting against cyber security risks are circumvented or breached, this could result in the loss of the Group's intellectual property or other proprietary information, including customer data, and disruption of the Group's business operations.

#### **Risks relating to Bapco**

##### ***The Group's profitability has been significantly supported by the supply of subsidised crude oil to Bapco***

The Group has historically benefitted from significant Government support in the form of subsidised Bahrain crude oil from the Bahrain Field. Following discussions between the Company, Bapco and the Government, on 19 September 2017, the High Committee for Natural Resources and Economic Security, which is appointed by the Cabinet and whose members include the Minister of Oil and the Minister of Finance, approved the amendment and extension of an existing crude oil supply agreement between the Company, Bapco and the Government dated 7 February 2005 (the "**2005 COSA**"), for an additional term of 25 years. The new crude oil supply agreement, which replaced the 2005 COSA, was entered into on 22 October 2018 (the "**2018 COSA**") and, together with the



2005 COSA, each a “**COSA**”). The terms of the 2018 COSA are substantially the same as the 2005 COSA, save that the 2018 COSA requires the Company to assume Bapco’s obligations as buyer therein upon completion of certain requirements (which include, among other things, completion of the Bapco Modernisation Programme), following which Bapco will cease to be a party to the 2018 COSA. Upon Bapco ceasing to be a party to the 2018 COSA, the benefit of the subsidised oil supplied pursuant to the 2018 COSA will be directly received by the Company as buyer. Since 2018, the Government has been providing Bapco with a minimum of 38,700 barrels per day of Bahrain crude oil at a subsidised price of U.S.\$1 per barrel pursuant to the 2018 COSA. In the years ended 31 December 2018, 2019 and 2020, Bapco received 38,700 bpd, 38,700 bpd and 38,700 bpd, respectively, of subsidised crude oil pursuant to the COSA.

Pursuant to a crude oil sale and purchase agreement dated 24 February 2019 (the “**COSPA**”), Bapco has agreed to make payment for production costs of U.S.\$11 per barrel (indexed) in respect of the quantity of Bahrain crude oil supplied pursuant to the COSA, which is extracted by Tatweer pursuant to a services subcontract agreement and other ancillary agreements entered into on 24 February 2019. Any quantities of Bahrain crude oil supplied to Bapco in excess of the quantities stipulated in the COSA are provided to Bapco at market value.

In the years ended 31 December 2018, 2019 and 2020, Bapco paid production costs in respect of this subsidised crude oil of U.S.\$11 per barrel, U.S.\$11.275 per barrel and U.S.\$11.557 per barrel, respectively, in accordance with the COSPA, resulting in Bapco receiving the subsidised crude oil at a cost of U.S.\$12 per barrel, U.S.\$12.275 per barrel and U.S.\$12.557 per barrel, respectively.

This cost represented an average subsidy of U.S.\$56.564 per barrel, U.S.\$52.768 per barrel and U.S.\$29.036 per barrel in the years ended 31 December 2018, 2019 and 2020, respectively. In the event that Bahrain crude oil had been invoiced at market prices by the Government instead of COSA prices, the net profit of the Group for the year ended 31 December 2018, 2019 and 2020 would have been lower by BD283 million (U.S.\$753 million), BD280 million (U.S.\$745 million) and BD157 million (U.S.\$418 million), respectively.

Given the importance of this Government support to the Group’s business, any change in the level of Government support provided, or the cessation of such support, could result in a material adverse effect on the Group’s business, results of operations and financial condition and may affect the Group’s ability to satisfy its obligations to make the relevant payments under the Notes. The withdrawal of the significant Government support for the Group in the form of subsidised Bahrain crude oil could also make it more difficult to finance the Bapco Modernisation Programme. See “*Risks relating to the strategy of the Group—The Group may experience difficulties in funding its significant planned capital expenditure programme*”.

In addition, the Group’s ratings are closely linked to the support provided by the Government to the Group. Any change in such support could result in the Group’s ratings being downgraded. This, in turn, would be likely to adversely affect its ability to complete its capital expenditure programmes and other projects and could make it more difficult for the Group to refinance existing financings when they fall due to be repaid, each of which would also adversely affect the Group’s business, financial condition and results of operations and may affect the ability of the Company to meet its payment obligations under the Notes.

#### ***Bapco is dependent on supply of crude oil from Saudi Arabia***

The majority of the crude oil feedstock for the Sitra Refinery is provided by Saudi Arabian Oil Company (“**Saudi Aramco**”) through a new AB pipeline (the “**New AB4 Pipeline**”) pursuant to a crude oil supply agreement for the supply of crude feedstock signed in February 2019 (the “**Saudi Aramco COSA**”). In the year ended 31 December 2020, 175,394 bpd of the 218,623 bpd of crude oil processed at the Sitra Refinery was supplied by Saudi Aramco. In addition, it is expected that the additional crude oil feedstock required for the significant expansion of the Sitra Refinery will be supplied by Saudi Aramco through the New AB4 Pipeline, with Saudi Aramco agreeing to supply 350,000 bpd of Arabian crude oil pursuant to the Saudi Aramco COSA.

While Saudi Aramco has provided an uninterrupted supply of Arabian crude oil to Bapco for over 73 years, and the Saudi Aramco COSA is expected to continue in force with automatic extension, the Saudi Aramco COSA can be terminated at the option of either party with written notice. Furthermore, the supply of Arabian crude oil may be disrupted as a result of political instability and acts of terrorism in the region, such as the incident in November 2017, which affected the AB3 pipeline, or the incident in September 2019 concerning Saudi Aramco’s Abqaiq and Khurais facilities, which resulted in the temporary suspension of processing by Saudi Aramco at these facilities. In the event that Saudi Aramco is unable, or unwilling, to supply some or all of the crude oil required by the Group, Bapco’s ability to operate the Sitra Refinery would be materially adversely impacted unless it was able to source alternative fuel supplies, which may not be available on comparable terms, or at all.

Due to the implementation of a value chain integration strategy and the consequent integration of the activities of the companies within the Group, with a number of companies within the Group reliant on products produced by the Sitra Refinery as feedstock, there is a risk of exposing such companies and future interrelated projects to shortages in feedstock supply or off-take risks in the event that Bapco is not supplied with sufficient crude oil by Saudi Aramco. Any of the above factors could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

***Bapco may rely on a small number of key clients or contracts for a significant proportion of its revenue***

Bapco generates a significant portion of its revenue from certain key clients. For the years ended 31 December 2018, 2019 and 2020, the top 10 clients of Bapco by revenue represented approximately 49 per cent., 35 per cent. and 39 per cent., respectively, of Bapco's revenue.

While Bapco has long-term relationships with many of its key clients, there can be no assurance that its clients will enter into future contracts or renew existing contracts with Bapco or that any future contracts they enter into will be on equally favourable terms. If the demand for Bapco's products by any of its key clients declines, a key contract is terminated, or a key client or contract proves less profitable than expected, it could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

***The price for the sale of certain refined products produced by the Group and sold domestically is not set by the Company and, as a result, may not reflect commercial or market terms, including any increases in the Group's cost of production***

The domestic sale of refined petroleum products represents the sale of diesel, kerosene, gasoline, liquefied petroleum gas ("LPG") and asphalt by Bapco to domestic customers in Bahrain. The Group's revenue from domestic sale of refined petroleum products accounted for 9.1 per cent., 9.6 per cent. and 13.7 per cent., respectively, of the Group's total revenue in the years ended 31 December 2018, 2019 and 2020, respectively.

The price for the sale of certain refined products produced by the Group and sold domestically is not set by the Company. The price in respect of gasoline which is sold domestically is determined by the Gasoline Price Review Committee, while the price in respect of diesel and kerosene which is sold domestically is determined by the Petroleum Price Review Committee. Each of the Gasoline Price Review Committee and Petroleum Price Review Committee is composed of representatives from NOGA and Bapco. In addition, the price in respect of gasoline 98 Octane "super", which is sold domestically, is proposed by the Gasoline Super Price Review Committee. The Gasoline Super Price Review Committee is composed of representatives from NOGA and Bapco, and holds meetings as necessary and/or by request when the committee is asked to propose price change scenarios by the Government. The other two types of gasoline sold domestically are gasoline 95 octane "Mumtaz" and gasoline 91 octane "Jayyed", the prices for which are based on international references which are submitted periodically by NOGA to the Government, which may then make a determination in respect of price changes. Asphalt is sold domestically at market prices, while LPG is sold domestically at a subsidised price. The price of diesel and kerosene sold domestically is determined in accordance with ministerial order No.10 for the year 2015.

The sale price of natural gas is determined in accordance with a Government resolution adopted in January 2015, which provides that all gas sales to existing and new consumers will be maintained at U.S.\$2.5 per million btu, with the price of natural gas to be increased at a rate of 25 cents per million btu annually from 1 April 2016 until 1 April 2021. As a result of the foregoing, the current price of natural gas is U.S.\$3.75 per million btu.

Prior to January 2016, the price of gasoline in Bahrain had remained unchanged for the past 33 years. However, in January 2016, in line with actions being taken by other Gulf Cooperation Council ("GCC") governments to reform energy subsidies, the Government increased the price of gasoline by more than 50 per cent, increasing the price of 95 Octane (Mumtaz) gasoline from 100 fils per litre to 160 fils per litre and increasing the price of 91 Octane (Jayyid) gasoline from 80 to 125 fils per litre. In July 2016, the Government set the price for Super 98 gasoline at 235 fils per litre. In January 2018, the government set the price of 91 Octane (Jayyid) gasoline at 140 fils per litre, up from 125 fils per litre, while 95 Octane (Mumtaz) gasoline was set at 200 fils per litre, up from 160 fils per litre.

In January 2016, the Government also increased the price of diesel from 100 fils per litre to 120 fils per litre and increased the price of kerosene from 100 fils per litre to 120 fils per litre. In January 2017, the Government

increased the price of both diesel and kerosene to 140 fils per litre. Prices for diesel and kerosene were further increased from 1 January 2019 and 1 January 2018, respectively, to 180 fils per litre and 160 fils per litre.

Revenue from the domestic sale of oil decreased by BD31 million (U.S.\$82.3 million), or 12.1 per cent., in 2020, decreasing from BD260.4 million (U.S.\$692.4 million) in 2018 to BD255.7 million (U.S.\$680.2 million) in 2019 and BD224.8 million (U.S.\$597.9 million) in 2020.

Bapco is also required to sell diesel to fisheries in Bahrain at subsidised rates specified and regulated by the Government. Diesel is sold to fisheries at a price of 140 fils per litre, with Bapco providing a rebate of 30 fils per litre in 2018.

There can be no assurance that the Government will approve any further increase to these tariffs in the future, and tariffs may be set below the Group's cost of production. Any failure to increase tariffs in line with increased operating costs could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

### ***The Group is exposed to client credit risk***

The Group is exposed to client credit risk. The Group provides services and products to a variety of clients and is subject to the risk of non-payment for the services and products that it has supplied. These risks are heightened when conditions in the industries in which its clients operate, or general economic conditions, deteriorate. For example Bapco has, over the past three years had to pursue various courses of action for outstanding receivables owed to it by customers, including Media-Ways, which provides services relating to advertising boards in service stations owned by BRC and, during 2020, the Group wrote off receivables of BD1.8 million, which includes interest and penalties on overdue receivables related to Media-Ways of BD0.1 million.

As of 31 December 2020, BD29.2 million (U.S.\$77.7 million) of trade and other receivables were impaired and fully provided. In addition, as at 31 December 2020, aging, but not impaired trade receivables, amounted to BD238 million (U.S.\$633 million), of which 14 per cent. was more than 60 days past due. While portfolio companies have procedures in place to monitor credit risk on their receivables, there can be no assurance that such procedures will prevent the occurrence of credit losses that could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes. For further information on its exposure to credit risk, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Credit Risk*".

### ***Oil price fluctuations and a substantial or extended decline in refining margins would negatively impact the Group's financial results***

Substantially all of the Group's revenues are derived from its refining and petrochemicals businesses. The Group's financial results are primarily affected by the margin between the prices at which the Group sells refined products and the prices at which the Group purchases crude oil and other feedstocks (the "**refining margin**"). The Group buys the majority of the crude oil utilised in operations from Saudi Aramco at prices which are determined on the basis of, or by reference to, world oil prices. See "*—Bapco is dependent on supply of crude oil from Saudi Arabia*". The Group has also historically benefitted from significant Government support in the form of subsidised Bahrain crude oil from the Bahrain Field. See "*—The Company's profitability has been significantly supported by the supply of subsidised crude oil to Bapco*". The Group also derives revenue from the sale of oil and gas by Tatweer which also exposes it to fluctuations in oil and gas prices.

International oil prices have fluctuated significantly over the past two decades, and may remain volatile in the future. More recently, Brent oil prices fell gradually in the first two months of 2020 before dropping sharply in March and April, with Brent oil ultimately falling below U.S.\$16 per barrel in April 2020. This was primarily due to the impact of the COVID-19 outbreak on the global economy and the increase in supply, each as described in more detail below. Although oil prices have made some recovery since April 2020, with Brent crude rising above U.S.\$50 per barrel in December 2020, there is no certainty that such price levels will continue to rise or be maintained as oil price continues to be volatile.

One of the reasons for increased volatility in oil prices in early 2020 was the increased oil supply in the market. On 6 March 2020 a meeting between members of OPEC+ (an alliance between the Organisation of the Petroleum Exporting Countries ("**OPEC**") and certain non-OPEC oil-producing countries responsible for stabilising the price of oil since 2017), failed to reach an agreement on whether to reduce oil production in response to the

widespread outbreak of COVID-19 ending three years of cooperation on production levels. As a result, OPEC removed all limits on production, thereby prompting both Saudi Arabia, along with other producers, to increase production. These events, combined with the global challenges posed by the COVID-19 pandemic, caused a sharp drop in oil prices, with Brent crude dropping to U.S.\$22.76 per barrel on 30 March 2020. A series of meetings took place on 9 and 12 April 2020 between OPEC and non-OPEC oil producing countries, which culminated in an agreement to reduce their overall oil production in stages between 1 May 2020 and 30 April 2022. During the initial two-month period beginning 1 May 2020, it was agreed that production will be reduced by a total of 9.70 million barrels a day, followed by a six-month period starting 1 July 2020 where production will be reduced by a total of 7.68 million barrels a day, followed by a final 16-month period between 1 January 2021 and 30 April 2022 where production will be reduced by a total of 5.76 million barrels a day. Subsequently, at a meeting held on 3 December 2020 between OPEC and non-OPEC oil producing countries, it was agreed that production cuts will be reduced by 500,000 barrels per day beginning in January 2021. On 5 January 2021, it was further announced that the members of OPEC+ would maintain collective oil output levels through February 2021, although Russia and Kazakhstan would increase output by 75,000 each, which will be offset by corresponding reductions in oil output by Saudi Arabia. In a separate announcement on 5 January 2021, Saudi Arabia announced that it would unilaterally reduce its oil output by 1 million barrels per day from February 2021. However, there can be no assurance that such agreements will be implemented by all relevant parties or achieve their stated goals. It is also unclear what effect the agreements will have on oil prices in the short- to medium-term and there can be no guarantee that crude oil prices will not decrease further. The price of crude oil continues to fluctuate significantly on a daily basis but remains low due to uncertainty surrounding production output levels and due to significantly lower demand for crude oil. As at 19 March 2021 the Brent oil price was U.S.\$64.53. The price per barrel of Arabian Light Crude Oil (which is produced by Saudi Arabia and constitutes part of the OPEC Reference Basket) has also moved in line with these trends.

Prices for oil and gas are based on world supply and demand dynamics and are subject to large fluctuations in response to relatively minor changes in demand, whether as a result of market uncertainty or other factors beyond the control of the Group, including actions taken by OPEC and adherence to agreed production quotas, war, terrorism, government regulation, social and political conditions in oil producing countries generally, economic conditions, prevailing weather patterns and meteorological phenomena such as storms and hurricanes and the availability and price of alternative sources of energy. It is impossible to accurately predict future oil and gas price movements. There can be no assurance that these factors, in combination with others, will not result in a prolonged or further decline in oil prices.

The price of the crude oil the Group purchases and the price at which the Group can sell its refined products may fluctuate independently of each other due to a variety of factors beyond the Group's control, including regional and global supply of, and demand for, crude oil, gasoline and diesel and other feedstocks and refined products. These in turn depend on, among other things, the availability and quantity of imports, the production levels of suppliers, levels of refined product inventories, productivity and growth (or the lack thereof) of regional and global economies, political affairs and the extent of governmental regulation.

Historically, the refining and petrochemicals industries have experienced alternating periods of tight supply, resulting in increased prices and profit margins, followed by periods of substantial increases in capacity, resulting in over-supply and declining prices and profit margins. The historical operating results of the Group have in part reflected this volatile and cyclical nature of the refining and petrochemicals industries. There is no guarantee 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.

An increase in the price at which the Group purchases crude oil, including as a result of any change in the level of Government support provided to the Group in the form of subsidised Bahrain crude oil, or any decline in the Group's refining margins, could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

***Certain companies in the Group could face liabilities under environmental and safety laws***

Environmental contamination, toxicity and explosions from leakage and associated penalties are generally inherent risks to the oil and gas, refinery, pipeline and petrochemicals businesses. Companies in the Group must comply with all environmental laws and regulations which may affect their 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.

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 by the Group, acts of sabotage or non-compliance with environmental laws or regulations. For instance, in 2020, a leak was discovered in the Sitra to Arad pipeline operated by The Bahrain Aviation Fueling Company B.S.C. (c) (“**BAFCO**”) which resulted in a spill of approximately 3,000 litres of Jet A1 fuel, requiring BAFCO to clamp and repair defects identified in the pipeline, which is expected to be completed by February 2021. Similarly, during the testing of a hydrant by BAC Jet Fuel Company W.L.L. (“**BJFCO**”) a leak developed which resulted in the contamination of soil in the surrounding area, which was subsequently disposed of in accordance with the requirements of the Environmental Council. Such liability could have a material and adverse effect on the Group’s business, results of operations, financial condition or prospects (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 could have a material and adverse effect on the Group’s business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

***There are numerous risks relating to hydrocarbon operations and production which may result in personal injury or result in damage to, or destruction of, the Group’s assets and the environment, as well as interruption of the Group’s operations***

The business of the Group is subject to all of the health, safety, security and environment and asset integrity risks normally associated with the exploration for, appraisal, development, production, storage, transportation and marketing of hydrocarbons. These risks include blowouts, explosions, fires, flammable liquid and gaseous leaks, any of which could cause personal injury, result in damage to, or destruction of, oil and gas wells or formations or production facilities and other property, equipment and the environment, as well as interrupt operations. In November 2016, a fire in the vapour air coolers at the Sitra Refinery led to the shutdown of the heavy vacuum gas oil (“**HVGO**”) hydrocracker for four weeks. As a result of the integration of activities at the Sitra Refinery, the shut-down adversely impacted the production of lube base oils, due to the unavailability of feedstock.

There can be no guarantee that major incidents resulting in fatalities, damage to the Group’s assets and major disruption to the Group’s operations will not occur in future. Additionally, as many of the Group’s operations and production assets are concentrated in a single site, any such incidents could result in significant disruption to the Group’s operations. Such incidents, if they do occur, may, as well as delaying production, subject the Group to significant liabilities under environmental and safety laws and therefore could have a material and adverse effect on the Group’s business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

***Costs associated with carbon dioxide emissions could significantly increase the Group’s costs and advances in alternative fuels could adversely affect demand for the Group’s products***

The Group expects continued political attention to issues concerning 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 Paris Agreement address greenhouse gas emissions. Carbon dioxide (“**CO<sub>2</sub>**”) 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 carbon dioxide. The Kingdom of Bahrain is a signatory of the Paris Agreement and the Paris Agreement has been ratified by the Kingdom of Bahrain. Compliance with the Paris Agreement may require reduction of CO<sub>2</sub> emissions in the Kingdom of Bahrain, and the responsibilities of Bahraini companies may change following the implementation of any CO<sub>2</sub> mitigation regulations. Such regulations could result in, for example, increased: (i) costs to operate and maintain the Group’s refineries, (ii) capital expenditures to install new emission controls at the Group’s refineries, and (iii) 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's business, results of operations, financial condition and prospects.

Additionally, changes in technology or consumer preferences that alter fuel choices or affect demand for fuel may negatively affect demand for the Group's refined products. Technological advancements, lower-cost electricity and further developments in alternative energy sources may impact demand for the Group's refined products. There can be no assurance that the Group will be successful in anticipating the rate of such change or be successful in identifying alternative sources of demand for its refined products, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects and therefore the ability of the Company to meet its payment obligations under the Notes.

***The Group needs to maintain high capacity utilisation rates in its petrochemical plants in order to maintain its profit margins***

Earnings in the petrochemicals business are closely tied to global demand, industry inventory levels and plant capacity utilisation. The Group's ability to maintain profitability depends, to a significant degree, on its ability to maintain high capacity utilisation rates in its petrochemical plants, which is the level of output each facility achieves in relation to its capacity.

The Group's petrochemical plants are subject to a number of operational risks, including reduced utilisation rates due to planned activities such as maintenance or shutdowns; availability of skilled resources; unplanned outages which may, for example, be due to equipment or human failure; lower than expected recovery rates; the performance of the Group's contractors; strikes and civil unrest; extended well workovers; corrosion problems impacting the plant and pipelines; health and safety incidents caused by third-party contractors; and exposure to natural hazards, such as extreme weather events. Any such incidents could be expected to adversely affect the Group's business, results of operations, financial condition and prospects and therefore the ability of the Company to meet its payment obligations under the Notes.

The business activities conducted by the Group are often conducted with joint venture partners and some assets are under the day-to-day management of these partners and may therefore be subject to risks that are outside the control of the Group. Any operational incidents resulting from these risks could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

In addition, excess industry capacity, especially at times when demand is weak, has in the past caused companies in the Group and other industry participants to lower production rates, which may reduce the Group's margins, income and cash flow. The failure by the portfolio companies in the Group to maintain high capacity utilisation rates could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects and therefore the ability of the Company to meet its payment obligations under the Notes.

***The industries in which the Group operates are highly competitive***

The hydrocarbon and petrochemicals industries are highly competitive. The Group competes with companies that may possess greater technical, physical and/or financial resources. Many of these competitors engage in oil and gas exploration and production, carry on refining operations and market petroleum and other products on an international basis. As a result of these complementary activities, some of these competitors may have greater and more diverse competitive resources.

Worldwide and regional refining capacity expansions may also result in refining production capability exceeding refined product demand. If competitors increase their throughput, refining or petrochemical capacity in the future, some of the portfolio companies could face increased competition, which would put pressure on the prices of their products. This may ultimately lead to a reduction in refining margins for the Group.

Competition and innovation in the refined oil-products and lubricants industries may put pressure on the product prices the Group is able to charge customers. The implementation of the Group's strategy to remain competitive may require continued technological advances and innovation in its refining and downstream businesses. The implementation of these strategies may be costly and ineffective. The Group's financial condition and results of operations may be adversely affected if competitors develop or acquire intellectual property rights to technology or if the Group's innovation lags behind the rest of the industry.

If such portfolio companies are unable to compete effectively, both within and outside their industries, business, results of operations, financial condition or prospects could be materially and adversely affected, which could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

***Economic recessions or downturns could impair the value of the Group's projects and investments or prevent it from increasing its project and investment base***

During periods of adverse economic conditions, projects and companies in which the Group invests may experience decreased revenues, financial losses, difficulty in obtaining access to financing and increased funding costs. During such periods, these projects and companies may also have difficulty expanding their businesses and operations and be unable to meet their debt service obligations or other expenses as they become due. Any of the foregoing could cause the value of the affected projects and investments to decline and materially and adversely affect the ability of the Company's portfolio companies to pay dividends and make other distributions to the Company. In particular, the COVID-19 pandemic has had, and is expected to continue to have, a material adverse effect on economic conditions in Bahrain. See "*— The COVID-19 pandemic and its impact on business and economic conditions could negatively affect the Group's business, financial position, cash flow, results of operations and price of the Notes*". In addition, during periods of adverse economic conditions, the Group may have difficulty accessing financial markets, which could make it more difficult or impossible to obtain funding for additional projects and investments and could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

**Risks relating to the Group's Other Strategic Investment Activities and Businesses**

***The due diligence process that the Company undertakes in connection with new projects and investments may not reveal all relevant facts***

The Company conducts due diligence and feasibility studies, sometimes with the assistance of outside consultants, by evaluating a number of important business, financial, tax, accounting, environmental and legal issues in determining whether or not to proceed with a new project or make a new investment. Nevertheless, when conducting due diligence and making an assessment regarding a project or an investment, the Company can only rely on resources available to it at the time, 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 Company could for information produced from its own internal sources. The Company can offer no assurance that any due diligence investigation it carries out with respect to any project or investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such opportunity. Any failure by the Company to identify relevant facts through the due diligence process may cause it to make inappropriate business decisions, and may expose it to significant liabilities which the Company may not have been aware of, all of which could have a material and adverse effect on the Company's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

***The Company currently holds, and in the future may acquire, non-controlling interests in companies, which could expose the Company to additional risks***

The Company currently holds, and in the future may acquire, non-controlling interests in companies. In addition, the Company may dispose of certain of its investments over time in a manner that results in the Company retaining only a minority interest in certain portfolio companies. Furthermore, the Company's investments in its portfolio companies may be diluted if the Company does not participate in their future equity offerings or other capital raisings.

Investments in which the Company holds a non-controlling interest will be subject to the risk that the portfolio companies may make business, financial or management decisions with which the Company does not agree, or that the majority stakeholders or the management of the portfolio companies may take risks or otherwise act in a manner that is contrary to the Company's interests. Contractual protections of minority rights that are customary in more developed markets may not be enforceable or as robust in jurisdictions such as Bahrain in which the Company currently holds, or may in the future hold, assets. In addition, any of the companies in which the Company holds a non-controlling interest may experience financial or other difficulties that may adversely impact the Company's investment. The Company can give no assurance as to the performance of such portfolio companies, and its inability to exercise influence or control over such portfolio companies could have a material

and adverse effect on the Company's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

***The Group operates in heavily regulated industries, and changes in laws or regulations, or a failure to comply with any laws and regulations, may materially and adversely affect the Group's business***

The Group operates in the oil and gas and petrochemicals industries, which are heavily regulated. Laws and regulations governing these industries are complex and are subject to change. The Group also relies on various licences, permits, and approvals necessary to conduct business in Bahrain with respect to oil and gas operations and related activities. Any change to the laws, regulations, policies or practices relating to the oil and gas or petrochemicals industry, or any failure by the Group to obtain and renew any licence, permit, or approval that is required for its business, could have a material adverse effect on the Group's business, financial position and results of operations.

In particular, laws and regulations applicable to these industries may relate to licensing requirements, environmental obligations, health and safety obligations, asset and investment controls and a range of other requirements. The Group's oil and gas 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 by such businesses.

Laws and regulations applicable in the oil and gas and petrochemicals industries, and their interpretation and application, may change from time to time. Any such change of law, regulation or interpretation (or divergence of views by any authority from that of the Group's), or any actions taken by the Government under its regulatory powers relating to the oil and gas and petrochemicals industries in Bahrain, could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

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

The operations of the companies in the Group are subject to hazards and risks inherent in, among other things, refining and petrochemicals operations and in transporting and storing crude oil and refined products. Such hazards and risks include fires, explosions, pipeline ruptures and spills, storage tank leaks, chemical spills, discharges or releases of hazardous substances or gases and other environmental risks, mechanical failure of equipment at the Group's facilities, war, terrorism, sabotage and natural disasters. In addition, many of these operating and other risks may cause personal injury and loss of life, severe damage to or destruction of the Group's properties and the properties of others and environmental pollution which may result in suspension of operations and the imposition of civil or criminal penalties.

While the Company believes that the Group maintains insurance coverage in amounts consistent with relevant industry practice, if production facilities are damaged in whole or in part, or if such companies' operations are interrupted for a sustained period, there can be no assurance that their insurance policies (including their business interruption insurance policies) will be adequate to cover the losses that may be incurred as a result of such interruption or the costs of repairing or replacing the damaged facilities. If the portfolio companies suffer large uninsured losses or if any insured loss suffered by a portfolio company significantly exceeds its insurance coverage, the business, results of operations, financial condition or prospects of such companies may be materially and adversely affected. If the foregoing were to occur, the ability of the portfolio companies within the Group to pay dividends and make other distributions to the Company, and the Group's revenue could be materially and adversely affected.

The Group maintains a range of insurance policies, including policies to guard against loss or damage to its assets and certain types of legal liability for loss or damage caused to third parties. The Group believes that its insurance provides coverage in amounts and on terms that are generally consistent with relevant industry practice. There is, however, no assurance that the Group's insurance coverage will continue to be available in the market or available at an acceptable cost. 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, which could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.



## **Risks relating to Bahrain**

The Company and each of the portfolio companies in the Group is based in Bahrain and the Group is therefore susceptible to disruptions and/or adverse conditions that may arise as a result of local and regional political developments.

### ***Bahrain is located in a region that has been subject to ongoing geopolitical and security concerns***

Bahrain is located in a region that is strategically important and parts of the region have, at times, experienced political instability. For example, the region is currently subject to a number of armed conflicts, including those in Yemen, Syria, Iraq and Palestine, as well as the multinational conflict with Islamic State. Bahrain, along with other Arab states, is currently participating in the Saudi-led intervention in Yemen, which began in 2015 and is ongoing. The intervention was in response to requests for assistance from the Yemeni government.

On 14 September 2019, the Abqaiq processing facility and the Khurais oil field in Saudi Arabia were damaged in a major incident. It is unknown what, if any, response will be made by Saudi Arabia and its allies to this incident, what form any response will take and what the impact of such response will be. His Majesty the King has condemned the incident and pledged Bahrain's full support for any measures taken in response by Saudi Arabia.

More generally, since 2011, the prospect of a nuclear Iran has been at the centre of international geopolitical discourse. The comprehensive agreement between the U.N. Security Council's five permanent members plus Germany ("P5+1") and Iran that was reached on July 2015 (the "**Joint Comprehensive Plan of Action**") conditions international economic sanctions relief, mainly U.S. and EU sanctions, on Iranian nuclear capabilities reduction and supervision by the International Atomic Energy Agency (the "**IAEA**"). After the IAEA confirmed that Iran met the relevant requirements of the Joint Comprehensive Plan of Action, certain economic sanctions were lifted on 16 January 2016 with a view to improving Iran's position in the international community. However, certain other sanctions remain in place and the United States imposed certain additional sanctions on Iran in July 2017 relating to Iran's ballistic missile programme, human rights matters, arms sales and Iran's Revolutionary Guard Corps. On 8 May 2018, the United States announced its withdrawal from the Joint Comprehensive Plan of Action, reinstating U.S. nuclear sanctions on the Iranian regime. The United States also announced that it would not renew exceptional waivers for importing Iranian oil for several oil-importing countries, effective from May 2019. Since May 2019, a number of incidents in and around the Gulf have occurred, including the alleged seizure of three oil tankers by Iran. On 2 January 2020, the United States carried out a military strike which killed a senior Iranian military commander. As a result of this military strike, Iran launched missiles at a U.S. base in Iraq. In the fourth quarter of 2020, U.S. President elect Joe Biden stated that the United States may re-join the Joint Comprehensive Plan of Action and lift the reinstated sanctions, should Iran return to strict compliance with the deal terms. On 3 December 2020, Iran announced that it would not accept these preconditions over its nuclear programme and that the United States must return to the position previously set out in 2015 talks before further negotiation between the parties could take place. On 4 January 2020, the IAEA reported that Iran had begun retaliating against the continuing U.S. sanctions by resuming the process of enriching uranium to 20 per cent. purity, which can be used to create nuclear bombs, in breach of the 2015 Joint Comprehensive Plan of Action. Any continuation or increase in international or regional tensions regarding Iran including further attacks on or seizures of oil tankers which disrupt international trade, including any impairment of trade flow through the Strait of Hormuz, or any military conflict could have a destabilising impact on the Gulf region, including with respect to Bahrain, including its ability to export oil and its security.

On 5 June 2017, three GCC countries – Saudi Arabia, the United Arab Emirates (the "**UAE**") and Bahrain – as well as Egypt, Yemen and a number of African countries – severed diplomatic ties with Qatar, cut trade and transport links and imposed sanctions based on evidence of Qatar's support to terrorist and extremist organisations, including Qatar's meddling in other countries' internal affairs. Measures taken by the affected countries included the closure of land, sea and air links to Qatar, and requesting certain Qatari officials, residents and visitors to leave the territories of the affected countries. In January 2021, at the annual GCC summit, and further to diplomatic efforts led by Kuwait and the United States, among others, the leaders of the six members of the GCC signed the Al-Ula Declaration, a "solidarity and stability" agreement towards the ending of the diplomatic rift with Qatar, although diplomatic tensions with Qatar remain. Saudi Arabia and the UAE have announced the opening of air, land and sea entry points to Qatar. As part of the Al-Ula Declaration, the parties committed to the attempt to terminate all complaints and disputes between themselves by the end of the first year from the signing of the agreement. As of 11 January 2021, Bahrain's airspace has been re-opened to Qatar.

These recent and ongoing developments, along with terrorist acts, acts of maritime piracy and other forms of instability in the region (that may or may not directly involve Bahrain), may contribute to instability in the Middle

East and surrounding regions and may have a material adverse effect on Bahrain's attractiveness for foreign investment and capital, its ability to engage in international trade and, consequently, its economy and financial condition.

***Bahrain is subject to a number of ongoing domestic political risks***

Although Bahrain has not experienced any significant political or security disruptions in recent years, the ongoing political stasis and tensions with opposing political and social groups continue to impact investor perceptions of Bahrain's political stability and foreign investment flows.

Following widespread protests that occurred in February and March 2011, the Government has been unable to reach a political accommodation with certain political groups. His Majesty the King and His Royal Highness the Crown Prince initiated several rounds of national dialogue in 2011, 2013 and 2014 despite repeated withdrawals by opposition groups. In September 2014, a national dialogue framework document was produced, which laid out key steps for political reform. His Majesty the King signed into law a set of reforms to the distribution of electoral districts, and all political groups were encouraged to participate in the November 2014 parliamentary elections. However, certain opposition groups decided to boycott the November 2014 parliamentary elections. Nevertheless, 52.6 per cent. of eligible voters cast their vote and independent candidates won 37 of 40 seats.

On 11 June 2016, His Majesty King Hamad bin Isa Al Khalifa issued an amendment to the country's political society law, banning the use of religion in political societies. On 17 July 2016, Bahrain's High Civil Court dissolved Al Wafaq National Islamic Society citing attempts to undermine the constitution, support for terrorism, slander of the judiciary and incitement of lawless action. Bahrain's Second High Civil Court of Appeals and Court of Cassation rejected appeals from Al Wafaq National Islamic Society against its dissolution in September 2016 and February 2017, respectively. However, the Government reiterated its intention to continue its cooperation with political societies within the bounds of the law, including the ban on the use of religion in political societies. In May 2017, Bahrain's High Civil Court ordered the dissolution of the National Democratic Action Society for violations of the law on political associations. In May 2018, Parliament approved a bill, which was ratified by the King in June 2018, barring members of certain dissolved opposition groups (including Al Wafaq National Islamic Society and Waad) from running in elections. The most recent parliamentary elections held in November and December 2018 saw 67 per cent. of eligible voters cast their votes. While a few opposition political groups boycotted the elections, independent candidates won 35 of the 40 seats in the Parliament.

Parliamentary elections are scheduled for October or November 2022. There can be no assurance that there will not be a boycott in respect of these elections. There can be no assurance that there will not be a boycott in respect of these elections, however, as in the past, elections will take place notwithstanding a boycott.

In May 2017, the police in Bahrain arrested 286 people in Diraz as part of an operation to arrest militants and dangerous persons. During the course of the operation, five people were killed, and there were a few acts of violence. In July 2017, 60 persons were charged by the relevant judicial authority with forming a terrorist organisation (including 24 in absentia), and using weapons and explosives, as well as being trained with the aim of carrying out terrorist attacks that target police officers and civilians. In January 2018, the Criminal High Court, sanctioned by parliament as the legislative authority, sentenced two persons charged to death and 56 others were sentenced to prison terms ranging from five years to life, with the remaining two people acquitted. In addition, 47 of the persons charged were stripped of their Bahraini citizenship.

Although Bahrain's security situation has stabilised over the past few years, since January 2017, there have been a number of protests in various villages, and there can be no assurance that further protests or unrest will not occur in the future. In the event that political unrest should take place, such a development could have an adverse material impact on foreign direct investment in Bahrain or on the country's reputation in the region, including its standing as a regional leader in the financial services sector. An unsettled political environment may also have negative implications on Bahrain's fiscal accounts and future growth trajectory. While the Government has already begun to implement a broader strategy to diversify its revenue base and cut expenditures further, progress has been hampered by political and religious factionalism. The lack of a broad political consensus that encompasses Bahrain's various political and religious groups may undermine the Government's ability to implement the full extent of its fiscal readjustment programme, and may hinder its efforts to reverse the rise in public debt in the near term.

Political instability in Bahrain and in the region may have a material adverse effect on Bahrain's economy and adversely affect the trading price of the Notes. See also "*Risk Factors—Risks relating to Bahrain—Bahrain is located in a region that has been subject to ongoing geopolitical and security concerns*".

***Bahrain's economy remains significantly dependent on oil revenues and is vulnerable to external shocks, including the current low oil price environment***

Although the Government has sought to promote the growth of the non-oil sector, Government revenues remain significantly dependent on oil revenues, with actual revenue from oil and gas accounting for 72.0 per cent. of public revenue for the year ended 31 December 2019, 82.4 per cent. of public revenue for the year ended 31 December 2018, 75.1 per cent. of public revenue for the year ended 31 December 2017, 75.7 per cent. of public revenue for the year ended 31 December 2016 and 78.1 per cent. of public revenue for the year ended 31 December 2015. Revenues from oil and gas decreased by 9.0 per cent. to U.S.\$5.6 billion in 2019 from U.S.\$6.1 billion in 2018. A continued low oil price environment is expected to continue to have a significant negative effect on Bahrain's public finances and continue the trend of current account deficits that began in 2015 as Government budget break even prices of oil remain above current market levels (the Government budget break even prices were U.S.\$115.2 per barrel in 2017, U.S.\$112.3 per barrel in 2018 and U.S.\$97.4 per barrel in 2019).

As a result, Bahrain remains susceptible to global oil prices. Moreover, Bahrain also has smaller oil reserves than a number of other GCC countries, and Bahrain shares a substantial portion of its reserves with Saudi Arabia. Bahrain's main source of oil is from the Abu Saa'fa oilfield, which is on the maritime border with Saudi Arabia. Bahrain's main source of oil is from the Abu Saa'fa oilfield, which is on the maritime border with Saudi Arabia. Under a treaty with Saudi Arabia first signed in 1958, Bahrain is entitled to receive 50 per cent. of the output from the Abu Saa'fa field, although historically Bahrain has received significantly more than its 50 per cent. entitlement. However, no assurance can be given that Bahrain will continue to receive more than its 50 per cent. share of entitlement from the Abu Saa'fa oilfield, which further increases Bahrain's vulnerability to reductions in oil and gas revenues.

If Bahrain does not decrease public expenditure (or increase non-oil revenues), an environment of prolonged low oil prices and/or a prolonged impact of the COVID-19 pandemic may lead to a further widening in the fiscal deficit and adversely impact Bahrain's sovereign credit rating as well as its borrowing costs, which could in turn have a material and adverse effect on the Group's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

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 Bahrain. 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, Bahrain's GDP growth, Government revenues, balance of payments and foreign trade.

***Bahrain has large fiscal deficits, its fiscal consolidation efforts may not be successful, leading to an increase in public debt and debt financing costs***

While Government revenues, in particular oil revenues, have declined in the past during periods of relatively low oil prices, Government spending has been stable in recent years, leading to a larger fiscal deficit. According to MOFNE's preliminary figures, Bahrain's budget deficit in 2020 was U.S.\$4.3 billion, as compared to a budgeted deficit of U.S.\$2.1 billion in 2020 (as per the adjusted 2020 budget). Bahrain's overall budget deficit is budgeted to be U.S.\$3.2 billion for 2021 and U.S.\$2.9 billion for 2022. Bahrain's budget deficit represented 5 per cent. of GDP in 2019, as compared to 6 per cent. of GDP in 2018 and 10 per cent. in 2017. According to MOFNE's preliminary estimated figures, Bahrain's budget deficit reached 13 per cent. of GDP in 2020 (as compared to 7 per cent. in the adjusted 2020 budget) as a result of impact of COVID-19 and related economic stimulus measures taken.

Bahrain's fiscal deficit has resulted in increases in its public debt and debt-to-GDP ratio. The Government faces significant debt maturities in the coming years, with approximately U.S.\$1.5 billion (including interest) coming due in 2021, and approximately U.S.\$2.0 billion (including interest) coming due in each of 2022, 2023 and 2024, as at 31 December 2020.

The Government's Fiscal Balance Programme (the "FBP") (which was prepared prior to the COVID-19 pandemic) includes a number of economic targets, including an overall objective to achieve a balanced budget by 2022. The Government is also seeking to reduce public spending through various fiscal consolidation programmes. There can be no assurance that the targets set out in the FBP or the implementation of FBP initiatives or other fiscal consolidation programmes will be in line with originally set out timeframes, that such measures

will achieve targeted outcomes or savings or that such measures will be sufficient to offset the recent increases in spending combined with below-trend income from oil revenues and the impact of the COVID-19 pandemic.

The restructuring of the subsidies and incentives programmes may also be subject to significant opposition or delays from the National Assembly or the public. Despite the Government's attempts to achieve fiscal consolidation without a significant effect on living standards, there is a possibility that this may lead to social instability among the lower income sections of society. Any social instability may lead to a degree of political instability and have a negative impact on investors' perceptions of Bahrain.

A failure to reduce the budget deficit and/or public spending (and the corresponding effect on the size of Bahrain's public debt), and a failure to diversify the economy, could make the economy more susceptible to the risks associated with the sectors in which the economy is concentrated (for example, the oil industry), and any downturn in such sectors or the economy generally, could have an adverse effect on the economic and financial condition of Bahrain.

***Bahrain's economy is dependent on economic and other conditions of Saudi Arabia in particular, as well as the GCC countries***

Bahrain's economy is closely aligned with and dependent on the economy of Saudi Arabia, as well as the economies of the other GCC countries. This includes interest rates and trade and energy policies within the GCC. Based on IGA statistics, non-oil exports to GCC countries amounted to 45.1 per cent. of total non-oil exports as at 31 December 2020, and Saudi Arabia accounted for 23.9 per cent. of the total non-oil exports, as compared to non-oil exports to GCC countries of 51.0 per cent. and non-oil exports to Saudi Arabia of 24.6 per cent. in 2019. As for non-oil imports, 15.7 per cent. of total non-oil imports as at 31 December 2020 were from other GCC countries and Saudi Arabia accounted for 7.4 per cent. of total non-oil imports, as compared to 16.0 per cent. and 7.0 per cent., respectively, in 2019. Accordingly, Bahrain's economy may be adversely affected by any adverse change in the social, political or economic conditions in Saudi Arabia and the other GCC countries. See also "*Bahrain is located in a region that has been subject to on-going geopolitical and security concerns*". Although Bahrain has sought to diversify its geographical economic dependence, there can be no assurance that such geographical diversification will be successful which could have a material adverse effect on the economy and financial condition of Bahrain.

In recent years, Bahrain has significantly benefitted from support from Saudi Arabia and other GCC countries. In October 2018, Saudi Arabia, Kuwait and the UAE pledged U.S.\$10 billion to Bahrain to support the FBP in 2018 and to alleviate near-term financing constraints. Bahrain received an initial instalment of U.S.\$2.29 billion in 2018, followed by instalments of U.S.\$2.28 billion in 2019 and U.S.\$1.76 billion in 2020, and expects to receive an additional U.S.\$1.85 billion in 2021, U.S.\$1.42 billion in 2022 and U.S.\$650 million in 2023, which will total U.S.\$10.25 billion in support. However, there can be no assurance that future payments will be available, in a timely manner or at all and such payments may be subject to delays or conditions beyond Bahrain's control.

***A crisis in the financial services and banking sectors could have an adverse effect on Bahrain's economy***

The Government has made concerted efforts over the past decade to encourage the growth of its financial services and banking sectors, and Bahrain is one of the primary financial centres for the Middle East and North Africa. The financial services sector accounted for 16.1 per cent. of real GDP for the year ended 31 December 2019 and 16.7 per cent. of real GDP in the nine months ended 30 September 2020. The Government is also a shareholder in various Bahraini banks, and Bahraini banks are major lenders to the Government. As at 31 December 2020, approximately 81 per cent. of domestic public debt was held by Bahraini banks. In addition, retail banks maintain reserves and deposits with the CBB.

Furthermore, factors adversely affecting the asset quality, liquidity, capital adequacy or profitability of banks operating in Bahrain may add further pressure on the banking industry. While the loan to deposit ratio, the ratio of non-performing loans to gross loans and the ratio of liquid assets to total assets, which are key indicators of the state of the Bahraini banking sector, have remained broadly stable in recent years, any subsequent global or regional deterioration in the global financial services sector (including global commodity prices) could have an adverse impact on Bahrain's economy, its extractive, financial, real estate and manufacturing sectors, and/or its credit rating. Further, given that the financial services sector has been the single largest non-oil contributor to GDP in recent years, a crisis in the sector could lead to the crystallisation of contingent liabilities on the Government's balance sheet. In addition, any sustained outflows of capital from Bahrain as a result of deteriorating global and/or regional financial conditions could place considerable pressure on the Bahraini Dinar's fixed exchange rate against the U.S. Dollar.

***Investing in securities involving emerging markets such as Bahrain generally involves a higher degree of risk***

Investing in securities involving emerging markets, such as Bahrain, generally involves a higher degree of risk than investments in securities of companies from more developed countries. Bahrain's economy is susceptible to future adverse effects similar to those suffered by other emerging market countries. International investors' reactions to the events occurring in one emerging market country sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by international investors. Bahrain could therefore be adversely affected by negative economic or financial developments in other emerging market countries which in turn could adversely affect the trading price of the Notes. Key factors affecting the environment include the timing and size of increases in interest rates in the United States, further evidence of a slowdown in China and geopolitical tensions in the Middle East, as well as ongoing tension between Russia and Ukraine.

Accordingly, there can be no assurance that the market for securities bearing emerging market risk, such as the Notes, will not be affected negatively by events elsewhere, especially in emerging markets. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

***The Company's business may be materially and adversely affected if the Bahraini dinar/U.S. dollar peg were to be removed or adjusted***

The Company maintains its accounts, and reports its results, in BD, although it sells the majority of its products internationally in U.S.\$.. As at the date of this Base Prospectus, the Bahraini dinar remains pegged to the U.S. dollar, which has been the case since 1965. However, there can be no assurance that the Bahraini dinar will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that materially and adversely affects the Company. Any such de-pegging could have a material and adverse effect on the Company's business, results of operations, financial condition and prospects and therefore on the ability of the Company to meet its payment obligations under the Notes.

**FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME**

**Risks related to the structure of a particular issue of Notes**

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for investors. Set out below is a description of the most common such features.

***Notes subject to optional redemption by the Issuer. If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return***

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 generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may elect to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would 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 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 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Taxing Jurisdiction 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 on which agreement is reached to issue the first Tranche of the Notes, the Issuer may redeem all but not some only of the outstanding Notes of such Tranche in accordance with Condition 10.5 (*Redemption for Taxation Reasons*).

***If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned***

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 in, 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 then 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 the then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

***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 LIBOR and EURIBOR) are the subject of recent national and international regulatory discussions and proposals for reform. Some of these reforms are already effective, whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences, which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

The EU Benchmarks Regulation applies, subject to certain transitional provisions, 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) prevents 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 relevant 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, 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.

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 published a set of guiding principles for fallback provisions in new Euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts 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 in the future. 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 fall-back provisions applicable to such Notes set out in the Conditions. Depending on the manner in which the Rate of Interest is to be determined under the Conditions, 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) which may be determined by an Independent Adviser (as defined in the Conditions) or the Issuer 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 provide for certain fallback arrangements in the event that a Benchmark Event (as defined in the Conditions) occurs, including if an original Reference Rate (as defined in the Conditions) and/or any page on which an original Reference Rate may be published, becomes unavailable, or if the Issuer, the Calculation Agent or any other party responsible for the calculation of the Rate of Interest (as specified in the applicable Final Terms) 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 or without the application of an Adjustment Spread (as defined in the Conditions) and may include amendments to the Conditions to ensure the proper operation of the successor or replacement benchmark, all as determined by an Independent Adviser, acting in good faith and following consultation with the Issuer, or the Issuer (acting in good faith and (A) in the event that the Issuer is unable to appoint an Independent Adviser, in a commercially reasonable manner; or (B) in the event that the Independent Adviser fails to determine a Successor Rate, or failing which, an Alternative Reference Rate and/or, in either case, an Adjustment Spread in accordance with Condition 8.5 prior to the relevant IA Determination Cut-Off Date (as defined in Condition 8.5), in consultation with the Independent Adviser), and without the requirement for the consent or sanction of Noteholders. An Adjustment Spread, if applied, is: (a) the spread, formula or methodology which is formally recommended in relation to the replacement of the original Reference Rate with the Successor Rate by any Relevant Nominating Body (as defined in the Conditions) (which may include a relevant central bank, supervisory authority or group of central banks/supervisory authorities); (b) 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; (c) if the Independent Adviser (following consultation with the Issuer) determines that no such spread is customarily applied, the spread, formula or methodology which the Independent Adviser determines and which 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 (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) or the

Issuer (as applicable) determines (acting in good faith and (A) in the event that the Issuer is unable to appoint an Independent Adviser, in a commercially reasonable manner; or (B) in the event that the Independent Adviser fails to determine a Successor Rate, or failing which, an Alternative Reference Rate and/or, in either case, an Adjustment Spread in accordance with Condition 8.5 prior to the relevant IA Determination Cut-Off Date, in consultation with the Independent Adviser) in their sole discretion to be appropriate. Accordingly, the application of an Adjustment Spread may result in the Notes performing differently (which may include payment of a lower Rate of Interest) than they would do if the original Reference Rate were to continue to apply in its current form. If no Adjustment Spread can be determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Rate of Interest (or the relevant component part thereof). 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 developments, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or UK Benchmarks Regulation, as applicable, or any of the international or national reforms and the possible application of the benchmark replacement provisions of Notes in making any investment decision with respect to any Notes linked to or referencing a benchmark.

***Notes which are 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 principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

**Risks related to the Notes generally**

***The claims of Noteholders against the assets and revenues of the Company's investments (including its subsidiaries) are structurally subordinated to the claims of the creditors of the Company's subsidiaries and other portfolio companies***

The Company's investments (including its subsidiaries) have incurred, and will continue to incur in the future, substantial amounts of debt in order to finance their operations. In the event of the insolvency of any of the subsidiaries or other entities or ventures of the Company, 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 the Company or the creditors of the Company, as applicable, may have with respect to such assets. Accordingly, if the Company became insolvent at the same time, claims of the Noteholders against the Company in respect of any Notes would be structurally subordinated to the claims of all such creditors of the Company's investments (including its subsidiaries).

***The Notes are subject to modification by a majority of Noteholders without the consent of all Noteholders***

The Conditions contain provisions for calling meetings 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.



***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 issued***

The Conditions do not permit the sale or transfer of Notes in such circumstances as would result in amounts being held by a holder which are lower than the minimum Specified Denomination (as defined in the Conditions). However, in the event that a holder holds a principal amount of less than the minimum Specified Denomination, such holder would need to purchase an additional amount of Notes such that it holds an amount equal to at least the minimum Specified Denomination to be able to trade such Notes. Noteholders should be aware that Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

If a Noteholder holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time, such Noteholder may not receive a Definitive Note in respect of such holding (should Definitive Notes be issued) and would need to purchase a principal amount of Notes such that its holding amounts to at least a Specified Denomination in order to be eligible to receive a Definitive Note.

If Definitive Notes 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 must rely on 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 depository for Euroclear and Clearstream or may be deposited with a nominee for DTC (each as defined under “*Form of the Notes*”), as specified in the applicable Final Terms. 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 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 obligations 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 payments made in respect of, beneficial interests in any Global Note. Holders of beneficial interests in a Global Note 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.

Each of Euroclear, Clearstream and DTC are subject to different rules and operating procedures (see “*Clearing and Settlement*”); however, Euroclear, Clearstream and DTC are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. Noteholders are responsible for complying with the applicable rules of the relevant clearing system through which Notes of a particular Series are held. Failure to do so could, among other things: (i) result in payment delays on the Notes; (ii) make it difficult for the Noteholders to pledge the Notes as security; (iii) result in the inability of Noteholders to vote at a meeting of Noteholders; (iv) hinder the ability of the Noteholders to resell Notes.

***Transferability of the Notes may be limited under applicable securities laws***

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any other jurisdiction. Notes issued under the Programme may not be offered, sold or otherwise transferred in the United States or to, or for the account or benefit of, a U.S. person other than to persons that are QIBs. Each purchaser of Notes will be deemed, by its acceptance of such Notes, to have made certain representations and agreements intended by the Issuer to restrict transfers of Notes as described under “*Subscription and Sale*” and “*Transfer Restrictions*”. It is the obligation of each purchaser of Notes to ensure that its offers and sales of Notes comply with all applicable securities laws. In addition, if at any time the Issuer determines that any owner of Notes, or any account on behalf of which an owner of Notes purchased its Notes, is a person that is required to be a QIB, the Issuer may compel that such owner’s Notes be sold or transferred to a person designated by or acceptable to the Issuer.

## **Risks related to the market generally**

***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 issued under the Programme will (unless they are to be consolidated into a single Series with any Notes previously issued) be new securities which may not be widely distributed and for which there is currently no active trading market. Notes may have no established trading market when issued, and one may never develop. If a market 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. This is particularly the case for the Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the Notes.

***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.

***Investors may be unable to rely on credit ratings for regulatory purposes in certain circumstances***

One or more independent credit rating agencies may assign credit ratings to Notes issued under the Programme. However, in certain circumstances, investors regulated in the EEA or in the UK, as applicable, may be unable to rely on credit ratings assigned to a particular Series of Notes for regulatory purposes.

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 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). The list of registered and certified rating agencies published by the ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an 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.

***Exchange rate risks and exchange controls***

The Issuer will pay all amounts due on any Notes in the Specified Currency (as defined in the Conditions). 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 (i) the Investor's Currency-equivalent yield on the Notes; (ii) the Investor's Currency equivalent value of the Redemption Amount (as defined in the Conditions) payable on the Notes; and (iii) 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. As a result, investors may receive less than expected, or no payment at all.

## **Risks relating to enforcement in Bahrain**

### ***Risks associated with enforcing arbitral awards and foreign judgments in Bahrain***

The Group primarily conducts its operations, and substantially all of its assets are located, in the Kingdom of Bahrain. The Agency Agreement, the Conditions, and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

Any dispute in relation to the Agency Agreement, the Conditions, and any non-contractual obligations arising out of or in connection with them, may be referred to arbitration in London, England under the London Court of International Arbitration Rules. Bahrain has ratified the New York Convention and the party seeking to enforce the arbitral award must supply: (a) the duly authenticated/ apostilled original or a duly certified copy of the award; and (b) the original or a duly certified copy of the arbitration agreement. Any arbitral award rendered in London should therefore be enforceable in Bahrain in accordance with the terms of the New York Convention.

However, the enforcement of the arbitral award may be refused at the request of the party against whom it is invoked, if that party furnishes to the competent authority where the recognition and enforcement is sought proof that:

- (i) the party to the agreement was, under the law applicable to it, under some incapacity, or the said agreement is not valid under the law which the parties have subjected to or failing any indication thereon under the law of Bahrain;
- (ii) the party against whom the award is invoked was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings or was otherwise unable to present his case;
- (iii) the award deals with a dispute not contemplated by or not falling within the terms of the submission to arbitration or it contains decisions on matters beyond the scope of the submission to arbitration, provided that if the decision on matters submitted to arbitration can be separated from those not so submitted, only that part of the award which contains decisions on matters not submitted to arbitration may be set aside;
- (iv) the composition of the arbitral authority or the arbitral procedure was not in accordance with the agreement of the parties, or failing such agreement, was not in accordance with the laws of the country where the arbitration took place; or
- (v) the award has not yet become binding on the parties, or has been set aside or suspended by a competent authority of the country in which, or under the laws of which that award was made.

Recognition and enforcement of an arbitral award may also be refused if the competent authority in Bahrain finds that:

- (i) the subject matter of the dispute is not capable of settlement by arbitration under the laws of that country; or
- (ii) the recognition or enforcement of the award would be contrary to the public policy of that country.

In addition, no document will be admitted in evidence in the Bahraini Courts unless they are submitted in Arabic or accompanied by a duly authenticated Arabic translation approved by the Official Translator of the Bahraini Courts, which will be the official text.

Under the Conditions, any dispute may also be referred to the courts of England (who shall have exclusive jurisdiction to settle any dispute arising from such documents) if the Noteholder(s) require. In these circumstances, the Company irrevocably agrees to submit to the exclusive jurisdiction of the courts of England. Further, notwithstanding the agreement to submit to the exclusive jurisdiction of the English courts, there is a possibility

that the Bahraini Courts may assume jurisdiction where any defendants in a claim filed before the courts of Bahrain has an elected domicile or place of residence in Bahrain.

Notwithstanding that a judgment may be obtained in an English court, there is no assurance that the Company has or would at the relevant time have assets in the United Kingdom against which such a judgment could be enforced since almost all of the Company's operations and assets are currently located in Bahrain.

Accordingly, there may be insufficient assets of the Company to satisfy in whole or part any judgment obtained from an English court relating to amounts owing under the Notes.

As there has been no reciprocity between England and Bahrain and the United States and Bahrain, the Bahraini Courts are unlikely to enforce an English court judgment or a United States court judgment without requesting that a fresh case is filed in the Bahraini Courts which may lead to the possibility that the Bahraini Courts may re-examine the merits of the claim although the Bahraini Courts may also accept the English court judgment or the United States court judgment as evidence of a debt. The choice by the parties of English law as the governing law of the transaction will be recognised by the Bahraini Courts provided that the provisions thereof are (i) proved, as a matter of evidence, by the party relying on it; and (ii) not contrary to Bahraini public order and morality.

Judicial precedents in Bahrain generally do not have binding effect on subsequent decisions except as a directive for decisions of the Constitutional Court. Although decisions rendered by the Court of Cassation do not have binding effect on lower courts, the present practice is for the lower courts to adhere to the precedents and principles laid down by the Court of Cassation. There is no formal system of reporting court decisions in Bahrain except for those decisions of the Court of Cassation and the Constitutional Court.

In addition, there is limited reciprocity between Bahrain and other countries in relation to the recognition and enforcement of judgments. The Bahraini Courts may enforce a foreign court judgment without re-examining the merits of the claim, provided that:

- (i) such court enforces judgments and orders rendered in Bahrain;
- (ii) the Bahraini Courts did not have jurisdiction in the matter in respect of which the order or judgment has been made and it was made by a foreign court of competent jurisdiction under the jurisdiction rules or laws applied by such court;
- (iii) the parties had been served with due notice to attend and had been properly represented;
- (iv) the judgment was final in accordance with the law of the court making it; and
- (v) the judgment did not conflict with any previous decision of the Bahraini Courts and did not involve any conflict with public order or morality in Bahrain.

Generally, where provisions relating to interest payments are provided for in an agreement, the Bahraini Courts may give effect to such a provision so long as the agreement between the parties which provides for payment of interest is a commercial agreement relating to commercial activities.

### ***Claims for specific enforcement***

In the event that the Company fails to perform its obligations under the Conditions, the potential remedies available to the Noteholders include obtaining an order for specific enforcement of the relevant obligations or a claim for damages. There is no assurance that any court would order specific performance of a contractual obligation.

The amount of damages, which a court may award in respect of a breach, will depend upon a number of possible factors including an obligation on the Noteholders to mitigate any loss arising as a result of the breach. No assurance is provided on the level of damages which a court may award in the event of a failure by the Company to perform its obligations under the Conditions.

### ***Waiver of immunity***

To the extent permitted by law, the Company has waived its rights in relation to sovereign immunity (including, without limitation, Article 251 of the Law of Civil and Commercial Procedure (Decree Law No. 12/1971 of the laws of Bahrain, as amended from time to time). However, there can be no assurance as to whether such waiver

of immunity from execution or attachment or other legal process by it under the Dealer Agreement, the Agency Agreement, the Deed Poll, the Deed of Covenant and the Notes is valid and binding under the laws of Bahrain.

Investors should be aware that, pursuant to Article 251 of the Law of Civil and Commercial Procedure (Decree Law № (12) of 1971, as amended from time to time), state property may not be attached nor may execution be carried out against it, and in related proceeding brought in the courts of Bahrain to enforce or seek recognition of a judgment or award obtained outside of Bahrain, the waiver of immunity would not be given effect to the extent that it violates Article 251.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published and have been filed with the CBI shall be deemed to be incorporated in, and form part of, this Base Prospectus:

- (a) the 2020 Financial Statements, at:  
<http://www.nogaholding.com/wp-content/uploads/2021/03/2020-Nogaholding-Financial-Statements-Signed.pdf>;
- (b) the 2019 Financial Statements, at:  
<http://www.nogaholding.com/wp-content/uploads/2021/03/NH-Audited-Financials-2019.pdf>;
- (c) the terms and conditions of the Notes set out on pages 34 to 64 (inclusive) of the base prospectus dated 27 April 2018 relating to the Programme, at:  
[https://www.ise.ie/debt\\_documents/Final%20Base%20Prospectus%20-%202027.04.18\\_34a74ab2-acd7-47b4-b6eb-3d83be045ac4.PDF](https://www.ise.ie/debt_documents/Final%20Base%20Prospectus%20-%202027.04.18_34a74ab2-acd7-47b4-b6eb-3d83be045ac4.PDF); and
- (d) the terms and conditions of the Notes set out on pages 28 to 53 (inclusive) of the base prospectus dated 12 October 2017 relating to the Programme, at:  
[https://www.ise.ie/debt\\_documents/Final%20Base%20Prospectus\\_6c2baa6d-1582-4db1-9dc8-b99333a12802.PDF](https://www.ise.ie/debt_documents/Final%20Base%20Prospectus_6c2baa6d-1582-4db1-9dc8-b99333a12802.PDF).

Any information contained in or incorporated by reference in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus and, for the avoidance of doubt, unless specifically incorporated by reference into this Base Prospectus, information contained on the above-mentioned website does not form part of this Base Prospectus.

Following the publication of this Base Prospectus, a supplement may be prepared by the Issuer and approved by the CBI in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Base Prospectus which may affect the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions of the Notes which, as completed by the Final Terms and save for the text in italics, will be incorporated by reference into each Global Note and Global Certificate and endorsed upon each Definitive Note or Individual Note Certificate issued pursuant to the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Forms of the Notes” below.*

### 1. INTRODUCTION

#### 1.1 Programme

The Oil & Gas Holding Company B.S.C. (c) (the “**Issuer**” or the “**Company**”) has established a Global Medium Term Note Programme (the “**Programme**”) for the issuance of notes (the “**Notes**”).

#### 1.2 Final Terms

Notes issued under the Programme are issued in series (each a “**Series**”), the Notes of each Series being interchangeable with all other Notes of that Series. Each Series may comprise one or more tranches (each a “**Tranche**”) of Notes issued on the same or different issue dates and on terms otherwise identical (or identical other than in respect of the amount and date of the first payment of interest and the date from which interest starts to accrue). Each Tranche is the subject of final terms (which final terms in respect of any individual Tranche of Notes shall be referred to herein as, “**Final Terms**”). The terms and conditions applicable to a particular Tranche of Notes are these terms and conditions together with the applicable Final Terms (together, the “**Conditions**”). In the event of any inconsistency between these terms and conditions and the Final Terms, the Final Terms shall prevail. The Notes may be issued in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”), as specified in the applicable Final Terms.

#### 1.3 Agency Agreement

The Notes are the subject of an amended and restated issue and paying agency agreement dated 30 March 2021, as amended or supplemented from time to time (the “**Agency Agreement**”) between the Issuer, Citibank N.A., London Branch as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor Fiscal Agent appointed from time to time in connection with the Notes), as rule 144A paying agent (the “**Rule 144A Paying Agent**”, which expression includes any successor rule 144A paying agent appointed from time to time in connection with the Notes, and together with the Fiscal Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes), as regulation S transfer agent (the “**Reg S Transfer Agent**”, which expression includes any successor regulation S transfer agent appointed from time to time in connection with the Notes) and as rule 144A transfer agent (the “**Rule 144A Transfer Agent**”, which expression includes any successor rule 144A transfer agent appointed from time to time in connection with the Notes, and together with the Reg S Transfer Agent, the “**Transfer Agents**”) and Citigroup Global Markets Europe AG as regulation S registrar (the “**Reg S Registrar**”, which expression includes any successor regulation S registrar appointed from time to time in connection with the Notes) and as rule 144A registrar (the “**Rule 144A Registrar**”, which expression includes any successor rule 144A registrar appointed from time to time in connection with the Notes, and together with the Reg S Registrar, the “**Registrars**”). References herein to the “**Agents**” are to the Registrars, the Fiscal Agent, the Transfer Agents and the Paying Agents, and any reference to an “**Agent**” is to each one of them.

#### 1.4 Deed of Covenant

The Notes are subject to, and the Registered Notes are constituted by, a deed of covenant dated 30 March 2021 (as amended and/or supplemented from time to time, the “**Deed of Covenant**”) entered into by the Issuer for the benefit of the Noteholders and, if applicable, the Couponholders. The original of the Deed of Covenant is held by the Fiscal Agent.

#### 1.5 Deed Poll

The Notes are the subject of a deed poll dated 30 March 2021 (as amended and/or supplemented from time to time, the “**Deed Poll**”) entered into by the Issuer for the benefit of the Noteholders and, if applicable, the Couponholders. The original of the Deed Poll is held by the Fiscal Agent.

## 1.6 The Notes

All subsequent references in these Conditions to “Notes” are to the Notes, which are the subject of the Final Terms. Copies of the Final Terms are available for inspection during normal business hours at the specified office of the Fiscal Agent, the initial specified office of which is set out in the Agency Agreement.

## 1.7 Overviews

Certain provisions of these Conditions are overviews of the Agency Agreement or the Deed of Covenant and are subject to their detailed provisions. The holders of the Notes (the “**Noteholders**”, which expression shall, where appropriate, be deemed to include holders of Bearer Notes or Registered Notes, and the holders of related interest coupons, if any (the “**Couponholders**” and the “**Coupons**” respectively), are bound by, and are deemed to have notice of all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of the Paying Agents, or, if applicable, the Registrars, the initial Specified Offices of which are set out in the Agency Agreement.

## 2. DEFINITIONS AND INTERPRETATION

### 2.1 Definitions

In these Conditions, the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the Final Terms;

“**Additional Business Centre(s)**” means the city or cities specified in the Final Terms;

“**Additional Financial Centre(s)**” means the city or cities specified in the Final Terms;

“**Business Day**” means:

- (a) in relation to any sum payable in euros, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (b) in relation to any sum payable in a currency other than euros, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

“**Business Day Convention**” in relation to any particular date, has the meaning given in the Final Terms and, if so specified in the Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided that*:



- (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day;
  - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) **“No Adjustment”** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

**“Calculation Agent”** means the Fiscal Agent or such other Person specified in the Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s);

**“Calculation Amount”** has the meaning given in the Final Terms;

**“Change of Bapco Control”** shall occur each time the Issuer: (a) ceases to own, legally and beneficially, directly or indirectly, in aggregate, more than 51 per cent. of the issued share capital of Bahrain Petroleum Company B.S.C. (c) (**“Bapco”**); or (b) otherwise ceases to control (directly or indirectly) Bapco and “control” for these purposes shall be the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of Bapco or to control or have the power to control the affairs and policies of Bapco (in each case whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise);

**“Change of Control”** shall occur if there is a: (a) Change of Issuer Control; or (b) Change of Bapco Control;

**“Change of Control Notice”** has the meaning given in Condition 10.6 (*Redemption on a Change of Control*);

**“Change of Control Option Notice”** means a notice in the form available from the Specified Office of the Paying Agents, or in the case of Registered Notes, the Registrars, which must be delivered to a Paying Agent 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 12 (*Form of Change of Control Option Notice*) of the Agency Agreement;

**“Change of Control Option Receipt”** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note on a Change of Control Put Date, substantially in the form set out at Schedule 13 (*Form of Change of Control Put Option Receipt*) of the Agency Agreement;

**“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 Period”** shall be the period of 30 days after a Change of Control Notice is given;

**“Change of Control Redemption Amount”** means, in respect of any Note, its principal amount or such other amount as may be specified in the Final Terms;

**“Change of Issuer Control”** shall occur each time the government of the Kingdom of Bahrain or any other department, agency or authority wholly-owned by the government of the Kingdom of Bahrain: (a) sells, transfers or otherwise disposes of any of the issued share capital of the Issuer, other than to an entity, directly or indirectly, wholly-owned by the government of the Kingdom of Bahrain; or (b) otherwise ceases to control (directly or indirectly) the Issuer and “control” for these purposes shall be the power to appoint and/or remove all of the members of the board of directors or other governing body of the Issuer or to control or have the power to control the affairs and policies of the Issuer (in each

case whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise);

“**Clearstream**” means Clearstream Banking S.A.;

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended;

“**Coupon Sheet**” means, in respect of a Note, a coupon sheet relating to the Note;

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the Final Terms and:

- (a) if “**Actual/Actual (ICMA)**” is so specified, means:
  - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of: (A) the actual number of days in such Regular Period; and (B) the number of Regular Periods in any year; and
  - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (b) if “**Actual/365**” or “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if “**30/360**”, “**360/360**” or “**Bond Basis**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30;

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (f) if “**30E/360**” or “**Eurobond Basis**” is so specified, the number of days in the Calculation 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<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (g) if “**30E/360 (ISDA)**” is so specified, the number of days in the Calculation 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<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation 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<sub>2</sub> will be 30,

*provided*, that in each such case, the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“**DTC**” means The Depository Trust Company;

“**Early Redemption Amount**” has the meaning given to it in Condition 10.9 (*Early redemption amounts*);

“**Euroclear**” means Euroclear Bank SA/NV;

“**Extraordinary Resolution**” has the meaning given to it in the Agency Agreement;

“**Final Redemption Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in the Final Terms;

“**First Interest Payment Date**” has the meaning given in the Final Terms;

“**Fixed Coupon Amount**” has the meaning given in the Final Terms;

“**Guarantee**” means, in relation to any indebtedness of any Person, any obligation of another Person to pay such indebtedness including (without limitation): (a) any obligation to purchase such indebtedness; (b) any obligation to lend money, to purchase or subscribe for shares or other securities or to purchase assets or services in order to provide funds for the payment of such indebtedness; (c) any indemnity against the consequences of a default in the payment of such indebtedness; and (d) any other agreement to be responsible for such indebtedness or other like obligation;

“**Interest Amount**” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period, as determined by the Calculation Agent;

“**Interest Commencement Date**” means the Issue Date of the Notes or such other date as may be specified as the interest commencement date in the Final Terms;

“**Interest Determination Date**” has the meaning given in the Final Terms;

“**Interest Payment Date**” means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the Final Terms and, if a Business Day Convention is specified in the Final Terms:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the First Interest Payment Date) or the previous Interest Payment Date (in any other case);

“**Interest Period**” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“**ISDA Definitions**” means the 2006 ISDA Definitions or such other ISDA Definitions as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the Final Terms) as published by the International Swaps and Derivatives Association, Inc.;

“**Issue Date**” has the meaning given in the Final Terms;

“**Margin**” has the meaning given in the Final Terms;

“**Maturity Date**” has the meaning given in the Final Terms;

“**Maximum Redemption Amount**” has the meaning given in the Final Terms;

“**Minimum Redemption Amount**” has the meaning given in the Final Terms;

**“minimum Specified Denomination”** means the minimum denomination of each Note, which shall not be less than U.S.\$200,000 (or, if the Notes are denominated in a currency other than U.S. dollars, the equivalent amount in such currency as at the date of the issue of the Notes);

**“Optional Redemption Amount (Call)”** means, in respect of any Note, its principal amount or such other amount as may be specified in the Final Terms;

**“Optional Redemption Amount (Put)”** means, in respect of any Note, its principal amount or such other amount as may be specified in the Final Terms;

**“Optional Redemption Date (Call)”** has the meaning given in the Final Terms;

**“Optional Redemption Date (Put)”** has the meaning given in the Final Terms;

**“Payment Business Day”** means:

- (a) if the currency of payment is euros, any day which is:
  - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euros, any day which is:
  - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

**“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 (including costs such as escalation, interest during construction and financing and refinancing costs), provided that (i) any Security Interest given by the Issuer is limited solely to assets of the project, (ii) the person providing such financing expressly agrees to limit its recourse to the project financed and the revenues derived from such project as the principal source of repayment for the moneys advanced and (iii) there is no other recourse to the Issuer in respect of any default by any person under the financing;

**“Permitted Security Interest”** means:

- (a) any Security Interest upon property or assets incurred for the purpose of financing the acquisition or construction, improvement or repair of such property or asset or any renewal or extension of any such Security Interest, which is limited to the original property or asset covered thereby and which secures any renewal or extension of the original secured financing;
- (b) any Security Interest existing on any property or asset at the time of its acquisition and any renewal or extension of any such Security Interest which is limited to the original property or asset covered thereby and which secures any renewal or extension of the original secured financing;
- (c) any Security Interest existing on the date on which agreement is reached to issue the first Tranche of the relevant Series of Notes;
- (d) any Security Interest arising by operation of law or which arose pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings;

- (e) any Security Interest granted to secure a Non-recourse Project Financing or to secure any indebtedness incurred in connection with a Securitisation; and
- (f) any renewal of or substitution for any Security Interest permitted by any of sub-paragraphs (a) to (e) above (inclusive) so long as the Relevant Indebtedness secured by such Security Interest is for an amount no greater than the principal of such Relevant Indebtedness and the Security Interest does not extend to any additional property or assets (other than the proceeds of such assets);

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or any other juridical entity, whether or not having separate legal personality;

“**Principal Financial Centre**” means, in relation to any currency, the principal financial centre for that currency *provided*, that:

- (a) in relation to euros, it means the principal financial centre of such member state of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected by the Issuer;

“**Put Option Notice**” means a notice in the form available from the Specified Office of the Paying Agents, or in the case of Registered Notes, the Registrars, which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder, and as set out at Schedule 10 (*Form of Put Option Notice*) of the Agency Agreement;

“**Put Option Receipt**” means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder, substantially in the form set out at Schedule 11 (*Form of Put Option Receipt*) of the Agency Agreement;

“**QIBs**” means “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act;

“**Rate of Interest**” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the Final Terms;

“**Record Date**” means the fifteenth (15<sup>th</sup>) Relevant Banking Day before the due date for payment;

“**Redemption Amount**” means, as appropriate, the Final Redemption Amount, the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), Change of Control Redemption Amount, the Early Redemption Amount or such other amount in the nature of a redemption amount as may be specified in the Final Terms;

“**Reference Banks**” means the four major banks selected by the Issuer in the market that is most closely connected with the Reference Rate;

“**Reference Price**” has the meaning given in the Final Terms;

“**Reference Rate**” has the meaning given in the Final Terms;

“**Regular Period**” means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the First Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

“**Relevant Banking Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments generally in the place of presentation of the relevant Note or, as the case may be, Coupon or, in connection with the transfer of Registered Notes only, the place of the Specified Office of the relevant Registrar;

“**Relevant Date**” means, in relation to any payment, whichever is the later of: (a) the date on which the payment in question first becomes due; and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with Condition 21 (*Notices*);

“**Relevant Financial Centre**” has the meaning given in the Final Terms;

“**Relevant Indebtedness**” means indebtedness (including any Sukuk Obligation) which is in the form of, or represented by, any bond, debenture, note or other similar instrument and as of the date of its issue is, or is capable of being, quoted, listed or ordinarily purchased and sold on any stock exchange, automated trading system or over-the-counter or other securities market;

“**Relevant Screen Page**” means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“**Relevant Taxing Jurisdiction**” has the meaning given in Condition 10.5 (*Redemption for Taxation Reasons*);

“**Relevant Time**” has the meaning given in the Final Terms;

“**Subsidiary**” means any entity:

- (a) which is directly or indirectly controlled by the Issuer; or
- (b) more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned by the Issuer; or
- (c) whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer.

For an entity to be “*controlled*” by the Issuer means that the Issuer (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that entity or otherwise controls, or has the power to control, the affairs and policies of that entity.

“**Securities Act**” means the U.S. Securities Act of 1933, as amended;

“**Securitisation**” means any securitisation (*Shari’ah* compliant or otherwise) of existing or future assets and/or revenues, *provided* that (a) any Security Interest given by the Issuer in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; (b) 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 (c) there is no other recourse to the Issuer in respect of any default by any Person under the securitisation.

“**Security Interest**” means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance securing any obligation of any Person or any other type of arrangement having a similar effect over any assets or revenues of any Person;

“**Specified Currency**” means the currency specified as such in the applicable Final Terms or, if none is specified, the currency in which the Certificates are denominated;

“**Specified Denomination(s)**” means the amount(s) specified as such in the applicable Final Terms;

“**Specified Office**” has the meaning given in the Agency Agreement;

“**Specified Period**” has the meaning given in the Final Terms;

“**Sukuk Obligation**” means any undertaking or other obligation to pay any money given in connection with the issue of trust certificates or other instruments intended to be issued in compliance with the principles of *Shari'a*, whether or not in return for consideration of any kind;

“**Talon**” means a talon for further Coupons;

“**TARGET2**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

“**TARGET Settlement Day**” means any day on which TARGET2 is open for the settlement of payments in euros; and

“**Zero Coupon Note**” means a Note specified as such in the Final Terms.

## 2.2 Interpretation

In these Conditions:

- (a) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (b) if Talons are specified in the Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (c) if Talons are not specified in the Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (d) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (e) any reference to interest shall be deemed to include any additional amounts in respect of interest, which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (f) references to Notes being “**outstanding**” shall be construed in accordance with the Agency Agreement;
- (g) if an expression is stated in Condition 2.1 (*Definitions*) to have the meaning given in the Final Terms, but the Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes; and
- (h) any reference to the Agency Agreement, the Deed Poll or the Deed of Covenant shall be construed as a reference to the Agency Agreement, the Deed Poll or the Deed of Covenant, as



the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

### **3. FORM, DENOMINATION AND TITLE**

#### **3.1 Notes in Bearer Form**

Bearer Notes are issued in the Specified Currency and the Specified Denomination(s) with Coupons (and, if specified in the Final Terms, Talons) attached at the time of issue, which may include a minimum denomination specified in the applicable Final Terms (which shall not be less than the minimum Specified Denomination) and higher integral multiples of such amount as specified in the applicable Final Terms.

In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and vice versa. Except as set out below, title to Bearer Notes and Coupons will pass by delivery. The holder of any Bearer Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof), and no Person shall be liable for so treating such holder. All Definitive Notes (as defined in the Agency Agreement) will be serially numbered, with Coupons, if any, attached.

#### **3.2 Notes in Registered Form**

Registered Notes are issued in the Specified Currency and the Specified Denomination(s), which may include a minimum denomination specified in the applicable Final Terms (which shall not be less than the minimum Specified Denomination) and higher integral multiples of such amount as specified in the applicable Final Terms.

The holder of each Registered Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Registered Note relating thereto (other than the endorsed form of transfer) or any previous loss or theft of such Registered Note), and no Person shall be liable for so treating such holder. Title to Registered Notes will pass registration of transfers in the register, which the Issuer shall procure to be kept by the Registrars, in accordance with the provisions of the Agency Agreement. All Individual Note Certificates (as defined in the Agency Agreement) will be numbered serially with an identity number which will be recorded in the register.

### **4. TRANSFERS OF REGISTERED NOTES**

#### **4.1 Transfers of Registered Notes**

A Registered Note may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part only (*provided*, that such part and the remainder not transferred is not less than the Specified Denomination) upon the surrender of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the Specified Office of the relevant Registrar. In the case of a transfer of part only of a Registered Note, a new Registered Note will be issued to the transferee and a new Registered Note in respect of the balance not transferred will be issued to the transferor.

#### **4.2 Issue of new Registered Notes**

Each new Registered Note to be issued upon the transfer of a Registered Note will, within ten Relevant Banking Days of the day on which such Note was presented for transfer, be available for collection by each relevant holder at the Specified Office of the relevant Registrar or, at the option of the holder requesting such transfer, be mailed (by uninsured post at the risk of the holder(s) entitled thereto) to such address(es), as may be specified by such holder. For these purposes, a form of transfer received by the relevant Registrar or the Fiscal Agent after the Record Date in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the relevant Registrar or the Fiscal Agent until the day following the due date for such payment.

#### **4.3 Charges for transfer or exchange**

The issue of new Registered Notes on transfer will be effected without charge by or on behalf of the Issuer, the Fiscal Agent or the relevant Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity and/or security, as the Issuer, the Fiscal Agent or the relevant Registrar may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.

#### **4.4 Closed Periods**

Holders of Registered Notes may not require transfers of a Note to be registered during the period of 15 days ending on the due date for any redemption of or payment of principal or interest in respect of the Registered Notes.

#### **4.5 Forced Transfer**

If at any time the Issuer determines that any beneficial owner of Notes, or any account for which such owner purchased Notes, who is required to be a QIB as defined in Rule 144A is not a QIB, the Issuer may (a) compel such beneficial owner to sell its Notes to a person who is (i) a U.S. Person who is a QIB and that is, in each case, otherwise qualified to purchase such Notes in a transaction exempt from registration under the Securities Act or (ii) not a U.S. Person within the meaning of Regulation S under the Securities Act or (b) compel the beneficial owner to sell such Notes to the Issuer or an affiliate thereof at a price equal to the lesser of (x) the purchase price paid by the beneficial owner for such Notes, (y) 100 per cent. of the principal amount thereof and (z) the fair market value thereof. The Issuer has the right to refuse to honour the transfer of interests in a Restricted Global Certificate or any Restricted Notes (each as defined in the Agency Agreement) to a U.S. Person who is not a QIB.

### **5. STATUS**

The Notes constitute, subject to Condition 6 (*Negative Pledge*), direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 6 (*Negative Pledge*), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

### **6. NEGATIVE PLEDGE**

So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer will not create, incur, assume or permit to arise or subsist any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness of the Issuer or any Guarantee by the Issuer of Relevant Indebtedness unless: (a) at the same time or prior thereto, the obligations of the Issuer under the Notes and the Deed of Covenant are secured equally and rateably therewith; or (b) such other security is provided to secure the obligations of the Issuer under the Notes and the Deed of Covenant as may be approved by an Extraordinary Resolution of the Noteholders.

### **7. FIXED RATE NOTE PROVISIONS**

#### **7.1 Application**

This Condition 7 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note provisions are specified in the Final Terms as being applicable.

#### **7.2 Accrual of interest**

The Notes bear interest on their outstanding principal amount from, and including, the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date in each year, subject as provided in Condition 11 (*Payments—Bearer Notes*) and Condition 12 (*Payments—Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7.2 (after as well as before judgment) until whichever is the earlier of: (a) the day on which all sums due in respect of such Note up to that day

are received by or on behalf of the relevant Noteholder; and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

### 7.3 **Fixed Coupon Amount**

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

### 7.4 **Calculation of interest amount**

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose, a “**sub-unit**” means, in the case of any currency other than U.S. dollars, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of U.S. dollars, means one cent.

## 8. **FLOATING RATE NOTE PROVISIONS**

### 8.1 **Application**

This Condition 8 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note provisions are specified in the Final Terms as being applicable.

### 8.2 **Accrual of interest**

The Notes bear interest on their outstanding principal amount from, and including, the Interest Commencement Date at the Rate of Interest, which shall be determined in the manner specified in the Final Terms, payable in arrear on each Interest Payment Date in each year, subject as provided in Condition 11 (*Payments—Bearer Notes*) and Condition 12 (*Payments—Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 8.2 (after as well as before judgment) until whichever is the earlier of: (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

### 8.3 **Screen Rate Determination**

If Screen Rate Determination is specified in the Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (a) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (b) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (c) if, in the case of (a) above, such rate does not appear on that page or, in the case of (b) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
  - (i) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on

the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

- (ii) determine the arithmetic mean of such quotations; and
- (d) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time, and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided* that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

#### 8.4 ISDA Determination

If ISDA Determination is specified in the Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “ISDA Rate” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent (as defined in the ISDA Definitions) for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (a) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the Final Terms;
- (b) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the Final Terms; and
- (c) the relevant Reset Date (as defined in the ISDA Definitions) is either: (i) if the relevant Floating Rate Option is based on the London inter-bank offered rate (“LIBOR”) or on the Euro-zone inter-bank offered rate (“EURIBOR”) for a currency, the first day of that Interest Period; or (ii) in any other case, as specified in the Final Terms.

#### 8.5 Benchmark Replacement

Notwithstanding the other provisions of this Condition 8, if the Issuer 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 and if applicable, an Adjustment Spread for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;
- (b) if (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by the Issuer fails to determine a Successor Rate or, failing which, an Alternative Reference Rate and/or, in either case, an Adjustment Spread in accordance with this Condition 8.5 prior to the relevant IA Determination Cut-Off Date, then the Issuer (acting in good faith and (A) in the event that the Issuer is unable to appoint an Independent Adviser, in a commercially reasonable manner; or (B) in the event that the Independent Adviser fails to determine a Successor Rate, or failing which, an Alternative Reference Rate and/or, in either

case, an Adjustment Spread in accordance with this Condition 8.5 prior to the relevant IA Determination Cut-Off Date, in consultation with the Independent Adviser) may elect to determine the Successor Rate or, failing which, an Alternative Reference Rate (as applicable) and/or, in either case, an Adjustment Spread itself for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes or, if applicable, any Benchmark Amendments, to ensure the proper operation of such Successor Rate or Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread (with the relevant provisions in this Condition 8.5 applying *mutatis mutandis*) to allow such determinations to be made by the Issuer without consultation with the Independent Adviser;

- (c) 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 8.5);
- (d) 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), provided however, that if the Independent Adviser (following consultation with the Issuer), or the Issuer (acting in good faith and (A) in the event that the Issuer is unable to appoint an Independent Adviser, in a commercially reasonable manner; or (B) in the event that the Independent Adviser fails to determine a Successor Rate, or failing which, an Alternative Reference Rate and/or, in either case, an Adjustment Spread in accordance with this Condition 8.5 prior to the relevant IA Determination Cut-Off Date, in consultation with the Independent Adviser) fails to determine the Adjustment Spread in accordance with this Condition 8.5 prior to the IA Determination Cut-Off Date, then the Successor Rate or Alternative Reference Rate, as determined in accordance with this Condition 8.5 will apply without an Adjustment Spread;
- (e) if any Successor Rate, Alternative Reference Rate and/or Adjustment Spread is determined in accordance with this Condition 8.5 and the Independent Adviser (following consultation with the Issuer) or the Issuer (acting in good faith and (A) in the event that the Issuer is unable to appoint an Independent Adviser, in a commercially reasonable manner; or (B) in the event that the Independent Adviser fails to determine a Successor Rate, or failing which, an Alternative Reference Rate and/or, in either case, an Adjustment Spread in accordance with this Condition 8.5 prior to the relevant IA Determination Cut-Off Date, in consultation with the Independent Adviser), as applicable, determines: (i) 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 (ii) 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 8.5(d): (x) the Issuer shall vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice; provided that no Agent shall be required to effect any such Benchmark Amendments if the same would impose, in its opinion, more onerous obligations upon it or expose it to any liability against which it is not adequately indemnified and/or secured and/or prefunded to its satisfaction or impose any additional duties, responsibilities or liabilities or reduce or amend its rights and/or the protective provisions afforded to it. Prior to any such Benchmark Amendments taking effect, the Issuer shall provide a certificate signed by a director or a duly authorised signatory of the Issuer to the Fiscal Agent certifying that such Benchmark Amendments are: (x) in the Issuer’s reasonable opinion (following consultation with the Independent Adviser), necessary to give effect to any application of this Condition 8.5; and (y) in each case, have been drafted solely to such effect, and the Fiscal Agent shall be entitled to rely on such certificates without further enquiry or liability to any person. 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;
- (f) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) and the specific terms of any Benchmark Amendments, give

notice to the Agents and, in accordance with Condition 21 (*Notices*), the Noteholders confirming: (i) that a Benchmark Event has occurred; (ii) the Successor Rate or Alternative Reference Rate (as applicable); (iii) any applicable Adjustment Spread; and (iv) the specific terms of the Benchmark Amendments (if any);

- (g) 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 8.5(g) 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 8.5; and
- (h) the Independent Adviser appointed pursuant to this Condition 8.5 shall act and make all determinations pursuant to this Condition 8.5 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 Fiscal Agent, the Noteholders or the Couponholders in connection with any determination made by it or, in the case of the Independent Adviser, for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 8.5.

For the purposes of this Condition 8.5:

“**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), as a result of the replacement of the relevant Reference Rate with the relevant Successor Rate or the relevant Alternative Reference Rate (as applicable), 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 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) or the Issuer (as applicable) determines (acting in good faith and (A) in the event that the Issuer is unable to appoint an Independent Adviser, in a commercially reasonable manner; or (B) in the event that the Independent Adviser fails to determine a Successor Rate, or failing which, an Alternative Reference Rate and/or, in either case, an Adjustment Spread in accordance with this Condition 8.5 prior to the relevant IA Determination Cut-Off Date, in consultation with the Independent Adviser) in their 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 has replaced the relevant Reference Rate in customary market usage 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 and of a comparable duration to the relevant Interest Period or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in their 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; (ii) a public statement by the administrator of the relevant Reference Rate that it has ceased or that it will, by a specified future date, 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); (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, by a specified future date, permanently or indefinitely discontinued; (iv) a public statement by the supervisor of the administrator of the relevant Reference Rate as a consequence of which, by a specified future date, the relevant Reference Rate will be prohibited from being used either generally, or in respect of the Notes; (v) 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 no longer representative of an underlying market; or (vi) it has become unlawful for the Issuer, the Calculation Agent or any Paying Agent to calculate any payments due to be made to any Noteholder using the relevant Reference Rate, provided that, where the relevant Benchmark Event is a public statement within sub-paragraphs (ii), (iii) and (iv) above and the relevant specified future date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such specified future date;

**“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.

## 8.6 **Maximum or Minimum Rate of Interest**

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

## 8.7 **Calculation of Interest Amount**

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, determine the Rate of Interest for such Interest Period and calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “sub-unit” means, in the case of any currency other than U.S.

dollars, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of U.S. dollars, means one cent.

#### 8.8 **Calculation of other amounts**

If the Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the Final Terms.

#### 8.9 **Publication**

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders in accordance with Condition 21 (*Notices*). The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

#### 8.10 **Binding Determinations**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8.10 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders, and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

### 9. **ZERO COUPON NOTE PROVISIONS**

#### 9.1 **Application**

This Condition 9 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note provisions are specified in the Final Terms as being applicable.

#### 9.2 **Late payment on Zero Coupon Notes**

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (a) the Reference Price; and
- (b) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of: (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).



## **10. REDEMPTION AND PURCHASE**

### **10.1 Scheduled redemption**

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments—Bearer Notes*) and Condition 12 (*Payments—Registered Notes*).

### **10.2 Redemption at the option of the Issuer**

If the Call Option is specified in the Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

### **10.3 Partial redemption**

If the Notes are to be redeemed in part only on any date in accordance with Condition 10.2 (*Redemption at the option of the Issuer*):

- (a) in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10.2 (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes to be redeemed.

If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified; and

- (b) in the case of Registered Notes, the Notes shall be redeemed (so far as may be practicable) pro rata to their principal amounts, subject always to compliance with all applicable laws and the requirements of any listing authority, stock exchange or quotation system on which the relevant Notes may be listed, traded or quoted.

In the case of the redemption of part only of a Registered Note, a new Registered Note in respect of the unredeemed balance shall be issued in accordance with Condition 4 (*Transfers of Registered Notes*) which shall apply as in the case of a transfer of Registered Notes as if such new Registered Note were in respect of the untransferred balance.

### **10.4 Redemption at the option of Noteholders**

If the Put Option is specified in the Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10.4, the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit at the Specified Offices of any Paying Agent (in the case of Bearer Notes) or the relevant Registrar (in the case of Registered Notes) such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent or Registrar specifying the aggregate outstanding principal amount in respect of which such option is exercised. The Paying Agent or Registrar with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing holder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10.4, may be withdrawn; *provided* that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent or Registrar, as the case may be, shall mail notification thereof to the depositing holder at such address as may have been given by such holder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing holder

against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent or Registrar, as the case may be, in accordance with this Condition 10.4, the depositor of such Note, and not such Paying Agent, shall be deemed to be the holder of such Note for all purposes.

The Issuer shall redeem the Notes in respect of which Put Option Receipts have been issued on the Optional Redemption Date (Put), unless previously redeemed. Payment in respect of any Note so delivered will be made:

- (a) if the Note is in definitive form and held outside Euroclear, Clearstream and DTC and if the holder duly specified a bank account in the Put Option Notice to which payment is to be made, on the Optional Redemption Date (Put) by transfer to that bank account and in every other case on or after the Optional Redemption Date (Put), in each case against presentation and surrender or (as the case may be) endorsement of such Put Option Receipt and, where appropriate, entry in the Register, at the Specified Office of any Paying Agent; or
- (b) if the Note is represented by a Global Note or Global Certificate (each as defined in the Agency Agreement) or is in definitive form and held through Euroclear or Clearstream or DTC, in accordance with the standard procedures of Euroclear, Clearstream or DTC, as applicable.

The holder of a Note may not exercise such Put Option in respect of any Note which is the subject of an exercise by the Issuer of its Call Option.

In the case of the redemption of part only of a Registered Note, a new Registered Note in respect of the unredeemed balance shall be issued in accordance with Condition 4 (*Transfers of Registered Notes*) which shall apply in the case of a transfer of Registered Notes as if such new Registered Note were in respect of the untransferred balance.

As long as Bearer Notes issued in accordance with TEFRA D are represented by a Temporary Bearer Global Note, the option under this Condition 10.4 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.

## 10.5 **Redemption for Taxation Reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (in respect of a Floating Rate Note) or, at any time, (in respect of any note that is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at the Early Redemption Amount (referred to in Condition 10.9 (*Early Redemption Amount*)), together with interest accrued (if any) to the date fixed for redemption, if:

- (a) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any jurisdiction in which the Issuer is incorporated, organised or otherwise resident for tax purposes, or from or in which the Issuer makes any payment on the Notes, or by any political subdivision or any authority thereof or therein having power to tax (each, as applicable, a "**Relevant Taxing Jurisdiction**"), 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 on which agreement is reached to issue the first Tranche of the Notes; and
- (b) 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 10.5, the Issuer shall deliver to the Fiscal Agent to make available at its specified office to the Noteholders 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 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.

## 10.6 Redemption on a Change of Control

If the Change of Control Option is specified in the Final Terms as being applicable and a Change of Control occurs, the Issuer shall, at the option of the holder of any such Note redeem such Note on the relevant Change of Control Put Date at the Change of Control Redemption Amount together with interest (if any) accrued to but excluding such 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 21 (*Notices*) specifying the nature of the Change of Control.

In order to exercise the option contained in this Condition 10.6, the holder of a Note must, during the Change of Control Put Period, deposit at the Specified Offices of any Paying Agent (in the case of Bearer Notes) or the relevant Registrar (in the case of Registered Notes) such Note together with all unmatured Coupons relating thereto and a duly completed Change of Control Option Notice in the form obtainable from any Paying Agent or Registrar specifying the aggregate outstanding principal amount in respect of which such option is exercised. The Paying Agent or Registrar with which a Note is so deposited shall deliver a duly completed Change of Control Option Receipt to the depositing holder. No Note, once deposited with a duly completed Change of Control Option Notice in accordance with this Condition 10.6, may be withdrawn; *provided* that if, prior to the relevant Change of Control Put Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Change of Control Put Date, payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent or Registrar, as the case may be, shall mail notification thereof to the depositing holder at such address as may have been given by such holder in the relevant Change of Control Option Notice and shall hold such Note at its Specified Office for collection by the depositing holder against surrender of the relevant Change of Control Option Receipt. For so long as any outstanding Note is held by a Paying Agent or Registrar, as the case may be, in accordance with this Condition 10.6, the depositor of such Note, and not such Paying Agent, shall be deemed to be the holder of such Note for all purposes.

The Issuer shall redeem the Notes in respect of which Change of Control Option Receipts have been issued on the Change of Control Put Date, unless previously redeemed. Payment in respect of any Note so delivered will be made:

- (a) if the Note is in definitive form and held outside Euroclear, Clearstream and DTC and if the holder duly specified a bank account in the Put Option Notice to which payment is to be made, on the Change of Control Put Date by transfer to that bank account and in every other case on or after Change of Control Put Date, in each case against presentation and surrender or (as the case may be) endorsement of such Change of Control Option Receipt and, where appropriate, entry in the Register, at the Specified Office of any Paying Agent; or
- (b) if the Note is represented by a Global Note or Global Certificate (each as defined in the Agency Agreement) or is in definitive form and held through Euroclear or Clearstream or DTC, in accordance with the standard procedures of Euroclear, Clearstream or DTC, as applicable.

The holder of a Note may not exercise such Change of Control Option in respect of any Note which is the subject of an exercise by the Issuer of its Call Option.

In the case of the redemption of part only of a Registered Note, a new Registered Note in respect of the unredeemed balance shall be issued in accordance with Condition 4 (*Transfers of Registered Notes*) which shall apply in the case of a transfer of Registered Notes as if such new Registered Note were in respect of the untransferred balance.

As long as Bearer Notes issued in accordance with TEFRA D are represented by a Temporary Bearer Global Note, the option under this Condition 10.6 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.

## 10.7 Clean Up Redemption

If 75 per cent. or more in nominal amount of the Notes then outstanding have been redeemed or, as the case may be, purchased, pursuant to Condition 10.6 (*Redemption on a Change of Control*), the Issuer

may, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 21 (*Notices*) (such notice to be given within 30 days of the Change of Control Put Date), redeem or, at the Issuer's option, purchase (or procure the purchase of) all but not some only of the remaining outstanding Notes at their Change of Control Redemption Amount together with interest (if any) accrued to but excluding the date fixed for redemption or purchase, as the case may be.

#### 10.8 **No other redemption**

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 10.1 (*Scheduled redemption*) to 10.7 (*Clean Up Redemption*) above.

#### 10.9 **Early redemption amounts**

For the purpose of Condition 10.5 (*Redemption for Taxation Reasons*) and 14 (*Events of Default*), each Note will be redeemed at an amount (the "**Early Redemption Amount**"), calculated as follows:

- (a) in the case of a Note (other than a Zero Coupon Note), at the amount specified as the Early Redemption Amount in the applicable Final Terms or, if no such amount is so specified in the applicable Final Terms, at the Final Redemption Amount thereof; or
- (b) in the case of a Zero Coupon Note, at an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 10.9 or, if none is so specified, a Day Count Fraction of 30E/360.

#### 10.10 **Purchase**

The Issuer and its Subsidiaries may at any time purchase Notes (*provided* that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise and at any price. Such Notes may be held, resold (*provided* that such resale is outside the United States (as defined in Regulation S under the Securities Act) or, in the case of any Notes resold pursuant to Rule 144 under the Securities Act, is only made to a Person reasonably believed to be a QIB) or, at the discretion of the holder thereof, surrendered for cancellation and, upon surrender thereof, all such Notes will be cancelled forthwith. Any Notes so purchased, while held by, or on behalf of, any Person (including but not limited to the Issuer) for the benefit of the Issuer or its Subsidiaries, in each case as beneficial owner, shall not entitle the holder to vote at any meeting of Noteholders and shall not be deemed to be outstanding for the purposes of meetings of Noteholders or for the purposes of any Written Resolution (as defined in the Agency Agreement) or for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 18 (*Meetings of Noteholders*).

#### 10.11 **Cancellation**

All Notes surrendered for cancellation in accordance with Condition 10.10 (*Purchase*) above will be cancelled and may not be reissued or resold, and the obligations of the Issuer in respect of any such Notes shall be discharged. For so long as the Notes are listed on the Official List of Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**"), and the rules of such exchange so require, the Issuer shall promptly inform such exchange of the cancellation of any Notes under this Condition 10.11.

### 11. **PAYMENTS—BEARER NOTES**

This Condition 11 (*Payments—Bearer Notes*) applies in relation to Bearer Notes only.

### 11.1 **Principal**

Payments of principal shall be made only against presentation and (*provided* that payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by transfer to an account denominated in that currency (or, if that currency is euros, any other account to which euros may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

### 11.2 **Interest**

Payments of interest shall, subject to Condition 11.8 (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that*, payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 11.1 (*Principal*).

### 11.3 **Payments in New York City**

If payments of principal or interest will be made in U.S. dollars, then such payment may be made at the Specified Office of a Paying Agent in New York City only if: (a) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the principal and interest on the Bearer Notes in U.S. dollars; (b) payment of the full amount of such principal and interest at the offices of all such Paying Agents 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 (c) payment is permitted by applicable United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

### 11.4 **Payments subject to fiscal laws**

All payments of principal and interest in respect the Bearer Notes are subject in all cases to: (a) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*); and (b) 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, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

### 11.5 **Deductions for unmatured Coupons**

If the Final Terms specifies that the Fixed Rate Note provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:

- (a) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided* that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
- (b) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
  - (i) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; *provided that*, where this sub-paragraph (i) would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
  - (ii) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided* that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the

aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 11.1 (*Principal*) above against presentation and (*provided that*, payment is made in full) surrender of the relevant missing Coupons.

#### **11.6 Unmatured Coupons void**

If the Final Terms specifies that this Condition 11.6 is applicable or that the Floating Rate Note provisions are applicable, on the due date for final redemption of any Bearer Note or early redemption in whole of such Bearer Note pursuant to Condition 10.2 (*Redemption at the option of the Issuer*), Condition 10.4 (*Redemption at the option of Noteholders*), Condition 10.5 (*Redemption for Taxation Reasons*), Condition 10.6 (*Redemption on a Change of Control*), Condition 10.7 (*Clean Up Redemption*), or Condition 14 (*Events of Default*), all unmaturing Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

#### **11.7 Payments on business days**

If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

#### **11.8 Payments other than in respect of matured Coupons**

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 11.3 (*Payments in New York City*) above).

#### **11.9 Partial payments**

If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

#### **11.10 Exchange of Talons**

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Bearer Note shall become void and no Coupon will be delivered in respect of such Talon.

### **12. PAYMENTS—REGISTERED NOTES**

This Condition 12 (*Payments—Registered Notes*) applies in relation to Registered Notes only.

#### **12.1 Redemption Amount**

Payments of the Redemption Amount (together with accrued interest) due in respect of Registered Notes shall be made in the currency in which such amount is due against presentation, and save in the case of partial payment of the Redemption Amount, surrender of the relevant Registered Notes at the Specified Office of the relevant Registrar. If the due date for payment of the Redemption Amount of any Registered Note is not a business day (as defined below), then the Noteholder will not be entitled to payment until the next business day, and from such day and thereafter will be entitled to payment by transfer to a designated account on any day which is a Relevant Banking Day, business day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or

otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Conditions, in which event interest shall continue to accrue as provided in these Conditions.

## 12.2 Principal and interest

Payments of principal and interest shall be made to a designated account denominated in the relevant currency on the relevant due date for payment by transfer to such account. If the due date for any such payment is not a business day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located, then the Noteholder will not be entitled to payment thereof until the first day thereafter which is a business day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is subsequent failure to pay in accordance with these Conditions, in which event interest shall continue to accrue as provided in these Conditions.

## 12.3 Payments subject to fiscal laws

All payments of principal and interest in respect of the Registered Notes are subject in all cases to: (a) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*); and (b) 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, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Registered Noteholders in respect of such payments.

In this Condition 12 (*Payments—Registered Notes*), “**business day**” means:

- (a) any day which is in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) in the case of surrender of a Registered Note, 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 place in which the Registered Note is surrendered.

## 13. TAXATION

All payments of principal and interest in respect of the Notes and the Coupons by, or on behalf of, the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by, or on behalf of, or within a Relevant Taxing Jurisdiction, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (a) by or on behalf of a holder, that would not have been payable or due but for the holder being liable for such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Relevant Taxing Jurisdiction, or any political subdivision or any authority thereof or therein having power to tax, other than the mere acquisition or holding of any Note or Coupon or the enforcement or receipt of payment under or in respect of any Note or Coupon;
- (b) more than 30 days after the Relevant Date, except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days;
- (c) where such withholding or deduction is required pursuant to Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or

agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto;

- (d) where such withholding or deduction would not be payable or due but for the holder's or beneficial owner's failure to comply with any certification, identification or other reporting requirements concerning the nationality, residence, identity or other attributes of the holder or beneficial owner of such Note or Coupon required in connection with a claim of eligibility for avoidance or reduction of withholding or deduction of tax, if requested in writing addressed to the holder by the Issuer to comply with such requirement;
- (e) that is imposed in respect of any estate, inheritance, gift, sales, transfer or similar taxes of a holder or beneficial owner of such Note or Coupon;
- (f) if the holder is a fiduciary or partnership or person other than the sole beneficial owner of such payment to the extent that no additional amounts would have been payable had such holder been the sole beneficial owner of the Note or Coupon;
- (g) any Taxes that are payable otherwise than by deduction or withholding from a payment of the principal of, premium, if any, or interest, if any, on the Notes or Coupons; or
- (h) any combination of items (a) through (g) above.

#### **14. 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:

##### **14.1 Non-payment**

the Issuer fails to pay any amount of principal, premium, if any, or interest in respect of any of the Notes of such Series when due and payable and such failure continues for a period of seven days in the case of principal or premium and 14 days in the case of interest; or

##### **14.2 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

##### **14.3 Cross-acceleration of the Issuer**

- (a) any other indebtedness of the Issuer becomes due and payable prior to its stated maturity by reason of default (howsoever described);
- (b) any indebtedness of the Issuer is not paid when due; or
- (c) any amount payable under any Guarantee given by the Issuer of any indebtedness is not paid when due,

and, in the case of either sub-paragraph (b) or (c) above, such failure continues beyond any originally applicable grace period, *provided* that the amount of indebtedness referred to in sub-paragraph (a) above and/or (b) and/or the amount payable under any Guarantee referred to in sub-paragraph (c) above, as applicable, either alone or when aggregated with all other indebtedness in respect of which such an event shall have occurred and be continuing shall be more than U.S.\$30,000,000 (or its equivalent in any other currency or currencies); or

##### **14.4 Unsatisfied Judgment**

one or more judgments or orders for the payment of any sum in excess of U.S.\$30,000,000 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

**14.5 Security Enforced**

any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer and securing an amount which equals or exceeds U.S.\$30,000,000 (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

**14.6 Insolvency**

the Issuer is adjudicated or found bankrupt or insolvent; or

**14.7 Insolvency Proceedings**

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

**14.8 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

**14.9 Winding-up**

an administrator or other receiver, manager, liquidator or other similar official is appointed in relation to the Issuer, or as the case may be, in relation to all or substantially all of its business or operations, an order is made or an effective resolution 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

**14.10 Moratorium**

the Issuer shall have declared a general moratorium on the payment of principal of, or interest on, all or any part of its indebtedness; or

**14.11 Unlawfulness**

for any reason whatsoever, the obligations under the Notes of such Series or the Agency Agreement are, or become, or are claimed by the Issuer to be, unlawful or are declared by a court of competent jurisdiction to be no longer legal, valid, binding on, or no longer enforceable against, the Issuer; or

**14.12 Validity**

the Issuer contests the validity of such Series of Notes or the Issuer denies any of its obligations under such Series of Notes; or

#### 14.13 **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 paragraphs 14.4 to 14.10 above (inclusive),

then the holder of a Note may, by notice in writing to the Issuer (with a copy to the Fiscal 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 (if applicable) with accrued interest to the date of payment without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Issuer.

#### 15. **PRESCRIPTION**

Claims against the Issuer for principal in respect of Notes shall be prescribed and become void unless made within ten years of the appropriate Relevant Date. Claims against the Issuer for interest or Coupons in respect of Notes shall become void unless made within five years of the appropriate Relevant Date.

Any money paid by the Issuer to the Fiscal Agent for payment due under any Note that remains unclaimed at the end of two years after the due date for payment of such Note will be repaid to the Issuer, and the holder of such Note shall thereafter look only to the Issuer for payment.

#### 16. **REPLACEMENT OF NOTES AND COUPONS**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system) (in the case of Bearer Notes or Coupons) or the relevant Registrar (in the case of Registered Notes), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

#### 17. **AGENTS**

##### 17.1 **Obligations of Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents, the Calculation Agent, the Transfer Agents and the Registrars act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders, and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

##### 17.2 **Maintenance of Agents**

The initial Fiscal Agent, Transfer Agents and Registrars and their initial Specified Offices are listed in the Agency Agreement. The initial Calculation Agent (if any) is specified in the Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent), the Registrars, the Transfer Agents or the Calculation Agent and to appoint any successor Fiscal Agent, Paying Agent, Registrar, Transfer Agent or Calculation Agent; *provided that*:

- (a) the Issuer shall at all times maintain a Fiscal Agent;
- (b) the Issuer shall at all times maintain, in the case of Registered Notes, a Registrar;
- (c) if a Calculation Agent is specified in the Final Terms, the Issuer shall at all times maintain a Calculation Agent;
- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying

Agent in any particular place, the Issuer shall maintain a Paying Agent (which may be the Fiscal Agent) and a Registrar (for Registered Notes) each with a Specified Office in the place required by such competent authority, stock exchange and/or quotation system; and

- (e) in the circumstances described in Condition 11.3 (*Payments in New York City*), a Paying Agent with a Specified Office in New York City.

Notice of any change in the Paying Agents, the Registrars, the Transfer Agents, the Calculation Agent or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 21 (*Notices*).

## **18. MEETINGS OF NOTEHOLDERS**

The Agency Agreement contains provisions for convening meetings 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 five per cent. in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more 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 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, altering the currency of payment of the Notes or the Coupons or amending the Deed of Covenant in certain respects), 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. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

## **19. MODIFICATION**

The Issuer may, without the consent of the Noteholders or Couponholders, make:

- (a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) to the Notes, the Coupons, the Deed Poll, the Deed of Covenant or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification to the Notes, the Coupons, the Deed Poll, 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.

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 21 (*Notices*) as soon as practicable thereafter.

## **20. FURTHER ISSUES**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the amount and the date of the first payment of interest and the date from which interest starts to accrue) so as to form a single Series with the Notes, *provided that*, unless the further notes are fungible with the Notes for U.S. federal income tax purposes, such further notes will be issued with a separate CUSIP and ISIN. The Agency Agreement contains provisions for convening a single meeting of the Noteholders of a particular Series and the holders of Notes of other Series. Notwithstanding the foregoing, in the case of Bearer Notes that are issued under the TEFRA D Rules and are initially represented by interests in a Temporary Bearer Global Note exchangeable for Permanent Bearer Global Note or Definitive Notes, consolidation of further notes to form a single Series with the Notes will occur only upon certification of non-U.S. beneficial ownership and exchange of interests in the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note, and such further notes shall have a separate CUSIP and/or ISIN, as applicable while they are in Temporary Bearer Global Note form.

## **21. NOTICES**

### **21.1 Notices to Noteholders while Notes are held in Global Form**

So long as any Notes are evidenced by a Global Note or Global Certificate and such Global Note or Global Certificate is held by or on behalf of DTC, Euroclear or Clearstream, notices to Holders may be given by delivery of such notice to the relevant clearing systems for communication by them to entitled account holders; *provided that*, so long as the Notes are listed on any stock exchange, notice will also be published or otherwise given in accordance with the rules of such stock exchange and, in such case, such notices shall be deemed to have been given to the Noteholders on the date of publication. In respect of Notes listed on the Official List of Euronext Dublin, notice will be published on the website of Euronext Dublin, being <https://www.euronext.com/en/markets/dublin>.

### **21.2 Notices to Holders of Individual Note Certificates**

Notices to Holders of Individual Note Certificates will be deemed to be validly given if sent by first class mail (or the equivalent) or (if posted to an overseas address) by airmail to the Noteholders of those Notes at their respective addresses as recorded in the Register for those Notes, and will be deemed to have been validly given on the fourth day after the date of mailing as provided above or, if posted from a country other than that of the addressee, on the fifth day after the date of such mailing. In respect of Individual Note Certificates listed on the Official List of Euronext Dublin, notice will be published on the website of Euronext Dublin, being <https://www.euronext.com/en/markets/dublin>.

### **21.3 Notices to Holders of Definitive Notes**

Notices to Holders of Definitive Notes shall be given by publication in a leading English-language daily newspaper published in London, *provided that*, so long as the Notes are listed on any stock exchange, notice will also be published or otherwise given in accordance with the rules of such stock exchange. In respect of Definitive Notes listed on the Official List of Euronext Dublin, notice will be published on the website of Euronext Dublin, being <https://www.euronext.com/en/markets/dublin>. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Definitive Notes in bearer form in accordance with this Condition 21 (*Notices*).

## **22. ROUNDING**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the applicable Final Terms): (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.); (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up); (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount; and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency (with 0.005 being rounded upwards).

## **23. GOVERNING LAW AND JURISDICTION**

### **23.1 Governing law**

The Agency Agreement, the Deed Poll, the Deed of Covenant, 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 Notes (including the remaining provisions of this Condition 23 (*Governing Law and Jurisdiction*)) and the Coupons, are and shall be governed by, and construed in accordance with, English law.

### **23.2 Agreement to arbitrate**

Any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Notes and/or the Coupons (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 (“**LCIA**”) (the “**Rules**”), which Rules (as amended from time to time) are incorporated by reference into this Condition 23 (*Governing Law and Jurisdiction*). In relation to any such arbitration:

- (a) the arbitral tribunal shall consist of 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;
- (b) the seat of arbitration shall be London, England; and
- (c) the language of the arbitration shall be English.

### 23.3 **Option to litigate**

Notwithstanding Condition 23.2 (*Agreement to arbitrate*), any Noteholder or Couponholder may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

- (a) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
- (b) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If any Noteholder or Couponholder gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 23.4 (*Effect of exercise of an option to litigate*) and, subject as provided below, any arbitration commenced under Condition 23.2 (*Agreement to arbitrate*) in respect of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation to the terminated arbitration.

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the relevant Noteholder or Couponholder 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.

### 23.4 **Effect of exercise of an option to litigate**

In the event that a notice pursuant to Condition 23.3 (*Option to litigate*) is issued, the following provisions shall apply:

- (a) subject to paragraph (c) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer submits to the exclusive jurisdiction of such courts;
- (b) 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
- (c) this Condition 23.4 is for the benefit of the Noteholders and the Couponholders only. As a result, and notwithstanding paragraph (a) above, to the extent allowed by law, any Noteholder or Couponholder may take proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, any Noteholder or Couponholder may take concurrent Proceedings in any number of jurisdictions.

### 23.5 **Appointment of Process Agent**

The Issuer irrevocably appoints Law Debenture Corporate Services Limited at its registered office at 8th Floor, 100 Bishopsgate, London, EC2N 4AG as its agent for service of process, and undertakes that, in

the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Disputes and shall immediately notify Noteholders of such appointment in accordance with Condition 21 (*Notices*). Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

**23.6 Waiver of immunity**

The Issuer, to the extent permitted by law, hereby irrevocably and unconditionally waives and agrees not to raise with respect to the Notes any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and to the extent permitted by law, irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property or assets whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any proceedings.

In particular (but not by way of limitation of the foregoing), the Issuer, to the extent permitted by law, agrees and confirms that Article 251 of the Law of Civil and Commercial Procedure (Decree Law No. 12/1971 of the Laws of Bahrain, as amended from time to time) shall not apply, and shall not be so construed as to apply, to any proceedings for enforcement or execution of any order or judgment made in respect of or arising out of the Notes or any provision hereof.

**24. RIGHTS OF THIRD PARTIES**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any remedy or right of any person which exists or is available apart from that Act.

## FORM OF FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme. The text referring to the Prospectus Regulation only relates to the Notes in respect of which a prospectus is required to be prepared under the Prospectus Regulation and should otherwise be disregarded.*

**[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 Directive 2014/65/EU (as amended, “**MiFID II**”); (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 (as amended, 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.]

**[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**”); 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 “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a 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.]

**[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 (the “**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (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.]

**[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 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 “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a 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 manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

**[Singapore Securities and Futures Act Product Classification]** – Solely for the purposes of its obligations pursuant to sections 309B(1) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “**SFA**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the Notes are [“prescribed capital markets products”]/[capital markets products other than “prescribed capital markets products”] (as defined in the Securities and Futures (Capital

Markets Products) Regulations 2018) and [“**Excluded Investment Products**”]/[“**Specified 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).]<sup>1</sup>

**Final Terms dated [●]**

The Oil & Gas Holding Company B.S.C. (c)

Legal entity identifier (LEI): 549300OBH16L6TS6IW50

*(a company incorporated under the laws of the Kingdom of Bahrain and registered under commercial registration number 66088)*

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**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under its**

**U.S.\$3,000,000,000 Global Medium Term Note Programme**

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**PART A—CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the “**Conditions**”) set forth in the base prospectus dated 30 March 2021 [and the supplement(s) to it dated [date]], which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”)]<sup>2</sup>. This document constitutes the Final Terms of the Notes described herein [for the purposes of the Prospectus Regulation] and must be read in conjunction with the Base Prospectus in order to obtain all the relevant information. The Base Prospectus [and these Final Terms]<sup>3</sup> [is/are] available for viewing on the website of Euronext Dublin (<https://www.euronext.com/en/markets/dublin>) and during normal business hours at the office of the Fiscal Agent at [8 Canada Square, London, E14 5HQ, United Kingdom].]

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date:*

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the “**Conditions**”) set forth in the base prospectus dated [12 October 2017/27 April 2018]. This document constitutes the Final Terms of the Notes described herein [for the purposes of Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”)] and must be read in conjunction with the base prospectus dated 30 March 2021 [and the supplement(s) to it dated [date]] [, which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation] (the “**Base Prospectus**”) in order to obtain all the relevant information, save in respect of the Conditions, which are set forth in the base prospectus dated [12 October 2017/27 April 2018] and are incorporated by reference into the Base Prospectus. The Base Prospectus [and these Final Terms] [is/are] available for viewing the website of Euronext Dublin (<https://www.euronext.com/en/markets/dublin>) and during normal business hours at the office of the Fiscal Agent at [8 Canada Square, London, E14 5HQ, United Kingdom].]

- |    |         |  |  |
|----|---------|--|--|
| 1. | [(i)]   | Series Number:                           | [●]  |
|    | [(ii)]  | Tranche Number:                          | [●]  |
|    | [(iii)] | Date on which the Notes become fungible: | [Not Applicable/The Notes shall be consolidated and form a single series with the existing tranche(s) of the Series on [the Issue Date] / [the date that is 40 days after the Issue Date] / [exchange of the Temporary |

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<sup>1</sup> To be included for offers of Notes into Singapore. Relevant Dealer(s) to consider whether it / they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

<sup>2</sup> To be deleted where the Notes are neither admitted to trading on a regulated market in the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Regulation.

<sup>3</sup> To be included only if the Notes are to be admitted to trading on the regulated market, and listing on the official list, of Euronext Dublin.



Global Note for interests in the Permanent Global Note, as referred to in paragraph 20 below, which is expected to occur on or about [*insert date*].]

2. Specified Currency or Currencies: [•]
3. Aggregate Nominal Amount:
- [(i) Series: [•]]
- [(ii) Tranche: [•]]
4. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•]]
- (i) Specified Denominations: [•]
- (ii) Calculation Amount: [•]
5. (i) Issue Date: [•]
- (ii) Interest Commencement Date: [•]/[Issue Date]/[Not Applicable]
6. Maturity Date: [•]
7. Interest Basis: [[•] per cent. Fixed Rate]
- [[•] [+/-] [•] per cent. Floating Rate]
- [Zero Coupon]
8. Redemption/Payment Basis: [[For Fixed Rate Notes and Floating Rate Notes]
- Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.]/[[ For Zero Coupon Notes] [•]]
9. Change of Interest or Redemption/Payment Basis: [Applicable]/[Not Applicable]
10. Put/Call Options: [Investor Put]
- [Issuer Call]
- [Change of Control Put]
- [Not Applicable]
11. [Date approval for issuance of Notes obtained: [•]]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

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

- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually]/[semi-annually]/[quarterly]/[monthly] in arrear] on each Interest Payment Date
- (ii) Interest Payment Date(s): [●][[, [●], [●]] and [●] in each year]
- [(iii) First Interest Payment Date: [Issue Date]/[●]]
- (iv) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (v) Broken Amount(s): [[●] per Calculation Amount, payable on the Interest Payment Date falling [in]/[on] [●]/[Not Applicable]
- (vi) Day Count Fraction: [360/360] [Actual/Actual (ICMA)]
- [(vii) Determination Dates: [[●] in each year]/[Not Applicable]]
13. **Floating Rate Note Provisions** [Applicable]/[Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Interest Period(s): [●]
- (ii) Specified Period: [●]
- (iii) Specified Interest Payment Dates: [●]
- [(iv) First Interest Payment Date: [Issue Date]/[●]]
- (v) Business Day Convention: [Floating Rate Convention]/[Following Business Day Convention]/[Modified Following Business Day Convention]/[Preceding Business Day Convention]/[No Adjustment]
- (vi) Additional Business Centre(s): [●]/[Not Applicable]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination] / [ISDA Determination]
- (viii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent): [[●] shall be the Calculation Agent]
- (ix) Screen Rate Determination:
- Reference Rate: [LIBOR]/[EURIBOR]
  - Interest Determination Date(s): [●]
  - Relevant Screen Page: [●]
  - Relevant Time: [●]
  - Relevant Financial Centre: [●]
- (x) ISDA Determination:

- Floating Rate Option: [●]
  - Designated Maturity: [●]
  - Reset Date: [●]
- (xi) Margin(s): [ +/– ] [●] per cent. per annum
- (xii) Minimum Rate of Interest: [●] per cent. per annum
- (xiii) Maximum Rate of Interest: [●] per cent. per annum
- (ix) Day Count Fraction:  $\frac{[\text{Actual/Actual (ISDA)}]/[\text{Actual/365 (Fixed)}]}{[\text{Actual/365}]/[\text{Actual/360}]/[\text{30/360}]/[\text{30E/360}]/[\text{30E/360 (ISDA)}]}$
14. **Zero Coupon Note Provisions** [Applicable]/[Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Accrual Yield: [●] per cent. per annum
- (ii) Reference Price: [●]
- (iii) Day Count Fraction in relation to Early Redemption Amount: [Actual/365]/[Actual/360]/[30/360]/[30E/360]

**PROVISIONS RELATING TO REDEMPTION**

15. **Call Option** [Applicable]/[Not Applicable]
- (if not applicable, delete remaining sub-paragraphs of this paragraph)*
- (this paragraph and sub-paragraphs may be repeated for issues with more than one call option)*
- (i) Optional Redemption Date(s): [●] / [Any date from and including [●] to but excluding [●]]
- (ii) Optional Redemption Amount(s) of each Note: [●] per Calculation Amount
- (iii) If redeemable in part: [Applicable]/[Not Applicable]
- (if not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Minimum Redemption Amount: [●] per Calculation Amount
- (b) Maximum Redemption Amount: [●] per Calculation Amount
16. **Put Option** [Applicable]/[Not Applicable]

*(if not applicable, delete remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note: [●] per Calculation Amount
17. **Change of Control Put** [Applicable]/[Not Applicable]  
Change of Control Redemption Amount: [●] per Calculation Amount
18. **Final Redemption Amount of each Note** [100 per cent. of their nominal amount] / [●] per Calculation Amount
19. **Early Redemption Amount of each Note payable for taxation reasons or on an event of default** [100 per cent. of their nominal amount] / [●] per Calculation Amount

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

20. **Form of Notes** **[Bearer Notes:]**
- [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on [●] days' notice]/[at any time]/[in the limited circumstances specified in the Permanent Bearer Global Note]]
- [Temporary Bearer Global Note exchangeable for Definitive Notes on [●] days' notice]
- [Permanent Bearer Global Note exchangeable for Definitive Notes [on [●] days' notice]/[at any time]/[in the limited circumstances specified in the Permanent Bearer Global Note]]
- [Registered Notes:]**
- [Individual Note Certificates]
- [Unrestricted Global Certificate exchangeable for unrestricted Individual Note Certificates [on [●] days' notice]/[at any time]/[in the limited circumstances described in the Unrestricted Global Certificate]]
- [Restricted Global Certificate exchangeable for Restricted Individual Note Certificates [on [●] days' notice]/[at any time]/[in the limited circumstances described in the Restricted Global Certificate]]
- [Unrestricted Global Certificate registered in the name of a nominee for [DTC]/[a common depository for Euroclear and Clearstream]
- [Restricted Global Certificate registered in the name of a nominee for [DTC]]

21. Additional Financial Centre(s): [●]/[Not Applicable]
22. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [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**

[[●] has been extracted from [●]. 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 [●], no facts have been omitted which would render the reproduced information inaccurate or misleading]/[Not Applicable]

Signed on behalf of **The Oil & Gas Holding Company B.S.C. (c)**

By: .....

*Duly Authorised*

## PART B—OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Euronext Dublin]
- (ii) Admission to trading: [Application [has been][is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to [the Official List and to trading on the Regulated Market of Euronext Dublin] / [●] with effect from [●].] / [Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: [●]

### 2. RATINGS

Ratings: [[The Notes to be issued [have been/are expected to be] rated]:

[Fitch: [●]]

[[Other]: [●]]

#### ***Option 1—CRA established in the EEA and registered under the CRA Regulation***

[●] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”). [●] appears on the latest update of the list of registered credit rating agencies (as of [insert date of most recent list]) on the ESMA website:

<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>

#### ***Option 2—CRA not established in the EEA but relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation***

[●] is not established in the EEA but the rating it has given to the Notes is endorsed by [●], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”). [●] appears on the latest update of the list of registered credit rating agencies (as of [insert date of most recent list]) on the ESMA website:

<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>

#### ***Option 3—CRA is not established in the EEA and relevant rating is not endorsed under the CRA Regulation but CRA is certified under the CRA Regulation***

[●] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the “CRA Regulation”).

***Option 4—CRA neither established in the EEA nor certified under the CRA Regulation and relevant rating is not endorsed under the CRA Regulation***

[●] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the “CRA Regulation”) and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

In general, European regulated investors are restricted from using a rating for regulator purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

***Option 5—Not Applicable]***

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

[Save for any fees payable to the [Managers/Dealer], 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/Dealer] 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 for which they may receive fees.]

4. **REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS**

Reasons for the offer: [●] [See “Use of Proceeds” in Base Prospectus/Give details]

Estimated net proceeds: [●]

5. **[Fixed Rate Notes only – YIELD]**

Indication of yield: [●] [Not Applicable]

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**

ISIN: [●]

Common Code: [●]



[CUSIP: [●] [Not Applicable]]

CFI: [[See/[●], 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]

FISN: [[See/[●], 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]

*(If the CFI and/or FISN is not required, requested or available, it/they should be specified to be “Not Applicable”)*

Any clearing system(s) other than DTC, Euroclear and Clearstream and the relevant addresses and identification numbers): [Not Applicable/give name(s), address(es) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [●]

Name and address of Calculation Agent (if any), if different from Fiscal Agent: [●]

7. **DISTRIBUTION**

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

## FORM OF THE NOTES

The Notes 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 will 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 initially be issued in the form of a temporary bearer global note (a “**Temporary Bearer Global Note**”) or, if so specified in the applicable Final Terms, a permanent bearer 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 depository for Euroclear and Clearstream. Any Notes issued in compliance with the TEFRA D Rules (as defined below) must be initially represented by a Temporary Bearer Global Note.

Bearer Notes will only be delivered outside the United States and its possessions. While any Bearer Note issued in accordance with §1.163-5(c)(2)(i)(D) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Internal Revenue Code of 1986, as amended (the “**TEFRA D Rules**”) 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 outside the United States and its possessions and 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 and Euroclear and/or Clearstream, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent. Any reference in this section to the relevant clearing system(s) shall mean the clearing and/or settlement systems specified in the applicable Final Terms.

In the case of each Tranche of Bearer Notes, the Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) or any successor rules in substantially the same form as the rules in such regulations for purposes of Section 4701 of the Internal Revenue Code of 1986, as amended (the “**TEFRA C Rules**”) or TEFRA D Rules are applicable in relation to the Notes, or if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### ***Temporary Bearer Global Note exchangeable for Permanent Bearer Global Note***

If the Final Terms specifies the form of Notes as being “Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note”, then the Notes will initially be in the form of a Temporary Bearer Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Bearer Global Note, without interest coupons, not earlier than 40 days after the issue date (the “**Exchange Date**”) of the relevant Tranche of Notes upon certification as to non-U.S. beneficial ownership. The holder will not be entitled to collect any payments under the Temporary Bearer Global Note after the Exchange Date unless the Issuer has failed to procure the exchange for a Permanent Bearer Global Note after such holder duly makes an exchange request. In addition, as discussed above, payments in respect of the Temporary Bearer Global Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Bearer Global Note is to be exchanged for an interest in a Permanent Bearer Global Note, the Issuer shall procure prior to such exchange (in the case of first exchange) the delivery of a Permanent Bearer Global Note, duly authenticated to the bearer of the Temporary Bearer Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Notes represented by the Permanent Bearer Global Note in accordance with its terms against:

- (a) presentation and (in the case of final exchange) presentation and surrender of the Temporary Bearer Global Note to or to the order of the Fiscal Agent; and
- (b) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership, within seven days of the bearer requesting such exchange.

The principal amount of Notes represented by the Permanent Bearer Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership *provided, however*, that in

no circumstances shall the principal amount of Notes represented by the Permanent Bearer Global Note exceed the initial principal amount of Notes represented by the Temporary Bearer Global Note.

If:

- (a) the Permanent Bearer Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of the Temporary Bearer Global Note has requested exchange of an interest in the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note; or
- (b) the Temporary Bearer Global Bearer Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of the Temporary Bearer Global Note has occurred and the bearer has satisfied the conditions of payment (including the conditions described above) and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Bearer Global Note in accordance with the terms of the Temporary Bearer Global Note on the due date for payment,

then the Temporary Bearer Global Note (including the obligation to deliver a Permanent Bearer Global Note) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Bearer Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Bearer Global Note or others may have under as deed of covenant dated 30 March 2021 (the “**Deed of Covenant**”) executed by the Issuer). Under the Deed of Covenant, Persons shown in the records of Euroclear and/or Clearstream and/or any other relevant clearing system as being entitled to an interest in a Temporary Bearer Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Bearer Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream and/or any other relevant clearing system.

#### ***Temporary Bearer Global Note exchangeable for Definitive Notes***

If the Final Terms specify the form of Notes as being “Temporary Bearer Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Bearer Global Note which will be exchangeable, in whole but not in part, for Bearer Notes in definitive form (“**Definitive Notes**”) not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the Final Terms specify the form of Notes as being “Temporary Bearer Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Bearer Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Bearer Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of Notes represented by the Temporary Bearer Global Note to the bearer of the Temporary Bearer Global Note against the surrender of the Temporary Bearer Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

#### ***Permanent Bearer Global Note exchangeable for Definitive Notes***

If the Final Terms specify the form of Notes as being “Permanent Bearer Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Bearer Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (a) on the expiry of such period of notice as may be specified in the Final Terms; or
- (b) at any time, if so specified in the Final Terms; or

- (c) if the Final Terms specifies “in the limited circumstances described in the Permanent Bearer Global Note”, then if either of the following events occurs:
- (i) Euroclear or Clearstream or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so; or
  - (ii) any of the circumstances described in Condition 14 (*Events of Default*) occurs; or
  - (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by this Global Note in definitive form.

On the occurrence of any event described in (a) to (c) above:

- (A) the Issuer will promptly give notice to Noteholders in accordance with Condition 21 (*Notices*); and
- (B) Euroclear and/or Clearstream acting on the instructions of any holder of an interest in this Global Note may give notice to the Fiscal Agent requesting exchange and, on the occurrence of the event as described in (c)(iii) above, the Issuer may also give notice to the Fiscal Agent requesting exchange.

The options described in paragraphs (a), (b) and (c) above should not be expressed to be applicable under the heading “*Form of the Notes*” in the Final Terms if the relevant Notes are in denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount. Furthermore, Notes should not be issued which have such denominations if such Notes are to be represented on issue by a Temporary Bearer Global Note exchangeable for Definitive Notes.

Whenever the Permanent Bearer Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Bearer Global Note to the bearer of the Permanent Bearer Global Note against the surrender of the Permanent Bearer Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Bearer Global Note for Definitive Notes; or
- (b) the Permanent Bearer Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of the Permanent Bearer Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer thereof in accordance with the terms of the Permanent Bearer Global Note on the due date for payment,

then the Permanent Bearer Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Bearer Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Bearer Global Note or others may have under the Deed of Covenant). Under the Deed of Covenant, Persons shown in the records of Euroclear and/or Clearstream and/or any other relevant clearing system as being entitled to an interest in a Permanent Bearer Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Bearer Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream and/or any other relevant clearing system.

If the Final Terms specifies the form of Notes as being “Permanent Bearer Global Note exchangeable for Definitive Notes”, such Permanent Bearer Global Note and any Definitive Notes issued upon exchange may only be issued in the Specified Denomination.

### **Registered Notes**

Each Tranche of Notes in registered form (“**Registered Notes**”) will be represented by either:

- (a) one or more unrestricted global certificates (“**Unrestricted Global Certificate(s)**”) in the case of Registered Notes sold outside the United States to non-U.S. Persons in reliance on Regulation S (“**Unrestricted Registered Notes**”) and/or one or more restricted global certificates (“**Restricted Global Certificate(s)**”) in the case of Registered Notes sold to QIBs in reliance on Rule 144A (“**Restricted Registered Notes**”); or
- (b) individual note certificates in registered form (“**Individual Note Certificates**”),

in each case as specified in the Final Terms, and references in this Base Prospectus to “**Global Certificates**” shall be construed as a reference to Unrestricted Global Certificates and/or Restricted Global Certificates.

Each Note represented by an Unrestricted Global Certificate will be registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream registered in the name of Cede & Co. as nominee for DTC if such Unrestricted Global Certificate will be held for the benefit of Euroclear and/or Clearstream through DTC and/or any other relevant clearing system and the relevant Unrestricted Global Certificate will be deposited on or about the issue date with the common depository or such other nominee or custodian.

Each Note represented by a Restricted Global Certificate will be registered in the name of Cede & Co. (or such other entity as is specified in the Final Terms) as nominee for DTC and the relevant Restricted Global Certificate will be deposited on or about the issue date with the custodian for DTC (the “**DTC Custodian**”). Beneficial interests in Notes represented by a Restricted Global Certificate may only be held through DTC at any time.

If the Final Terms specifies the form of Notes as being “Individual Note Certificates”, then the Notes will at all times be represented by Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

***Global Certificate exchangeable for Individual Note Certificates***

If the Final Terms specifies the form of Notes as being “Global Certificate exchangeable for Individual Note Certificates”, then the Notes will initially be represented by one or more Global Certificates each of which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (a) on the expiry of such period of notice as may be specified in the Final Terms; or
- (b) at any time, if so specified in the Final Terms; or
- (c) if the Final Terms specifies “in the limited circumstances described in the Global Certificate”, then:
  - (i) in the case of any Global Certificate held by or on behalf of DTC, if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Global Certificate or DTC ceases to be a “clearing agency” registered under the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) or if at any time DTC is no longer eligible to act as such, and the relevant Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC;
  - (ii) in the case of any Unrestricted Global Certificate held by or on behalf of Euroclear, Clearstream or any other relevant clearing system, if Euroclear, Clearstream or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; and
  - (iii) in any case, if any of the circumstances described in Condition 14 (*Events of Default*) occurs.

The options described in paragraphs (a) and (b) above should not be expressed to be applicable under the heading “*Form of the Notes*” in the Final Terms if the relevant Notes are in denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount. Furthermore, Notes should not be issued which have such denominations if such Notes are to be represented on issue by one or more Global Certificates exchangeable for Individual Note Certificates.

Whenever a Global Certificate is to be exchanged for Individual Note Certificates, each Person having an interest in a Global Certificate must provide the relevant Registrar (through the relevant clearing system) with such information as the Issuer and the relevant Registrar may require to complete and deliver Individual Note Certificates (including the name and address of each Person in which the Notes represented by the Individual Note

Certificates are to be registered and the principal amount of each such Person's holding). In addition, whenever a Restricted Global Certificate is to be exchanged for Individual Note Certificates, each Person having an interest in the Restricted Global Certificate must provide the relevant Registrar (through the relevant clearing system) with a certificate given by or on behalf of the holder of each beneficial interest in the Restricted Global Certificate stating either (i) that such holder is not transferring its interest at the time of such exchange or (ii) that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Notes and that the Person transferring such interest reasonably believes that the Person acquiring such interest is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Individual Note Certificates issued in exchange for interests in the Restricted Global Certificate will bear the legends and be subject to the transfer restrictions set out under "*Transfer Restrictions*".

Any such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and, in

particular, shall be effected without charge to any holder, but against such indemnity as the relevant Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

- (a) Individual Note Certificates have not been issued and delivered by 5.00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Certificate; or
- (b) any of the Notes evidenced by the Global Certificate has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Certificate on the due date for payment in accordance with the terms of the Global Certificate,

then the Global Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such date (in the case of (b) above) and the holder will have no further rights thereunder (but without prejudice to the rights which the holder or others may have under the Deed of Covenant). Under the Deed of Covenant, Persons shown in the records of Euroclear and/or Clearstream (or any other relevant clearing system) as being entitled to interests in the Notes will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Certificate became void, they had been the registered holders of Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear, Clearstream or any other relevant clearing system (as the case may be).

### **Terms and Conditions applicable to the Notes**

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" and the provisions of the Final Terms which complete those terms and conditions.

Each Global Note contains provisions that apply to the Notes that they represent, some of which modify the Conditions. The following is a summary of those provisions:

#### ***Payments***

Subject to the restrictions described under "*Bearer Notes*", payments in respect of a Global Note or Global Certificate will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Certificate to or to the order of any Fiscal Agent or Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note or Global Certificate, the Issuer shall procure that the payment is noted in a schedule thereto.

#### ***Payment Business Day***

In the case of a Global Note or Global Certificate, this shall be, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any)

Additional Financial Centre, or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

### ***Payment Record Date***

Each payment in respect of a Global Certificate will be made to the Person shown as the holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Registered Note is being held is open for business.

### ***Exercise of put option or change of control***

In order to exercise the option contained in Condition 10.4 (*Redemption and Purchase—Redemption at the option of Noteholders*) or Condition 10.6 (*Redemption on a Change of Control*) the bearer of a Permanent Bearer Global Note or the holder of a Global Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to any Paying Agent or Registrar specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

### ***Partial exercise of call option***

In connection with an exercise of the option contained in Condition 10.2 (*Redemption and Purchase—Redemption at the option of the Issuer*) in relation to only some of the Notes, a Permanent Bearer Global Note or Global Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream (to be reflected in the records of Euroclear and Clearstream as either a pool factor or a reduction in principal amount, at their discretion).

### ***Notices***

Notwithstanding Condition 21 (*Notices*), while all the Notes are represented by a Permanent Bearer Global Note (or by a Permanent Bearer Global Note and/or a Temporary Bearer Global Note) or a Global Certificate and the relevant Note or Notes is/are deposited with a common depository, a custodian or nominee for Euroclear and/or Clearstream and/or DTC and/or any other relevant clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream and/or DTC and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 21 (*Notices*) on the date of delivery to Euroclear and/or Clearstream and/or DTC and/or any other relevant clearing system.

### ***Clearing System Accountholders***

Each of the Persons shown in the records of Euroclear and/or Clearstream and/or DTC and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Certificate (each an “**Accountholder**”) must look solely to Euroclear and/or Clearstream and/or DTC and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Issuer to the bearer of such Global Note or the holder of a Global Certificate and in relation to all other rights arising under the Global Note or Global Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note or Global Certificate will be determined by the respective rules and procedures of Euroclear, Clearstream, DTC and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note or the holder of the Global Certificate.

### ***Legend concerning U.S. Persons***

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Bearer Notes in global form, the Bearer Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

*“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 U.S. Internal Revenue Code of 1986.”*

The sections referred to in such legend provide that a U.S. Person who holds a Bearer Note, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

***Rights under Deed of Covenant***

Under the Deed of Covenant, Persons shown in the records of DTC, Euroclear and/or Clearstream and/or any other relevant clearing system as being entitled to an interest in a Temporary Bearer Global Note or a Permanent Bearer Global Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Bearer Global Note or Permanent Bearer Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of DTC, Euroclear and/or Clearstream and/or any other relevant clearing system.



## **USE OF PROCEEDS**

The Issuer intends to use the proceeds from each issuance of Notes for its general corporate purposes or for any other purpose specified in the Final Terms for a Series of Notes.

## OVERVIEW OF BAHRAIN

### Location and Population

Bahrain is an archipelago made up of 36 islands with a total land surface area of 760 square kilometres situated in the Arabian Gulf. The islands are about 24 kilometres from the east coast of Saudi Arabia and 28 kilometres from Qatar. The largest island, Bahrain Island, comprises nearly 91.3 per cent. of the total land area of Bahrain and is linked to mainland Saudi Arabia by a 25-kilometre causeway. The capital of Bahrain, Manama, is on Bahrain Island. Bahrain's other significant islands include the southern archipelago called Hawar, near the coast of Qatar, Muharraq Island ("**Muharraq**") (which is Bahrain's second largest city and where Bahrain's international airport and the country's main port, Khalifa Bin Salman Port at Hidd, are located) and Sitra (a mainly industrial island). Muharraq and Sitra are connected to Bahrain Island by causeways.

Most of Bahrain is low-lying barren desert, with the highest point being approximately 134 metres above sea level, although the northern part of the country has been extensively urbanised and cultivated. Average rainfall in Bahrain is 47 millimetres *per annum*. Most of Bahrain is surrounded by the relatively shallow part of the Arabian Gulf known as the Gulf of Bahrain. Bahrain obtains its drinking water from underground freshwater deposits and, increasingly, from desalinisation plants.

A census is held in Bahrain every ten years. Bahrain's last census, held in March 2020 and the results of which were adopted by the Government in October 2020, recorded a population of 1,501,635, of whom 47.4 per cent. are Bahraini nationals, the remaining being principally expatriate workers.

According to the 2010 census, approximately 70.2 per cent. of the population are Muslim, with small minorities of Christians, Hindus and Jews also present. Arabic is the official language, although English is widely used and understood for business purposes.

The population is highly urbanised, with up to 89 per cent. of the population living in towns and cities. According to the 2010 census, nearly 31.8 per cent. of the population is under the age of 15. The national education system is well established (adult literacy is 93.7 per cent. according to the 2010 census). Bahrain's life expectancy for men and women is 76 and 80 years, respectively. This is among the highest in the Arabian Gulf region.

Based on IGA estimates, Bahrain's population is expected to increase to 2.2 million by 2030.

### Constitution and Government

Under a new constitution adopted in February 2002 (the "**Constitution**") pursuant to the NAC, Bahrain is a hereditary constitutional monarchy with a democratic system of government. The system of government rests on a separation of the legislative, executive and judicial authorities. The legislative authority is vested in His Majesty the King and the National Assembly, in accordance with the Constitution. Executive authority is vested in His Majesty the King, together with the council of ministers (the "**Council of Ministers**"), which is the collective decision-making body of the Government, comprising all Government ministers. Ministerial and judicial rulings are issued in the King's name, in accordance with the Constitution. The Constitution also declares the state religion to be Islam, with Islamic *Shari'ah* as a principal source for legislation.

Under the Constitution, His Majesty the King is entitled to appoint the prime minister and other ministers. His Majesty the King is the supreme commander of the Bahrain Defence Force. His Majesty the King has power to conclude treaties on behalf of Bahrain, and any amendments to the Constitution require the approval of His Majesty the King.

#### *The National Assembly and Elections*

The Constitution provides for a National Assembly comprised of two chambers: the consultative council (the "**Shura Council**") and the chamber of deputies (the "**Chamber of Deputies**"). Each chamber has 40 members. The members of the Chamber of Deputies are elected in national elections, whereas the members of the Shura Council are appointed by His Majesty the King. Members of the Chamber of Deputies and Shura Council each serve four-year terms.

Legislation is initiated in the Chamber of Deputies, and draft laws are considered by the Shura Council, which has the power to comment on, and suggest alterations to, proposed legislation. New laws may only be passed when approved by both chambers and ratified by His Majesty the King.

The Chamber of Deputies represents a wide range of political opinion in Bahrain and plays a significant role in the development of the democratic process. The first election to the Chamber of Deputies was held in 2002, albeit with only moderate participation by some political groups. The last three elections held in 2010, 2014 and 2018 experienced active participation from the major political groupings, albeit with boycotts by certain groups.

On 11 June 2016, His Majesty King Hamad bin Isa Al-Khalifa issued an amendment to the country's political society law, banning the use of religion in political societies. On 17 July 2016, Bahrain's High Civil Court dissolved Al Wefaq National Islamic Society citing attempts to undermine the Constitution, support for terrorism, slander of the judiciary and incitement of lawless action. In May 2018, Parliament approved a bill, which was ratified by the King in June 2018, barring members of certain dissolved opposition groups (including Al Wefaq National Islamic Society and Waad) from running in elections. See "*Risk Factors—Risk factors relating to Bahrain—Bahrain is subject to a number of ongoing domestic political risks*".

The most recent parliamentary elections held in November and December 2018 saw 67 per cent. of eligible voters cast their votes. While a few opposition political societies boycotted the elections, independent candidates won 35 of 40 seats. In accordance with the Constitution, parliamentary elections are scheduled for October or November 2022.

### ***Vision 2030***

In October 2008, the Government approved a long-term vision document called Vision 2030 ("**Vision 2030**"). Vision 2030's objective is to further diversify Bahrain's economy into a globally competitive economy led by private enterprise and predominantly based on high productivity sectors, including finance, services, logistics, tourism and industry. The economic vision sets out the aspirations for Bahrain's economy, government and society in accordance with the guiding principles of sustainability, competitiveness and fairness. The key priority areas of Vision 2030 are taken into account during each budget process and the Government continues to implement its objectives. As part of Vision 2030, the Government sets out four-year programmes that are approved by the legislative authority. The Government, with the support of the Economic Development Board of Bahrain (the "**EDB**"), monitors the progress of initiatives agreed under the four-year programme. His Royal Highness the Crown Prince, who was appointed as First Deputy Prime Minister in March 2013 and as Prime Minister in November 2020, is leading efforts to ensure the efficiency and effectiveness of the Government's performance, which will underpin its activities undertaken to achieve its economic vision.

### ***Government Plan 2019-2022***

On 30 January 2019, the Council of Representatives approved the Government Plan 2019-2022 (the "**2019-2022 GP**"). The 2019-2022 GP aims at creating a balance between public expenditure and revenues to achieve economic growth, financial stability and sustainable development.

The 2019-2022 GP's objectives are to: (i) invest in citizens by enhancing, improving and sustaining government services in education, health, and other sectors; (ii) further develop a safe and stable society; (iii) enhance sustainable development to achieve fiscal balance and maintain economic growth; (iv) support the private sector to drive national development and create opportunities for citizens and investors; (v) optimise the use of resources and ensure sustainability for future generations; (vi) sustain social and economic development by adopting legislation and initiatives supporting family stability and achieving gender equity; (vii) continue to finance development projects and infrastructure that enhance growth and serve citizens; (viii) redefine the role of the public sector from operator to regulator and partner; and (ix) support creativity and excellence and highlight the role of women, youth and sport in all Government programmes and initiatives.

## **Economy of Bahrain**

### ***Introduction***

Bahrain enjoys a strong, diverse and competitive economy.

Oil continues to play an important part in Bahrain's economy, in particular from the offshore Abu Saafa Field, which Bahrain shares with Saudi Arabia and the onshore Bahrain Field. Furthermore, on 4 April 2018, NOGA announced the largest ever discovery of oil and gas resource in Bahrain. The discovery comprises: (a) tight oil reserves of at least 80 billion barrels (based on a P50 estimate that provides a 50 per cent. range of confidence that such estimate is above or below the recoverable resource), within the Khalij Al-Bahrain Basin, encompassing areas of both offshore and onshore Bahrain, close to a fully-operational oil field and with potential for substantial cost optimisation; and (b) significant gas reserves in two accumulations below Bahrain's main gas reservoir. The

drilling of a number of appraisal wells to help delineate the asset and collect important production information of the unconventional oil discovered in the Khalij Al-Bahrain Basin is currently ongoing. Please see “*Overview of Bahrain—Economy of Bahrain*” and “*Description of the Group—Subsidiaries—Tatweer—Oil and gas discovery*” for further information. One well was completed and tested in 2020 and the results are currently being evaluated. Due to the risks and limitations of operating in the COVID-19 pandemic environment, plans for drilling and testing a number of key appraisal wells offshore were delayed until 2021, subject to improvement of the COVID-19 pandemic and global oil price conditions. The technical and commercial feasibility, timing, cost and financing of any potential exploitation of the Khalij Al-Bahrain Basin is in the process of being determined and production is expected to begin in 2024. Additionally, Tatweer has made significant advancements in the appraisal of its tight gas reserves in the pre-Unayzah formations within the Awali Field. Peripheral Khuff wells have been deepened in order to obtain important geological and reservoir data confirming the extension of gas reserves beyond previously penetrated limits. Two dedicated pre-Unayzah wells have now been drilled, completed and are expected to commence gas production in the near-term.

Bahrain is also moving to diversify its economy away from a dependence on oil, with an increasingly important financial services industry (acting as a financial centre for the MENA region). Manufacturing, oil refining, aluminium production and tourism are also significant contributors to GDP. In 2019, Bahrain was ranked 45th of 141 countries worldwide (compared to 50th of 140 countries in 2018) for its overall global competitiveness ranking in the World Economic Forum’s *Global Competitiveness Report 2019*.

The Economic Development Board is the leading organisation for the promotion of economic development in Bahrain. It is currently actively targeting five sectors for development: manufacturing; logistics; information and communications technology; financial services and tourism. The office of the First Deputy Prime Minister is responsible for development of the education and healthcare services sectors.

In line with its priority to develop non-oil activities, such as manufacturing and financial services since at least the late 1960s, Bahrain has remained a regional leader in economic diversification. Bahrain is believed to have one of the most diverse economies in the GCC, as the hydrocarbons sector only accounted for 17.8 per cent. of real GDP in 2018 and 17.8 per cent. of Bahrain’s real GDP in 2019. This proportion has fallen from 43.6 per cent. in 2000 despite the positive absolute growth in hydrocarbons extraction. Four sectors of the economy – hydrocarbons, financial services, manufacturing and government services – each generated more than 10 per cent. of GDP in 2019.

Apart from the relatively flat hydrocarbons sector, the other three sectors have been important contributors to growth, each growing at a compound average annual rate of more than 5 per cent. since 2000. While the largest sectors have been instrumental in reshaping the Bahraini economy, diversification in the Kingdom is increasingly driven by a group of medium-sized sectors, in particular, social and personal services (principally composed of private education and health care), as well as construction, which have each posted double-digit compound annual average growth rates since 2000. Transportation and communications has had an annual average pace of 8 per cent. over the same period, followed by hotels and restaurants at 7.9 per cent. These four sectors, taken together, have sharply increased their GDP share from a collective 9.8 per cent. in the year 2000 to 18.1 per cent. in 2006 and 23.9 per cent. in 2019. Each of these sectors, with the partial exception of construction, are characterised by relatively limited direct or indirect dependence on oil, and their growth is linked to demographic, regulatory, and connectivity drivers that are at the heart of Bahrain’s competitiveness.

A brief overview of some of the other principal sectors contributing to Bahrain’s GDP is as follows.

### *Manufacturing*

Bahrain has a highly developed manufacturing sector, with significant contributions from aluminium and steel, oil refining and food processing. Subsectors, such as food processing, fast-moving consumer goods and other high-value downstream activities have experienced relatively high growth within the sector. Bahrain considers manufacturing to be a strategic sector, has invested in industrial parks, such as the Bahrain International Investment Park, and the recently completed Alba Line 6 Expansion Project, which is expected to significantly expand aluminium production capacity in the downstream market. The manufacturing sector accounted for 14.5 per cent. of GDP in 2019 and 14.7 per cent. for the nine months ended 30 September 2020.

### *Logistics*

Bahrain’s strategic goal is to provide logistics services for the larger GCC market and the northern Arabian Gulf. Currently, Bahrain is host to several global logistics companies, which operate across the GCC, including DHL,

Agility and Aramex. Bahrain's current logistics strategy aims to further reduce cargo travel time from Bahrain across the GCC region by improving customs procedures, as well as expanding the Bahrain Logistics Zone in the Hidd area. Bahrain is also undertaking major infrastructure projects, including dredging the Bahrain Approach Channel (phase one of which was completed in 2010), the new passenger terminal building at Bahrain International Airport, which was opened in January 2021, and is part of a larger airport modernisation project and expanding rail connections to other GCC countries.

### *ICT*

Bahrain has a high quality modern telecommunications system, currently operated by the Bahrain Telecommunications Company B.S.C. ("**Batelco**"), Zain Bahrain B.S.C. (C) ("**Zain**") and Saudi Telecommunications Company ("**STC**") through its "*Viva*" operations. The sector is regulated by the Telecommunications Regulatory Authority ("**TRA**"), which has created a mature regulatory environment that has been consistently ranked among the best in the MENA region, and is ranked 28th of 139 countries in the Network Readiness Index published by the World Economic Forum. The TRA regularly publishes Bahrain's National Telecommunications Plans. In October 2020, the Government approved the Fifth National Telecommunications Plan, which targets completing the development of the national broadband network, extending its coverage to all homes and institutions at fair and reasonable prices, achieving full equality in the provision of services and enhancing the role of Bahrain's national broadband network in developing infrastructure for optical fibres by the end of 2023. The TRA has also committed to create an independent infrastructure provider, with the purpose of enhancing efficiency and provision of service to all companies in Bahrain that provide telecommunications services and online content.

### *Financial Services*

Bahrain has a well-developed banking, insurance and fund industry, driven by a comprehensive regulatory framework set by the Bahrain's sole financial regulator, the CBB. Bahrain has the largest concentration of Islamic finance institutions in the GCC region, including Islamic banks, Takaful and Retakaful firms and professional bodies and associations setting global standards for the industry. Capitalising on Bahrain's 14,000-strong highly-skilled and bilingual local workforce in financial services, the EDB has prioritised its development efforts to focus on deepening Bahrain's ancillary financial services and building on its financial technology sector, including payment services. The financial services sector accounted for 16.5 per cent. of real GDP in 2019 and 16.7 per cent. for the nine months ended 30 September 2020.

### *Tourism*

Prior to the emergence of COVID-19, visitor numbers to Bahrain had been growing, with Bahrain being a particularly popular destination for GCC visitors. The number of hotel rooms in the Kingdom has doubled between 2015 and 2019, with occupancy rates averaging 48.2 per cent. in 2019. The Bahrain Tourism Strategy 2015-2018 focused on a number of initiatives, including the development of public waterfront developments, improving access to culture and antiquity sites, as well as large scale development projects from the private and public sector, which included re-developing Hawar Island and building several mixed-use projects. The tourism industry has been particularly impacted by the COVID-19 pandemic and the corresponding restrictions on travel.

### *Healthcare*

Bahrain is expanding its healthcare industry, with the aim of becoming a leading healthcare destination in the region by investing in the cardiac and oncology treatment centres. This investment strategy aligns with Bahrain's fiscal policy to increase its non-oil revenue.

### *Education*

The number of public schools in Bahrain increased from 204 schools in 2006 to 207 schools in 2019 (a 1.5 per cent. increase in public schools). Private schools have increased from 60 schools in 2006 to 62 schools in 2019 (a 3.3 per cent. increase). Six schools have been funded through the GCC Development Fund, amounting to U.S.\$85 million.

### *Infrastructure*

Bahrain's economic development is supported by strong infrastructure which has been developed by the Government since the 1970s through continued public capital investment (being U.S.\$1,092 million in 2016, U.S.\$943 million in 2017, U.S.\$870 million in 2018, U.S.\$670 million in 2019 and U.S.\$499 million in 2020).

In addition to direct Government capital expenditure, a number of additional projects are funded through development funds and grants. A number of major projects have been identified and approved by the Government, including major housing projects amounting to U.S.\$2.4 billion, electricity and water projects amounting to U.S.\$1.6 billion, roads and sewerage projects amounting to U.S.\$1.5 billion, airport improvement projects amounting to U.S.\$1.0 billion and a number of other projects, amounting to U.S.\$1.1 billion, focussing on education, health, social development, youth, sports and industry which are expected to be funded by grants received from the GCC Development Fund. See “—Public Finance—Government budget”.

Expenditures relating to projects funded by these grants are not recorded in the budget as capital expenditure. Amounts relating to the GCC Development Fund are received from the Saudi Fund, the Kuwait Fund and the Abu Dhabi Fund. Details of the amounts to be provided by these entities are set out in “—Public Finance—Government Budget”.

## Gross Domestic Product

Oil is the largest contributor to GDP (17.8 per cent. for the year ended 31 December 2019 and 20.1 per cent. for the nine months ended 30 September 2020), and the financial services sector is the single largest non-oil contributor to GDP (16.5 per cent. for the year ended 31 December 2019 and 16.7 per cent. for the nine months ended 30 September 2020), reflecting the importance of trade and finance to the domestic economy.

In 2020, economic growth in Bahrain was primarily impacted by the COVID-19 pandemic and lower international oil prices, with GDP declining by 5.9 per cent. in the nine months ended 30 September 2020. The IMF (in its October 2020 outlook) estimates Bahrain’s real GDP to decline by 4.9 per cent. in 2020, before growing by 2.3 per cent. in 2021. The IMF also estimates nominal GDP to decline to U.S.\$34.6 billion in 2020 before returning to growth in 2021, with nominal GDP forecast to be U.S.\$36.6 billion. According to Government estimates, real GDP is expected to decline by 5.4 per cent. in 2020 and grow by 5.0 per cent. in 2021, and nominal GDP is expected to decline by 12.4 per cent. in 2020. The Government has taken a number of measures to combat the economic impact of the COVID-19 pandemic and is currently pursuing a national vaccination programme for the general population. See “—Response to COVID-19”.

A table setting out Bahrain’s GDP by economic activity based on constant 2010 prices and by percentage contribution is provided in “—Principal Sectors of the Economy” below.

The following table sets out the GDP of Bahrain for the periods indicated, both as a total and on a per capita basis, and both in current prices and constant 2010 prices for the periods indicated:

	For the year ended 31 December				For the nine months ended 30 September
	2016	2017	2018	2019	2020 <sup>(1)(5)(6)</sup>
GDP at current prices (U.S.\$ millions) <sup>(2)</sup> .....	32,235.0	35,473.2	37,654.0	38,474.5	25,717.0
GDP at constant 2010 prices (U.S.\$ millions) <sup>(2)</sup> .....	31,757.4	33,058.9	33,689.3	34,359.7	24,300.4
<b>Percentage change over previous period:</b>					
At current prices (%) .....	3.3	10.1	6.9	2.2	(11.2)
At constant 2010 prices (%) .....	3.3	4.0	2.5	1.9	(5.9)
<b>Per capita<sup>(3)(4)</sup>:</b>					
At current prices (U.S.\$) <sup>(2)(3)</sup> .....	22,583.0	23,598.0	25,073.0	—	—
At constant 2010 prices (U.S.\$) <sup>(2)(3)</sup> .....	22,314.0	22,025.0	22,362.0	—	—

### Notes:

(1) Figures are based on preliminary data.

(2) Using the fixed conversion rate of BD0.376 = U.S.\$1.00.

(3) Assuming a population of 1,432,726 in 2016, 1,501,116 in 2017 and 1,503,091 in 2018.

(4) No GDP per capita figures available for 2019 or for quarterly GDP.

(5) Growth percentage over the period September 2019 – September 2020.

(6) GDP figures are January to September 2020.

Source: Information eGovernment Authority

Direct government consumption constituted approximately 15.8 per cent. of current GDP in 2019, a decrease from 16.4 per cent. of GDP in 2018 and 16.6 per cent. of GDP in 2017. Government consumption also affects private consumption since the Government is the country's major employer and promoter of capital projects. In addition, Government procurement contracts are a major source of work for many private companies in Bahrain. Government consumption increased (in nominal terms) since 2000 to reach U.S.\$5,888.4 million in 2017, U.S.\$6,158.5 million in 2018 and U.S.\$6,064.7 million in 2019. Investment is affected by the oil sector with gross fixed capital formation and stock building being influenced by periods of fluctuating oil prices. Government investment was 3.6 per cent. (U.S.\$1.1 billion) of GDP in 2016, 4.6 per cent. (U.S.\$1.6 billion) in 2017, 4.8 per cent. (U.S.\$1.8 billion) in 2018 and 4.2 per cent. (U.S.\$1.6 billion) in 2019. These figures do not include amounts from the GCC Development Fund.

The following table sets out GDP in current prices (using the expenditure approach) and in percentage terms for the periods indicated.

	2016		2017		2018		2019	
	(U.S.\$ millions) <sup>(1)</sup>	(%)	(U.S.\$ millions) <sup>(1)</sup>	(%)	(U.S.\$ millions) <sup>(1)</sup>	(%)	(U.S.\$ millions) <sup>(1)</sup>	(%)
Private consumption.....	14,490.9	45.0	14,883.8	42.0	15,404.5	40.9	15,326.1	39.8
Government consumption.....	5,485.1	17.0	5,898.4	16.6	6,158.5	16.4	6,064.7	15.8
Gross fixed capital formation.....	8,327.7	25.9	10,056.6	28.3	11,147.0	29.6	11,214.8	29.2
Change in stocks <sup>(2)</sup> .....	1,181.3	3.7	1,629.6	4.6	2,033.6	5.4	1,511.5	3.9
Net exports of goods and services.....	2,694.1	8.4	3,055.6	8.5	2,910.4	7.7	4,356.7	11.3
Exports of goods and services.....	23,782.2	73.9	26,881.9	75.8	29,959.0	79.6	29,564.4	76.8
Imports of goods and services.....	21,088.0	65.5	23,876.3	67.3	27,048.7	71.8	25,207.7	65.5
<b>GDP.....</b>	<b>32,179.1</b>	<b>100.0</b>	<b>35,473.8</b>	<b>100.0</b>	<b>37,654.0</b>	<b>100.0</b>	<b>38,473.7</b>	<b>100.0</b>

**Notes:**

- (1) Using the fixed conversion rate of BD0.376 = U.S.\$1.00.
- (2) Including net errors and omissions.

Source: Information eGovernment Authority

The following table sets out the growth in real GDP in percentage terms (by expenditure approach) based on constant 2010 prices for the periods indicated.

	2016		2017		2018		2019	
	(U.S.\$ millions) <sup>(1)</sup>	(%)	(U.S.\$ millions) <sup>(1)</sup>	(%)	(U.S.\$ millions) <sup>(1)</sup>	(%)	(U.S.\$ millions) <sup>(1)</sup>	(%)
Private consumption.....	12,762.9	40.2	12,921.5	39.0	13,099.6	38.9	12,916.7	37.6
Government consumption.....	4,876.2	15.3	5,556.5	16.8	5,659.2	16.8	5,573.8	16.2
Gross fixed capital formation....	8,093.8	25.5	8,928.3	26.9	9,777.2	29.0	9,915.3	28.8
Change in stocks <sup>(2)</sup> .....	523.4	1.6	1,070.9	3.2	906.2	2.7	294.8	0.9
Net exports of goods and services.....	5,523.2	17.4	4,642.3	14.0	4,247.1	12.6	5,659.0	16.5
Exports of goods and services	26,107.3	82.2	26,833.7	81.0	27,709.0	82.2	27,814.5	81.0
Imports of goods and services	20,584.1	64.8	22,191.5	67.0	23,461.8	69.6	22,155.5	64.5
<b>GDP.....</b>	<b>31,779.4</b>	<b>100.0</b>	<b>33,119.5</b>	<b>100.0</b>	<b>33,689.2</b>	<b>100.0</b>	<b>34,359.4</b>	<b>100.0</b>

**Notes:**

- (1) Using the fixed conversion rate of BD0.376 = U.S.\$1.00.
- (2) Including net errors and omissions.

Source: Information eGovernment Authority

### Principal Sectors of the Economy

The table below sets out Bahrain's GDP by economic activity based on constant 2010 prices and by percentage contribution for the periods indicated.

	2016		2017		2018		2019		Nine months ended Sept 2020 <sup>(3)(4)</sup>	
	<i>(U.S.\$ millions)<sup>(1)</sup></i>		<i>(U.S.\$ millions)<sup>(1)</sup></i>		<i>(U.S.\$ millions)<sup>(1)</sup></i>		<i>(U.S.\$ millions)<sup>(1)</sup></i>		<i>(U.S.\$ millions)<sup>(1)</sup></i>	
		(%)		(%)		(%)		(%)		(%)
<b>Non-financial corporations</b> .....	<b>21,935.2</b>	<b>69.0</b>	<b>22,686.3</b>	<b>68.7</b>	<b>23,150.0</b>	<b>68.7</b>	<b>23,418.6</b>	<b>68.2</b>	<b>16,307.9</b>	<b>67.1</b>
Agriculture and fishing .....	92.9	0.3	92.1	0.3	95.6	0.3	94.7	0.3	70.9	0.3
Mining and quarrying <sup>(2)</sup> .....	6,347.0	20.0	6,324.2	19.1	6,256.1	18.6	6,383.6	18.6	4,890.8	20.1
(i) Crude petroleum and natural gas .....	6,105.0	19.2	6,059.3	18.3	5,982.1	17.8	6,112.2	17.8	4,679.9	19.3
(ii) Quarrying .....	242.0	0.8	264.9	0.8	274.0	0.8	271.4	0.8	210.9	0.9
Manufacturing .....	4,742.9	14.9	4,792.8	14.5	4,883.8	14.5	4,961.2	14.4	3,569.3	14.7
Electricity and water .....	453.4	1.4	457.8	1.4	335.5	1.0	381.2	1.1	369.5	1.5
Construction .....	2,279.3	7.2	2,319.1	7.0	2,449.9	7.3	2,514.7	7.3	1,872.3	7.7
Trade .....	1,392.5	4.4	1,511.5	4.6	1,512.6	4.5	1,528.7	4.4	1,066.4	4.4
Hotels and restaurants .....	732.8	2.3	802.1	2.4	793.2	2.4	847.2	2.5	356.5	1.5
Transport and communications	2,291.1	7.2	2,415.2	7.3	2,802.6	8.3	2,660.7	7.7	1,353.0	5.6
Social and personal services ....	1,874.2	5.9	2,054.1	6.2	2,115.4	6.3	2,177.4	6.3	1,434.4	5.9
Real estate and business activities .....	1,729.0	5.4	1,917.4	5.8	1,905.2	5.7	1,869.4	5.4	1,324.7	5.5
<b>Financial corporations</b> .....	<b>5,247.1</b>	<b>16.5</b>	<b>5,507.7</b>	<b>16.7</b>	<b>5,692.1</b>	<b>16.9</b>	<b>5,537.4</b>	<b>16.1</b>	<b>4,059.8</b>	<b>16.7</b>
Financial institutions .....	1,622.2	5.1	1,743.4	5.3	1,794.1	5.3	1,625.5	4.7	1,212.3	5.0
Offshore financial institutions..	1,959.2	6.2	1,966.9	6.0	2,054.7	6.1	2,050.0	6.0	1,436.4	5.9
Insurance .....	1,665.7	5.2	1,797.4	5.4	1,843.3	5.4	1,862.0	5.4	1,411.1	5.8
<b>Government services</b> .....	<b>4,063.3</b>	<b>12.8</b>	<b>4,216.2</b>	<b>12.8</b>	<b>4,297.8</b>	<b>12.8</b>	<b>4,218.6</b>	<b>12.3</b>	<b>3,170.8</b>	<b>13.0</b>
Government education services .....	832.0	2.6	830.9	2.5	823.6	2.4	740.2	2.2	510.1	2.1
Government health services .....	590.9	1.9	652.1	2.0	688.1	2.0	685.4	2.0	509.0	2.1
Other Government services .....	2,640.3	8.3	2,733.3	8.3	2,786.1	8.3	2,793.0	8.1	2,151.7	8.9
<b>Private non-profit institutions serving households</b> .....	<b>18.7</b>	<b>0.1</b>	<b>14.3</b>	<b>0.0</b>	<b>13.2</b>	<b>0.0</b>	<b>14.0</b>	<b>0.0</b>	<b>9.3</b>	<b>0.0</b>
<b>Households with employed persons</b> .....	<b>285.0</b>	<b>0.9</b>	<b>313.2</b>	<b>0.9</b>	<b>293.7</b>	<b>0.9</b>	<b>280.8</b>	<b>0.8</b>	<b>189.5</b>	<b>0.8</b>
<b>GDP producer prices</b> .....	<b>31,549.2</b>	<b>99.3</b>	<b>32,737.7</b>	<b>99.1</b>	<b>33,446.8</b>	<b>99.3</b>	<b>33,469.5</b>	<b>97.4</b>	<b>23,737.2</b>	<b>97.7</b>
<b>Import duties</b> .....	<b>230.2</b>	<b>0.7</b>	<b>292.9</b>	<b>0.9</b>	<b>242.4</b>	<b>0.7</b>	<b>890.3</b>	<b>2.6</b>	<b>563.2</b>	<b>2.3</b>
<b>GDP</b> .....	<b>31,779.4</b>	<b>100.0</b>	<b>33,030.5</b>	<b>100.0</b>	<b>33,689.3</b>	<b>100.0</b>	<b>34,359.7</b>	<b>100.0</b>	<b>24,300.4</b>	<b>100.0</b>

**Notes:**

- (1) Using the fixed conversion rate of BD0.376 = U.S.\$1.00.
- (2) Mining and quarrying comprises (i) crude petroleum and natural gas; and (ii) quarrying.
- (3) 1 January 2020 – 30 September 2020
- (4) Based on preliminary data.

**Public Finance**

Bahrain's budget deficit has grown in recent years due to a counter cyclical policy of continued diversification of investment and public support during low oil price periods, and in 2020, due to the COVID-19 pandemic. However, in recognition of the importance of restructuring Government expenditures and revenues to align with positive economic growth, stabilising debt and strengthening fiscal sustainability, the Government introduced several initiatives between 2015 and 2017, focused on: (i) streamlining Government expenditure; (ii) increasing revenues; and (iii) redirecting government subsidies towards eligible citizens.

In late 2018 the Government announced the Fiscal Balance Programme (the "FBP"), which provides a roadmap for addressing Bahrain's fiscal challenges over the medium-term, with the overall objective to achieve a balanced budget by 2022. To achieve this goal, initiatives were introduced, which are aimed at: (i) reducing Government operational expenditures; (ii) introducing a voluntary retirement scheme for government employees; (iii) balancing the Electricity and Water Authority's expenditures and revenue; (iv) streamlining the distribution of cash subsidies to citizens in need; (v) improving the efficiency of Government expenditure; and (vi) simplifying Government processes and increasing non-oil revenue. The principal goal of the 2019/2020 budget was to implement the FBP initiatives. These measures seek to reduce the deficit by U.S.\$2.1 billion on an annual basis over the coming years.

These initiatives have been bolstered by financial support including, in October 2018, a pledge of U.S.\$10 billion to Bahrain by Saudi Arabia, Kuwait and the UAE to support the FBP and to alleviate near-term financing constraints. This support package is estimated to cover approximately 50 per cent. of Bahrain's total financing requirements until 2022 (estimated to be approximately U.S.\$20 billion). While lower international oil prices have



impacted fiscal results and, accordingly, certain expected outcomes of the FBP have been revised (where a larger deficit is now expected), the timeline of the FBP has not been affected by the COVID-19 pandemic. According to the draft 2021/2022 budget (which was approved by Parliament in March 2021, and is subject to ratification by His Majesty the King), the overall budget deficit is budgeted to be U.S.\$3.4 billion for 2021 and U.S.\$3.0 billion for 2022.

Under these broad targets, the FBP aims to strengthen the Kingdom’s fiscal and economic foundations to ensure the sustainability of resources for future generations, including through: (i) further developing the provision of sustainable government services in education, health and social services; (ii) continuing the provision of subsidised electricity and water services to citizens in their primary residences; (iii) creating quality job opportunities for citizens and ample support to do business; (iv) establishing rules for the sustainable use of resources; (v) enhancing the efficiency and fairness of direct government support to citizens; (vi) continuing funding development and infrastructure projects; (vii) streamlining and improving the provision of government services to citizens and investors; and (viii) improving Bahrain’s credit rating, thereby reducing the cost of financing for citizens and investors. While lower international oil prices and the COVID-19 pandemic have impacted fiscal results and, accordingly, certain expected outcomes of the FBP have been revised (where a larger deficit is now expected), the expected timeline of the FBP has not changed.

The Government’s policy includes further developing non-oil streams of revenue and involves the introduction of new fees and charges across a number of sectors. To date, the Government has approved and implemented increases to primary healthcare charges, fees for licences and services provided by the Civil Aviation Authority, visa fees, postal and traffic violation fees, as well as recovering Government services costs through capital contributions. See “—*Fiscal Policy*” for more information on Bahrain’s fiscal policy.

Following a five-month delay as a result of discussions regarding a reduction in public expenditure to address the budget deficit, the 2019/2020 budget was approved in May 2019 by Parliament and signed by the King as Law No. 11 of 2019.

In the 2019/2020 budget, total revenue was budgeted at U.S.\$7,489 million for 2019 (actual revenues in 2019 were U.S.\$7,719 million) and U.S.\$7,836 million for 2020 (preliminary estimated revenues in 2020 were U.S.\$5,544 million), total expenditure was budgeted at U.S.\$9,459 million (actual expenditures in 2019 were U.S.\$9,537 million) for 2019 and U.S.\$9,434 million for 2020 (preliminary estimated expenditures in 2020 were U.S.\$9,988 million) and the budget overall deficit was budgeted at U.S.\$1,971 million for 2019 (actual budget overall deficit was U.S.\$1,818 million) and U.S.\$1,598 million for 2020 (preliminary estimated overall deficit in 2020 was U.S.\$4,444 million).

The draft 2021/2022 budget was approved by Parliament in March 2021, and is subject to ratification by His Majesty the King.

### ***Government budget***

Bahrain prepares budgets on a biennial basis, taking into account the key priority areas of Vision 2030 during each budgeting process. See “*Overview of Bahrain—Vision 2030*”. The budget is built around a two-year cycle, but separate budgets are also prepared for each calendar year. The financial year commences on 1 January and ends on 31 December.

Bahrain’s budget is not consolidated. Local authorities are funded by transfers from the Government budget to cover any shortfall in their own budgets. Local authorities are not permitted to borrow funds in their own name.

Two holding companies, Bahrain Mumtalakat Holding B.S.C. (c) (“**Mumtalakat**”) and the Company, were established by Royal Decrees in June 2006 and August 2007, respectively. Mumtalakat is an independent holding company for the Government’s non-oil and gas investments, while the Company is a holding company for the Government’s oil and gas investments. Prior to the establishment of these two holding companies, the Government received income from the assets they now hold directly.

Bahrain’s budget is presented on a modified cash basis.

### ***Budget revenues and expenditures***

The following table summarises the execution of the Government budget for the periods indicated.

2015	2016	2017	2018	2019	2020
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	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual<sup>(1)</sup></u>
	<i>(U.S.\$ millions, except where indicated)</i>					
<b>Revenues</b> .....	<b>5,431</b>	<b>5,047</b>	<b>5,854</b>	<b>7,381</b>	<b>7,719</b>	<b>5,544</b>
Oil and gas .....	4,241	3,820	4,395	6,080	5,559	3,225
Non-oil and gas.....	1,190	1,227	1,459	1,301	2,160	2,319
<b>Expenditure</b> .....	<b>9,467</b>	<b>9,394</b>	<b>9,407</b>	<b>9,761</b>	<b>9,537</b>	<b>9,988</b>
Recurrent expenditure <sup>(2)</sup> .....	8,287	8,302	8,464	8,891	8,867	9,044
Emergency expenditure .....	—	—	—	—	—	372
Projects expenditure .....	1,180	1,092	943	870	670	572
<b>Surplus/(deficit)</b> .....	<b>(4,035)</b>	<b>(4,347)</b>	<b>(3,553)</b>	<b>(2,380)</b>	<b>(1,818)</b>	<b>(4,444)</b>
Budget Deficit to GDP Ratio (per cent.).....	(13)	(13)	(10)	(6)	(5)	(13)

**Notes:**

(1) Preliminary estimated figures.

(2) Includes debt service and part of the Economic Stimulus Package related to the payment of the electricity and water bills.

*Source: MOFNE*

### **2019/2020 Budget**

The 2019/2020 budget was the first budget cycle to implement the FBP. The original 2019/2020 budget, inter alia, targeted: (i) decreases in recurrent expenditures of 1 per cent. in 2019 (as compared to the 2018 budget) and an increase of 1 per cent. in 2020 (as compared to the 2019 budget); (ii) decreases in manpower expenditure of 5 per cent. in 2019 (as compared to the 2018 budget) and 2 per cent. in 2020 (as compared to 2019 budgeted expenditures); and (iii) decreases in project expenditure of 35 per cent. in 2019 (as compared to the 2018 budget).

In 2019, actual deficit of U.S.\$1,818 million was recorded (compared to a budgeted deficit of U.S.\$1,971 million and reflecting a decrease of 23.6 per cent. compared to the actual deficit in 2018 and a decrease of 48.8 per cent. compared to the actual deficit in 2017) with recurrent expenditures reaching U.S.\$8,867 million (compared to budgeted recurrent expenditures of U.S.\$8,716). In 2019, the actual deficit was lower than the budgeted deficit primarily due to an increase in oil prices which resulted in higher oil revenue. In addition to this, actual non-oil revenue exceeded the budgeted non-oil revenue due to the implementation of various initiatives used to improve revenue collection, such as the adoption of pre-payments.

Furthermore, in 2019, VAT collection was U.S.\$692 million, which exceeded the estimated revenue from VAT by U.S.\$293 million for this period.

In July 2020, Decree No. 22 for the year 2020 was issued, which authorises emergency expenditures of BD 177 million to fund the Government's efforts to combat COVID-19. These additional expenditures will be included in the final accounts for 2020. In addition, Decree No. 23 for the year 2020 was issued to permit the Government to withdraw U.S.\$450 million from the Future Generations Fund on a one-time basis to support the state budget for the year 2020 and temporarily halt the allocation of oil revenues to the Future Generations Fund in 2020. The balance in the Future Generations Fund as of 30 June 2020 was approximately U.S.\$925 million.

In the 2020 adjusted budget, total revenue was budgeted at U.S.\$7,836 million for 2020, total expenditure was budgeted at U.S.\$9,985 million for 2020 and the budget deficit was budgeted at U.S.\$2,148 million for 2020. Non-oil revenues were budgeted at U.S.\$2,261 million for 2020.

According to MOFNE's preliminary estimated figures, in 2020, an actual deficit of U.S.\$4,444 was recorded (compared to a budgeted deficit in the adjusted 2020 budget of U.S.\$2,148 million) and reflecting an increase in the deficit of 144.4 per cent. compared to the actual deficit in 2019 with recurrent expenditures reaching U.S.\$9,044 million (compared to budgeted recurrent expenditures of U.S.\$9,985 million in the 2020 adjusted budget) Oil and gas revenues were below budgeted oil and gas revenues, primarily due to lower international oil prices, as well as the impact of COVID-19.

Key changes in fiscal consolidation measures in the 2019/2020 budget, as compared to previous budgets, include: (i) measures to implement the FBP in addition to the 2019/2022 GP; (ii) the introduction of VAT; (iii) the continued implementation of excise tax; (iv) a natural increase in supply and demand; and (v) the continued implementation of certain revenue development initiatives. The 2019/2020 budget assumes an average oil price of U.S.\$60 per barrel.

## **2021/2022 Budget**

The draft 2021/2022 budget was approved by Parliament in March 2021, and is subject to ratification by His Majesty the King.

The draft 2021/2022 budget takes into account work to achieve the objectives of the FBP and efficiency of services while achieving economic recovery and creating opportunities for citizens. The draft 2021/2022 budget targets total revenue of U.S.\$6,078 million for 2021 and U.S.\$6,222 million for 2022, of which non-oil revenue for each year is within the range targeted by the FBP. The oil price estimate is set at U.S.\$45 per barrel.

In term of expenditure, total expenditure of U.S.\$9,472 million for 2021 and U.S.\$9,268 million for 2022, of which non-interest expenditure are within the ranges targeted by the FBP for both years. The budget overall deficit is estimated at U.S.\$3,394 million for 2021 and U.S.\$3,046 million for 2022.

### ***Non-budget expenditures***

In March 2011, the Foreign Ministers of the GCC announced the establishment of the GCC Development Fund to be provided as a grant and distributed between Bahrain and Oman, with Bahrain receiving U.S.\$7.5 billion to be distributed over a ten-year period. GCC Development Fund proceeds are expected to be utilised towards the achievement of Vision 2030's developmental goals. For more information on this economic strategy, see "*Overview of Bahrain—Vision 2030*".

In 2017, the Government of Bahrain finalised projects in place with the Kuwait Fund and the Abu Dhabi Fund. The Government is coordinating with the Saudi Fund in respect of the U.S.\$76 million of funds remaining to be allocated.

As at 31 December 2015, 2016, 2017, 2018, 2019 and 2020, U.S.\$5,935 million, U.S.\$6,076 million U.S.\$7,311 million, U.S.\$7,384 million, U.S.\$7,384 million and U.S.\$7,384 million, respectively, was allocated to projects from the GCC Development Fund. A further U.S.\$76 million will be allocated in a later phase and U.S.\$40 million is reserved for contingencies. These projects are in various stages (tendering, award and implementation) of progress. As at 31 December 2015, 2016, 2017, 2018, 2019 and 2020, U.S.\$183 million, U.S.\$734 million, U.S.\$1,433 million, U.S.\$2,211 million, U.S.\$3,024 million and U.S.\$3,514 million, respectively, had been paid from the GCC Development Fund.

### **Fiscal Policy**

Bahrain's budget deficit has grown in recent years due to a counter cyclical policy of continued diversification in investment and public support during low oil prices and during the COVID-19 pandemic. However, in recognition of the importance of restructuring Government expenditures and revenues to align with positive economic growth, stabilising debt and strengthening fiscal sustainability, the Government introduced several initiatives between 2015 and 2017, focused on: (i) streamlining Government expenditure; (ii) increasing revenues; and (iii) redirecting government subsidies towards eligible citizens.

The main objectives of Bahrain's general budget for the years 2019-2022 are:

- implementation of the Government action plan 2019-2022;
- implementation of the FBP initiatives; and
- implementing fiscal consolidation measures in connection with:
  - developing new non-oil revenue streams;
  - recovering costs on existing Government fees and services;
  - reducing Government expenditures; and
  - redirecting Government subsidies to target lower-income segments of the population.

Although oil continues to play an important role in Bahrain's economy, the Government continues to focus on (i) reducing subsidies; and (ii) further increasing non-oil revenues through various initiatives. Developing non-oil streams of revenue has involved the introduction of new fees and charges across a number of sectors. Since 30

December 2017, excise tax has been imposed on additional commodities and, with effect from 1 January 2019, VAT of 5 per cent. is charged on goods and services in accordance with the GCC agreement, pre-paid methods have been adopted to improve revenue collection and other revenue initiatives have been implemented. The VAT registration system is operational and collection has already been commenced. In 2019, VAT collection was BD260 million (U.S.\$692 million), which exceeded the estimated revenue from VAT for this period. In 2020, it is estimated that VAT collection was approximately BD200 million, with VAT filing compliance at more than 98 per cent. and with more than 18,000 registrations.

## Revenue

The actual total revenues for the years ended 31 December 2015, 2016, 2017, 2018, 2019 and 2020, as well as, budgeted revenues for 2019 and 2020, are set forth below.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020<sup>(1)</sup></u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
			<i>(U.S.\$ millions)</i>		
<b>Oil and gas</b> .....	<b>3,820</b>	<b>4,395</b>	<b>6,080</b>	<b>5,575</b>	<b>3,225</b>
<b>Non-oil and gas</b> .....	<b>1,227</b>	<b>1,459</b>	<b>1,302</b>	<b>2,261</b>	<b>2,319</b>
<b>Of which:</b>					
Taxation and fees.....	632	761	780	1,513	1,203
Government goods and services.....	223	203	228	231	192
Government investment and properties .....	134	314	186	399	829
Grants.....	75	75	—	—	—
Fines, penalties and miscellaneous.....	161	105	107	120	94
Sale of capital assets.....	2	1	1	1	1
<b>Total</b> .....	<b>5,047</b>	<b>5,854</b>	<b>7,382</b>	<b>7,836</b>	<b>7,836</b>

### Notes:

(1) Preliminary estimated figures.

*Source: MOFNE*

The principal source of revenue in the last five years has been the oil and gas industry, which is highly dependent on world oil prices. In 2016, 2017, 2018 and 2019, revenues from the oil and gas industry represented 75.7 per cent. 75.1 per cent., 82.4 per cent., and 72.0 per cent. respectively of total revenue. The share of non-oil and gas revenues to total revenues had generally been increasing over the five years. In 2016, 2017, 2018 and 2019, non-oil revenues represented 24.3 per cent., 24.9 per cent., 17.6 per cent. and 28.0 per cent. respectively of total revenues. According to MOFNE's preliminary estimated figures, in 2020, revenue from the oil and gas industry represented 58.2 per cent. of total revenue and non-oil and gas revenues represented 41.8 per cent. of total revenue.

In 2016, 2017, 2018 and 2019, taxation and fees revenue represented 12.5 per cent., 13.0 per cent., 10.6 per cent. and 19.1 per cent. respectively of total revenue. According to MOFNE's preliminary estimated figures, in 2020, taxation and fees revenue represented 21.7 per cent. of total revenue.

Other significant sources of revenue include custom duty, primary health care services fees, visa fees, residence permits, car licences, company registration fees and fees for employment permits and, as of 1 January 2019, VAT. Collection of VAT was positive in 2019 and, given that it is the first year of implementation, above expectations. Collection of VAT in 2020 is expected to be in line with budgeted estimates.

Revenue from Government goods and services (the other significant non-oil contributor to total revenue) are principally comprised of port charges, airport taxes and airspace use fees.

Revenue from Government investments and properties are principally comprised of dividends earned on the Government's shareholdings. The Government's major domestic shareholdings as at 31 December 2020 were its 100 per cent. shareholding in each of its holding companies, Mumtalakat, the Company, and Eskan Bank.

## Response to COVID-19

In common with most other countries, the COVID-19 pandemic is affecting Bahrain. As at 2 March 2021, the Ministry of Health reported 123,078 infections in Bahrain and 453 deaths. The Government has taken a number of measures in response to the COVID-19 pandemic, which have, in part, resulted in the daily count of new infections remaining broadly stable.

## *Government Policy Response*

In order to limit the spread of COVID-19 within the country the Government implemented a number of restrictions, including:

- Social distancing: from 26 March 2020, certain public gatherings were restricted and nurseries, schools, museums, cinemas, commercial stores, gyms and universities were closed, with cafes and restaurants only permitted to operate on a takeaway basis. While a number of measures have subsequently been relaxed, restrictions still exist on individual gatherings;
- Workplace closures and employee/employer requirements: the closure of all non-essential businesses from 26 March 2020 until 7 May 2020. Furthermore, all employees working in Bahrain must wear a face mask at all times while at work. Employers are required to provide employees with face masks, carry out regular temperature testing and provide additional accommodation to expatriate employees to support social distancing;
- Vaccination programme: on 25 December 2020 the Government launched a programme providing free vaccinations to citizens and residents of Bahrain, with 349,970 individuals having received one dose of the vaccine as at 15 March 2021, equating to 21.3 per cent. of the total population;
- COVID-19 treatment: free medical treatment has been offered to citizens and residents of Bahrain infected with COVID-19; and
- National Taskforce for Combating the Coronavirus volunteer programme: on 15 March 2020 the Government launched a programme enlisting volunteers to assist with field work and health services in response to the COVID-19 pandemic, with over 30,000 volunteers having registered as at the date of this Base Prospectus.

Fully equipped field hospitals have been constructed in Sitra and Riffa doubling the number of beds within the national healthcare system, as well as creating an additional 500 beds in intensive care units. Through the creation of mobile testing facilities, designated laboratories and the creation of an additional testing laboratory in the airport, testing capacity has increased to 16,172 tests per day.

## *Financial measures*

On 17 March 2020, the Government announced a BD4.3 billion economic stimulus package (equivalent to 29.6 per cent. of nominal GDP for the year ended 31 December 2019) aimed at providing economic assistance to individuals and businesses, effective for a three-month period from April 2020. As part of the financial measures put in place in response to the COVID-19 pandemic, the Government has implemented the following initiatives:

- payment of salaries for Bahrainis working in the private sector, to be financed from the unemployment fund;
- the waiver of three months of electricity and water bills for Bahraini individuals and companies, up to the amount incurred in the corresponding period during the previous year;
- exempting all individuals and commercial entities from municipalities' fees;
- exempting tourist facilities from tourism fees;
- exempting industrial and commercial entities from paying rent to the Government;
- deferment of loan principal instalments owed by Bahraini individuals and companies from September 2020 to July 2021;
- doubling the size of the liquidity fund to BD200 million to support small and medium businesses;
- lending facilities to banks were expanded by up to BD3.7 billion to facilitate deferred debt payments and extension of additional credit; and
- redirecting Tamkeen programmes to support adversely affected companies, as well as restructuring all debts issued by Tamkeen.

In addition, the Cabinet has authorised the Minister of Finance and National Economy to withdraw up to BD177 million from the general account to be used to respond to urgent health needs created by COVID-19.

On 8 April 2020, a further BD5.5 million enhancement to social benefits for lower income families was announced. On 20 April 2020, the Government announced its aim to reduce non-priority agency expenditure by up to 30 per cent. and to delay certain capital expenditures to accommodate lower oil revenues due to the decline in oil prices.

In addition, the CBB has implemented the following measures:

- the one-week deposit facility rate was reduced from 1.75 per cent. to 1.0 per cent.;
- the overnight deposit rate was reduced from 2.0 per cent. to 0.75 per cent.;
- the overnight lending rate was reduced from 4.0 per cent. to 2.45 per cent.;
- the cash reserve ratio for retail banks was reduced from 5 per cent. to 3 per cent.;
- loan-to-value ratios for new residential mortgages were relaxed; and
- fees on debit cards have been capped.

### **Credit Rating**

Bahrain has been assigned the following credit ratings: B+ (stable outlook) by Fitch Ratings and B+ (stable outlook) by Standard & Poor's.

On 1 December 2017, S&P downgraded Bahrain's rating from BB- to B+ with a stable outlook, reflecting S&P's view that Bahrain's gross international reserves are low and have become increasingly volatile, increasing Bahrain's financing risks should access to external liquidity deteriorate sharply, as well as its continued fiscal dependency on oil revenues, rapid accumulation of government debt and unresolved tensions. This rating was affirmed by S&P on 1 June 2018.

On 14 August 2020, Fitch Ratings downgraded Bahrain's long-term foreign sovereign credit rating and local currency issuer default rating to B+ and assigned a stable outlook, reflecting Fitch Ratings' view that the Government has not identified a clear medium-term strategy to tackle high deficits and although Fitch Ratings noted that Bahrain has continued to implement measures to raise revenue, Fitch Ratings projects increasing government debt to GDP ratios, as well as the combined impact of lower oil prices and the COVID-19 pandemic on Bahrain.

## RELATIONSHIP WITH THE GOVERNMENT

The Company was established by the Government with the purpose of managing the Government's assets in the oil and gas industry. The Company is the strategic investment and development arm of NOGA and plays a fundamental role in the execution of the strategic plans of NOGA and stewardship of the Government's long-term investments in the oil and gas industry. The Company aims to create shareholder value by the successful management and growth of its portfolio companies and believes that the Government considers its ownership of the Company as a long-term strategic holding.

The Government, through NOGA, appoints all members of the Company's board of directors and the Government consequently has substantial representation in the management of the Company. Decree No. 40 for the year 2019 recently reorganised the board of directors to its current composition, with such individuals nominated by His Majesty King Hamad bin Isa Al Khalifa. The Chairman's appointment was renewed by virtue of Royal Decree No. 40 for the year 2019. The board comprises a Chairman and six Board members and is composed of both public sector individuals, including key Government officials, and private sector individuals. For example, the Chairman of the board of directors, H.E. Shaikh Mohammed bin Khalifa bin Ahmed Al Khalifa, is the Minister of Oil for Bahrain. Other members of the Company's board of directors include H.E. Shaikh Salman Bin Khalifa Al Khalifa, who is the Minister of Finance and National Economy for Bahrain, and Dr. Dawood Nassif, who is the Chairman and Chief Executive of Bapco. Please see "*Management and Employees—Management—Board of Directors*".

### ***Contributions and Support from the Government***

The Company is a holding company created by the Government to manage the Government's investments in the oil and gas industry. It therefore receives direct support from the Government in the form of oil and gas sector policies that are established by NOGA and targeted to promote the growth of the Bahraini oil and gas industry by way of continued project development and investment. Please see "*Description of the Group*". The Government's support and contributions for the Company, and the Bahraini oil and gas industry more generally, go beyond general industry strategy into actual economic interests and investments.

All of the Company's assets were initially contributed, in-kind, by the Government and the Group has historically benefitted from significant Government support in the form of subsidised Bahrain crude oil. Since 2018, the Government has been providing Bapco with a minimum of 38,700 barrels per day of Bahrain crude oil at a subsidised price of U.S.\$1 per barrel pursuant to the 2018 COSA, although since 10 November 2009, Bapco has also been paying agreed production costs in respect of this subsidised Bahrain crude oil, pursuant to the COSPA.

In the years ended 31 December 2018, 2019 and 2020, Bapco received 38,700 bpd, 38,700 bpd and 38,700 bpd of subsidised crude oil pursuant to the COSA and paid production costs in respect of this subsidised crude oil of U.S.\$11 per barrel, U.S.\$11.275 per barrel and U.S.\$11.557 per barrel, respectively, in accordance with the COSPA, resulting in Bapco receiving the subsidised crude oil at a cost of U.S.\$12 per barrel, U.S.\$12.275 per barrel and U.S.\$12.557 per barrel, respectively.

This cost represented an average subsidy of U.S.\$56.564 per barrel, U.S.\$52.768 per barrel and U.S.\$29.036 per barrel in the years ended 31 December 2018, 2019 and 2020, respectively. In the event that Bahrain crude oil had been invoiced at market prices by the Government instead of COSA prices, the net profit of the Group for the year ended 31 December 2018, 2019 and 2020 would have been lower by BD283 million (U.S.\$753 million), BD280 million (U.S.\$745 million) and BD157 million (U.S.\$418 million), respectively.

These favourable supply terms have allowed Bapco to increase its refining margin and therefore assisted with the financing of its investment programme. Such terms were provided to Bapco in order to assist with the financing of Bapco's Strategic Investment Programme, a U.S.\$1.0 billion investment undertaken between 2004 and 2014, where several new units were added to the Sitra Refinery to ensure continued profitability, including the upgrading of low value fuel oil to more valuable low sulphur diesel and the production of Group III base oils. New processing facilities and environmental projects were also executed as part of this Strategic Investment Programme, including improvements to the wastewater treatment at the Sitra Refinery. Through the current Bapco Modernisation Programme, the Company plans to add new core process units, such as a new integrated crude and vacuum unit, a new ebullated-bed residue hydrocracker, a second HVGO hydrocracker, a second ultra low sulphur diesel hydrotreater and several other process units and associated utilities. In addition, several old and inefficient process units will be mothballed and decommissioned, with a view to achieving a more energy efficient and environmentally compliant facility, as well as improving the product slate at the Sitra Refinery by upgrading the

refinery residue, improving gross margins and thereby remaining competitive under a wider range of feedstock and product prices and market conditions.

The Bahrain National Gas Expansion Company S.P.C. (“**Tawseah**”) has carried out the construction of the Bahrain Gas Plant Project, which was commissioned in November 2018 (see “*Description of the Group—Subsidiaries, Associates and Joint Operations—Subsidiaries—Banagas and Tawseah—Bahrain Gas Plant Project*”). The project was financed by a mixture of *Shari’ah*-compliant and commercial debt financing provided by international and regional banks, as well as a shareholder loan extended to Tawseah by the Company. In order to facilitate the financing of the project, the Government waived the obligation of Tawseah to make payment of the Government levy on gas production in respect of gas produced by the new gas processing facility and subordinated the obligation of Tawseah to make payment of the Government levy on gas production in respect of its existing gas processing facilities and fuel gas costs in respect of its new gas processing facility until no payment obligations under the financing remain outstanding. This assisted with enhancing the cash flow of Tawseah for the purposes of the debt repayment. The Central Bank of Bahrain also has included Tawseah in the list of entities that are eligible for zero-risk weighting, with the result that financing by banks in Bahrain in the project will not attract any capital charge.

### ***Oversight by the Government***

The Company is immediately accountable to the Government in the form of its shareholder, NOGA. NOGA and the Company share the same board of directors, which provides NOGA with direct oversight of the Company. NOGA may also request that the Company’s board of directors convene for meetings outside of the scope set out in the Company’s articles of association to provide further oversight of the Company’s activities. NOGA, as shareholder of the Company, also exercises control over the Company’s financial evaluation. For example, the board of directors will appoint an internationally recognised external auditor (or more) to evaluate the Company’s accounts and such appointment is based upon the recommendation of NOGA.

Government activities in the oil and gas industry, including those of the Company and NOGA, are overseen by the Council of Representatives of the Bahraini parliament. The Council of Representatives has been granted the exclusive right by the Constitution of Bahrain to oversee the Government by using certain constitutional tools. Parliamentary tools at the disposal of the Council of Representatives, and each member therein, include the ability for questions to be asked in relation to certain matters, to verify the occurrence of certain incidents, or to request certain information, subject to certain conditions. Any queries related to the Company or any of its portfolio companies that are raised by the Bahraini parliament may be submitted by any member of the Council of Representatives to the Minister of Oil. The Minister of Oil may then request that the management of the Company provide responses and supporting material. In addition, further tools that the members of the Council of Representatives have to hold the Minister of Oil to account include parliamentary interpellation, withdrawal of confidence in the Minister of Oil, parliamentary inquiries and general parliamentary discussions.

The Company and its subsidiaries are subject to oversight by the National Audit Office (the “**NAO**”) that conducts regular reviews of the ministries, various governmental entities and public authorities. After finalising and consolidating the results of its various audits, the NAO submits its report annually to His Majesty, King Hamad bin Isa Al Khalifa, the Prime Minister and the Chairman of the Representatives Council. The Company is also subject to oversight by the Tender Board of Bahrain (established by a Royal Decree on 7 January 2003), whose main role is to oversee the procurement practices and processes of governmental bodies, to ensure transparency, fair competition, efficiency and the best use of public funds. It regulates Government tenders and purchases, with the aim of protecting public funds and preventing the undue influence of personal interests during the tender process, whilst achieving the highest levels of economic efficiency in a transparent, competitive and fair environment for contractors and suppliers.

Although created by royal decree and wholly-owned by the Government, the Company is incorporated as a commercial entity and is therefore subject to the commercial laws of Bahrain, however, the Company may only be dissolved or liquidated by Royal Decree. The Company is regulated by the Bahrain Chamber of Commerce and Industry as a closed shareholding company in Bahrain.

### **The Role of the Company in Bahrain’s Economic Strategy**

The Company plays a fundamental role in implementing, and contributing to, Bahrain’s economic strategy with regards to oil and gas investments and in meeting the needs of Bahrain’s industrial growth and increasing revenues for its sole shareholder, the Government. The Company has a focused mandate from the Government to invest in



energy and energy-related industries strongly linked to Bahrain’s core hydrocarbon-based economy where the oil sector (crude petroleum, natural gas and quarrying) is the largest contribution to GDP (17.8 per cent. for the year ended as at 31 December 2019). See “*Description of the Group—Strategy*”.

### ***Increased Oil and Gas Production***

The Company and its portfolio companies are currently involved in a number of major projects that revolve around increased oil and gas production within the country in order to generate further revenues for its sole shareholder, the Government.

The Company and its portfolio companies are responsible for financing, developing and managing Bahrain’s oil and gas fields and reserves, which are owned by the Government. For example, Tatweer is involved in the continuing development of the Bahrain Field, where it continues to undertake drilling and maintenance work in order to increase production and exploration in order to discover further potential reserves, as well as carrying out the Bahrain Field Oil and Gas Development and Expansion Programme (please see “*Description of the Group—Subsidiaries—Tatweer—Bahrain Field Oil and Gas Development and Expansion Programme*”); the Bahrain Gas Plant Project was completed by Bahrain National Gas Company B.S.C. (c) (“**Banagas**”), its joint venture with Boubyan Petrochemical Company (“**Boubyan**”) and Chevron Bahrain Trading Company S.P.C. (“**Chevron Bahrain**”) in order to further increase gas processing capacity within Bahrain for the production of marketable natural gas liquids and increase the processing of refinery off-gas supplied by Bapco; while the Bapco Modernisation Programme being carried out by Bapco will increase refinery production and profitability.

### ***Implementation of the Kingdom’s Energy Policy***

NOGA proposes and implements government energy policies and regulates the energy industry in Bahrain. The Company is the strategic investment and development arm of NOGA and, therefore, plays a fundamental role in the implementation of NOGA policies and strategies.

In accordance with NOGA’s long-term energy strategy of supplementing available natural gas by importing liquefied natural gas (“LNG”) to reduce its dependence on domestic gas, the Company has developed a Bahrain LNG Import Terminal. The Bahrain LNG Import Terminal forms a key part of the energy infrastructure of Bahrain. It has been developed with a view to giving Bahrain the security of supply that it needs to meet its growth in demand for natural gas to fuel large industrial projects, to generate power and water and to increase oil recovery. The Bahrain LNG Import Terminal seeks to allow Bahrain to handle any potential shortages of gas and allow Bahrain to supplement domestic gas supplies with LNG. See “*Description of the Group—Subsidiaries, Associates and Joint Operations—Associates—Bahrain LNG—Bahrain LNG Import Terminal*”.

In order to address demand for domestic gasoline in Bahrain, the Company entered into a joint venture with Greenergy International Ltd (“**Greenergy**”), one of the largest blenders of gasoline in the United Kingdom, to set up a gasoline blending facility in Bahrain, which commenced trial operations in February 2017. The key objective of Bahrain Gasoline Blending W.L.L. (“**BGB**”) is to optimise the use of Bapco’s infrastructure and Sitra Refinery gasoline production with Greenergy’s blending, terminal operations and trading expertise to meet Bahrain’s domestic demand for gasoline and position Bahrain as a leading participant in the gasoline markets in the Middle East.

### ***Provision of Funds***

The Group provides funds from oil and gas revenues towards the achievement of Vision 2030. The table below shows the dividends paid by the Group and the amount due from the Government that was set off against the Group’s retained earnings in each of the years ended 31 December 2017, 2018, 2019 and 2020.

	<b>In the year ended 31 December</b>			
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>BD’000</b>			
Dividend declared and paid.....	56,550 <sup>(1)</sup>	—	56,550 <sup>(2)</sup>	—
Amount set off against retained earnings.....	—	—	797,315	—
Total distribution to the Government.....	—	—	—	—

**Note:**

- (1) Dividend declared and paid in 2017 relates to the financial year ended 31 December 2016.
- (2) Dividend declared and paid in 2019 relates to the financial year ended 31 December 2018.

Given the medium to long-term nature of the projects currently under implementation by the Group and the need to fund its equity requirements in respect of these projects, the Company did not pay any dividends to the Government in 2020. However, as part of the Company's contribution to the state budget, is expected to pay a dividend of BD56.6 million (U.S.\$150.5 million) to MOFNE relating to the financial year ended 31 December 2019, which has not yet been declared and is yet to be paid. See *"Risk Factors—Risks relating to the strategy of the Group—The Company has historically paid and is likely to continue to pay dividends to the Government in the future"*.

Bapco also markets, on behalf (and for the benefit of) of the Government, Bahrain's share of the crude oil produced by the Abu Saa'fa oilfield (which is lifted by customers directly from Ras Tanura Port in Saudi Arabia). Bahrain's share in the Abu Saa'fa production amounted to around 154,282 bpd, 153,492 bpd and 148,769 bpd in 2018, 2019 and 2020, respectively, which comprised 100 per cent. of all Bahrain's crude oil exported internationally. Government revenue generated from Abu Saa'fa totalled just over U.S.\$2.3 billion in the year ended 31 December 2020.

### ***Diversification of Bahrain's Economy***

Bahrain is committed to moving away from an economy that is built solely on oil wealth and appropriate diversification is part of Vision 2030. Whilst the Company is responsible for oil and gas investment, the projects that it is in the process of launching (and has launched over the past few years) highlight a diversification plan that moves away from its traditional growth and investment strategy that revolved around Bapco and the Sitra Refinery. Such plan is part of a broader diversification strategy being implemented by the Government.

Many of the Company's projects interact and overlap with one another and have been undertaken in order to ensure continued investment in Bahrain and economic diversification. For growth to occur outside of the oil industry, for example via the operations of Aluminium Bahrain B.S.C. ("**Alba**"), increased power and energy generation output is required. The Group is therefore focused on increasing natural gas output to these industrial customers in order to ensure that heavy industries within Bahrain are able to compete on an international scale, such as through Tatweer's continuing development of the Bahrain Field, including through the Bahrain Field Oil and Gas Development and Expansion Programme. Meanwhile the Bapco Modernisation Programme aims to increase production of refined products that may be off-taken by portfolio companies within the Group as a feedstock for petrochemical manufacturing, including Aromatics Petchem Company W.L.L. ("**Aromatics Petchem**"), which is in the process of constructing an aromatics production complex to off-take the low-value naphtha from the Sitra Refinery for conversion into high-value petrochemical products, although this project is currently on hold due to the prioritisation of other strategic initiatives, including the Bapco Modernisation Programme, and subject to ongoing feasibility studies. See *"Description of the Group—Subsidiaries, Associates and Joint Operations—Joint Operations—Aromatics Petchem—Aromatics Complex"*.

### ***Natural Gas Production and Distribution***

Natural gas remains the primary source of energy for the Kingdom of Bahrain, providing a substantial amount of the fuel for electricity generation and seawater desalination. Please see *"Overview of Bahrain—Economy of Bahrain"*. Tatweer acts as the natural gas sales and distribution agent of the Kingdom of Bahrain with the responsibility for managing gas sales and operating the gas distribution system. In consideration for providing such services, Tatweer receives reimbursement for acting as the distribution agent. The costs incurred by Tatweer in operating the gas distribution network are recovered through the cash call mechanism with the Company, which is subsequently reimbursed by MOFNE, which receives all the proceeds of the gas sales.

### ***Knowledge and Technology Transfer and Skills Development***

The Company's strategic investment activities and the integration of its portfolio companies within the Group support the development of Bahrain's economy in a manner that advances the Government's objective of bringing the latest technology and expertise to Bahrain.

Examples of such activities include the Bapco Modernisation Programme, which is expected to be completed by 2023 and aims to ensure that Bahrain has a modern and competitive refinery at Sitra that is capable of competing with other larger refineries in the region. The Bapco Modernisation Programme involves the modernisation of the current Sitra Refinery units, ensuring that the latest international technology is being used by Bapco. Additionally, the Bahrain LNG project, which was commissioned in December 2019, aims to bring some of the most advanced technologies in the oil and gas industry to Bahrain in the form of regasification units.

A significant factor behind Vision 2030 is the need to ensure the Bahrainisation of the workforce in Bahrain. This involves the training of Bahraini nationals in order to reduce the dependence on a predominantly foreign workforce. Large, new projects such as those set out above, will ensure that there are opportunities available for such Bahrainisation to take place, offering attractive career opportunities to suitably skilled Bahrainis. The increased number of projects and employees working for each member of the Group ensure a greater level of knowledge and technology transfer and skills development.

### ***Implementation of other key strategic priorities***

In addition to the increase in oil and gas production and appropriate diversification, the Company and its portfolio companies are also involved in projects in order to meet other strategic objectives of the Government. For example, the reorganisation and restructuring of the fuel farm complex and hydrant facilities at Bahrain International Airport revolve around the Government's decision to bring airport-based infrastructure under indirect Government ownership, through the restructuring of all into-plane fuel services currently being provided at Bahrain International Airport by BAFCO. See "*Description of the Group—Subsidiaries, Associates and Joint Operations—Joint Operations—BJFCO—Refuelling Infrastructure Project*".

### ***State-to-State Relationships***

Due to the Company's position and relationship with the Government, the Company is able to benefit from unique and attractive strategic investment opportunities, which are also instrumental in building and solidifying state-to-state relationships. Examples of such investments include investments alongside Saudi Arabia and other GCC States, including Kuwait.

For example, the development and operation of the New AB4 Pipeline, which originates in Saudi Arabia and which was commissioned in October 2018, was a collaborative effort with Saudi Aramco in terms of construction, operation and maintenance. As a result of the increased capacity of the New AB4 Pipeline, the Sitra Refinery will be able to benefit from additional feedstock supply following the Bapco Modernisation Programme, which in turn is expected to have a knock-on effect on the rest of the Group and portfolio company supply chain by making more offtake available for downstream businesses, since there will be greater refinery feedstock.

## SELECTED FINANCIAL INFORMATION

The selected financial information set forth below has been extracted from the Financial Statements set out elsewhere in this Base Prospectus and should be read in conjunction with the “*Presentation of Financial and Other Information*”, the “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and the Financial Statements set out elsewhere in this Base Prospectus.

### Consolidated Statement of Financial Position Data

	As at 31 December		
	2018	2019	2020
	BD’000		
<b>Non-current assets</b>			
Property, plant and equipment .....	986,265	1,064,602	1,104,923
Capital work-in-progress.....	454,018	907,846	1,352,519
Right-of-use assets .....	—	124,224	183,339
Investments in associates and joint venture .....	69,753	97,529	90,885
Long-term assets.....	24,993	24,418	25,923
Derivative financial instruments .....	3,036	—	—
Restricted cash and bank balances.....	13,412	127,348	126,624
Trade, other receivables and other assets.....	—	16,736	12,228
	<b>1,551,477</b>	<b>2,362,703</b>	<b>2,896,441</b>
<b>Current assets</b>			
Inventories .....	204,193	235,054	185,651
Trade, other receivables and other assets.....	480,131	384,212	281,981
Due from a related party.....	815,564	254,091	421,083
Derivative financial instruments .....	2,720	641	631
Cash and bank balances.....	809,516	482,709	269,977
	<b>2,312,124</b>	<b>1,356,707</b>	<b>1,159,323</b>
<b>Total assets</b> .....	<b>3,863,601</b>	<b>3,719,410</b>	<b>4,055,764</b>
<b>Total equity</b> .....	<b>2,090,385</b>	<b>1,351,550</b>	<b>1,216,651</b>
<b>Total liabilities</b> .....	<b>1,773,216</b>	<b>2,367,860</b>	<b>2,839,113</b>

### Consolidated Statement of Cash Flows Data

	For the year ended 31 December		
	2018	2019	2020
	BD’000		
Net cash flows from operating activities.....	379,571	322,718	256,739
Net cash flows used in investing activities .....	(388,270)	(735,503)	(636,967)
Net cash flows from financing activities.....	359,566	85,989	167,496

### Consolidated Statement of Profit or Loss and Other Comprehensive Income Data

	For the year ended 31 December		
	2018	2019	2020
	BD’000		
Revenue .....	2,857,389	2,670,198	1,643,413
Cost of materials .....	(2,275,386)	(2,100,498) <sup>(1)</sup>	(1,239,440)
<b>Gross profit</b> .....	<b>582,003</b>	<b>569,700<sup>(1)</sup></b>	<b>403,973</b>
Other income .....	66,516	123,903	136,791
Staff costs .....	(90,402)	(103,894)	(111,544)
Maintenance expenses .....	(97,211)	(112,415)	(102,431)
Impairment for doubtful trade and other receivables.....	—	(6,447) <sup>(1)</sup>	(1,848)
Other expenses.....	(171,098)	(117,589) <sup>(1)</sup>	(119,744)
Depreciation.....	(156,421)	(150,557)	(194,081)
<b>Operating profit</b> .....	<b>133,387</b>	<b>202,701</b>	<b>11,116</b>
Finance income.....	9,467	13,586	4,219
Finance costs.....	(45,907)	(57,095)	(62,625)
Share of profit/(loss) from associates and joint venture – net .....	11,578	8,633	(57)
<b>Net (loss)/profit before income tax</b> .....	<b>108,525</b>	<b>167,825</b>	<b>(47,347)</b>
Income tax expense .....	(4,024)	(1,919)	(1,629)
<b>Net (loss)/profit for the year</b> .....	<b>104,501</b>	<b>165,906</b>	<b>(48,976)</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
(Loss)/gain on cash flow hedges.....	1,339	(40,844)	(77,238)
Share of (loss)/gain on cash flow hedge from an associate .....	72	(3,303)	(7,131)
Reclassified from cash flow hedge reserve to profit or loss .....	—	(3,036)	—

	<b>For the year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>BD'000</b>		
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial (loss)/gains arising on defined benefit retirement scheme.....	438	(379)	(42)
Share of actuarial (loss)/gain from associates.....	204	(206)	(37)
<b>Total comprehensive (loss)/income for the year.....</b>	<b>106,554</b>	<b>118,138</b>	<b>(133,424)</b>
<b>Total comprehensive (loss)/income attributable to:</b>			
Shareholder of the parent .....	105,090	117,556	(133,902)
Non-controlling interests.....	1,464	582	478
<b>Total comprehensive (loss)/income for the year.....</b>	<b>106,554</b>	<b>118,138</b>	<b>(133,424)</b>

**Notes:**

- (1) The comparative figures for the year ended 31 December 2019 are extracted or derived from the unaudited comparative column of the 2020 Financial Statements to conform to the presentation used in the 2020 Financial Statements.

**EBITDA and EBITDA margin**

The following table sets forth the Group's EBITDA and EBITDA margin for the years ended 31 December 2018, 2019 and 2020:

	<b>For the year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
EBITDA <sup>(1)</sup> (BD'000).....	289,808	353,258	205,197
EBITDA margin <sup>(2)</sup> (per cent.).....	10.1	13.2	12.5

**Notes:**

- (1) EBITDA is defined as operating profit excluding the impact of depreciation (note that the Group also accounts for amortisation within the depreciation line item). The following table sets forth a reconciliation of EBITDA from operating profit for the years indicated.

	<b>For the year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>BD'000</b>		
<b>Operating profit</b> .....	<b>133,387</b>	<b>202,701</b>	<b>11,116</b>
Depreciation.....	156,421	150,557	194,081
<b>EBITDA</b> .....	<b>289,808</b>	<b>353,258</b>	<b>205,197</b>

- (2) EBITDA margin is defined as EBITDA divided by total revenue (expressed as a percentage).

## 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", "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. 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 document, particularly under the headings "Forward-Looking Statements" and "Risk Factors".*

### OVERVIEW

The Company is wholly-owned by the Government and is the strategic investment holding company of NOGA. NOGA is a political body responsible for protecting the oil and gas assets of the Government by acting as the oil and gas industry regulator, and proposing and implementing Government policy. The Company plays a fundamental role in the execution of the strategic plans of NOGA and stewardship of the Government's long-term investment in oil, gas and petrochemical assets. The Company invests in various oil and gas companies that operate in Bahrain and in which the Government has a strategic interest, with a mandate to fulfil Bahrain's constantly growing demand for energy and provide necessary funds from oil and gas revenues towards the achievement of Vision 2030 by developing and operating facilities in connection with the oil and gas reserves owned by the Government. The Company's strategy is to be a long-term strategic investor and it currently holds investments in 16 companies, all of which are involved in the oil and gas supply chain in Bahrain.

For the year ended 31 December 2020, the Group's total revenue was BD1,643.4 million (U.S.\$4,370.8 million) (compared to BD2,670.2 million (U.S.\$7,101.6 million) for the year ended 31 December 2019 and BD2,857.4 million (U.S.\$7,599.4 million) for the year ended 31 December 2018) and its total comprehensive loss for the year ended 31 December 2020 was BD133.4 million (U.S.\$354.9 million) (compared to total comprehensive income of BD118.1 million (U.S.\$314.2 million) for the year ended 31 December 2019 and BD106.6 million (U.S.\$283.4 million) for the year ended 31 December 2018).

As of 31 December 2020, the Company's consolidated total assets were BD4,055.8 million (U.S.\$10,786.6 million) (compared to BD3,719.4 million (U.S.\$9,892.0 million) as at 31 December 2019 and BD3,863.6 million (U.S.\$10,275.5 million) as at 31 December 2018).

The Company's principal revenue generating activity is the sale of refined oil products produced by its wholly-owned subsidiary Bapco (see further "*Description of the Group—Subsidiaries, Associates and Joint Operations—Subsidiaries—Bapco*"). The Group's revenue from the sale of refined oil products accounted for 95.1 per cent., 93.8 per cent. and 92.3 per cent. of the Group's revenue in each of the years ended 31 December 2018, 2019 and 2020, respectively.

The Company also received significant revenue from the sale of propane, butane and naphtha produced by Banagas and its wholly-owned subsidiary Tawseah (see further "*Description of the Group—Subsidiaries, Associates and Joint Operations—Banagas and Tawseah*"). The Group's revenue from the sale of these gas products accounted for 2.7 per cent., 4.5 per cent. and 5.2 per cent. of the Group's total revenue in each of the years ended 31 December 2018, 2019 and 2020, respectively. The sale of lubricant base oils is produced by Bahrain Lube Base Oil Company B.S.C. (c) ("**Bahrain Lube**"), a joint operation with Nesté Oil Bahrain W.L.L. ("**Nesté Bahrain**"), a wholly-owned subsidiary of Nesté Corporation. The Group's revenue from the sale of lube base oils accounted for 2.2 per cent., 1.7 per cent. and 2.5 per cent. of the Group's total revenue in each of the years ended 31 December 2018, 2019 and 2020, respectively.

The Company (through the operations of its portfolio companies) is currently involved in the development of a number of strategic projects in order to diversify, strengthen and expand its current operations and fulfil the mandate given to it by the Government.

The following table summarises the key projects of the Group, relevant portfolio companies, descriptions of the projects, estimated project costs, funding status and estimated completion dates.

<b>Project</b>	<b>Company</b>	<b>Description of the Project</b>	<b>Estimated Project Cost</b>	<b>Funding Status</b>	<b>Estimated Completion Date</b>
Bapco Modernisation Programme .....	Bapco	Refinery upgrade, including capacity increase from 267,000 bpd to 380,000 bpd	U.S.\$6.9 billion (of which U.S.\$3.4 billion had been utilised as of 31 December 2020)	Fully funded with a mixture of equity and debt, including U.S.\$4.1 billion through the BMP Project Financing	2023
Bahrain Field Oil and Gas Development and Expansion Programme.....	Tatweer	Development, expansion and enhancement of onshore oil and gas production facilities	U.S.\$2.9 billion between 2021 and 2024. Capital expenditure has yet to be made in relation to the current phase.	Currently funded through existing internal funds, with the potential for other sources of finance to be considered	2024
Refuelling Infrastructure Project .....	BJFCO	Constructing a new fuel storage facility at Bahrain International Airport and related facilities	U.S.\$80 million (which had been fully utilised as of 31 December 2020)	Fully funded by a BD15 million commitment from each of the Company and Bahrain Airport Company	Completed
Aromatics Complex .....	Aromatics Petchem	Construction of an aromatics complex	U.S.\$2.4 billion Project has not started	No funding arrangements are currently in place	No fixed completion date

Tatweer is currently involved in the process of drilling a number of appraisal wells to help delineate the asset and collect important production information of the unconventional oil discovered in the Khalij Al-Bahrain Basin, located off Bahrain’s encompassing areas of both offshore and onshore Bahrain, on behalf of the Government, which is the owner of the field. Please see “*Overview of Bahrain—Economy of Bahrain*” and “*Description of the Group—Subsidiaries—Tatweer—Oil and gas discovery*” for further information. One well was completed and tested in 2020 and the results are currently being evaluated. Due to the risks and limitations of operating in the COVID-19 pandemic environment, plans for drilling and testing a number of key appraisal wells offshore were delayed until 2021, subject to improvement of the pandemic and global oil price conditions. The technical and commercial feasibility, timing, cost and financing of any potential exploitation of the Khalij Al-Bahrain Basin is in the process of being determined and production is expected to begin in 2024. Additionally, Tatweer has made significant advancements in the appraisal of its tight gas reserves in the pre-Unayzah formations within the Awali Field. Peripheral Khuff wells have been deepened in order to obtain important geological and reservoir data confirming the extension of gas reserves beyond previously penetrated limits. Two dedicated pre-Unayzah wells have now been drilled, completed and are expected to commence gas production in the near-term.

In addition to the above, the Company is working with ENI to conduct exploration and drilling in offshore Block-1, as part of an exploration and production-sharing agreement signed in 2019 following completion of a joint study agreement signed in 2016, and under which ENI is responsible for the payment of costs associated with the conduct of appraisals. ENI plans to drill its first well in the second quarter of 2021 as part of the exploration and production-sharing agreement minimum work programme. As at the date of this Base Prospectus, geological and geophysical evaluations of the block are progressing as per the exploration and production sharing agreement work programme.

The Group’s capital and investment expenditures include, in addition to the projects set out above, investments in subsidiaries, jointly controlled entities, joint operations, associates and other investments, acquisitions of property, plant and equipment and in intangible and other assets. The Group anticipates that it will continue to incur capital and investment expenditures in future years. As at 31 December 2020, the Company’s committed capital and investment expenditure was U.S.\$9.8 billion. See “—*Capital and investment commitments*”.

The Company has been assigned a rating of B+ with a stable outlook by Fitch Ratings. This is the same rating given to the Bahrain sovereign by Fitch Ratings and reflects the Group’s strong strategic relationship with the Government.

## PRINCIPAL COMPONENTS OF, AND KEY FACTORS AFFECTING, RESULTS OF OPERATIONS

The following is a discussion of the principal factors that have affected, or are expected to affect, the Company's results of operations.

### *Changes in refining margins*

The Group, through Bapco, derives revenue principally from the sale of refined petroleum products. The Group's revenue from the sale of refined petroleum products accounted for 95.1 per cent., 93.8 per cent. and 92.3 per cent. of the Group's total revenue in each of the years ended 31 December 2018, 2019 and 2020, respectively.

The Group's results of operations are, therefore, dependent on Bapco's gross refining margins, the difference between the current market price of the refined petroleum products produced in the relevant period and the price of the crude oil and other feedstock purchased in order to produce such products. Bapco calculates its net refining margin by subtracting operating expenses from its gross refining margin.

Bapco's refining margins are influenced by factors such as variations in demand for refined products and changes in refinery capacities, as well as market conditions. Bapco's performance is, therefore, closely linked to macro-economic conditions and their impact on demand, which in turn can affect refining margins. See "*Risk Factors—Risks relating to Bapco—Oil price fluctuations and a substantial or extended decline in refining margins would negatively impact the Group's financial results*".

The following table sets forth Bapco's gross refining margin and net refining margin for each of the periods under review.

(U.S.\$/Barrel)	Year ended 31 December		
	2018	2019	2020
Bapco gross refining margin <sup>(1)</sup> .....	6.81	4.22	1.89
Bapco net refining margin <sup>(2)</sup> .....	1.54	(1.72)	(3.93)

Source: Bapco

#### **Note:**

- (1) Gross refining margin is calculated by subtracting cost of feedstock from value of production. For these purposes: (a) cost of feedstock comprises (i) the cost of crude oil processed in the refinery, valued at realised international prices, (ii) the cost of Khuff gas purchased and used as feedstock for the hydrogen units, and (iii) the cost of other applicable feedstock purchases (including imports), and (iv) lease costs with respect to the New AB4 Pipeline; and (b) value of production is calculated as the value of the refinery's production during the period, at realised sales prices (FOB) for the same period.
- (2) Net refining margin is calculated by subtracting cost of materials, variable costs and operating expenses (including direct, indirect and overhead costs) during the period from gross refining margin for the same period.

**2018:** The increase in feedstock costs, in particular Bahrain crude and other feedstock, increases in global refining capacity and prevailing economic conditions, for the year ended 31 December 2018 as compared to the year ended 31 December 2017, resulted in Bapco's gross refining margin decreasing from U.S.\$8.45 per barrel for the year ended 31 December 2017 to U.S.\$6.81 per barrel for the year ended 31 December 2018. Further, the increase in variable costs, such as the cost of Khuff gas, utilities, chemicals and catalysts, resulted in Bapco's net refining margin decreasing from U.S.\$3.28 per barrel for the year ended 31 December 2017 to U.S.\$1.54 per barrel for the year ended 31 December 2018.

**2019:** The decrease in the value of production in the year ended 31 December 2019 as compared to the year ended 31 December 2018, resulted in Bapco's gross refining margin decreasing from U.S.\$6.81 per barrel for the year ended 31 December 2018 to U.S.\$4.22 per barrel for the year ended 31 December 2019. Further, increases in variable costs and the cost impact of the New AB4 Pipeline lease resulted in Bapco's net refining margin decreasing from U.S.\$1.54 per barrel for the year ended 31 December 2018 to negative U.S.\$1.72 per barrel for the year ended 31 December 2019.

**2020:** The decrease in the value of production, and the reduction in production volume arising as a result of prevailing market conditions, in the year ended 31 December 2020 as compared to the year ended 31 December 2019, resulted in Bapco's gross refining margin decreasing from U.S.\$4.22 per barrel for the year ended 31 December 2019 to U.S.\$1.89 per barrel for the year ended 31 December 2020. Further, increases in variable costs, as well as a drop in production value and the impact of prevailing market conditions, resulted in Bapco's net refining margin decreasing from negative U.S.\$1.72 per barrel for the year ended 31 December 2019 to negative



U.S.\$3.93 per barrel for the year ended 31 December 2020, although the Company expects production values to begin to increase from 2021.

### Oil Price Volatility

World oil prices have been and are expected to continue to be volatile and international oil prices have witnessed a significant decline since mid-2018, with the OPEC Reference Basket price (a weighted average of prices per barrel for petroleum blends produced by the OPEC countries) declining from a monthly average of U.S.\$79.39 in October 2018 to a monthly average of U.S.\$17.43 in April 2020, before partially recovering to a monthly average of U.S.\$40.25 in October 2020 and reaching a monthly average of U.S.\$54.38 in January 2021. The price per barrel of Arabian Light Crude Oil (which is produced by Saudi Arabia and constitutes part of the OPEC Reference Basket) has also moved in line with these trends.

The relatively lower global oil prices as compared to 2018 can be attributed to a number of factors, including, but not limited to, a decline in demand for oil due to a worsening of global economic conditions, the increase in oil production by other producers and competition from alternative energy sources. In general, international prices for crude oil are also affected by the economic and political developments in oil producing regions, particularly the Middle East; prices and availability of new technologies; global climate and other relevant conditions.

The price of oil impacts on the Group's cost of materials. The Group utilises Arabian crude oil, provided through the New AB4 Pipeline, which has a normal operating capacity of 350,000 bpd and a maximum capacity of 400,000 bpd (which may be utilised subject to a number of external factors, such as technical availability and feedstock profile), and Bahrain crude oil, provided by Tatweer from Bahrain Field, as feedstock for the Sitra Refinery. In the year ended 31 December 2020, the Group processed 175,394 bpd of Arabian crude oil and 43,229 bpd of Bahrain crude oil at the Sitra Refinery.

The Arabian crude oil is supplied by Saudi Aramco at market prices, while Tatweer provides a minimum of 38,700 barrels per day of Bahrain crude at a subsidised price of U.S.\$1 per barrel, plus agreed production costs (see “—*Government Support*” below). In the years ended 31 December 2018, 2019 and 2020, Bapco received 38,700 bpd, 38,700 bpd and 38,700 bpd of subsidised crude oil from the Bahrain Field and provided an additional 3,422 bpd, 3,678 bpd and 4,613 bpd of crude oil from the Bahrain Field at market price in these years.

The table below shows the market price paid by Bapco for the crude oil received from Saudi Arabia and the crude oil received from the Bahrain Field in excess of the subsidised crude oil received in accordance with the COSA for each of the years ended 31 December 2018, 2019 and 2020.

	2018		2019		2020	
	Total Volume (bpd)	Average Price (U.S.\$)	Total Volume (bpd)	Average Price (U.S.\$)	Total Volume (bpd)	Average Price (U.S.\$)
Non-subsidised crude oil received from Bahrain Field	3,422	69.564	3,678	65.043	4,613	41.593
Crude oil received from Saudi Arabia.....	219,629	71.357	222,980	65.531	176,465	42.988

### Government Support

The Group has historically benefitted from significant Government support in the form of subsidised Bahrain crude oil from the Bahrain Field. Since 2018, the Government has been providing Bapco with a minimum of 38,700 barrels per day of Bahrain crude oil at a subsidised price of U.S.\$1 per barrel pursuant to the 2018 COSA, although since 10 November 2009, Bapco has also been paying agreed production costs in respect of this subsidised Bahrain crude oil, pursuant to the COSPA.

In the years ended 31 December 2018, 2019 and 2020, Bapco received 38,700 bpd, 38,700 bpd and 38,700 bpd, respectively, of subsidised crude oil pursuant to the 2018 COSA.

Bapco paid production costs in respect of this subsidised crude oil of U.S.\$11 per barrel, U.S.\$11.275 per barrel and U.S.\$11.557 per barrel in the years ended 31 December 2018, 2019 and 2020, respectively, in accordance with the COSPA, resulting in Bapco receiving the subsidised crude oil at a cost of U.S.\$12 per barrel, U.S.\$12.275 per barrel and U.S.\$12.557 per barrel, respectively, in these periods.

This cost represented an average subsidy of U.S.\$57.564 per barrel, U.S.\$52.768 per barrel and U.S.\$29.036 per barrel per barrel in the years ended 31 December 2018, 2019 and 2020, respectively.

In the event that Bahrain crude oil had been invoiced at market prices, the net profit of the Group for the year ended 31 December 2018, 2019 and 2020 would have been lower by BD283 million (U.S.\$753 million), BD280 million (U.S.\$745 million) and BD157 million (U.S.\$418 million), respectively. The table below shows the impact of the subsidised Bahrain crude oil on the Group.

	Year ended 31 December		
	2018	2019	2020
Subsidised crude oil received from Bahrain Field (bpd) .....	38,700	38,700	38,700
Non-subsidised crude oil received from Bahrain Field (bpd).....	3,422	3,678	4,613
<b>Crude oil received from Bahrain Field (bpd) .....</b>	<b>42,122</b>	<b>42,378</b>	<b>43,313</b>
Crude oil from Bahrain Field processed (bpd).....	42,027	42,300	43,229
Subsidised price (U.S.\$) .....	12.000	12.275	12.557
Average market price (U.S.\$).....	69.564	65.043	41.593
Subsidy per barrel (U.S.\$) .....	57.564	52.768	29.036

Following discussions between the Company, Bapco and the Government, on 19 September 2017, the High Committee for Natural Resources and Economic Security, which is appointed by the Cabinet and whose members include the Minister of Oil and the Minister of Finance, approved the amendment and extension of the 2005 COSA, which was originally due to expire on 7 February 2019, for a further term of 25 years. This extension has been reflected in the 2018 COSA, which was executed on 22 October 2018. The 2018 COSA contains substantially the same terms as the previous 2005 COSA, save that the 2018 COSA requires the Company to assume Bapco's obligations as buyer therein upon completion of certain requirements (which include, among other things, completion of the Bapco Modernisation Programme), following which Bapco will cease to be a party to the 2018 COSA. Upon Bapco ceasing to be a party to the 2018 COSA, the benefit of the subsidised oil supplied pursuant to the 2018 COSA will be directly received by the Company as buyer. Given the importance of this Government support to the Group's business, any change in the level of Government support provided could result in a material adverse effect on the Group's business, results of operations and financial condition. See "*Risk Factors—Risks relating to Bapco—The Company's profitability has been significantly supported by the supply of subsidised crude oil to Bapco*" and "*Risk Factors—Risks relating to the strategy of the Group—The Group may experience difficulties in funding its significant planned capital expenditure programme*".

In addition to the above, the Company is also entitled to receive a management fee from the Government in an amount equal to 10 per cent. of Tatweer's capital and operating expenditure costs with respect to the Bahrain Field Oil and Gas Development and Expansion Programme, in addition to the financing arrangements with MOFNE with respect to all project costs incurred by Tatweer (see "*Description of the Group—Subsidiaries—Tatweer*").

### Regulated prices for its domestic products

The domestic sale of refined petroleum products, which represents the sale of diesel, kerosene, gasoline, LPG and asphalt by Bapco to domestic customers in Bahrain. The Group's revenue from domestic sale of refined petroleum products accounted for 9.1 per cent., 9.6 per cent. and 13.7 per cent., respectively, of the Group's total revenue in the years ended 31 December 2018, 2019 and 2020, respectively.

The price in respect of gasoline, which is sold domestically, is determined by the Gasoline Price Review Committee, while the price in respect of diesel and kerosene, which is sold domestically, is determined by the Petroleum Price Review Committee. Each of the Gasoline Price Review Committee and Petroleum Price Review Committee is composed of representatives from NOGA and Bapco. Asphalt is sold domestically at market prices, while LPG is sold domestically at a subsidised price. In the event that Bapco were to sell gasoline, diesel and kerosene at average prices used by Bapco for its international sales, the net profit of the Company for the year would have been higher by BD70.27 million (U.S.\$186.89 million), BD55 million (U.S.\$146.28 million) and BD35 million (U.S.\$93 million) in the years ended 31 December 2018, 2019 and 2020, respectively.

Prior to January 2016, the price of gasoline in Bahrain had remained unchanged for the past 33 years. However, in January 2016, in line with actions being taken by other GCC governments to reform energy subsidies, the Government increased the price of gasoline by more than 50 per cent, increasing the price of 95 Octane (Mumtaz) gasoline from 100 fils per litre to 160 fils per litre and increasing the price of 91 Octane (Jayyid) gasoline from 80 to 125 fils per litre. In July 2016, the Government set the price for Super 98 gasoline at 235 fils per litre. In January 2018, the government set the price of 91 Octane (Jayyid) gasoline at 140 fils per litre, up from 125 fils per litre, while 95 Octane (Mumtaz) gasoline was set at 200 fils per litre, up from 160 fils per litre.

In January 2016, the Government also increased the price of diesel from 100 fils per litre to 120 fils per litre and increased the price of kerosene from 100 fils per litre to 120 fils per litre. In January 2017, the Government increased the price of both diesel and kerosene to 140 fils per litre. Prices for diesel and kerosene were further increased from 1 January 2019 and 1 January 2018, respectively, to 180 fils per litre and 160 fils per litre.

These increases are part of the economic and fiscal reforms, intended to strengthen the country's long-term development. Revenue from the domestic sale of oil decreased by BD4.6 million (U.S.\$12.3 million), or 1.8 per cent., in 2019 and BD31 million (U.S.\$82.3 million), or 12.1 per cent. in 2020, decreasing from BD260.4 million (U.S.\$692.4 million) in 2018 to BD255.7 million (U.S.\$680.2 million) in 2019 and BD224.8 million (U.S.\$597.9 million) in 2020.

Bapco is also required to sell diesel to fisheries in Bahrain at subsidised rates specified and regulated by the Government, selling diesel at 140 fils per litre, with Bapco also providing a rebate of 30 fils per litre in 2018. In the event that Bapco were to sell diesel to fisheries in the Kingdom at average prices used by Bapco for its international sales, without providing such a rebate, the net profit for the year would have been higher by BD1.3 million (U.S.\$3.5 million) in the year ended 31 December 2018.

### Levels of Production

The Group's revenues are directly affected by the Group's levels of production of gas, liquids and condensates, which are in turn dependent on the continued operational performance of the Sitra Refinery and the Group's other production facilities.

The Group's producing assets are subject to a number of operational issues, including: reduced availability of those assets due to planned activities such as maintenance or shutdowns; unplanned outages which may, for example, be due to equipment or human failure; asset integrity and health, safety, security and environment incidents; adverse reserves recovery; the performance of joint venture partners; the performance of the Group's contractors; and exposure to natural hazards, such as extreme weather events or acts of terrorism or political violence. For example, an incident took place in November 2017 affecting the AB3 pipeline, while an incident in September 2019 concerning Saudi Aramco's Abqaiq and Khurais facilities resulted in the temporary suspension of processing by Saudi Aramco at these facilities. In addition, in October 2020, a leak was discovered in the Sitra to Arad pipeline operated by BAFCO, which resulted in a spill of approximately 3,000 litres of Jet A1 fuel, requiring BAFCO to clamp and repair defects identified in the pipeline, shutting down the pipeline for 38 days. There was no impact to Jet A-1 supply during this pipeline shutdown.

Bapco generally undertakes major turnaround and inspection ("**T&I**") of its process units on a six-year maintenance cycle. In order to minimise disruption during such maintenance, the operating units at the Sitra Refinery are divided into three separate hubs, on the basis of interrelated feedstock and products. One hub, which includes the HVGOL hydrocracker, the lube base oil plant, a sulphur recovery unit, a hydrogen plant, a vacuum distillation unit and a crude oil distillation unit ("**Hub 1**"), was shut down for T&I in 2016, while the second hub, which includes a hydrotreater diesel unit, a hydrogen plant, a sulphur recovery unit, a vacuum distillation unit and a crude oil distillation unit ("**Hub 2**"), was shut-down for T&I in 2020. The third hub, which includes the fluid catalytic cracking unit, gas concentration unit, poly plant, LPG and a crude oil distillation unit ("**FCCU Complex**"), was shut down for T&I in 2017. The next scheduled T&I of Hub 1 and Hub 2 is in 2022 and 2026, respectively, while the next T&I of the FCCU Complex is currently scheduled to take place in May 2021. The FCCU Complex will be decommissioned following the commissioning of the units under the Bapco Modernisation Programme. In addition to the foregoing, Bapco periodically undertakes T&I on individual operating units. For instance, in 2021, Bapco plans to perform scheduled T&I on a crude oil distillation unit, certain sour water strippers, the Khuff gas sweetening plant and a desalination plant.

During 2018, a number of planned T&I inspections were scheduled, together with planned shutdowns in respect of the low sulphur diesel production facility and the low sulphur fuel oil units to attend to specific maintenance jobs. There were four unplanned unit shutdowns in 2018 which had minimal impact on refinery operations. In addition, there were unplanned shutdowns of a visbreaker unit and a crude distillation unit in 2020, which had a minimal impact on refinery operations.

The following table sets out the production volumes for the years ended 31 December 2018, 2019 and 2020 by type of product for each of Bapco, Gulf Petrochemical Industries Co. B.S.C. (c) ("**GPIC**"), Banagas and Tawseah.

	Year ended 31 December		
	2018	2019	2020
<b>Bapco</b>		<i>Barrels</i>	
LPG.....	852,986	853,216	815,426
Propane.....	443,631	298,810	251,184
Butane.....	641,431	431,804	376,183
Naphtha.....	14,466,543	14,908,624	13,648,768
Gasoline.....	6,295,736	6,415,718	4,560,931
Kerosene.....	24,208,733	24,065,051	18,073,290
Diesel.....	29,517,249	30,438,208	28,534,441
Fuel Oil.....	17,205,430	17,620,061	12,893,168
Lube Base Oil.....	2,849,634	2,469,641	2,402,530
Asphalt.....	1,911,180	2,003,025	2,088,499
Sulphur.....	486,706	487,759	437,566
<b>Total</b> .....	<b>98,879,259</b>	<b>99,991,917</b>	<b>84,081,986</b>
<b>GPIC</b>		<i>Metric tonnes</i>	
Ammonia.....	421,200	465,917	463,875
Methanol.....	424,679	451,429	450,097
Urea.....	657,929	727,244	718,793
<b>Banagas and Tawseah</b>		<i>Metric tonnes</i>	
Propane.....	95,699	162,748	148,579
Butane.....	89,653	152,476	151,309
Naphtha.....	205,758	330,330	333,976

## Relationship with the Government

The Company is wholly-owned by the Government and the Government has the power to appoint the majority of the Company's board of directors. The Government owns the underlying oil and gas reserves that are being managed and developed by the Group, and the Government is also the Group's regulator.

The Government therefore exercises significant influence over the commercial affairs of the Company. Most of the Company's current portfolio consists of state-owned enterprises of strategic and national importance. Thus, the outcome from any decision-making processes relating to the Company's investments may not always be strictly commercial. The Government has in the past provided, and may continue in the future to provide, support to the Group, including through the provision of subsidised crude oil, and the Group is reliant on the continuation of such support. See "*Government Support*" above for further details regarding the Group's relationship with the Government. However, there is no guarantee that this support will continue. See "*Risk Factors—Risks relating to Bapco—The Company's profitability has been significantly supported by the supply of subsidised crude oil to Bapco*".

## Historic cash management arrangements for the sale of refined petroleum products

Prior to May 2019, Bapco was subject to a cash call arrangement with the Government, whereby Bapco made substantial distributions of proceeds from sales directly to the Government without declaring distributions to the Company. As part of this arrangement, Bapco previously received revenues from the international and domestic sale of refined oil products into accounts managed directly by the Government and not by Bapco or the Company (the "**Oil Revenue Accounts**"), resulting in such revenues not being recorded as part of Bapco's (or the Company's) cash and bank balances, but instead recorded as an amount due from the Government. The Government made certain payments on behalf of Bapco, including payment for the costs of the Arabian crude oil purchased from Saudi Aramco that is refined by Bapco, which were set-off against amounts due from the Government. The difference between the amounts received into the Oil Revenue Accounts and amounts paid by the Government on behalf of Bapco resulted in a net cash movement in amount due from the Government of BD135 million (U.S.\$359 million) during the year ended 31 December 2018. Following cessation of the cash call mechanism on 28 February 2019, the net balance due from the Government as of this date amounting to BD797.3 million (U.S.\$2,120.5 million) was set-off against retained earnings, resulting in a reduction in the cash available for distribution to the Company. No amount was set off from the amount due from the Government against retained earnings in the year ended 31 December 2020.

During 2019, as part of the Bapco Modernisation Programme and its related financing arrangements, Bapco underwent significant changes to the way it operated. As part of the related financing arrangements, Bapco was required to cease its cash call mechanism with the Government and operate as a financially independent company. Accordingly, Bapco ceased its cash call mechanism with the Government on 28 February 2019 and, from that date, established its own treasury and cash management functions, including the maintenance of its own bank

accounts, and became independent from the Government for the purpose of the funding of its operations, investing and financing activities. These changes to the operating model of Bapco were approved by the board of directors of Bapco and by the Company on 13 March 2019 and a corresponding notification was sent to the Ministry of Finance on 26 March 2019.

On 24 February 2019, the Company agreed a framework arrangement with the Government for cash receipts which provides a payment mechanism for the purchase of crude oil from the Government, distribution of gas to end-users and the management of the Company's gas distribution network, as well as the carrying out of oil and gas exploration activities on behalf of the Government.

### **Significant capital expenditure programmes**

The Group is currently undertaking significant capital expenditure programmes, including the Bapco Modernisation Programme, Tatweer's Bahrain Field Oil and Gas Development and Expansion Programme and further development of the Khalij Al-Bahrain Basin and the Awali Field and BJFCO's refuelling infrastructure project. In order to fund this capital expenditure, the Group expects to use cash flows from operations and to increase its borrowings significantly in future years. The increased capital expenditure is expected to result in a material increase in the Group's property, plant and equipment and, as a result, the Group's depreciation charge in future years is likely to continue to increase. Moreover, the funding of the capital expenditure programme will also require the Group to reduce distributions to the Government below historical levels, which will be subject to the Government's agreement. See "*Risk Factors—Risks relating to the strategy of the Group—The Company has historically paid and is likely to continue to pay dividends to the Government in the future*". Furthermore, increased indebtedness undertaken in connection with the capital expenditure programme is expected to increase the Group's finance costs. See "*Risk Factors—Risks relating to the strategy of the Group—The Group may experience difficulties in funding its significant planned capital expenditure programme*".

### **Acquisitions and Disposals**

Consistent with its mandate from the Government and as part of its strategy, the Company has engaged in significant strategic investment activities during the periods under review. As a result, year-on-year comparisons of the Company's financial statements may be difficult and may not be representative of the Company's underlying financial performance. Key acquisitions and disposals made by the Company for the last three financial years are described below. Each of these transactions has been reflected in the Financial Statements from its date of completion. For discontinued operations, comparative information is reclassified for the immediately preceding period. During the years ended 31 December 2018 to 31 December 2020, the Company made the following acquisitions and disposals:

- In the year ended 31 December 2019, the Government transferred its interest in Asry, which was held by it through Mumtalakat, to the Company. As a result, the Company received a majority economic interest in Asry and on the same date the Company transferred a portion of its ownership in Asry to other existing third-party shareholders. As at 31 December 2020, the economic ownership of the Company in Asry is 37 per cent.;
- In the year ended 31 December 2019, the Company incorporated BRC as a 100 per cent. owned subsidiary; and
- In the year ended 31 December 2019, the Company purchased 49 per cent. of the shares of Aromatics Petchem from PIC Kuwait, making it a 100 per cent. owned subsidiary.

The transfer of the Company's current economic ownership in Asry, as indicated above, has been considered as a contribution from the ultimate shareholder of the Company, the Government, and accordingly, has been credited to equity.

### **CERTAIN SIGNIFICANT ACCOUNTING POLICIES**

For a discussion of the significant accounting policies applied by the Group generally, see note 2 to the 2019 Financial Statements and note 2 to the 2020 Financial Statements.

## CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND UNCERTAINTIES

The Group prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (“IFRS”). The preparation of the Group’s consolidated financial statements requires management to make certain estimates and judgements, the most significant of which are described below.

### Significant judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- *Going concern:* The Group’s management has made an assessment of the Group’s ability to continue as a going concern and is satisfied that the Group has the resources to continue the business for the foreseeable future. Furthermore, the management is not aware of any material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.
- *Determining the lease term of contracts with renewal and termination options - the Group as lessee:* The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

- *Joint arrangements:* Judgement is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, including the approval of the annual capital and operating expenditure work programme and budget for the joint arrangement, and the approval of chosen service providers for any major capital expenditure as required by the joint operating agreements applicable to the entity’s joint arrangements. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Judgement is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers: (i) the structure of the joint arrangement—whether it is structured through a separate vehicle; (ii) when the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from: (a) the legal form of the separate vehicle; or (b) the terms of the contractual arrangement; and (iii) other facts and circumstances, considered on a case by case basis.

This assessment often requires significant judgement. A different conclusion about both joint control and whether the arrangement is a joint operation or a joint venture, may materially impact the accounting.

- *Principal vs agent considerations:* The Group is party to a number of complex agreements with its shareholder and with the Government in relation to its portfolio of oil and gas activities. Under these contracts, the Group undertakes, among other activities, exploration, appraisal, production, development and delivery of petroleum and operation and maintenance of the gas distribution network on its own behalf or on behalf of the Government.

Where the Group is acting as a principal, it is able to recognise revenue based on the gross amount received or receivable in respect of its performance under a sales contract. When the Group is acting as an agent, it does not recognise revenue for any amounts received from a customer to be paid to the principal. The Group considers its overall risk profile in determining whether it has a service agreement or a working interest with respect to each of its respective functions.

Since the determination of whether the Group is acting as a principal or agent is critical to the accounting for the various transactions involved in a given activity, the Company's directors and management therefore carefully assess the substance of all transactions that meet the above mentioned criteria to determine in which capacity the Group is acting. In making these assessments, the Company's directors and management consider the following key criteria:

- if the Group is primarily responsible for delivering goods or services;
- if the Group does or does not have inventory risk; and
- if the Group does or does not have latitude or discretion in establishing prices.

In addition, the Group takes into account the constructive rights and obligations established by the existing contracts and past precedents created, by mutual agreement between the parties. In particular, the Group seeks to determine whether it is responsible for the petroleum operations or is acting as an agent for the provision of petroleum services with respect to each of the functions. A further detailed assessment for each of the key respective functions is outlined below:

#### *Oil producing activities*

The Group considers itself to be the principal with respect to oil and gas production. The Group entered into an agreement with the Government for supply of Bahrain crude oil with effect from 1 January 2005. Under this agreement, the Government contracted to supply Bahrain crude oil at a fixed price of U.S.\$1 per barrel for a fixed quantity of 900,000 barrels per month as compared to the prevailing market prices (the "**Old Arrangement**"). On, and effective from, 22 October 2018, the Group entered into a revised COSA with the Government.

In accordance with the COSA, the Group continued to receive a minimum monthly quantity of 900,000 barrels up to 21 October 2018 under the Old Arrangement and, from 22 October 2018 onward, the Group started receiving a minimum monthly quantity of 38,700 barrels per day at a rate of U.S.\$1 per barrel (the "**Baseline Crude Quantity**"). Bapco has also entered into the COSPA with NOGA, the Company and Tatweer effective from 1 January 2018, under which Bapco pays a production cost contribution of U.S.\$11 per barrel to the Company on the Baseline Crude Quantity, which is indexed by 2.5 per cent. on 1 January in each year. Any additional quantity is supplied to Bapco at the prevailing market price., However, the market value of these additional quantities is not paid to the Government; instead it is received by the Company from Bapco and used against its own oil production costs. Under the new arrangement, any cash amounts equal to the excess of income above production cost of the Group are remitted to the Government. However, the Group retains the substantive right to the remitted cash, and therefore shows this as a receivable balance due from the Government.

The Group is also responsible for the production of non-associated gas. In line with the underlying agreements, the Group is able to utilise the produced gas on a first priority basis, free of cost for its petroleum activities. The Company's directors and management have assessed that the Group is responsible for the production and has control over the non-associated gas as determined by the respective agreements. The recognition of revenue relating to non-associated gas also involves estimates in relation to values attributable to performance obligations in accordance with various agreements between the Group and the Government.

The Group accordingly recognised oil and gas producing assets, as it has determined that it is a principal with respect to oil and gas producing activities, has the ability to direct the use of the assets, and has the rights to the resulting economic benefits of such activities.

#### *Gas distribution services*

The Group has determined that it does not control the goods relating to gas beyond the respective delivery points specified in the respective agreement and it does not have the ability to direct the use of or obtain benefits from the assets used in gas distribution services. Therefore, the Group has determined that it is an agent for this function based on the following factors:

- The Group is not primarily responsible for fulfilling the promise to provide the specified gas.

- The Group does not have inventory risk before or after the specified gas has been transferred to the customer as it merely supplies the gas in accordance with the end-user agreements which are approved by the Government.
- The Group has no discretion in establishing the price for gas. The Group's consideration in these contracts is only based on an agreed percentage of mark-up on costs incurred by the Group for provision of services to the Government.

#### *Petroleum exploration activities*

In relation to petroleum exploration operations, the Group has determined that it is providing a service to the Government in accordance with its existing contracts. The assessment has incorporated factors around the risks and rewards from the exploration activities, which the Group has determined lie with the Government. The Group has concluded that it transfers control over its services over time as the services are provided and therefore considers itself as acting as an agent for this function.

### **Significant estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of the consolidated statement of financial position, 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 property, plant and equipment:* The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when the annual impairment testing for an asset is required, the Group makes an estimate of 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 to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset 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 discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. The Company does not believe that there is any impairment of property, plant and equipment as at 31 December 2020.

For oil and natural gas producing assets, expected future cash flows are estimated using management's best estimate of future oil and gas prices and production and reserves volumes. The estimated future level of production in all impairment tests is based on assumptions about future commodity prices, production and development costs, field decline rates, and other factors. Reserves assumptions for value-in-use tests are restricted to proven reserves which can be extracted with a minimum level of future capital expenditure. The Group acquires services of both internal and external technical expert / consultants for the purposes of assessing proven reserves who carry out their assessment based on internationally accepted guidelines and best industry practices.

- *Estimation of oil and gas reserves:* Significant technical and commercial judgements are required to determine the Group's estimated oil and gas proved reserves. Reserves estimates are reviewed and updated on annual basis. Factors such as the availability of geological and engineering data, reservoir performance data, drilling of new wells, and oil prices all impact on the determination of the Group's estimates of its oil and gas proved reserves. The Group bases its proved reserves estimates on the requirement of reasonable certainty with rigorous technical and commercial assessments based on conventional industry practice and internationally accepted guidelines.

Estimates of oil and gas proved reserves determined by applying internationally accepted guidelines and best industry practices are used to calculate depreciation and amortisation charges for the Group's oil and gas producing assets. The impact of changes in estimated proved reserves is dealt with prospectively by depreciating or amortising the remaining carrying value of the asset over the expected future production. Oil and gas reserves estimates also have a direct impact on the assessment of the recoverability of asset carrying values reported in the consolidated financial statements. If proved reserves estimates determined by applying management's assumptions are revised downwards, earnings could be affected by changes in depreciation and amortisation expense or an immediate write-down of the oil and gas producing asset's carrying value.



Information on the carrying amounts of the Group's oil and gas producing assets, together with the amounts recognised in the consolidated statement of profit or loss and other comprehensive income statement as depreciation and amortisation is contained in note 5 of the 2020 Financial Statements.

- *Useful lives of property, plant and equipment:* The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. The estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charges would be adjusted where management believes the useful life differs from previous estimates.
- *Impairment of inventories:* Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices. As at 31 December 2020, gross inventories were BD201.9 million (U.S.\$536.9 million), against which provisions for old and obsolete inventories were made amounting BD16.2 million (U.S.\$43.1 million).
- *Provision for ECL of trade and other receivables:* The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by customer types).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults in the consumer sector, the historical default rates are adjusted. At every reporting date, the historical default rates are updated and changes to the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in future. At 31 December 2020, gross trade receivables were BD239.8 million (U.S.\$637.8 million) against which provisions for ECL made amounted to BD29.2 million (U.S.\$77.7 million).

- *Fair value of financial instruments:* Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.
- *Employees' defined benefit retirement scheme:* The cost of the employees' defined benefit retirement scheme is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.
- *Leases - Estimating the incremental borrowing rate:* The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

## RESULTS OF OPERATIONS

### Comparison of the results of operations for the years ended 31 December 2019 and 2020

#### Revenue

The table below shows the breakdown of the Group's revenue for each of the years ended 31 December 2019 and 2020.

	2019		2020	
	(BD'000)	(% of total)	(BD'000)	(% of total)
<b>Oil Product Revenues</b>				
International sales.....	2,249,515	84.2	1,291,703	78.6
Domestic sales.....	255,744	9.6	224,793	13.7
<b>Gas Product Revenues</b>				
Naphtha.....	64,843	2.4	43,977	2.7
Propane.....	28,894	1.1	20,576	1.3
Butane.....	26,779	1.0	20,929	1.3
Lube based oil revenues.....	44,423	1.7	41,435	2.5
<b>Total.....</b>	<b>2,670,198</b>	<b>100.0</b>	<b>1,643,413</b>	<b>100.0</b>

The Group's total revenue during 2020 amounted to BD1,643.4 million (U.S.\$4,370.8 million) compared to BD2,670.2 million (U.S.\$7,101.6 million) in 2019, a decrease of BD1,026.8 million (U.S.\$2,730.8 million), or 38.5 per cent.

The Group's principal sources of revenue for the periods under review were from the international sales and domestic sales of refined oil products. Together, these two sources of revenue comprised 93.8 per cent. and 92.3 per cent. of the Group's revenue in 2019 and 2020, respectively.

Revenue from the international sale of refined oil products was derived from the sale of refined oil products primarily produced by Bapco and exported internationally. Revenue from the international sale of refined oil products decreased by BD957.8 million (U.S.\$2,547.4 million), or 42.6 per cent., in 2020, decreasing from BD2,249.5 million (U.S.\$5,982.8 million) in 2019 to BD 1,291.7 million (U.S.\$3,435.4 million) in 2020. The total volume of refined oil products sold internationally also decreased slightly, decreasing from 96.8 million barrels in the year ended 31 December 2019 to 83.1 million barrels in the year ended 31 December 2020, a decrease of 13.7 million barrels, which was largely a result of market conditions and a decrease in demand due to the ongoing COVID-19 pandemic and associated restrictions.

The table below sets out the volume sold, and average price received as a result of the international sale of refined oil products produced by the Group during the years ended 31 December 2019 and 2020.

	For the year ended 31 December 2019			For the year ended 31 December 2020		
	Sales Volumes (barrels)	Actual Average Price (U.S.\$/barrel)	Total Sales Revenue <sup>(1)</sup> (U.S.\$)	Sales Volumes (barrels)	Actual Average Price (U.S.\$/barrel)	Total Sales Revenue <sup>(1)</sup> (U.S.\$)
LPG.....	725,266	38.36	27,820,799	521,317	33.86	17,652,216
Naphtha.....	15,352,659	55.70	855,186,564	14,630,009	42.08	615,665,844
Gasoline <sup>(2)</sup> .....	5,381,693	74.11	398,852,570	3,965,494	48.64	192,874,928
Kerosene.....	23,622,572	77.07	1,820,598,903	18,297,457	45.51	853,472,985
Diesel.....	27,994,145	76.77	2,149,084,878	26,519,433	48.86	1,295,694,531
Fuel Oil.....	17,808,291	55.35	985,756,063	12,960,466	35.82	464,227,859
Lube Base Oil <sup>(3)</sup> .....	3,702,911	84.07	311,307,535	3,907,956	73.33	231,064,050
Asphalt.....	1,738,278	56.91	98,929,566	1,820,140	39.59	72,056,978
Sulphur.....	424,648	26.71	11,341,809	435,144	15.63	6,802,592
<b>Total.....</b>	<b>96,750,463</b>		<b>4,439,427,214</b>	<b>83,057,416</b>		<b>3,749,511,983</b>

#### Note:

- (1) Based on unconsolidated management accounts. The difference between the total sales revenue shown in the table and the revenue from the international sale of refined oil products is the result of certain accruals and adjustments.
- (2) Consists of gasoline components sold to BGB.
- (3) Consist of feedstock produced and sold to Bahrain Lube.

The decrease in revenue from the international sale of refined oil products was largely as a result of a decline in the price of products sold.

Revenue from the domestic sale of refined oil products was derived from the sale of diesel, kerosene, gasoline, LPG and asphalt produced by Bapco to the domestic market in Bahrain, principally through its domestic distribution network of petrol stations. In January 2017, in line with actions being taken by other GCC governments to reform energy subsidies, the Government increased the prices of gasoline (see “—Principal Components of, and Key Factors Affecting, Results of Operations—Regulated prices for its domestic products”). Revenue from the domestic sale of refined oil products decreased by BD31 million (U.S.\$82.3 million), or 12.1 per cent., in 2020, decreasing from BD255.7 million (U.S.\$680.2 million) in 2019 to BD224.8 million (U.S.\$597.9 million) in 2020. This decrease principally reflected lower demand for products due to the COVID-19 pandemic and restrictions. The total volume of refined oil products sold domestically also decreased slightly, decreasing from 11.1 million barrels in the year ended 31 December 2019 to 9.9 million barrels in the year ended 31 December 2020, a decrease of 1.2 million barrels, which was largely a result of market demand conditions, including the impact of the COVID-19 pandemic.

The table below sets out the volume sold, and average price received in connection with the domestic sale of refined oil products produced by the Group during the years ended 31 December 2019 and 2020.

	For the year ended 31 December 2019			For the year ended 31 December 2020		
	Sales Volumes (barrels)	Actual Average Price (U.S.\$/barrel)	Total Sales Revenue <sup>(1)</sup> (U.S.\$)	Sales Volumes (barrels)	Actual Average Price (U.S.\$/barrel)	Total Sales Revenue <sup>(1)</sup> (U.S.\$)
LPG.....	839,618	13.92	11,688,001	801,754	13.92	11,161,002
91 Octane (Jayyid) Gasoline.....	5,498,829	55.20	303,553,235	4,812,007	55.20	265,628,323
95 Octane (Mumtaz) Gasoline.....	1,786,293	80.70	144,180,057	1,405,175	80.69	113,380,576
(SUPER 98 ) Gasoline.....	40,587	93.90	3,814,218	45,614	93.78	4,277,781
Kerosene/Jet Fuel.....	377,025	52.80	19,906,920	323,469	52.80	17,077,794
Diesel.....	2,115,403	74.65	157,923,494	2,216,150	75.08	166,385,677
Asphalt.....	283,909	59.38	16,860,054	264,753	42.10	11,145,700
<b>Total.....</b>	<b>11,144,402</b>		<b>657,925,979</b>	<b>9,868,922</b>		<b>589,056,854</b>

**Note:**

- (1) Based on unconsolidated management accounts. The difference between the total sales revenue shown in the table and the revenue from the domestic sale of refined oil products is the result of certain accruals and adjustments.

Revenue from the sale of gas was derived from the sale of naphtha, propane and butane by Banagas and Tawseah. Revenue from the sale of gas decreased by BD35 million (U.S.\$93.2 million), or 29.1 per cent, in 2020, decreasing from BD120.5 million (U.S.\$320.5 million) in 2019 to BD85.5 million (U.S.\$227.3 million) in 2020. This decrease principally reflected the decrease in the product selling price. While production levels for each of propane and butane decreased and naphtha increased slightly, from 162,748 metric tonnes, 152,476 metric tonnes and 330,330 metric tonnes, respectively, in 2019 to 148,579 metric tonnes, 151,309 metric tonnes and 333,976 metric tonnes, respectively, in 2020, the market price for those products decreased during 2020, from an average price of U.S.\$442.60 per metric tonne, U.S.\$449.35 per metric tonne and U.S.\$511.01 per metric tonne, respectively, in 2019 to an average price of U.S.\$401.42 per metric tonne, U.S.\$408.09 per metric tonne and U.S.\$358.87 per metric tonne, respectively, in 2020.

Revenue from lube based oil sales was derived from the sale of lubricant base oil products by Bahrain Lube. Revenue from the sale of lubricant base oil products decreased by BD3.0 million (U.S.\$7.9 million), or 6.7 per cent., in 2020, decreasing from BD44.4 million (U.S.\$118.1 million) in 2019 to BD41.4 million (U.S.\$110.2 million) in 2020. This decrease principally reflected the drop in oil prices caused by the COVID-19 pandemic, which caused a decline in the prices of petroleum products during 2020.

**Cost of materials**

The table below shows the breakdown of the Group’s cost of materials for each of the years ended 31 December 2019 and 2020.

	2019		2020	
	(BD’000)	(% of total)	(BD’000)	(% of total)
Cost of crude oil consumed.....	2,019,268	96.1	1,051,625	84.8
Cost of feed gas consumed.....	34,513	1.6	22,272	1.8
Production overheads.....	19,402	0.9	15,402	1.2
Movement in petroleum inventories.....	(22,873)	(1.1)	57,014	4.6
Purchase of gasoline.....	50,188	2.4	93,127	7.5

<b>Total cost of materials</b> .....	<b>2,100,498<sup>(1)</sup></b>	<b>100.0</b>	<b>1,239,440</b>	<b>100.0</b>
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**Notes:**

(1) The comparative figures for the year ended 31 December 2019 are extracted or derived from the unaudited comparative column of the 2020 Financial Statements to conform to the presentation used in the 2020 Financial Statements.

The Group's total cost of materials for 2020 amounted to BD1,239.4 million (U.S.\$3,296.4 million) compared to BD2,100.5 million (U.S.\$5,586.4 million) for 2019, a decrease of BD861.1 million (U.S.\$2,290.0 million), or 41.0 per cent., principally due to the decline in oil price in 2020 and reduced crude oil purchases from Saudi Aramco.

The table below shows the crude oil supplied to the Sitra Refinery in the years ended 31 December 2019 and 2020. There were slight fluctuations in crude oil received from Saudi Arabia in 2020 due to prevailing market conditions as a result of the COVID-19 pandemic and OPEC production cuts.

	2019		2020	
	Total Volume (bpd)	Average Price (U.S.\$)	Total Volume (bpd)	Average Price (U.S.\$)
Subsidised crude oil received from Bahrain Field.....	38,700	12.275	38,700	12.557
Non-subsidised crude oil received from Bahrain Field.....	3,678	65.043	4,613	41.593
<b>Crude oil received from Bahrain Field</b> .....	<b>42,378</b>	<b>17.169</b>	<b>43,313</b>	<b>16.156</b>
Crude oil received from Saudi Arabia.....	222,980	65.531	176,465	42.988
<b>Total crude oil received</b> .....	<b>265,358</b>		<b>219,778</b>	

The cost of crude oil primarily comprised the cost of Arabian crude oil, which represents the cost of the Arabian crude oil supplied to Bapco by Saudi Aramco at market prices through the New AB4 Pipeline for feedstock for the Sitra Refinery and which comprised 95 per cent. and 92 per cent. of the cost of crude oil consumed in 2019 and 2020, respectively. As a result of the decrease in prices for Arabian crude oil, which decreased from an average of U.S.\$65.531 per barrel in 2019 to U.S.\$42.988 per barrel in 2020, together with a decrease in the volume of Arabian crude oil supplied, which decreased from 222,980 bpd in 2019 to 176,465 bpd in 2020, the cost of Arabian crude oil decreased by BD967.3 million (U.S.\$2,572.7 million), or 48 per cent. in 2020, decreasing from BD2,013.9 million (U.S.\$5,356.2 million) in 2019 to BD1,046.6 million (U.S.\$2,783.5 million) in 2020.

The cost of crude oil also includes the cost of Bahrain crude oil, which comprised 5 per cent. and 8 per cent. of the cost of crude oil consumed in 2019 and 2020, respectively, which represents the cost of Bahrain crude oil supplied to Bapco from Bahrain Field for feedstock for the Sitra Refinery. The Government provides Bapco with a minimum of 38,700 barrels per day of Bahrain crude oil at a subsidised price of U.S.\$1 per barrel plus agreed production costs. In the years ended 31 December 2019 and 2020, Bapco paid production costs of U.S.\$11.275 per barrel and U.S.\$11.557 per barrel, respectively, in accordance with the COSPA.

As a result of the decrease in the market price for Bahrain crude oil, the average price payable by the Company for excess Bahrain crude oil decreased from an average of U.S.\$65.043 per barrel in 2019 to U.S.\$41.593 per barrel in 2020. This decrease, together with a slight decrease in the volume of Bahrain crude oil supplied at market prices, which decreased from 3,678 bpd to 4,613 bpd, had a resulting impact on the total cost of Bahrain crude oil, which decreased by BD0.3 million (U.S.\$0.8 million), or 5.6 per cent., from BD5.3 million (U.S.\$14.2 million) in 2019 to BD5.0 million (U.S.\$13.4 million) in 2020.

The table below shows the breakdown of the cost of crude oil consumed for each of the years ended 31 December 2019 and 2020.

	2019		2020	
	(BD'000)	(% of total)	(BD'000)	(% of total)
Cost of Arabian crude oil consumed.....	2,013,928	99.7	1,046,586	99.5
Cost of Bahrain crude oil consumed.....	5,340	0.3	5,039	0.5
<b>Total cost of crude oil consumed</b> .....	<b>2,019,268</b>	<b>100.0</b>	<b>1,051,625</b>	<b>100</b>

Other costs of sales including the cost of feed gas consumed by Banagas and Tawseah, production overheads for Banagas and Tawseah, movement in petroleum inventories, and the purchase of gasoline.

**Gross profit**

The Group's gross profit decreased by BD165.7 million (U.S.\$440.8 million), or 29.1 per cent., in 2020, decreasing from BD569.7 million (U.S.\$1,515.2 million) in 2019 to BD404.0 million (U.S.\$1,074.4 million) in

2020. The decrease is principally due to the drop in average crude oil production in 2020, accompanied by a drop in crude oil prices.

### Other income

The table below shows the breakdown of the Group's other income for each of the years ended 31 December 2019 and 2020.

	2019		2020	
	(BD'000)	(% of total)	(BD'000)	(% of total)
Income relating to non-associated gas .....	62,397	50.4	83,126	60.8
Service income from Noga.....	1,059	0.9	5,573	4.1
Supply and services.....	5,291	4.3	5,623	4.1
Marketing fees - Abu Saafa.....	4,223	3.4	4,104	3.0
Berthing and unberthing charges .....	3,296	2.7	2,915	2.1
Medical services.....	2,646	2.1	2,801	2.1
Awali facilities .....	2,456	2.0	1,535	1.1
Miscellaneous income.....	42,535	34.3	31,114	22.7
<b>Other income.....</b>	<b>123,903</b>	<b>100.0</b>	<b>136,791</b>	<b>100.0</b>

The Group's other income comprises income from, amongst other things, the marketing fees that Bapco receives from the Government for the marketing of the crude oil from the Abu Saa'fa oilfield, the fee income for maintaining Bahrain's gas distribution network, the fees that Bapco receives in respect of the berthing and unberthing charges for loading and unloading ships at Bapco's wharf and other miscellaneous income, largely comprising administration fees, wharf fees and fees earned on products sold in BRC's service stations.

Together, other income amounted to BD136.8 million (U.S.\$363.8 million) in 2020 compared to BD123.9 million (U.S.\$329.5 million) in 2019, an increase of BD12.9 million (U.S.\$34.3 million), or 10.4 per cent. This increase principally reflected an increase in cost reimbursement from MOFNE and an increase in management fees on all oil and gas costs.

### Staff costs

The Group's staff costs comprise the costs of the Group's Bahraini and expatriate employees. Staff costs amounted to BD111.5 million (U.S.\$296.7 million) in 2020 compared to BD103.9 million (U.S.\$276.3 million) in 2019, an increase of BD7.6 million (U.S.\$20.3 million), or 7.4 per cent. This increase principally reflected an increase in staff costs with respect to Tatweer's operations, which was offset by various cost containment measures by the Group and the Government's wage support for Bahraini employees for three months.

### Maintenance expenses

The Group's maintenance expenses comprises the costs of maintaining the equipment and facilities at Bapco, Banagas, Tawseh and BAFCO. Maintenance expenses amounted to BD102.4 million (U.S.\$272.4 million) in 2020 compared to BD112.4 million (U.S.\$299.0 million) in 2019, a decrease of BD10.0 million (U.S.\$26.6 million), or 8.9 per cent. This decrease principally reflected the Group's cost containment measures implemented to keep operating costs lower and the deferral of maintenance activities.

### Other expenses

The table below shows the breakdown of the Group's other expenses for each of the years ended 31 December 2019 and 2020.

	2019		2020	
	(BD'000)	(% of total)	(BD'000)	(% of total)
Materials and services .....	60,588	51.5	45,075	37.6
Other operating expenses .....	45,233	38.5	73,498	61.4
Property, plant and equipment written-off and capital work in progress written-off.....	1,661	1.4	1,139	1.0
Miscellaneous expenses .....	4,083	3.5	3,881	3.2
Unrealised loss on derivatives at FVTPL .....	3,140	2.7	—	—
Ineffectiveness on derivative instruments designated as cash flow hedges.....	503	0.4	(127)	(0.1)
Realised and unrealised (loss)/gain on commodity derivative transactions (net).....	2,381 <sup>(1)</sup>	2.0	(3,722)	(3.1)
<b>Other expenses.....</b>	<b>117,589<sup>(1)</sup></b>	<b>100.0</b>	<b>119,744</b>	<b>100.0</b>

**Notes:**

- (1) The comparative figures for the year ended 31 December 2019 are extracted or derived from the unaudited comparative column of the 2020 Financial Statements to conform to the presentation used in the 2020 Financial Statements.

The Group's other expenses comprise, amongst other things, the cost for materials and services related to the operations of Bapco, the costs for the Group's share in Tatweer's operating expenditure and provisions for doubtful trade and other receivables. The Group's other expenses amounted to BD119.7 million (U.S.\$318.5 million) in 2020 compared to BD117.6 million (U.S.\$312.7 million) in 2019, a slight increase of BD2.2 million (U.S.\$5.7 million), or 1.83 per cent. This increase principally reflected increased activity by Tatweer, in line with various expansion initiatives.

**Depreciation**

The Group's depreciation expenses comprise the expenses related to the depreciation of the Group's assets. The Group's depreciation costs amounted to BD194.1 million (U.S.\$516.2 million) in 2020 compared to BD150.6 million (U.S.\$400.4 million) in 2019, an increase of BD43.5 million (U.S.\$115.8 million), or 28.9 per cent. This increase was in line with increases in property, plant, equipment and right of use of assets, principally resulting from capital expenditures by Tatweer during the period.

**Operating profit**

Reflecting the initiatives of the Group described above, the Group's operating profit decreased by BD191.6 million (U.S.\$509.5 million), or 94.5 per cent. in 2020, from BD202.7 million (U.S.\$539.1 million) in 2019 to profit of BD11.1 million (U.S.\$29.6 million) in 2020.

**Finance income**

The Group's finance income comprises interest income on deposits held at various banks, as well as any gain as a result of interest rate fluctuations and interest on overdue debts. The Group's finance income decreased by BD9.4 million (U.S.\$24.9 million), or 68.9 per cent. in 2020, from BD13.6 million (U.S.\$36.1 million) in 2019 to BD4.2 million (U.S.\$11.2 million) in 2020. This decrease principally reflected the adverse effect of interest rate fluctuations on the Group and the Group's reduced cash balance.

**Finance cost**

The table below shows the breakdown of the Group's finance cost for each of the years ended 31 December 2019 and 2020.

	2019	2020
	(BD'000)	
Interest on borrowings and short term borrowings .....	55,713	53,119
Interest on lease liabilities .....	3,208	8,855
Transfer from cash flow hedge reserve on redesignation of cash flow hedge .....	(3,036)	—
Others .....	1,210	651
<b>Finance cost</b> .....	<b>57,095</b>	<b>62,625</b>

The Group's finance cost comprises the sum of (i) the interest on borrowings and short term borrowings; (ii) the interest on lease liabilities; (iii) the transfer from cash flow hedge reserve on de-designation of cash flow hedge; and (iv) others. The Group's finance cost increased by BD5.5 million (U.S.\$14.7 million), or 9.7 per cent. in 2020 as compared to 2019. This increase comprised new leases entered into during the year, which resulted in additional finance costs, including an additional drawdown from the Company's existing Murabaha facility.

**Share of profit from associates**

The Group's income from its share of profit from associates comprises its share of the results of its associates. As at 31 December 2020, the Group had four associates, GPIC, Bahrain LNG, Asry and Schmidt.

The Group's share of the profit from its associates decreased by BD8.7 million (U.S.\$23.1 million), or 100.7 per cent. in 2020, decreasing from profit of BD8.6 million (U.S.\$23.0 million) in 2019 to a loss of BD0.1 million (U.S.\$0.15 million) in 2020, owing to increases in Bahrain Lube's plant operating costs and the cost of consumables.

The production of ammonia, methanol and urea increased by 498 metric tonnes, decreased by 1,336 metric tonnes and 15,130 metric tonnes, respectively, in 2020 increasing from 463,377 metric tonnes, decreasing from 451,432 metric tonnes and 728,148 metric tonnes in 2019 to 463,875 metric tonnes, 450,096 metric tonnes and 713,018 metric tonnes in 2020, representing an increase of 1 per cent., decrease of 0.3 per cent. and 3 per cent., respectively.

The price of methanol and urea decreased from U.S.\$226 per metric tonne and U.S.\$255 per metric tonne, during 2019, to U.S.\$183 per metric tonne and U.S.\$238 per metric tonne respectively for 2020; while ammonia prices decreased from U.S.\$218 per metric tonne in 2019 to U.S.\$197 per metric tonne during 2020.

### Income tax expense

In 2020, the Group incurred an income tax of BD1.6 million (U.S.\$4.3 million). This represents a decrease from 2019, when the Group incurred an income tax expense of BD1.9 million (U.S.\$5.1 million). Banagas is the only subsidiary in the Group whose operations give rise to tax expense, as a result of its 25 per cent. foreign ownership, with income tax charged at 46 per cent. of its profit. The reduction in income tax expenses in 2020 was the result of reduced revenue and profits from Banagas.

In 2020, Banagas recorded a profit before tax of BD3.5 million (U.S.\$9.3 million), thereby incurring a tax expense (net) of BD1.6 million (U.S.\$4.3 million).

### Other comprehensive income

Other comprehensive income represents the income recognised from the outcome of the actuarial valuation conducted each year by an independent actuary of the defined benefit retirement scheme the Group and its associates operate for their Bahraini employees and a gain on the cash flow hedge reserve.

The Group had a loss in other comprehensive income of BD84.4 million (U.S.\$224.6 million) in 2020, compared to a loss of BD47.8 million (U.S.\$127.0 million) for 2019. This decrease was a result of the impact of adverse interest rate changes on cash flow hedges currently held by Bapco in connection with the BMP Project Financing (see “—*Indebtedness*” below).

### Total comprehensive income or loss for the year

Reflecting the above factors, the Group recorded total comprehensive loss for the year of BD133.4 million (U.S.\$354.9 million) in 2020 compared to a total comprehensive income of BD118.1 million (U.S.\$314.2 million) in 2019, a decrease of BD251.6 million (U.S.\$669 million) or 212.9 per cent. After taking into account non-controlling interests, the total comprehensive loss attributable to the shareholder of the parent was BD133.9 million (U.S.\$356.1 million) in 2020 compared to BD117.6 million (U.S.\$312.6 million) in 2019.

### Comparison of the results of operations for the years ended 31 December 2018 and 2019

#### Revenue

The table below shows the breakdown of the Group’s revenue for each of the years ended 31 December 2018 and 2019.

	2018		2019	
	(BD’000)	(% of total)	(BD’000)	(% of total)
<b>Oil Products Revenues</b>				
International sales.....	2,457,206	86.0	2,249,515	84.2
Domestic sales.....	260,359	9.1	255,744	9.6
<b>Gas Products Revenues</b>				
Naphtha.....	43,758	1.5	64,843	2.4
Propane.....	16,392	0.6	28,894	1.1
Butane.....	16,118	0.6	26,779	1.0
Lube based oil revenues.....	63,556	2.2	44,423	1.7
<b>Total.....</b>	<b>2,857,389</b>	<b>100.0</b>	<b>2,670,198</b>	<b>100.0</b>

The Group’s total revenue during 2019 amounted to BD2,670.2 million (U.S.\$7,101.6 million) compared to BD2,857.4 million (U.S.\$7,599.4 million) in 2018, a decrease of BD187.2 million (U.S.\$497.8 million), or 6.6 per cent.

The Group's principal sources of revenue for the periods under review were from the international sales and domestic sales of refined oil products. Together, these two sources of revenue comprised 95.1 per cent. and 93.8 per cent. of the Group's revenue in 2018 and 2019, respectively.

Revenue from the international sale of refined oil products was derived from the sale of refined oil products primarily produced by Bapco and exported internationally. Revenue from the international sale of refined oil products decreased by BD207.7 million (U.S.\$552.4 million), or 8.5 per cent., in 2019, decreasing from BD2,457.2 million (U.S.\$6,535.1 million) in 2018 to BD2,249.5 million (U.S.\$5,982.8 million) in 2019. The total volume of refined oil products sold internationally also increased slightly, increasing from 94.17 million barrels in the year ended 31 December 2018 to 96.75 million barrels in the year ended 31 December 2019, an increase of 2.58 million barrels, which was largely a result of an increase in demand for Bapco's products.

The table below sets out the volume sold, and average price received as a result of the international sale of refined oil products produced by the Group during the years ended 31 December 2018 and 2019.

	For the year ended 31 December 2018			For the year ended 31 December 2019		
	Sales Volumes (barrels)	Actual Average Price (U.S.\$/barrel)	Total Sales Revenue <sup>(1)</sup> (U.S.\$)	Sales Volumes (barrels)	Actual Average Price (U.S.\$/barrel)	Total Sales Revenue <sup>(1)</sup> (U.S.\$)
LPG.....	768,087	45.37	34,848,107	725,266	38.36	27,820,799
Naphtha.....	16,038,093	66.18	1,061,478,997	15,352,659	55.70	855,186,564
Gasoline <sup>(2)</sup> .....	5,195,030	80.67	419,065,879	5,381,693	74.11	398,852,570
Kerosene.....	23,634,942	85.23	2,014,378,972	23,622,572	77.07	1,820,598,903
Diesel.....	26,020,015	83.80	2,180,385,718	27,994,145	76.77	2,149,084,878
Fuel oil.....	16,974,554	63.69	1,081,025,992	17,808,291	55.35	985,756,063
Lube base oil <sup>(3)</sup> .....	3,624,964	93.97	340,653,010	3,702,911	84.07	311,307,535
Asphalt.....	1,479,947	61.02	90,309,858	1,738,278	56.91	98,929,566
Sulphur.....	438,201	41.61	18,232,387	424,648	26.71	11,341,809
<b>Total.....</b>	<b>94,173,833</b>		<b>7,240,378,920</b>	<b>96,750,463</b>		<b>4,967,356,845</b>

**Note:**

- (1) Based on unconsolidated management accounts. The difference between the total sales revenue shown in the table and the revenue from the international sale of refined oil products is the result of certain accruals and adjustments.
- (2) Consists of gasoline components sold to BGB.
- (3) Consist of feedstock produced and sold to Bahrain Lube.

The decrease in revenue from the international sale of refined oil products was largely as a result of a decrease in the market price of such refined oil products.

Revenue from the domestic sale of refined oil products was derived from the sale of diesel, kerosene, gasoline, LPG and asphalt produced by Bapco to the domestic market in Bahrain, principally through its domestic distribution network of petrol stations. In January 2017, in line with actions being taken by other GCC governments to reform energy subsidies, the Government increased the prices of gasoline (see "*Principal Components of, and Key Factors Affecting, Results of Operations—Regulated prices for its domestic products*"). Revenue from the domestic sale of refined oil products decreased by BD4.6 million (U.S.\$12.3 million), or 1.8 per cent., in 2019, decreasing from BD260.4 million (U.S.\$692.4 million) in 2018 to BD255.7 million (U.S.\$680.2 million) in 2019. This decrease principally reflected a decrease in domestic sales volumes. The total volume of refined oil products sold domestically also decreased slightly, decreasing from 11.4 million barrels in the year ended 31 December 2018 to 11.1 million barrels in the year ended 31 December 2019, a decrease of 0.3 million barrels, which was largely a result of lower sales volumes.

The table below sets out the volume sold, and average price received in connection with the domestic sale of refined oil products produced by the Group during the years ended 31 December 2018 and 2019.

	For the year ended 31 December 2018			For the year ended 31 December 2019		
	Sales Volumes (barrels)	Actual Average Price (U.S.\$/barrel)	Total Sales Revenue <sup>(1)</sup> (U.S.\$)	Sales Volumes (barrels)	Actual Average Price (U.S.\$/barrel)	Total Sales Revenue <sup>(1)</sup> (U.S.\$)
LPG.....	857,022	13.57	11,630,134	839,618	13.92	11,688,001
91 Octane (Jayyid) Gasoline.....	5,292,743	53.62	283,805,389	5,498,829	55.20	303,553,235
95 Octane (Mumtaz) Gasoline.....	2,051,941	78.29	160,655,589	1,786,293	80.70	144,180,057
(SUPER 98) Gasoline.....	31,789	91.54	2,910,065	40,587	93.90	3,814,218
Kerosene/Jet Fuel.....	282,015,8003	85.97	2,424,7433	377,025	52.80	19,906,920
Diesel.....	2,663,987	65.90	175,555,257	2,115,402.86	74.65	157,923,494
Asphalt.....	382,798	59.62	22,823,910	283,909	59.38	16,860,054
<b>Total.....</b>	<b>11,134,894</b>		<b>681,627,777</b>	<b>11,144,402</b>		<b>657,925,979</b>

**Note:**



- (1) Based on unconsolidated management accounts. The difference between the total sales revenue shown in the table and the revenue from the domestic sale of refined oil products is the result of certain accruals and adjustments.

Revenue from the sale of gas was derived from the sale of naphtha, propane and butane by Banagas and Tawseah. Revenue from the sale of gas increased by BD44.2 million (U.S.\$117.7 million), or 58.0 percent, in 2019, increasing from BD76.3 million (U.S.\$202.8 million) in 2018 to BD120.5 million (U.S.\$320.5 million) in 2019. This increase principally reflected the increase in production quantities. While production levels for each of propane, butane and naphtha decreased slightly, from 95,699 metric tonnes, 89,653 metric tonnes and 205,758 metric tonnes, respectively, in 2018 to 162,748 metric tonnes, 152,476 metric tonnes and 330,330 metric tonnes, respectively, in 2019, the market price for those products decreased during 2019, from an average price of U.S.\$554.63 per metric tonne, U.S.\$541.74 per metric tonne and U.S.\$599.32 per metric tonne, respectively, in 2018 to an average price of U.S.\$442.60 per metric tonne, U.S.\$449.30 per metric tonne and U.S.\$511.01 per metric tonne, respectively, in 2019.

Revenue from lube based oil sales was derived from the sale of lubricant base oil products by Bahrain Lube. Revenue from the sale of lubricant base oil products decreased by BD19.1 million (U.S.\$50.9 million), or 30.1 per cent., in 2019, decreasing from BD63.6 million (U.S.\$169.0 million) in 2018 to BD44.4 million (U.S.\$118.1 million) in 2019. This decrease principally reflected lower demand during the year.

### Cost of materials

The table below shows the breakdown of the Group's cost of materials for each of the years ended 31 December 2018 and 2019.

	2018		2019	
	(BD'000)	(% of total)	(BD'000)	(% of total)
Cost of crude oil consumed.....	2,193,710	96.4	2,019,268	96.1
Cost of feed gas consumed.....	24,004	1.1	34,513	1.6
Production overheads.....	13,513	0.6	19,402	0.9
Movement in petroleum inventories.....	(4,205)	(0.2)	(22,873)	(1.1)
Purchase of gasoline.....	48,364	2.1	50,188	2.4
<b>Total cost of materials.....</b>	<b>2,275,386</b>	<b>100.0</b>	<b>2,100,498<sup>(1)</sup></b>	<b>100.0</b>

#### Notes:

- (1) The comparative figures for the year ended 31 December 2019 are extracted or derived from the unaudited comparative column of the 2020 Financial Statements to conform to the presentation used in the 2020 Financial Statements.

The Group's total cost of materials for 2019 amounted to BD2,100.5 million (U.S.\$5,586.4 million) compared to BD2,275.4 million (U.S.\$6,051.6 million) for 2018, a decrease of BD174.9 million (U.S.\$465.1 million), or 7.7 per cent., principally due to a decline in oil prices.

The table below shows the crude oil supplied to the Sitra Refinery in the years ended 31 December 2018 and 2019.

	2018		2019	
	Total Volume (bpd)	Average Price (U.S.\$)	Total Volume (bpd)	Average Price (U.S.\$)
Subsidised crude oil received from Bahrain Field.....	38,700	12.000	38,700	12.257
Non-subsidised crude oil received from Bahrain Field.....	3,422	69.564	3,678	65.043
<b>Crude oil received from Bahrain Field.....</b>	<b>42,122</b>	<b>21</b>	<b>42,378</b>	<b>17</b>
Crude oil received from Saudi Arabia.....	219,629	71.357	222,980	65.531
<b>Total crude oil received.....</b>	<b>261,750</b>		<b>265,358</b>	

The cost of crude oil primarily comprised the cost of Arabian crude oil, which represents the cost of the Arabian crude oil supplied to Bapco by Saudi Aramco at market prices through the New AB4 Pipeline for feedstock for the Sitra Refinery and which comprised 95 per cent. and 95 per cent. of the cost of crude oil consumed in 2018 and 2019, respectively. As a result of the decrease in prices for Arabian crude oil, which decreased from an average of U.S.\$71.357 per barrel in 2018 to U.S.\$65.531 per barrel in 2019, together with a slight increase in the volume of Arabian crude oil supplied, which increased from 219,629 bpd in 2018 to 222,980 bpd in 2019, the cost of Arabian crude oil decreased by BD175.5 million (U.S.\$466.7 million), or 8 per cent. in 2019, decreasing from BD2,189.4 million (U.S.\$5,822.8 million) in 2018 to BD2,013.9 million (U.S.\$5,356.2 million) in 2019.

The cost of crude oil also includes the cost of Bahrain crude oil, which comprised 5 per cent. and 5 per cent. of the cost of crude oil consumed in 2018 and 2019, respectively, which represents the cost of Bahrain crude oil

supplied to Bapco from Bahrain Field for feedstock for the Sitra Refinery. The Government provides Bapco with a minimum of 38,700 barrels per day of Bahrain crude oil at a subsidised price of U.S.\$1 per barrel plus agreed production costs. In the years ended 31 December 2018 and 2019, Bapco paid production costs of U.S.\$11 per barrel and U.S.\$11.257 per barrel, respectively, in accordance with the COSPA.

As a result of the decrease in the market price for Bahrain crude oil, the average price payable by the Company for excess Bahrain crude oil decreased from an average of U.S.\$69.564 per barrel in 2018 to U.S.\$65.043 per barrel in 2019. However, during the same period, the volume of Bahrain crude oil supplied at market prices increased from 3,422 bpd to 3,678 bpd, which resulted in an increase in the total cost of Bahrain crude oil by BD1.0 million (U.S.\$2.7 million), or 23.6 per cent., from BD4.3 million (U.S.\$11.5 million) in 2018 to BD5.3 million (U.S.\$14.2 million) in 2019.

The table below shows the breakdown of the cost of crude oil consumed for each of the years ended 31 December 2018 and 2019.

	2018		2019	
	(BD'000)	(% of total)	(BD'000)	(% of total)
Cost of Arabian crude oil consumed.....	2,189,391	99.8	2,013,928	99.7
Cost of Bahrain crude oil consumed.....	4,319	0.2	5,340	0.3
<b>Total cost of crude oil consumed .....</b>	<b>2,193,710</b>	<b>100.0</b>	<b>2,019,268</b>	<b>100.0</b>

Other costs of sales including the cost of feed gas consumed by Banagas and Tawseah, production overheads for Banagas and Tawseah, movement in petroleum inventories, and the purchase of gasoline.

### Gross profit

The Group's gross profit decreased by BD12.3 million (U.S.\$32.7 million), or 2.1 per cent., in 2019, decreasing from BD582.0 million (U.S.\$1,547.9 million) in 2018 to BD569.7 million (U.S.\$1,515.2 million) in 2019. The decrease is principally due to a decrease in revenue.

### Other income

The table below shows the breakdown of the Group's other income for each of the years ended 31 December 2018 and 2019.

	2018		2019	
	(BD'000)	(% of total)	(BD'000)	(% of total)
Income relating to non-associated gas .....	39,376	59.2	62,397	50.4
Service income from Noga.....	542	0.8	1,059	0.9
Supply and services.....	5,353	8.0	5,291	4.3
Marketing fees - Abu Saafa.....	4,245	6.4	4,223	3.4
Berthing and unberthing charges .....	3,268	4.9	3,296	2.7
Medical services.....	2,862	4.3	2,646	2.1
Awali facilities .....	2,442	3.7	2,456	2.0
Fair valuation gain on derivatives, net.....	644	1.0	—	—
Fee income from gas field operations	112	0.2	—	—
Miscellaneous income .....	7,672	11.5	42,535	34.3
<b>Other income.....</b>	<b>66,516</b>	<b>100.00</b>	<b>123,903</b>	<b>100.00</b>

The Group's other income comprises income from, amongst other things, the marketing fees that Bapco receives from the Government for the marketing of the crude oil from the Abu Saa'fa oilfield, the fee income for maintaining Bahrain's gas distribution network, the fees that Bapco receives in respect of the berthing and unberthing charges for loading and unloading ships at Bapco's wharf and other miscellaneous income, largely comprised of administration fees, wharf fees and fees earned on products sold in BRC's service stations.

Together, other income amounted to BD123.9 million (U.S.\$329.5 million) in 2019 compared to BD66.5 million (U.S.\$176.9 million) in 2018, an increase of BD57.4 million (U.S.\$152.6 million), or 86.3 per cent. This increase principally reflected service income from NOGA.

### Staff costs

The Group's staff costs comprise the costs of the Group's Bahraini and expatriate employees. Staff costs amounted to BD103.9 million (U.S.\$276.3 million) in 2019 compared to BD90.4 million (U.S.\$240.4 million) in 2018, an

increase of BD13.5 million (U.S.\$35.9 million), or 14.9 per cent. This increase principally reflected the accrual of contingent staff costs due to legal claims.

### Maintenance expenses

The Group's maintenance expenses comprises the costs of maintaining the equipment and facilities at Bapco, Banagas, Tawseah and BAFCO. Maintenance expenses amounted to BD112.4 million (U.S.\$299.0 million) in 2019 compared to BD97.2 million (U.S.\$258.5 million) in 2018, an increase of BD15.2 million (U.S.\$40.4 million), or 15.6 per cent. This increase principally reflected year-end accruals related to the water treatment plant membrane replacement and expansion.

### Other expenses

The table below shows the breakdown of the Group's other expenses for each of the years ended 31 December 2018 and 2019.

	2018		2019	
	(BD'000)	(% of total)	(BD'000)	(% of total)
Materials and services .....	48,094	28.1	60,588	51.5
Other operating expenses .....	87,808	51.3	45,233	38.5
Provision for doubtful trade and other receivables .....	16,033	9.4	—	—
Property, plant and equipment written-off and capital work in progress written-off .....	3,730	2.2	1,661	1.4
Loss on acquisition of a joint venture and a subsidiary .....	551	0.3	—	—
Miscellaneous expenses .....	14,882	8.7	4,083	3.5
Unrealised loss on derivatives at FVTPL .....	—	—	3,140	2.7
Ineffectiveness on derivative instruments designated as cash flow hedges .....	—	—	503	0.4
Realised and unrealised (loss)/gain on commodity derivative transactions (net) .....	—	—	2,381 <sup>(1)</sup>	2.0
<b>Other expenses .....</b>	<b>171,098</b>	<b>100.0</b>	<b>117,589<sup>(1)</sup></b>	<b>100.00</b>

#### Notes:

- (1) The comparative figures for the year ended 31 December 2019 are extracted or derived from the unaudited comparative column of the 2020 Financial Statements to conform to the presentation used in the 2020 Financial Statements.

The Group's other expenses comprise, amongst other things, the cost for materials and services related to the operations of Bapco, the costs for the Group's share in Tatweer's operating expenditure and provisions for doubtful trade and other receivables. The Group's other expenses amounted to BD117.6 million (U.S.\$312.7 million) in 2019 compared to BD171.1 million (U.S.\$455.0 million) in 2018, a decrease of BD53.5 million (U.S.\$142.3 million), or 31.3 per cent. This decrease is principally reflected as a result of a reduction in Tatweer's operating expenses.

### Depreciation

The Group's depreciation expenses comprise the expenses related to the depreciation of the Group's assets. The Group's depreciation costs amounted to BD150.6 million (U.S.\$400.4 million) in 2019 compared to BD156.4 million (U.S.\$416.0 million) in 2018, a decrease of BD5.9 million (U.S.\$15.6 million), or 3.7 per cent. This decrease principally reflected lower depreciation due to higher reserve figures based on the unit of production method of depreciation.

### Operating profit

Reflecting the changes in revenues and costs described above, the Group's operating profit increased by BD69.3 million (U.S.\$184.3 million), or 52 per cent. in 2019, from BD133.4 million (U.S.\$354.8 million) in 2018 to BD202.7 million (U.S.\$539.1 million) in 2019.

### Finance income

The Group's finance income comprises interest income on deposits held at various banks, as well as any gain as a result of interest rate fluctuations and interest on overdue debts. The Group's finance income increased by BD4.1 million (U.S.\$11.0 million), or 43.5 per cent. in 2019, from BD9.5 million (U.S.\$25.2 million) in 2018 to BD13.6 million (U.S.\$36.1 million) in 2019. This increase principally reflected increases in finance income from Bapco, corresponding to an increase in Bapco's cash reserves.

## Finance cost

The table below shows the breakdown of the Group's finance cost for each of the years ended 31 December 2018 and 2019.

	2018	2019
	(BD'000)	
Interest on borrowings and short term borrowings.....	45,907	55,713
Interest on lease liabilities.....	—	3,208
Transfer from cash flow hedge reserve on redesignation of cash flow hedge.....	—	(3,036)
Others.....	—	1,210
<b>Finance cost.....</b>	<b>45,907</b>	<b>57,095</b>

The Group's finance cost comprises the sum of (i) the interest on borrowings and short term borrowings; (ii) the interest on lease liabilities; (iii) the transfer from cash flow hedge reserve on redesignation of cash flow hedge; and (iv) others. The Group's finance cost increased by BD11.2 million (U.S.\$29.8 million), or 24.4 per cent. in 2019 as compared to 2018. This increase mainly comprised interest payments on existing issuances under the Programme, the Company's existing Murabaha facility and the financing arrangements in relation to the Bapco Modernisation Programme.

## Share of profit from associates

The Group's income from its share of profit from associates comprises its share of the results of its associates. As at 31 December 2019, the Group had four associates, GPIC, Bahrain LNG, Asry and Schmidt as compared to three associates as at 31 December 2018, Schmidt, GPIC and Bahrain LNG.

The Group's share of the profit from its associates shrank by BD2.9 million (U.S.\$7.8 million), or 25.4 per cent. in 2019, decreasing from BD11.6 million (U.S.\$30.8 million) in 2018 to BD8.6 million (U.S.\$23.0 million) in 2019, owing to losses arising from the operations of Bahrain Lube.

The production of ammonia, methanol and urea increased by 42,177 metric tonnes, 26,453 metric tonnes and 70,219 metric tonnes, respectively, in 2019 increasing from 421,200, 424,679 and 657,929 metric tonnes in 2018 to 463,377 metric tonnes, 451,432 metric tonnes and 728,148 metric tonnes in 2019, representing an increase of 10 per cent., 6 per cent. and 11 per cent., respectively.

The price of methanol and urea decreased from U.S.\$342 per metric tonne and U.S.\$265 per metric tonne, during 2018, to U.S.\$226 per metric tonne and U.S.\$255 per metric tonne respectively for 2019; while ammonia prices decreased from U.S.\$281 per metric tonne in 2018 to U.S.\$218 per metric tonne during 2019.

## Income tax expense

In 2019, the Group incurred an income tax of BD1.9 million (U.S.\$5.1 million). This represents a decrease from 2018, when the Group incurred an income tax expense of BD4.0 million (U.S.\$10.7 million). Banagas is the only subsidiary in the Group whose operations give rise to tax expense, as a result of its 25 per cent. foreign ownership, with income tax charged at 46 per cent. of its profit. The reduction in income tax expenses in 2019 was the result of a reduction in the profit before tax of Banagas.

In 2019, Banagas recorded a profit before tax of BD4.2 million (U.S.\$11.1 million), thereby incurring a tax expense (net) of BD1.9 million (U.S.\$5.1 million).

## Other comprehensive income

Other comprehensive income represents the income recognised from the outcome of the actuarial valuation conducted each year by an independent actuary of the defined benefit retirement scheme the Group and its associates operate for their Bahraini employees and a gain on the cash flow hedge reserve.

The Group had a loss in other comprehensive income of BD47.8 million (U.S.\$127.0 million) in 2019 compared to a gain of BD2.1 million (U.S.\$5.5 million) for 2018. This decrease was primarily due to loss on cash flow hedges.

## **Total comprehensive income for the year**

Reflecting the above factors, the Group recorded total comprehensive income for the year of BD118.1 million (U.S.\$314.2 million) in 2019 compared to BD106.6 million (U.S.\$283.4 million) in 2018, an increase of BD11.6 million (U.S.\$30.8 million) or 10.9 per cent. After taking into account non-controlling interests, the total comprehensive income attributable to the shareholder of the parent was BD117.6 million (U.S.\$312.6 million) in 2019 compared to BD105.1 million (U.S.\$279.5 million) in 2018.

## **ANALYSIS OF CERTAIN STATEMENT OF FINANCIAL POSITION ITEMS**

### **Significant assets**

As at 31 December 2018, 2019 and 2020, the Group had total assets of BD3,863.6 million (U.S.\$10,275.5 million), BD3,719.4 million (U.S.\$9,892.0 million) and BD4,055.8 million (U.S.\$10,786.6 million), respectively.

The most significant classes of asset on the Group's statement of financial position are property, plant and equipment, capital work-in-progress, trade and other receivables, amounts due from related parties and cash and bank balances, which, together, comprised 84.9 per cent. of the Group's total assets as at 31 December 2020.

### ***Property, plant and equipment***

As at 31 December 2018, 2019 and 2020, the Group's property, plant and equipment amounted to BD986.3 million (U.S.\$2,623.0 million), BD1,064.6 million (U.S.\$2,831.4 million) and BD1,104.9 million (U.S.\$2,938.6 million), or 25.5 per cent., 28.6 per cent. and 27.2 per cent., respectively, of the Group's total assets.

The Group's property, plant and equipment increased by BD78.3 million (U.S.\$208.3 million), or 7.9 per cent., in the year ended 31 December 2019 as compared to the year ended 31 December 2018. This increase was due to new additions being made during the year, and in particular oil and gas producing assets and pipeline assets.

The Group's property, plant and equipment increased by BD40.3 million (U.S.\$107.2 million), or 3.8 per cent., in the year ended 31 December 2020 as compared to the year ended 31 December 2019. This increase was primarily due to capital expenditure in relation to Tatweer.

### ***Capital work-in-progress***

The Group's capital work-in-progress principally comprised money spent on the Group's strategic projects that are being undertaken in order to diversify, strengthen and expand its current operations, including the Bapco Modernisation Programme and the Bahrain Field Oil and Gas Development and Expansion Programme.

As at 31 December 2018, 2019 and 2020, the Group's capital work-in-progress amounted to BD454.0 million (U.S.\$1,207.5 million), BD907.8 million (U.S.\$2,414.5 million) and BD1,352.5 million (U.S.\$3,597.1 million), respectively, or 11.8 per cent., 24.4 per cent. and 33.3 per cent., respectively, of the Group's total assets.

The BD453.8 million (U.S.\$1,207 million) increase between 31 December 2018 and 31 December 2019, and the BD444.7 million (U.S.\$1,182.6 million) increase between 31 December 2019 and 31 December 2020 were mainly the result of the construction of new facilities as part of the Bapco Modernisation Programme.

### ***Trade and other receivables***

As at 31 December 2018, 2019 and 2020, the Group's trade and other receivables amounted to BD480.1 million (U.S.\$1,276.9 million), BD400.9 million (U.S.\$1,066.4 million) and BD294.2 million (U.S.\$782.5 million), or 12.4 per cent., 10.8 per cent. and 7.3 per cent., respectively, of the Group's total assets.

The BD106.7 million (U.S.\$283.8 million), or 26.6 per cent., decrease as at 31 December 2020 compared to 31 December 2019, was mainly the result of the decrease in revenue and trade receivables by Bapco and drop in the market prices of products sold. The BD79.2 million (U.S.\$210.6 million), or 16.5 per cent., decrease as at 31 December 2019 compared to 31 December 2018 was mainly due to the transfer of due from Government to related parties.

As at 31 December 2020, an amount of BD29.2 million (U.S.\$77.7 million) of trade and other receivables was impaired and fully provided, compared to BD27.4 million (U.S.\$72.8 million) as at 31 December 2019 and

BD23.4 million (U.S.\$62.2 million) as at 31 December 2018, largely as a result of expected credit loss assessments made by the Group on various receivables.

A substantial portion of the Group's trade and other receivables are to international customers and the receivables are secured by letters of credit issued by reputable financial institutions.

#### ***Amounts due from a related party***

As at 31 December 2018, 2019 and 2020, amounts due from a related party to the Group amounted to BD815.6 million (U.S.\$2,169.1 million), BD254.1 million (U.S.\$675.8 million) and BD421.1 million (U.S.\$1,119.9 million), respectively, or 21.1 per cent., 6.8 per cent. and 10.4 per cent., respectively, of the Group's total assets. See "*Principal Components of, and Key Factors Affecting, Results of Operations—Relationship with the Government—Indirect distributions to the Government*" above.

The BD167.0 million (U.S.\$444.1 million), or 65.7 per cent., increase in amounts due from a related party as at 31 December 2020 compared to 31 December 2019, was mainly the result of an increase in activities with NOGA and MOFNE during the year for various oil and gas related projects.

The BD561.5 million (U.S.\$1,493.3 million), or 68.8 per cent., decrease in amounts due from a related party as at 31 December 2019 compared to 31 December 2018, was mainly the result of Bapco's balance due from the Government being offset against retained earnings and deemed to be amounts paid to the shareholder of Bapco following the cessation of Bapco's cash-call mechanism with the Government.

#### ***Cash and bank balances***

As at 31 December 2018, 2019 and 2020, cash and bank balances of the Group amounted to BD809.5 million (U.S.\$2,153.0 million), BD482.7 million (U.S.\$1,283.8 million) and BD270.0 million (U.S.\$718.0 million), respectively, or 21.0 per cent., 13.0 per cent. and 6.7 per cent., respectively, of the Group's total assets.

The BD212.7 million (U.S.\$565.8 million), or 44.1 per cent., decrease in cash and bank balances as at 31 December 2020 compared to 31 December 2019, was mainly the result of expenditure towards capital projects, mainly the Bapco Modernisation Programme.

The BD326.8 million (U.S.\$869.2 million), or 40.4 per cent., decrease in cash and bank balances as at 31 December 2019 compared to 31 December 2018, was mainly the result of factors such as the addition to capital work in progress arising from various projects, the repayment of borrowings, finance costs and the payment of dividends.

#### ***Liabilities***

The most significant classes of liability on the Group's statement of financial position are its trade and other payables, its provision for abandonment and restoration obligations and borrowings, which, together, comprised 84.1 per cent. of the Group's total liabilities as at 31 December 2020.

#### ***Trade and other payables***

As at 31 December 2018, 2019 and 2020, the Group's trade and other payables amounted to BD533.4 million (U.S.\$1,418.6 million), BD566.2 million (U.S.\$1,505.8 million) and BD406.3 million (U.S.\$1,080.6 million), respectively, or 30.1 per cent., 23.9 per cent. and 14.3 per cent., respectively, of the Group's total liabilities.

The BD159.9 million (U.S.\$425.3 million), or 28.2 per cent., decrease in trade and other payables as at 31 December 2020 compared to 31 December 2019, was mainly the result of lower purchases of crude oil from Saudi Aramco accompanied by a reduction in payables to contractors of Bapco.

The BD32.8 million (U.S.\$87.3 million), or 6.2 per cent., increase in trade and other payables as at 31 December 2019 compared to 31 December 2018 was principally attributable to the receipt of an invoice from Saudi Aramco in December 2019 and reflecting the increase in price of Arab Light from U.S.\$58.92 to U.S.\$68.59 during the period.

### ***Abandonment and restoration obligations***

Prior to 1 January 2018, in accordance with a development and production sharing agreement (“DPSA”), the Group recognised the fair value of a liability for an abandonment and restoration obligation in the period in which the liability was incurred and became reasonably estimable to dismantle the asset and reclaim or remediate the property at the end of its useful life. As per the terms of DPSA, the Group was required to make payments to the abandonment fund of NOGA in the future. On 21 February 2019, NOGA terminated the DPSA with effect from 1 January 2018 and thereby no payments are required to be made to NOGA to fund the Group’s obligation to make payments to an abandonment fund. Following the termination of the DPSA, the Group is no longer liable for abandonment or restoration obligations and these liabilities have been taken over by NOGA, being the shareholder of the Company.

Subsequent to termination of DPSA and NOGA taking over the related restoration obligations, the Group has transferred the abandonment and restoration obligations along with the corresponding asset in the property, plant and equipment to its shareholder, NOGA, resulting in a net increase in contribution from shareholder by BD91.5 million (U.S.\$243.4 million) during the year ended 31 December 2018.

### ***Borrowings***

As at 31 December 2018, 2019 and 2020, borrowings of the Group amounted to BD1,153.1 million (U.S.\$3,066.7 million), BD1,528.5 million (U.S.\$4,065.0 million) and BD1,981.4 million (U.S.\$5,269.8 million), respectively, or 65.0 per cent., 64.6 per cent. and 69.8 per cent., respectively, of the Group’s total liabilities.

The BD453.0 million (U.S.\$1,204.8 million), or 29.6 per cent., increase in bank borrowings as at 31 December 2020 compared to 31 December 2019, was mainly the result of drawdowns under the Company’s existing Murabaha facility.

The BD375.4 million (U.S.\$998.3 million), or 32.6 per cent., increase in bank borrowings as at 31 December 2019 compared to 31 December 2018, was mainly the result of increases in borrowings such as drawdown under the Murabaha facility during 2019 and drawdown under the financing arrangements relating to the Bapco Modernisation Programme.

### **Total equity**

The table below shows the Group’s total equity as at 31 December in each of 2018, 2019 and 2020.

	As at 31 December		
	2018	2019	2020
	(BD’000)		
Share capital .....	1,184,400	1,184,400	1,184,400
Capital adjustment account .....	(421,609)	(421,609)	(421,609)
Contribution from shareholder .....	438,271	438,913	438,913
Sinking fund reserve .....	160,125	160,125	160,125
Statutory reserve .....	334,219	334,219	334,219
Cash flow hedge reserve .....	3,951	(43,232)	(127,601)
(Accumulated deficit)/ retained earnings .....	381,473	(307,653)	(357,186)
<b>Equity attributable to the shareholder of the parent .</b>	<b>2,080,830</b>	<b>1,345,163</b>	<b>1,211,261</b>
Non-controlling interests .....	9,555	6,387	5,390
<b>Total equity .....</b>	<b>2,090,385</b>	<b>1,351,550</b>	<b>1,216,651</b>

As at 31 December 2020, the Company’s share capital comprised 1,184,400,000 authorised, issued and fully paid shares of BD1 each. The entire capital is held by the Government.

On formation of the Company, the capital was issued as a consideration based on the value of the subsidiaries transferred. The legal capital issued was based on the gross assets of the subsidiaries, rather than the net assets transferred, resulting in recognition of additional intangible assets of BD421.6 million (U.S.\$1,121.3 million) in the form of accounting goodwill. This resulted in an overstatement of equity and gross assets by BD421.6 million (U.S.\$1,121.3 million). On 13 December 2011, the board of directors passed a resolution to restate the consolidated financial statements to reflect the true position of equity and total assets. Accordingly, this resulted in creating a debit balance in equity in favour of a capital adjustment account of BD421.6 million (U.S.\$1,121.3 million).

The sinking fund reserve was created by Bapco through transfers from prior years' gross profits. The reserve is not available for distribution in the form of dividend and is to be utilised to: (a) purchase materials, machineries and facilities or for their repairs; (b) cover any decrease in the value of the Group's property, plant and equipment; and (c) meet the Group's obligations under the labour and social insurance laws.

The statutory reserve has been created in accordance with Bahrain Commercial Companies Law, as amended from time to time, and the Company's Memorandum and Articles of Association, pursuant to which, 10 per cent. of the net profit for the year are transferred to a statutory reserve. Such annual transfer ceases when the reserve balance has reached 50 per cent. of the paid-up share capital. The statutory reserve cannot be utilised for the purpose of distribution, except in such circumstances as stipulated in Bahrain Commercial Companies Law.

Accumulated deficit/retained earnings comprises the Group's retained earnings and/or accumulated deficit. The BD49.5 million (U.S.\$131.7 million), or 16.1 per cent., increase in accumulated deficit as at 31 December 2020 as compared to 31 December 2019, was mainly the result of negative profit for the year 2020. The BD689.1 million (U.S.\$1,832.8 million), or 180.6 per cent., decrease in retained earnings as at 31 December 2019 compared to 31 December 2018, was mainly due to a Government account write-off at the Bapco level.

The amounts due from a related party set off against retained earnings are amounts owed to the Government, primarily as a result of the difference between the price of the cost of crude oil paid by the Government to Saudi Aramco, on behalf of Bapco and the price of the international oil products that Bapco sells and deposits with the account in the Central Bank of Bahrain managed by the Government, which accrued on a yearly basis.

## CAPITAL EXPENDITURE FOR PROPERTY, PLANT AND EQUIPMENT AND CAPITAL WORK IN PROGRESS

The table below shows the Group's capital expenditure for property, plant and equipment and capital work in progress for each of the years ended 31 December 2018, 2019 and 2020.

	Year ended 31 December		
	2018	2019	2020
	(BD million)		
Bapco.....	233.2	553.3	444.8
Banagas.....	5.6	6.4	3.7
Tawseah.....	54.4	2.5	1.8
BacJet.....	4.0	6.0	1.1
Company.....	100.3	94.4 <sup>(1)</sup>	184.3
<b>Total.....</b>	<b>397.5</b>	<b>662.6</b>	<b>635.7</b>

### Note:

- (1) This amount includes BD 4.3 million of capital expenditure for property, plant and equipment and capital work in progress for the year ended 31 December 2019 for Aromatics Petchem (a subsidiary of the Company).

For the year ended 31 December 2020, the Group incurred capital expenditure for property, plant and equipment and capital work in progress of BD635.7 million (U.S.\$1,690.7 million) compared to BD662.6 million (U.S.\$1,762.4 million) for the year ended 31 December 2019 and BD397.5 million (U.S.\$1,057.2 million) for the year ended 31 December 2018.

The Group's capital expenditure is predominantly in connection with the implementation of the Group's projects, particularly the Bapco Modernisation Programme and the Bahrain Field Oil and Gas Development and Expansion Programme.

## CAPITAL AND INVESTMENT COMMITMENTS

The Group's committed capital and investment expenditure reflects amounts which it is contractually committed to spend in future years and includes the Group's proportional share of the commitments of its equity accounted entities. The Group's planned capital expenditures are in excess of U.S.\$9 billion and the Group expects that its committed capital and investment commitments will rise in the short to medium term, including as a result of existing and any new projects, such as the Bapco Modernisation Programme and the Bahrain Field Oil and Gas Development and Expansion Project (please see "*Description of the Group—Subsidiaries, Associates and Joint Operations—Subsidiaries—Bapco—Bapco Modernisation Programme*" and "*Description of the Group—Subsidiaries—Tatweer—Bahrain Field Oil and Gas Development and Expansion Programme*").

As at 31 December 2020, the Group had committed capital and investment expenditure of U.S.\$9.8 billion. The table below shows the Group's capital and investment commitments as at 31 December 2020.



	<b>31 December 2020</b> <b>(U.S.\$ million)</b>
Bapco .....	6,900
Tatweer .....	2,920
<b>Total .....</b>	<b>9,820</b>

The timing and amount of capital and investment 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 its future capital and investment expenditure requirements principally through operating cash flow, borrowing from third parties (including through the issue of securities) and selective asset monetisation.

## CONTINGENT LIABILITIES

As at 31 December 2020, the Group had outstanding contingent liabilities totalling BD41.9 million (U.S.\$111.4 million). The Group's contingent liabilities comprised payments to be made to a supplier if the agreement is cancelled by the Company before the end of the agreed term.

## LIQUIDITY AND CASH FLOW

### Liquidity

Historically, the Group's principal uses of cash have been to service its debt obligations and pay dividends to the Government, as well as funding capital expenditure requirements of its portfolio companies. The Group has funded these requirements from cash flows from distributions by the portfolio companies as well as from debt financing.

As at 31 December 2020, the Group had cash and bank balances of BD270.0 million (U.S.\$718.0 million). The Group expects that its future funding needs will increase in order to fund its planned capital expenditures that are in excess of U.S.\$9.8 billion. Accordingly, the Group expects that a substantial portion of its existing liquidity will be utilised for its planned capital expenditure in 2021 and it will continue to require additional funding. Such funding will likely include a mix of debt issuance by the Company and borrowing by its portfolio companies, which are generally expected to be non-recourse to the Company. Borrowings may take the form of additional borrowings from banks and/or capital market debt financings. The Group expects to manage its cash needs going forward through carefully managing repayment schedules to align with expected returns from its capital expenditure programme and maintaining sufficient cash on hand for its debt service obligations.

### Cash flow

The table below summarises the Group's cash flow from operating activities, investing activities and financing activities for the years ended 31 December 2018, 2019 and 2020.

	<b>Year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>(BD'000)</b>		
Net cash flows from operating activities.....	379,571	322,718	256,739
Net cash flows used in investing activities .....	(388,270)	(735,503)	(636,967)
Net cash flows from financing activities.....	359,566	85,989	167,496
<b>Net change in cash and bank balances .....</b>	<b>350,867</b>	<b>(326,796)</b>	<b>(212,732)</b>
Cash and bank balances as at 1 January.....	458,649	809,516	482,720
<b>Cash and bank balances as at 31 December .....</b>	<b>809,516</b>	<b>482,720</b>	<b>269,988</b>

### *Cash from operating activities*

For the year ended 31 December 2020, net cash from operating activities was BD256.7 million (U.S.\$682.8 million) compared to BD322.7 million (U.S.\$858.3 million) for the year ended 31 December 2019 and BD379.6 million (U.S.\$1,009.5 million) for the year ended 31 December 2018.

The BD66 million (U.S.\$175.5 million), or 20.4 per cent. decrease in net cash from operating activities in 2020 principally reflected changes in the Company's working capital.

The BD56.9 million (U.S.\$151.2 million), or 15.0 per cent., decrease in net cash from operating activities in 2019 principally reflected changes arising in the Company's working capital.

#### ***Cash used in investing activities***

For the year ended 31 December 2020, net cash used in investing activities was BD637.0 million (U.S.\$1,694.1 million) compared to BD735.5 million (U.S.\$1,956.1 million) for the year ended 31 December 2019 and BD388.3 million (U.S.\$1,032.6 million) for the year ended 31 December 2018.

In 2020, the BD98.5 million (U.S.\$262.1 million), or 13.4 per cent. decrease in net cash used in investing activities comprised additions to property plant and equipment.

In 2019, the BD347.2 million (U.S.\$923.5 million), or 89.4 per cent. increase in net cash used in investing activities principally reflected additions to capital work in progress.

#### ***Cash from financing activities***

For the year ended 31 December 2020, net cash from financing activities was BD167.5 million (U.S.\$445.5 million) compared to net cash from financing activities of BD86.0 million (U.S.\$228.7 million) for the year ended 31 December 2019 and BD359.6 million (U.S.\$956.3 million) for the year ended 31 December 2018.

In 2020, the BD81.5 million (U.S.\$216.8 million), or 94.8 per cent. increase in net cash from financing activities principally reflected proceeds from borrowings, namely a drawdown by the Company under its Murabaha facility.

In 2019, the BD273.6 million (U.S.\$727.6 million), or 76.1 per cent. decrease in net cash from financing activities principally reflected repayments of borrowings and finance and transaction costs paid in 2019.

#### **Dividends from portfolio companies**

The table below summarises the dividends paid to the Company by its portfolio companies in the years ended 31 December 2019 and 2020 (the Company did not receive any dividends from its portfolio companies in the year ended 31 December 2018).

	<b>Year ended 31 December</b>	
	<b>2019</b>	<b>2020</b>
	<b>(U.S.\$ million)</b>	
GPIC .....	20.1	3.0
Banagas/Tawseah .....	95.0	11.8
SBPC .....	—	62.2
<b>Total</b> .....	<b>115.1</b>	<b>77.0</b>

#### **INDEBTEDNESS**

As at 31 December 2020, the Group had borrowings of BD1,981.4 million (U.S.\$5,269.8 million). The table below summarises the Group's material outstanding borrowings as at 31 December 2020.

	<b>31 December 2020</b>
	<b>(BD '000)</b>
Murabaha facility .....	527,800
Listed term bonds .....	754,000
Commercial and Islamic facilities .....	193,640
BMP project borrowings .....	685,788
Unamortised transaction cost .....	(179,782)
<b>Total borrowings</b> .....	<b>1,981,446</b>
Current portion .....	(11,232)
Non-current portion .....	1,970,214

Bahrain LNG, an associate of the Company, also has outstanding debt of U.S.\$687.4 million as at 31 December 2020.

### ***Murabaha facility***

During 2019, the Company obtained a *Shari'ah*-compliant Murabaha facility for U.S.\$1.4 billion (BD527.8 million) from a syndicate of local and international banks, with Gulf International Bank B.S.C. as the investment agent, to refinance an existing Murabaha facility, as well as general corporate purposes. The principal amount drawn under the Murabaha facility is repayable by the Company as a bullet payment on 25 October 2024. The amount was drawn in full and used for early settlement of the Company's previous Murabaha facility entered into in 2016.

As of 31 December 2020, the outstanding amount of the actual drawdown amount was U.S.\$1.4 billion (BD527.8 million). The facility carries profit rates ranging from 2.25 per cent. to 2.65 per cent. plus one, three or six months LIBOR depending upon the respective Murabaha transaction period.

The Murabaha facility agreement includes a number of financial covenants, positive covenants, negative covenants and events of default, which are customary for financings of this nature.

### ***Bahrain LNG Import Terminal financing***

On 15 November 2016, Bahrain LNG signed two facility agreements, both of which are governed by a common terms agreement.

A financing agreement for the amount of U.S.\$581.85 million (BD219.6 million) was signed by Bahrain LNG with the Korea Development Bank of South Korea, Standard Chartered Bank and various international lenders, whereby Bahrain LNG would receive export credit agency-covered lending for the purpose of the Bahrain LNG Import Terminal project. The principal amount drawn down under the facility is repayable over 36 semi-annual instalments, which will start six months from the project completion date with the last instalment due on 15 November 2036. Interest is payable on a monthly basis prior to the project's commercial start date and on a semi-annual basis following this date, in each case calculated using a rate including LIBOR and a margin. As of 31 December 2020, Bahrain LNG had drawn down U.S.\$562.65 million (BD212.12 million) under the export credit agency-backed facility.

A commercial facilities agreement for the amount of U.S.\$159.26 million (BD59.9 million) was signed with Standard Chartered Bank and various national and international lenders. The commercial facilities agreement consists of two facilities, a commercial bank facility in the amount of U.S.\$145.46 million (BD54.7 million) and a separate contingent facility in the amount of U.S.\$13.8 million (BD5.18 million).

The commercial bank facility shares the same debt repayment profile as the export credit agency-backed facility. The repayment of the contingent facility is on a cash sweep basis, with 75 per cent. of excess cash flow being applied towards repayment of the contingent facility. As of 31 December 2020, the actual drawdown amount was U.S.\$148.06 million (BD55.82 million) under the commercial bank facility and no drawdown under the contingent facility had been made.

The common terms agreement for these facilities include a number of positive covenants, negative covenants and events of default, which are commonplace for financings of this type.

### ***Banagas Expansion financing***

On 18 October 2020, Tawseah obtained long term borrowing (conventional and Islamic facilities) with a facility limit of BD193.6 million (U.S.\$515 million) denominated in U.S. dollars, from a consortium of international and local banks, with Gulf International Bank B.S.C. acting as a facility agent, to refinance its existing conventional and Islamic facilities obtained in order to finance the construction and commissioning of the processing of hydrocarbon liquids and regasification facilities and related infrastructure of the Banagas Expansion, which was completed in 2018. These loans are repayable in 19 semi-annual instalments with the first instalment to be paid on 30 June 2021. The facility is not secured and non-recourse and the last instalment is repayable on 30 June 2030. The loan carries an interest rate at six months U.S.\$ LIBOR plus a margin of 2.90 per cent. per annum. As at 31 December 2020, Tawseah has utilised the total amount available under the facility.

Tawseah currently intends to upsize the conventional and Islamic facilities by an additional amount of up to U.S.\$135 million, subject to agreement with its lenders and entry into definitive documentation.

The conventional and Islamic facilities include a number of positive covenants, negative covenants and events of default, which are customary for financings of this nature.

### ***BMP Project Financing***

In order to finance the Bapco Modernisation Programme, Bapco entered into project debt financing facilities agreements on 20 December 2018 amounting to an aggregate of U.S.\$4.1 billion (BD1.5 billion), denominated in U.S. dollars (the “**BMP Project Financing**”). Financial close of the BMP Project Financing took place on 9 May 2019. As at 31 December 2020, approximately U.S.\$2 billion (BD686 million) had been utilised under the BMP Project Financing facilities.

The BMP Project Financing facilities comprise:

- five “ECA-covered” conventional loan facilities provided by regional and international commercial lenders and supported by various export credit agencies;
- one conventional commercial loan facility provided by regional and international commercial lenders on an “uncovered” basis; and
- a Shari’a-compliant financing facility, structured as an Istisna-Ijara, provided by regional Islamic financial institutions.

The BMP Project Financing is structured as a limited recourse project financing relying solely on Bapco’s cashflow generation for repayment of the debt, and can only be utilised for Bapco Modernisation Programme project-related payments. The BMP Project Financing does not provide recourse to the Company in respect of Bapco’s obligations, except in very limited circumstances. The BMP Project Financing facilities are secured by Bapco’s assets and agreements, which are assigned to offshore and onshore security agents. In addition, the Company has provided guarantees with respect to negative domestic pricing changes in certain circumstances.

The BMP Project Financing permits Bapco to enter into unsecured working capital facilities, provided that the aggregate amount of working capital facilities, finance and capital leases and any permitted factoring arrangements does not exceed U.S.\$450 million.

The BMP Project Financing facilities are repayable in 25 semi-annual instalments, with the first instalment payable at earlier of six months after the actual project completion date or scheduled completion date. The BMP Project Financing facilities include floating rate and fixed rate facilities which carry interest of six month LIBOR plus a spread ranging between 0.90 per cent. to 2.90 per cent. per annum and 4.04 per cent. per annum.

The terms of the BMP Project Financing also permit Bapco to hedge up to 100 per cent. of its floating rate debt relating to the Bapco Modernisation Programme in order to mitigate the risk of higher interest rate costs impacting Bapco’s cash flow and overall profitability. Bapco has entered into a floating-to-fixed swap arrangement, for which the accrual and amortising cash flow schedule matches the drawdown and repayment schedule of the BMP Project Financing for approximately 65 per cent. of the underlying notional amount.

### ***Listed term bonds***

On 12 October 2017, the Company established the U.S.\$3,000,000,000 Global Medium Term Note Programme. On 18 October 2017, the Company completed its debut issuance of U.S.\$1,000,000,000 7.500 per cent. Notes due 2027 under the Programme. The principal amount of these Notes is repayable as a bullet payment on 18 October 2027.

On 27 April 2018, the Company updated the U.S.\$3,000,000,000 Global Medium Term Note Programme, followed by a supplement to the base prospectus dated 24 October 2018. On 7 November 2018, the Company completed the issuance of U.S.\$500,000,000 7.625 per cent. Notes due 2024 and U.S.\$500,000,000 8.375 per cent. Notes due 2028 under the Programme. The principal amount of these Notes is repayable as a bullet payment on 7 November 2024 and 7 November 2028, respectively. On 1 February 2021, the Company completed the issuance of U.S.\$250,000,000 7.625 per cent. Notes due 2024 (which will be consolidated and form a single series with the Company’s existing U.S.\$500,000,000 7.625 per cent. Notes due 2024 issued on 7 November 2018).

Summary information in relation to these and the Group’s other borrowings is set out in note 19 to the 2020 Financial Statements. As at 31 December 2020, the aggregate undrawn committed funds available to the Group under its banking facilities was approximately BD861.2 million (U.S.\$2,290.4 million).

## DESCRIPTION OF THE GROUP

### OVERVIEW

The Company was established by the Government pursuant to Royal Decree No. 77 for the year of 2007, promulgated on 10 August 2007. The Company was established as the strategic investment holding company of NOGA, which was formed in 2005 out of the structural reform of Bahrain's oil and gas industry, and was entrusted with the responsibilities of the former Supreme Oil Council, the former Gas Committee and the former Ministry of Oil. NOGA is a political body responsible for protecting the oil and gas assets of the Government by acting as the oil and gas industry regulator, and proposing and implementing Government policy.

The Company plays a fundamental role in the execution of the strategic plans of NOGA and stewardship of the Government's long-term investment in oil, gas and petrochemical assets. The Company is wholly-owned by the Government and invests in various oil and gas companies that operate in Bahrain and in which the Government has a strategic interest, with a mandate to fulfil Bahrain's growing demand for energy and provide necessary funds from oil and gas revenues towards the achievement of Vision 2030.

The Government, through NOGA, appoints all members of the Company's board of directors and the Government consequently has substantial representation in the management of the Company. The Chairman of the Company's board of directors, H.E. Shaikh Mohammed bin Khalifa bin Ahmed Al Khalifa, is the Minister of Oil for Bahrain. Other members of the Company's board of directors include H.E. Shaikh Salman Bin Khalifa Al Khalifa, who is the Minister of Finance and National Economy for Bahrain, and Dr. Dawood Nassif, who is the Chairman and Chief Executive of Bapco.

The Company's strategy is to be a long-term strategic investor and it currently holds investments in 12 companies, all of which are involved in the oil and gas supply chain in Bahrain.

For the year ended 31 December 2020, the Group's total revenue was BD1,643.4 million (U.S.\$4,370.8 million), compared to BD2,670.2 million (U.S.\$7,101.6 million) for the year ended 31 December 2019 and BD2,857.4 million (U.S.\$7,599.4 million) for the year ended 31 December 2018), and its total comprehensive loss for the year ended 31 December 2020 was BD133.4 million (U.S.\$354.9 million), compared to total comprehensive income of BD118.1 million (U.S.\$314.2 million) for the year ended 31 December 2019 and BD106.6 million (U.S.\$283.4 million) for the year ended 31 December 2018.

As of 31 December 2020, the Company's consolidated total assets were BD4,055.8 million (U.S.\$10,786.6 million) (compared to BD3,719.4 million (U.S.\$9,892.0 million) as at 31 December 2019 and BD3,863.6 million (U.S.\$10,275.5 million) as at 31 December 2018).

The Company's principal revenue generating activity is the sale of refined oil products produced by its wholly-owned subsidiary Bapco (see further "*—Subsidiaries, Associates and Joint Operations—Subsidiaries—Bapco*"). The Group's international and domestic revenue from the sale of refined oil products accounted for 95.1 per cent., 93.8 per cent. and 92.3 per cent. of the Group's total revenue in each of the years ended 2018, 2019 and 2020, respectively.

The Company also received significant revenues from the sale of propane, butane and naphtha produced by Banagas and its wholly-owned subsidiary Tawseah (see further "*—Subsidiaries, Associates and Joint Operations—Subsidiaries—Banagas and Tawseah*"). The Group's revenue from the sale of these gas products accounted for 2.7 per cent., 4.5 per cent., and 5.2 per cent., of the Group's total revenue in each of the years ended 2018, 2019 and 2020, respectively. The sale of lubricant base oils is produced by Bahrain Lube Base Oil Company B.S.C. (c) ("**Bahrain Lube**"), a joint operation with Nesté Oil Bahrain W.L.L. ("**Nesté Bahrain**"), a wholly-owned subsidiary of Nesté Corporation. The Group's revenue from the sale of lube base oils accounted for 2.2 per cent., 1.7 per cent., and 2.5 per cent. of the Group's total revenue in each of the years ended 2018, 2019 and 2020, respectively.

The Company (through the operations of its portfolio companies) is currently involved in the development of a number of strategic projects in order to diversify, strengthen and expand its current operations and fulfil the mandate given to it by the Government. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview*".

The Group's capital and investment expenditures include, in addition to the projects set out above, investments in subsidiaries, jointly controlled entities, joint operations, associates and other investments, acquisitions of property, plant and equipment and in intangible and other assets. The Group anticipates that it will continue to incur capital

and investment expenditures in future years. As at 31 December 2020, the Group's committed capital and investment expenditure was U.S.\$9.8 billion. See "*Management's discussion and analysis of financial condition and results of operations—Capital and investment expenditure*".

The Company has been assigned a rating of B+ with a stable outlook by Fitch Ratings. This is the same rating given by Fitch Ratings to the Bahrain sovereign and reflects the Group's strong strategic relationship with the Government.

## HISTORY

**2005:** NOGA was formed in 2005 out of the structural reform of Bahrain's oil and gas industry, and was entrusted with the responsibilities of the former Supreme Oil Council, the former Gas Committee and the former Ministry of Oil. NOGA is a political body responsible for protecting the oil and gas assets of the Government by acting as the oil and gas industry regulator, and proposing and implementing Government policy.

**2007:** The Company was established by the Government as a Bahraini closed shareholding company pursuant to Royal Decree No. 77 for the year of 2007, promulgated on 10 August 2007. The Government established the Company as a dedicated long-term investment and development company to hold and manage the Government's oil and gas investments. Accordingly, following its establishment, certain projects being carried on under the auspices of the Government were transferred to the Company. At the time the Company was established, the Government's ownership interests in four companies which were previously held directly by the Government—Bapco, Banagas, GPIC and BAFCO—were transferred to the Company. Bapco also completed a U.S.\$700 million low sulphur diesel production project at its Sitra Refinery, which involved the installation of a 60,000 bpd HVGO hydrocracker and revamp of a mild hydrocracker to a low sulphur diesel hydrotreater, allowing the Sitra Refinery to produce 100 per cent. of its diesel production as ultralow sulphur diesel. The project formed part of the Bapco Strategic Investment Programme.

**2008:** Two compressor stations and the processing train adjacent to the Banagas production facilities constructed in 1988 and two further compressor stations, constructed in 2003 and 2013, respectively, were transferred from the Government to Tawseah, which was incorporated as a wholly-owned subsidiary of the Company.

**2009:** In order to streamline the operations of Bapco and benefit from the introduction of third-party technology and expertise, the responsibility for the stewardship and revitalisation of the Bahrain Field was transferred to Tatweer, a joint venture in which the Company owned 51 per cent., Occidental owned 29 per cent. and MDC owned 20 per cent. Bahrain Lube was also added to the Company's investment portfolio in 2009 as a joint operation with Bapco and Nesté Corporation in order to utilise unconverted oil and hydrogen gas provided by the Sitra Refinery to produce lubricant base oils. Bapco also completed a U.S.\$140 million gas desulphurisation project at its Sitra Refinery. The project formed part of the Bapco Strategic Investment Programme.

**2010:** As part of its strategy to grow and diversify its portfolio, the Company purchased a 35 per cent. shareholding in Skaugen in 2010, a transportation company which transported petrochemical gases, mainly from Saudi Arabia to the Far East.

**2011:** As part of the Bapco Strategic Investment Programme, a U.S.\$430 million lube base oil plant construction project was completed, allowing for the annual production of up to 400,000 tonnes of Group III lubricant base oils.

**2013:** As part of the Bapco Strategic Investment Programme, a U.S.\$120 million wastewater treatment plant was completed.

**2015:** In order to provide Bahrain with the necessary security of supply of natural gas for power intensive industry projects, power generation, as well as water and enhanced oil recovery in the Kingdom, Bahrain LNG was incorporated as a joint venture with Teekay LNG Operating LLC, Gulf Investment Corporation ("**GIC**") and Sam Gulf Investment Limited in 2015 with the mandate to develop the Bahrain LNG Import Terminal. The Company also entered into a joint venture with Petrochemical Industries Company K.S.C ("**PIC**") for the incorporation of Aromatics Petchem and the development of an aromatics production complex to off-take the low value naphtha from the Sitra Refinery for conversion into high-value petrochemicals.

**2016:** As part of a wider effort to improve the performance of BAFCO and to transfer ownership of important jet refuelling infrastructure at Bahrain International Airport to the Government, the Company entered into a joint venture with Bahrain Airport Company for the formation of BJFCO. The Company also established BGB as a

joint venture with Bapco and Greenergy in order to develop new dedicated blending facilities in Bahrain that will allow it to process a wide variety of gasoline components. The Company also acquired 100 per cent. ownership of Tatweer, acquiring the interests of its previous joint venture partners.

**2017:** Saudi Bahrain Pipeline Company S.P.C. (“**SBPC**”) was incorporated in 2017 to own the Bahraini section of the New AB4 Pipeline. See “—*Subsidiaries, Associates and Joint Operations—Saudi Bahrain Pipeline—New AB4 Pipeline*”. The Company also exited its investment in Skaugen, selling its ownership interest to Sonoma LLC. Schmidt was incorporated as a joint venture with Schmidt Middle East Logistics JLT to develop a logistics hub for the storage, handling and distribution of different bulk chemical materials. The responsibility for oil and gas exploration was transferred to Tatweer in July 2017 (see “*Description of the Group—Subsidiaries—Tatweer—Bahrain Field Oil and Gas Development and Expansion Programme*”).

**2018:** Bapco embarked on the Bapco Modernisation Programme in 2018, which is a major expansion and upgrade project of the Bahrain Refinery with a view to increase refining capacity, enhance the product slate, improve the energy efficiency, and position Bapco as one of the most competitive and environmentally compliant refineries in the region. In addition to the foregoing, the New AB4 Pipeline was commissioned on 3 October 2018. See “—*Subsidiaries, Associates and Joint Operations—Saudi Bahrain Pipeline—New AB4 Pipeline*”. On 4 April 2018, NOGA announced the largest discovery of oil and gas reserves in Bahrain, comprising: (i) the largest oil accumulations in Bahrain as tight oil reserves of approximately 80 billion barrels within the Khalij Al-Bahrain Basin; and (ii) significant gas reserves below Bahrain’s main gas reservoir. The Group completed the Bahrain Gas Plant Project in October 2018, to further increase gas processing capacity within Bahrain for the production of marketable natural gas liquids. In November 2018, the construction and commissioning of the Bahrain Gas Plant Project was completed by Tawseah (see “*Description of the Group—Subsidiaries, Associates and Joint Operations—Subsidiaries—Banagas and Tawseah—Bahrain Gas Plant Project*”).

**2019:** The financial close of the Bapco Modernisation Programme was achieved and Bapco’s cash-call mechanism with the Government was ceased. The Government transferred its interest in Asry, which was held by it through Mumtalakat, to the Company. The Bahrain LNG Import Terminal joint venture project was completed and commissioned in December 2019. The project comprises an offshore receiving and regasification facility, gas pipeline and onshore gas receiving facility. Decree No. 40 for the year 2019 was also passed, which reorganised the board of directors to its current composition, with such individuals nominated by His Majesty King Hamad bin Isa Al Khalifa.

**2020:** BRC commissioned three new service stations. Tawseah successfully refinanced its conventional and Islamic facilities originally obtained in the context of the Bahrain Gas Plant Project. See “*Management’s discussion and analysis of financial condition and results of operations of the Group—Borrowings*”.

## **STRENGTHS**

The Company believes that it has the following key strengths:

### ***Critical role within the Bahrain economy***

The Company has a critical economic and policy role within the Bahrain economy in meeting the needs of Bahrain’s industrial growth and increasing revenues for the Government, its sole shareholder, and has a focused mandate from the Government to invest in energy and energy-related industries strongly linked to Bahrain’s core hydrocarbon-based economy. Government revenues remain significantly dependent on hydrocarbon revenues, with actual revenue from oil and gas production amounting to approximately 58 per cent., 72 per cent. and 82 per cent. of gross revenue for the years ended 31 December 2020, 2019, and 2018, respectively.

In the execution of this mandate, the Company and its portfolio companies are currently involved in a number of strategic projects that revolve around managing and optimising the use of oil and gas resources within Bahrain to increase profitability, as well as to ensure that heavy industries within Bahrain are able to compete on an international scale.

These projects include the Bapco Modernisation Programme, which is being carried out by Bapco in order to improve the production and profitability of the Sitra Refinery, and the Bahrain Field Oil and Gas Development and Expansion Programme, which is being carried out by Tatweer in order to increase onshore oil and gas production capacity across a number of oil and gas fields. Similarly, the recent completion of the New AB4 Pipeline, the Bahrain Gas Plant Project and the Bahrain LNG Import Terminal are expected to form a key part of the energy infrastructure of Bahrain and aim to give Bahrain the security of supply that it needs to meet its growth

in demand for natural gas to fuel industrial projects, generate power and water, and procure internationally-traded LNG on a competitive basis. Additionally, Tatweer is involved in the continuing development of the Bahrain Field where it continues to undertake drilling and maintenance work in order to enhance production from the Bahrain Field.

### ***Close relationship with the Government and strong Government support***

The Company is wholly-owned by the Government, which manages its shareholding in the Company through NOGA. The Company plays a fundamental role in the execution of the strategic plans of NOGA and stewardship of the Government's long-term investments in oil, gas and petrochemical assets. In addition, the Company invests in various oil and gas companies that operate in Bahrain and in which the Government has a strategic interest, with a mandate to fulfil Bahrain's growing demand for energy and provide necessary funds from oil and gas revenues towards the achievement of Vision 2030. The Company, as part of its contribution to the state budget, is expected to pay dividends of BD56.6 million (U.S.\$150.5 million) to MOFNE relating to each of the financial years ended 31 December 2019 and 2020, which have not yet been declared and are yet to be paid.

The Group also undertakes the marketing, on behalf of the Government, of Bahrain's share of the crude oil produced by the Abu Saa'fa oilfield. Bahrain's share in the Abu Saa'fa production amounted to around 152,057 bpd, 151,830 bpd and 150,874 bpd in 2018, 2019 and 2020, respectively, which comprised 100 per cent. of all Bahrain's crude oil exported internationally. Government revenue generated from Abu Saa'fa totalled just over U.S.\$2.276 billion in 2020. The Group receives a marketing fee from the Government for undertaking this service.

All of the Company's assets were initially contributed, in-kind, by the Government and the Group has historically benefitted from significant Government support in the form of subsidised Bahrain crude oil. Since 2018, the Government has been providing Bapco with a minimum of 38,700 barrels per day of Bahrain crude oil at a subsidised price of U.S.\$1 per barrel pursuant to the COSA. In the years ended 31 December 2018, 2019 and 2020, Bapco received 38,700 bpd, 38,700 bpd and 38,700 bpd, respectively, of subsidised crude oil pursuant to the COSA.

On 10 November 2009, pursuant to the COSPA, Bapco agreed to make payment of production costs of appropriately U.S.\$8.50 per barrel (indexed) in respect of the subsidised Bahrain crude oil. In the years ended 31 December 2018, 2019 and 2020 Bapco paid production costs in respect of this subsidised crude oil of U.S.\$11 per barrel, U.S.\$11.275 per barrel and U.S.\$11.557 per barrel, respectively, in accordance with the COSPA, resulting in Bapco receiving the subsidised crude oil at a cost of U.S.\$12 per barrel, U.S.\$12.275 per barrel and U.S.\$12.557 per barrel, respectively. This cost represented an average subsidy of U.S.\$57.564 per barrel, U.S.\$52.768 per barrel and U.S.\$29.036 per barrel in the years ended 31 December 2018, 2019 and 2020, respectively. In the event that Bahrain crude oil had been invoiced at market prices, the net profit of the Group for the year ended 31 December 2018, 2019 and 2020 would have been lower by BD283 million (U.S.\$753 million), BD280 million (U.S.\$745 million) and BD157 million (U.S.\$418 million), respectively.

### ***Integrated supply chain with security of supply***

The Company believes it has the proven ability to derive synergies by fostering partnerships among its portfolio companies, as well as deriving value for the Government and thereby Bahrain itself, with the Group's supply chain inter-connected in a number of ways.

Crude oil extracted by Tatweer from the Bahrain Field is supplied to Bapco for refining into refined products. The remaining crude oil feedstock originates from the New AB4 Pipeline from Saudi Arabia. The Khuff gas extracted from the Bahrain Field feeds into the gas distribution network, currently operated by Tatweer, which supplies various power plants and other energy intensive industries in Bahrain, as well as being provided to GPIC for production of ammonia, methanol and urea for export. The Khuff gas extracted from the Bahrain Field is also used by Bapco in the production of hydrogen at the Sitra Refinery and for powering heaters in the Sitra Refinery. Associated gas extracted from the Bahrain Field by Tatweer is also distributed to Banagas and Tawseah, where such gas is processed to recover non-gas liquids (propane, butane and naphtha). Both Khuff gas and associated gas are also used by Tatweer to maintain the pressure of the Bahrain Field through gas injection.

Refined products from the Sitra Refinery are off-taken by certain portfolio companies, including Banagas and Tawseah in the form of refinery off-gas, which is compressed along with associated gas for the production of propane, butane and naphtha; BGB in the form of HCU light naphtha and mixed liquefied petroleum, which is then processed into finished grade gasoline; Bahrain Lube in the form of hydrocracker unconverted oil and



hydrogen, which is then processed into lube base oil; and BAFCO, in the form of aviation fuel, which is used at Bahrain International Airport. Once complete, the aromatics production complex will also process naphtha from the Sitra Refinery in order to convert it into high value refined products paraxylene and benzene.

Residue gas resulting from the extraction of propane, butane and naphtha from associated gas and refinery off-gas is used as fuel for Banagas and Tawseah furnaces and gas turbines, with the rest being supplied to Alba, the EWA Riffa power station and distributed to Bapco for use in the Sitra Refinery as a fuel gas through the Gas Distribution Network operated by Tatweer.

Propane, butane and naphtha produced by Banagas and Tawseah, ammonia and methanol produced by GPIC, Lubricant Base Oils produced by Bahrain Lube and refined products produced by Bapco, are exported from Bapco's wharf at the Sitra port.

Since the completion of the Bahrain LNG Import Terminal, Bapco, together with other portfolio companies, including GPIC, are able to call upon natural gas feedstock from imported LNG to the extent required. The natural gas feedstock imported through the LNG Terminal feeds into the gas distribution network for use by power and water treatment plants.

As a result of this interconnectivity, through the operation of integrated downstream petrochemical manufacturing processes and the exploitation of available feedstock within the portfolio companies, the Company is able to realise a number of economies of scale and cost savings, as well as security of feedstock supply. This provides the Company with a significant advantage over its competitors who rely on external resources for feedstock supply, as it is able to source a number of its key feedstocks from within the portfolio companies. Additionally, the Company seeks out opportunities that allow it to apply the expertise, knowledge and technology of its portfolio companies for the benefit of the broader Group by fostering a culture of knowledge sharing and cooperation among its portfolio companies. Correspondingly, companies within the Group are able to benefit from the Company's unique pipeline of strategic growth and investment opportunities and contact networks. The Company believes that it is well positioned to continue to identify attractive investment opportunities and grow its existing business operations through its network of relationships and its relationship with the Government. The Company expects to continue to pursue strategic investment opportunities to further enhance the synergies across its business operations.

### ***Strong track record of strategic investment and growth***

The Company has sought to prudently invest to develop a large and diversified portfolio that currently consists of 15 investments operating across the hydrocarbon value chain and enhance the value of its investments.

Bapco completed a U.S.\$1.0 billion Strategic Investment Programme in 2014, where several new units were added to ensure continued profitability, including the upgrading of low-value fuel oil to more valuable low sulphur diesel and the production of Group III base oils. New processing facilities and environmental projects were also executed as part of this Strategic Investment Programme, including improvements to the wastewater treatment at the Sitra Refinery. In addition, through the current Bapco Modernisation Programme, the Company plans to add new core process units, such as a new integrated crude and vacuum unit, a new ebullated-bed residue hydrocracker, a second HVGO hydrocracker, a second ultra low sulphur diesel hydrotreater and several other process units and associated utilities. In addition, several old and inefficient process units will be mothballed and decommissioned, with a view to achieving a more energy efficient and environmentally compliant facility, as well as improving the product slate at the Sitra Refinery by upgrading the refinery residue, improving gross margins and thereby remaining competitive under a wider range of feedstock and product prices and market conditions.

Tatweer has increased annual crude oil and condensate production from an average of 11.7 million barrels in the year ended 31 December 2009 to an average of 15.8 million barrels in the year ended 31 December 2020 and increased associated gas supply from 285 mcf/d to 430 mcf/d in the same period. The increase in crude oil production has largely been achieved due to faster, more efficient and more productive wells being drilled, enhanced oil recovery methods, including the utilisation of artificial lifts, the use of continuous well surveillance using real-time data from transmitters at the respective wells and facilities, and well intervention (where required), as well as the installation of gas compressors and fracking technology. The increase in associated gas supply is largely the result of the installation of new compressor stations and the opening high gas-oil ratio wells.

The Company continues to undertake strategic projects in order to enhance the value of its investments, including, amongst other things, the Bapco Modernisation Programme.

### ***Experienced board of directors with senior Government involvement***

The Company benefits from an experienced board of directors comprised of senior members of the Government, the energy industry and the financial services industry. The Chairman of the board of directors, H.E. Shaikh Mohammed bin Khalifa bin Ahmed Al Khalifa, is the Minister of Oil for Bahrain. Other members of the Company's board of directors include H.E. Shaikh Salman Bin Khalifa Al Khalifa, who is the Minister of Finance and National Economy for Bahrain, and Dr. Dawood Nassif, who is the Chairman and Chief Executive of Bapco. Decree No. 40 for the year 2019 recently reorganised the board of directors to its current composition, with such individuals nominated by His Majesty King Hamad bin Isa Al Khalifa. See "*Management and Employees—Management—Board of Directors*".

### ***Strong risk management culture***

The Company believes that it has a strong risk management culture. The Company has invested, and continues to invest, in improving its risk management procedures, with a dedicated Enterprise Risk and Business Continuity Management Corporate Committee which meets quarterly and which is comprised of the risk managers from each of its portfolio companies, together with senior members of management (see "*Management and Employees—Corporate Governance*") and comprehensive risk management and business continuity policies. The Company's policies for risk management and business continuity are endorsed by the Chairman of the board of directors, H.E. Shaikh Mohammed bin Khalifa bin Ahmed Al Khalifa, the Minister of Oil for Bahrain.

### ***Strategic geographic location and proximity to markets***

The main operations of a number of portfolio companies, including Bapco, GPIC, Banagas and Tawseah, are in locations that provide the portfolio companies with advantages not available to other competing global producers, including the availability of suitable infrastructure to serve the operations of the portfolio companies and geographical proximity to feedstock and strategic positioning between the main export markets of Asia and Europe, as well as the Middle East and Africa. Exports are further facilitated by the ease of access to the industrial port facilities owned and operated by Bapco in Sitra.

### ***Access to leading technology through its joint venture partners***

The Company has entered into joint ventures with leading international technology providers in the international petrochemicals industry, including Saudi Basic Industries Corporation ("**SABIC**"), PIC Kuwait, Chevron Bahrain, Greenergy, Schlumberger and BP Middle East Limited ("**BP Middle East**") which has enabled the Company to access state of the art technologies, including for technology improvements. These partners continue to significantly enhance the portfolio companies through the experience they bring as well as the technological contribution they make and the access they provide to international markets.

### ***Operational and business excellence system***

In order to support its strategy to hold internationally-competitive assets, the Company has implemented an operational and business excellence system. The programme is supported by HSB Solomon Associates, the global leader in manufacturing benchmarking and performance management systems for the energy industries, and has three main elements:

- defined key manufacturing metrics, and required the portfolio operating companies to demonstrate the ability to provide accurate, timely and consistent performance data for each of the agreed metrics;
- established the baseline performance of each of the operating companies over time, and was used to quantify the cash value of performance gaps for each of the operating companies in relation to their global industry peers; and
- required each of the operating companies to propose performance improvement targets, and to develop/commit to action plans to support the delivery of the targets.

With this system, the Company's management has immediately-accessible information regarding the operational competitiveness of its portfolio companies and the contribution that competitiveness brings to financial performance, to identify areas of common opportunity, to exploit best practices that exist within individual

operating companies, and ultimately to oversee, control and monitor the delivery of global performance excellence across the portfolio.

## **Strategy**

The Company's mandate from the Government is to fulfil Bahrain's growing demand for energy and provide necessary funds from oil and gas revenues towards the achievement of Vision 2030 goals. For more information on this economic strategy, see "*Overview of Bahrain—Vision 2030*". The Company implements the Government's vision for Bahrain, by way of its well-defined and focused strategy, approved and regularly reviewed by its board of directors.

### ***Increase oil and gas production***

The Company and its portfolio companies are focused on, and are currently involved in a number of major projects that revolve around, increased oil and gas production and refining capacity within the country in order to generate further revenues for its sole shareholder, the Government.

Tatweer is involved in the continuing development of the Bahrain Field, where it continues to undertake drilling and maintenance work in order to maintain production and exploration in order to discover further potential reserves. The largest project currently being undertaken by the Group (which is also the largest undertaken in the Group's history) is the Bapco Modernisation Programme, which is being carried out by Bapco in order to improve Sitra Refinery production and profitability. The Bahrain Gas Plant Project has been carried out by Banagas to further increase gas-processing capacity within Bahrain for the production of marketable natural gas liquids and increase the processing of refinery off-gas that will be supplied by Bapco.

Furthermore, Tatweer is currently involved in the process of drilling a number of appraisal wells to help delineate the asset and collect important production information of the unconventional oil discovered in the Khalij Al-Bahrain Basin, encompassing areas of both offshore and onshore Bahrain, as well as the Bahrain Field Oil and Gas Development and Expansion Programme. One well was completed in 2020 and the results are currently being evaluated. Due to the risks and limitations of operating in the COVID-19 pandemic environment, plans for drilling and testing a number of key appraisal wells offshore were delayed until 2021, subject to improvement of the pandemic and global oil price conditions. The technical and commercial feasibility, timing, cost and financing of any potential exploitation of the Khalij Al-Bahrain Basin is in the process of being determined and production is expected to begin in 2024. Additionally, Tatweer has made significant advancements in the appraisal of its tight gas reserves in the pre-Unayzah formations within the Awali Field. Peripheral Khuff wells have been deepened in order to obtain important geological and reservoir data confirming the extension of gas reserves beyond previously penetrated limits. Two dedicated pre-Unayzah wells have now been drilled, completed and are expected to commence gas production in the near-term. Please see "*Overview of Bahrain—Economy of Bahrain*" and "*Description of the Group—Subsidiaries—Tatweer—Oil and gas discovery*" for further information.

### ***Invest long-term in a commercial and profitable manner***

The Company is focused on making strategic investments that generate value for its sole shareholder, the Government. When making equity investments, the Company generally seeks to acquire controlling or significant minority stakes in companies that give it adequate governance rights and board representation. This allows the Company to provide strategic direction to its portfolio companies, influence dividend policies and realise synergies within the Group. The Company continues the planning of long-term, strategic, major investment that would address the Vision 2030 guiding principles of sustainability, competitiveness and fairness, including through the investment in companies that are of strategic importance to the oil and gas sector in Bahrain with long-term growth potential.

### ***Foster partnerships that complement the Company's existing portfolio and benefit Bahrain***

The Company seeks out opportunities that allow it to apply the expertise, knowledge and technology of its portfolio companies for the benefit of the broader Group by fostering a culture of knowledge sharing and cooperation among its portfolio companies. Correspondingly, companies within the Group are able to benefit from the Company's unique pipeline of strategic growth and investment opportunities and contact networks.

### ***Identification and implementation of value-enhancing initiatives at its portfolio companies***

A core element of the Company's strategy is to enhance value at its existing portfolio companies, and within the Group more generally. The Company is an active shareholder and exerts its influence through its nominee directors appointed to the boards of its portfolio companies. Through this governance structure, the Company has supported significant value-enhancing initiatives across its business operations and portfolio of strategic investments, such as the projects described below, and expects to continue supporting such initiatives. One of the key objectives of the Bapco Modernisation Programme is to improve the product slate at the Sitra Refinery by upgrading the refinery residue, thereby improving gross margins and remaining competitive under a wider range of feedstock and product prices, as well as market conditions. Similarly, the Bahrain Gas Plant Project allows the Group to utilise the increased volume of associated gas available as a result of the continued exploration and development of the Bahrain Field, including through the drilling of five new Khuff gas wells and 164 new oil wells in 2020 which have brought the total number of new wells drilled since 2010 to 1,288, including 15 Khuff gas wells.

To ensure the Company's nominee directors are properly equipped to execute their duties at the boards of companies, the Company takes proactive steps to train and educate its representatives, including those employees of portfolio companies who receive regular training.

Through the Company's investment policy and process, the Company sets out its strategic view of investment plans for its subsidiaries through the identification of short-term (0-3 years), medium-term (3-10 years) and long-term (10-20 years) expectations for its portfolio companies, with a primary focus being placed on medium-to-long-term investments which are capable of delivering sustainable growth.

### ***Contribute to the diversification of Bahrain's Economy***

Bahrain is committed to moving away from an economy built solely on oil wealth, and appropriate diversification is part of Vision 2030. Whilst the Company is responsible for oil and gas investment, it is currently implementing projects that move away from a traditional investment strategy that revolved around Bapco and the Sitra Refinery as part of a broader diversification strategy.

Many of the Company's projects interact and overlap with one another and have been undertaken in order to ensure continued investment in Bahrain and economic diversification. For growth to occur outside of the oil industry, for example by Alba, increased power and energy generation output is required. The Group is therefore focused on increased natural gas output to these industrial customers to ensure that heavy industries within Bahrain are able to compete on an international scale, with Tatweer's continuing development of the Bahrain Field. Meanwhile the Bapco Modernisation Programme aims to increase production of refined products that may be off-taken by portfolio companies within the Group as a feedstock for petrochemical manufacturing, including Aromatics Petchem, which is constructing an aromatics production complex to off-take the low value naphtha from the Sitra Refinery for conversion into high-value petrochemical products. See "*—Subsidiaries, Associates and Joint Operations—Joint Operations—Aromatics Petchem—Aromatics Complex*".

### ***Implementation of other key strategic priorities for Bahrain***

In addition to the increase in oil and gas production and appropriate diversification, the Company and its portfolio companies are also focused on projects in order to meet other strategic objectives of the Government. For example, the reorganisation and restructuring of the fuel farm complex and hydrant facilities at Bahrain International Airport revolve around the Government's decision to bring airport-based infrastructure under indirect Government ownership, through the restructuring of all into-plane fuel services currently being provided at Bahrain International Airport by BAFCO. See "*—Subsidiaries, Associates and Joint Operations—Joint Operations—BJFCO—Refuelling Infrastructure Project*".

### ***Further investments for growth of the portfolio***

The Company aims to continue to invest in line with the general strategic approach of the Government, particularly Vision 2030. The Company therefore plans to continue to increase strategic investments, while retaining its domestic focus, in particular within the gas sector in order to meet energy demands for power intensive Bahraini businesses. The Group intends to pursue limited recourse financings through its subsidiaries, in addition to direct financing obtained by the Company, for the major capital projects that it is currently undertaking.

The Company continuously evaluates opportunities for partial or complete exits of direct investments within its portfolio when it makes commercial sense to do so, and exited from its 35 per cent. interest in Skaugen in 2017.

In certain strategic assets, the Company may continue to hold a majority interest for the foreseeable future. The Company may also increase its equity stake, when it considers it appropriate, as was the case with Tatweer in which the Company increased its equity stake from 51 per cent. to 100 per cent. in June 2016.

### ***Investment Process***

The Company adheres to investment policies which it believes are disciplined and prudent in order to develop its investment portfolio and enable the growth of other Bahraini industries and sectors. The principal components of the Company's investment policies are its strategy and its investment process. The investment process consists of the following phases:

- *Identification*: The Company identifies strategic objectives and targets that it believes will enhance the structure and value of its business operations and existing strategic investments. Such objectives and targets are focused on the pursuit of value-enhancing opportunities and the achievement of operational excellence. Key value drivers for potential investments include sales volume growth, contribution margins, operating expenses, strategic fit, investment for growth, investment to maintain existing assets, investment in working capital and the weighted average cost of capital.
- *Origination and Opportunity Sourcing*: Investment proposals considered by the Company may originate internally or be proposed to the Company by third parties, such as one of its portfolio companies, the Government, banks or potential investment partners. Investment proposals that originate internally may be sourced by the Company's senior management.
- *Screening and Preliminary Evaluation*: Each proposed investment is evaluated by the Company's board (or the board of the portfolio company in question) in light of the investment criteria and strategy described above to ensure that it is a strategic fit within the Group. The Company aspires to achieve a sustainable, above industry average, return on capital from its portfolio of investments, in order to ensure that its performance is in line with the expectation of the Government's national strategy. During this stage, the evaluators may discuss with the Company's (or portfolio companies') committees (including finance and audit-related committees) the capital structure for the proposed investment. Other considerations that are taken into account during initial evaluation include economies of scale, product differentiation, future capital requirements, cost advantage and the Company's competitive position.
- *Board Approval to Incur Expenses*: The proposed investment is further discussed by the Company's (or portfolio company's) board, who may approve the appointment of advisors to assist in the evaluation of the proposal. If the proposed investment is sufficiently large, a portfolio company board may consult the board of directors of the Company.
- *Due Diligence*: A technical, financial, commercial, employment, tax, environmental and/or legal study of the proposed investment is commissioned with the support of the Company's (or portfolio company's) advisers. This process includes a cash flow analysis conducted in accordance with the Company's capital investment manual as part of an economic viability evaluation. The findings of this due diligence exercise are reviewed by the board and senior management team who may prepare an investment memorandum containing an investment recommendation and setting forth any potential areas of concern in order to determine whether associated investment risk is acceptable. In the case of financial research into potential targets, certain viability criteria must be set. These viability criteria include various scenarios which, among other things, take into account whether investment will be equity and/or debt sourced.

At this stage, the board further considers optimal financing options and structuring, taxation, regulatory approvals and other aspects of the proposed investment. Following internal discussions, the board of the Company will review the developed proposal and decide on whether to proceed with the investment. This stage could include feasibility studies.

- *Negotiation with Target or Potential Project Partner (if necessary)*: If the board of directors supports the transaction, it may be necessary (in the case of joint ventures or partnerships), together with its advisers, to negotiate and agree the outstanding aspects of the transaction or project with any potential counterparty, including the detailed terms of the investment and the details of the financing for the transaction. This could result in the entry into preliminary agreements such as memoranda of understanding.

- *Availability of Funds and Leveraging:* For each potential investment, the availability and the cost of borrowing debt or issuing equity is evaluated against the possibility of investing cash.
- *Optimising financing structure for the Company:* Following the determination of the availability of financing, the structure of financing options is assessed by the Company (or portfolio company) with factors such as term, cost, associated restrictions and covenants forming the basis of such assessment.
- *Board of Directors' Final Approval:* The final stage in the strategic investment process is the formal approval by the board of directors of the final terms of the transaction and the documentation (for example, finance documentation or shareholders' agreements). The approval of the board of directors is obtained prior to signing and public announcement of the transaction. Implementation of the investment is normally led by the Company, unless the investment is being carried out by a portfolio company, in which case such entity will carry out the relevant investment implementation.

### ***Funding Principles***

The Company employs a flexible funding strategy that depends on a number of factors, including the characteristics of the investment being financed, the state of the financing markets and the timing of other transactions being undertaken by the Company. To date, the sources of financing available to the Company have been dividends and interest received from investments, external bank financing, debt capital markets instruments and equity contributions from the Government.

Individual portfolio companies also raise funds to finance their development and operations. The Group typically pursues limited recourse financings for its major capital projects through its subsidiaries, which can reduce the Company's risk and exposure in the relevant project's financing structure in comparison to traditional corporate financing that may be pursued by the Company for a particular project. While the Company provides guidance and direction to its portfolio companies on their capital structure and dividend policy, taking into account relevant market conditions, the Company gives its portfolio companies sufficient flexibility to determine and adopt the optimal funding strategy for their respective businesses, but closely monitors any proposed project financing strategy.

The Company will, where necessary, provide financial support to its subsidiaries. This takes the form of shareholder loans and completion guarantees for portfolio company external debt financing. For example, the Company has:

- provided a loan of U.S.\$76.5 million to Banagas to fund a portion of the Bahrain Gas Plant Project (of which U.S.\$30 million was repaid in December 2020, leaving an outstanding balance of U.S.\$46.5 million);
- provided a loan of U.S.\$9 million to Bahrain LNG for part payment of construction costs for the Bahrain LNG Import Terminal;
- provided a loan of U.S.\$15 million to BJFCO in order to meet the project costs associated with the construction of a new fuel tank farm and associated fuel hydrant distribution system at Bahrain International Airport;
- issued a deed of guarantee for U.S.\$86.7 million in favour of the Arab Petroleum Investments Corporation ("APICORP") in respect of an equity bridge facility agreement dated 15 November 2016 between Bahrain LNG as borrower and APICORP as lender, in connection with the Bahrain LNG Import Terminal;
- provided a comfort letter and completion and equity support commitments to Tawseah in respect of the financing obtained by Tawseah for the Bahrain Gas Plant Project; and
- provided an indemnity to Bapco in the context of the financing arrangements in relation to the Bapco Modernisation Programme.

The Group is committed to make prudent financial decisions by balancing deleveraging with carefully planned and executed capital expenditure programmes. The Group remains focused on leveraging synergies and reducing operating expenses. The Group is focused on maintaining strong cash and liquidity positions and aims to strengthen its credit metrics and gearing ratios over time.

## Strategic Investments

The Company oversees the activities of its various portfolio companies by liaising and consulting with the board of directors, chief executives and senior executive managements of such companies. It ensures that the necessary resources are in place to enable the Company to meet its strategic growth and investment objectives, monitors the performance of management and aims to ensure that the strategy, policies and procedures adopted are in line with the Company's mandate. The performance of the investments is carefully monitored by the senior management team who undertake quarterly performance meetings with the senior management of each portfolio company, in which key performance metrics are reviewed and benchmarked to their peers and targets (short- and long-term) are set up by the portfolio companies and agreed and measured by the Company. The performance monitoring programme is well established and the Company has engaged a reputable international firm that assists in measuring the performance of the portfolio company management.

The Company analyses all proposed investments by its portfolio companies, principally through its board meetings in which Company directors analyse the structure and financing (among other aspects) of each new project and any significant developments within the portfolio companies.

The Company also holds strategic growth and investment meetings chaired by its Chief Executive Officer on a regular basis, each of which includes a discussion of the performance of the Company's investments and projects and any issues relating to them. These meetings are attended by members of the executive management team. The Company also has a well-established risk management and business continuity management framework with which all portfolio companies are required to comply.

## SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS

The following table sets forth summary information regarding the Company's business operations and existing strategic investments as at and for the year ended 31 December 2020.

	Date of Initial Investment	Percentage Equity Ownership	Revenue for the year ended 31 December 2020	Assets as at 31 December 2020
(BD million)				
<b>Subsidiaries<sup>(1)</sup></b>				
Bapco.....	2007	100	1,631.7	2,328.5
Banagas.....	2007	75	21.3	56.2
Tawseah.....	2008	100	64.2	283
BAFCO <sup>(2)</sup> .....	2007	60	—	1.1
Tatweer <sup>(2)</sup> .....	2009	100	—	284.4
BGB.....	2016	85	111.3	19.0
SBPC.....	2017	100	16.2	117.2
Aromatics.....	2016	100	—	4.4
BRC.....	2019	100	30.0	10.1
<b>Associates<sup>(3)</sup></b>				
GPIC.....	2007	33	101.7	207.3
Bahrain LNG.....	2015	30	41.6	418.7
Asry.....	2019	37	48.4	90.5
Schmidt.....	2017	49	—	8.0
<b>Joint Operations<sup>(3)</sup></b>				
Bahrain Lube.....	2009	55	41.4	5.0
BJFCO.....	2016	50	0.7	29.6

### Notes:

- (1) Revenue and assets as at and for the year ended 31 December 2020 for subsidiaries are prior to eliminations made at the Group level.
- (2) Service companies that do not record profit and loss.
- (3) Revenue and assets as at and for the year ended 31 December 2020 for associates and joint operations reflect the full amount pertaining to the respective entities, and not the Company's share of the amount.

## SUBSIDIARIES

The Group currently comprises the following subsidiaries.

## **Bapco**

Bapco was originally established in 1929 by California's Standard Oil Company in order to undertake oil exploration activities in Bahrain and, since this date, has been heavily involved in the development of Bahrain's oil and gas industry, including the discovery of the Bahrain Field in 1932. The Government acquired 60 per cent. of Bapco's shares in 1975 and acquired the remaining shares of Bapco in 1997.

Bapco owns and operates the 267,000 bpd Sitra Refinery, as well as storage facilities with a capacity of over 14 million barrels, which comprise of around 170 storage tanks of varying capacities at the Sitra Refinery (the "**Refinery Tank Farm**"), 5 km north east of the Sitra Refinery on Sitra Island (the "**Sitra Tank Farm**") and the marketing terminal (the "**Marketing Terminal Storage**"). The Refinery Tank Farm contains 94 tanks with a capacity for 4.5 million barrels used to store crude oil and intermediate stocks. The Sitra Tank Farm contains a further 50 tanks with a total capacity of 8.5 million barrels which are used for refined product storage and export shipping. In addition, there are six pressurised LPG spheres located within the Sitra Refinery for LPG distribution to the local LPG bottling plants. The Marketing Terminal Storage is used to store supplies for the domestic market.

Bapco also owns a marine terminal for the export of its refined products, of which approximately 90 per cent. are exported via this terminal, comprising six berths for ocean-going vessels, one berth for smaller bunker vessels and two main wharves. Bapco receives a wharf usage fee from GPIC, Bahrain Lube, BGB and Banagas for the use of Bapco's wharf facilities to export their products. Bapco's marine terminal is almost fully manually operated, with 82 employees handling wharf operations and a high tank capacity in relation to production, including many small tanks. This allows Bapco to offer its customers flexibility, offering cargo sizes from as small as 1,000 metric tonnes up to 88,000 metric tonnes for naphtha, gasoline, kerosene, diesel and fuel oil; allowing combi-cargoes of up to five different products per vessel and providing flexibility to nominate loading dates.

Bapco markets crude oil produced by the Abu Saa'fa oilfield (which is lifted by customers directly from Ras Tanura Port in Saudi Arabia) on behalf of the Government, for which Bapco receives a marketing fee.

Bapco previously managed all oil and gas exploration activities in Bahrain, as well as Bahrain's gas distribution network, acting as the local gas distribution agent of the Government and supplying gas from the Bahrain Field to independent power producers and other industrial users including Alba and GPIC. However, in order to streamline the upstream operations of Bapco, the operation of the gas distribution network and responsibility for oil and gas exploration was transferred to Tatweer as of 1 July 2017.

Bapco also owns and operates the Awali Hospital, a private hospital providing services to Bapco staff and the general public.

### ***Sitra Refinery***

The Sitra Refinery is a 267,000 bpd refinery located on the island of Sitra, to the Southeast of Bahrain's capital city, Manama. The refinery was established in 1936 as the first refinery in the gulf region with a capacity of 10,000 bpd. Continuous investments and improvements to the facility, as well as to systems and operations have been made in order to maintain the highest industry safety and environmental standards, meet market demands and achieve high reliability, cost efficiencies and workforce productivity. The Sitra Refinery comprises various operational units, including atmospheric crude distillation units, vacuum distillation units, low sulphur fuel oil complex, fluid catalytic cracking unit complex, low sulphur diesel production complex, hydrocracker unit and a post-Bapco Modernisation Programme residual hydrocracker unit using LC Fining Technology.

Bapco completed the Strategic Investment Programme in 2014, where several new units were added to the Sitra Refinery to ensure continued profitability, including the construction of a 60,000 bpd HVGO hydrocracker and a revamp of a mild hydrocracker to a low sulphur diesel hydrotreater, in order to upgrade low value fuel oil to more valuable low sulphur Euro-V (10 ppm sulphur) diesel and the construction of a refinery gas desulphurisation plant. In addition to these new processing facilities, environmental projects were also executed as part of this Strategic Investment Programme, including improvements to the wastewater treatment at the Sitra Refinery. In addition, through the current Bapco Modernisation Programme, the Company plans to add new core process units, such as a new integrated crude and vacuum unit, a new ebullated-bed residue hydrocracker, a second HVGO hydrocracker, a second ultra-low sulphur diesel hydrotreater and several other process units and associated utilities. In addition, several old and inefficient process units will be mothballed and decommissioned, with a view to achieving a more energy efficient and environmentally compliant facility, as well as improving the product slate at the Sitra Refinery by upgrading the refinery residue, improving gross margins and thereby remaining competitive under a wider range of feedstock and product prices and market conditions.



The Sitra Refinery utilises both Bahrain crude oil and Saudi Arabian crude oil as feedstock. The table below shows the crude oil processed by the Sitra Refinery in the years ended 31 December 2016, 2017, 2018, 2019 and 2020. There were slight fluctuations in crude oil from Saudi Arabia between 2019 and 2020 due to the broader impact on the market of the COVID-19 pandemic during 2020.

	2016	2017	2018 (bpd)	2019	2020
Crude oil from Bahrain Field processed .....	48,529	44,234	42,027	42,300	43,229
Crude oil from Saudi Arabia processed .....	209,018	217,348	217,810	221,949	175,394
<b>Total crude oil processed .....</b>	<b>257,547</b>	<b>261,582</b>	<b>259,837</b>	<b>264,249</b>	<b>218,623</b>

Source: Bapco

The Sitra Refinery is supplied with Bahrain crude oil from the Bahrain Field. Since 2018, the Government has been providing Bapco with a minimum of 38,700 barrels per day of Bahrain crude oil at a subsidised price of U.S.\$1 per barrel pursuant to the 2018 COSA, although since 10 November 2009, Bapco has also been paying production costs in respect of this subsidised Bahrain crude oil, pursuant to the COSPA. Following discussions between the Company, Bapco and the Government, on 19 September 2017, the High Committee for Natural Resources and Economic Security, which is appointed by the Cabinet and whose members include the Minister of Oil and the Minister of Finance, approved the amendment and extension of the 2005 COSA, for an additional term of 25 years. The terms of the 2018 COSA to reflect this extension contains substantially the same terms as the original 2005 COSA, save that the 2018 COSA requires the Company to assume Bapco's obligations as buyer therein upon completion of certain requirements (which include, among other things, completion of the Bapco Modernisation Programme), following which Bapco will cease to be a party to the 2018 COSA. Upon Bapco ceasing to be a party to the 2018 COSA, the benefit of the subsidised oil supplied pursuant to the 2018 COSA will be directly received by the Company as buyer. See "*Risk Factors—Risks relating to Bapco—The Company's profitability has been significantly supported by the supply of subsidised crude oil to Bapco*".

The Arabian Light crude oil is supplied to the Sitra Refinery through the New AB4 Pipeline pursuant to the Saudi Aramco COSA, under which Saudi Aramco has agreed to make available 350,000 bpd of Arabian crude oil, plus or minus 10 per cent., which provides Bapco with a significant amount of flexibility in order to increase or decrease volumes to suit its operational requirements. The Arabian crude oil is supplied by Saudi Aramco at market prices. Saudi Aramco has provided an uninterrupted supply of Arabian crude oil to Bapco for over 71 years. The terms of the Saudi Aramco COSA provide that Saudi Aramco will continue in force with automatic extension unless terminated at the option of either party with written notice.

The Sitra Refinery, in its current form, comprises five crude oil distillation units with a combined nameplate capacity of 267,000 bpd, three vacuum distillation units with a combined capacity of 208,000 bpd, a diesel hydro desulphuriser with a capacity of 70,000 bpd, a platforming unit with a capacity of 15,000 bpd, a HVGO hydrocracker with a capacity of 60,000 bpd (50,000 bpd when used for the production of lube base oils), and a fluid catalytic cracking unit with a capacity of 32,000 bpd (although usual operations are at 13-15,000 bpd), a visbreaker unit with a capacity of 24,000 bpd. The lube base oil plant owned by Bahrain Lube, but operated by Bapco, is highly integrated with the operations at the Sitra Refinery and has a production capacity of 400,000 tonnes per year of Very High Viscosity Index Group III lubricant base oils.

Bapco currently generates power at the Sitra Refinery for its own requirements and also to supply the Sitra Tank Farm and Sitra Wharf. The Sitra Refinery has a total of 68 MW of generating capacity, with some units in the Sitra Refinery being supplied via the Electricity and Water Authority's (the "EWA") electricity grid.

The Sitra Refinery produces a full range of products, with the most valuable being middle distillates (kerosene and diesel) which constitute about 58.1 per cent. of the refinery production. In addition, the Sitra Refinery is currently producing ultra-low sulphur diesel (Euro V), naphtha, gasoline, kerosene, heavy lube distillate, aviation turbine fuel, fuel oil, gasoline, liquefied petroleum gas, asphalt, sulphur and Group III lubricant base oils.

The table below shows production volumes for the Sitra Refinery for the years ended 31 December 2018, 2019 and 2020.

	Production Volume in the year ended 31 December		
	2018	2019	2020
		<b>BBLs</b>	
LPG.....	852,986	853,216	815,426
Propane.....	443,631	298,810	251,184
Butane.....	641,431	431,804	376,183
Naphtha.....	14,466,543	14,908,624	13,648,768
Gasoline <sup>(1)</sup> .....	6,295,736	6,415,718	4,560,931
Kerosene.....	2,408,733	24,065,051	18,073,290
Diesel.....	29,517,249	30,438,208	28,534,441
Fuel Oil.....	17,205,430	17,620,061	12,893,168
Lube Base Oil <sup>(2)</sup> .....	2,849,634	2,469,641	2,402,530
Asphalt.....	1,911,180	2,003,025	2,088,499
Sulphur.....	486,706	487,759	437,566
<b>Total.....</b>	<b>98,879,259</b>	<b>99,991,917</b>	<b>84,081,986</b>

**Note:**

(1) Consists of gasoline components sold to BGB.

(2) Consist of feedstock produced and sold to Bahrain Lube.

Bapco undertakes regular maintenance on the Sitra Refinery (planned and unplanned). During such periods (maintenance and shutdowns), Sitra Refinery production may fluctuate depending on the refinery component being maintained and/or shutdown. Bapco generally undertakes major maintenance on a six-year maintenance cycle. In order to avoid disruption during such maintenance, the operating units at the Sitra Refinery are divided into three separate hubs, on the basis of interrelated feedstock and products. Hub 1, which includes the HVGO hydrocracker, the lube base oil plant, a sulphur recovery unit, a hydrogen plant, a vacuum distillation unit and a crude oil distillation unit, was shut down for T&I in 2016, while Hub 2, which includes a hydrotreater diesel unit, a hydrogen plant, a sulphur recovery unit, a vacuum distillation unit and a crude oil distillation unit, was shut-down for T&I in 2020. The FCCU Complex, which includes the fluid catalytic cracking unit, gas concentration unit, poly plant, LPG and a crude oil distillation unit, was shut down for T&I in 2017. The next scheduled T&I of Hub 1 and Hub 2 is in 2022 and 2026, respectively, while the next T&I of the FCCU Complex is currently scheduled to take place in May 2021. The FCCU Complex will be decommissioned following the commissioning of the units under the Bapco Modernisation Programme. In addition to the foregoing, Bapco periodically undertakes T&I on individual operating units. For instance, in 2021, Bapco plans to perform scheduled T&I on a crude oil distillation unit, certain sour water strippers, the Khuff gas sweetening plant and a desalinisation plant.

One of the Sitra Refinery's principal competitive refinery advantages is its geographical location within the Arabian Gulf and its proximity to significant international trade routes. In the year ended 31 December 2020, Bapco sold approximately 91 per cent. of its Sitra Refinery production (by volume) internationally, with the remainder being sold domestically. Bapco's principal customers for refined products are based in the Middle East, the Far East, Europe, Africa, South East Asia and India with these customers accounting for 23 per cent., 41 per cent., 4 per cent., 6 per cent., 20 per cent., and 2 per cent. of international sales in the year ended 31 December 2020.

Bapco exports its refined products internationally via ship from the Sitra Port on a "free on board" ("FOB") basis, with the exception of sulphur, which is sold on an ex-works basis. Bapco typically enters into international sales agreement on its standard terms on a mid-term contract and spot basis, with customers including National Oil Companies ("NOCs") which have purchased approximately 9 per cent. of refined products over the past 10 years, International Oil Companies ("IOCs") which have purchased approximately 20 per cent. of refined products over the past 10 years, major global traders which have purchased approximately 23 per cent. of refined products over the past 10 years, smaller regional traders which have purchased approximately 34 per cent. of refined products over the past 10 years and end users and smaller traders which have purchased approximately 15 per cent. of refined products over the past 10 years. Credit facilities are extended to NOCs and large IOCs, however, the majority of the customers purchase with confirmed letters of credit through large financial institutions.

Bapco has its own marketing department. Bapco's petroleum marketing unit was originally established in 1980 under Bahrain's Ministry of Development and Industry in order to market the Government's share of products from the refinery at that time and the marketing unit was integrated into Bapco in 1983. It currently has more than 222 employees. Bapco marketing strategy remains focused on offering a high level of customer service, together with flexibility as to the timing of cargo lifting, cargo size and product quality. In addition, Bapco's marketing strategy involves actively monitoring the oil market in order to optimise the quality and quantity of product sales revenues and exploit opportunities in new markets wherever possible. Bapco has also recently launched a strategic marketing programme focused on enhancing the company's practices, systems and processes.

Bapco also sells diesel, kerosene, gasoline, LPG and asphalt domestically and has a network of 19 service stations, some of which it owns and operates, others of which are owned by third parties and operated by Bapco. The price in respect of gasoline sold domestically is determined by the Gasoline Price Review Committee, while the price in respect of diesel and kerosene sold domestically is determined by the Petroleum Price Review Committee. Each of the Gasoline Price Review Committee and Petroleum Price Review Committee is composed of representatives from NOGA and Bapco and such prices are reflective of Government policy. Asphalt is sold domestically at market prices, while LPG is sold domestically at a subsidised price.

In 2018, Bapco completed the construction of the New AB4 Pipeline in order to increase the feedstock available to the expanded Sitra Refinery. See “—Saudi Bahrain Pipeline Company—New AB4 Pipeline”

### ***Bapco Modernisation Programme***

#### *Project Description*

The Bapco Modernisation Programme is a major refining and development project, which will be the Company’s single largest investment in its long history, and consists of a group of related projects that are expected to be managed in a co-ordinated way to maximise benefits.

The Bapco Modernisation Programme will involve the installation of new process core units, such as an integrated crude and vacuum unit, a new ebullated-bed residue hydrocracker, a second HVGO hydrocracker, a second ultra-low sulphur diesel hydrotreater and several other process units with associated utilities. One of the key objectives of the Bapco Modernisation Programme is to improve the product slate at the Sitra Refinery by upgrading the refinery residue, thereby improving gross margins and remaining competitive under a wider range of feedstock and product prices, and market conditions. In addition, old and less efficient process units will be mothballed and decommissioned, with a view to ensuring that the new facility will be more energy efficient and with a lower environmental impact. The larger and more complex refinery will allow increased exports of higher value products, such as diesel, aviation turbine fuel and naphtha, at the expense of residue product. According to Nexant, the Nelson Complexity Index (“**NCI**”) of the Sitra Refinery is expected to increase from 6.3 to 7.1 following completion of the Bapco Modernisation Programme. Refineries with higher NCIs are generally more technically advanced, have greater flexibility and are able to extract higher value from the crude oil they process by producing greater yields of high-margin products.

Bapco will also benefit from a more energy efficient facility, better equipped to meet more stringent environmental compliance regulatory standards and goals. The capacity of the Sitra Refinery is expected to be increased by 42 per cent., from 267,000 bpd to 380,000 bpd after the expected completion of the Bapco Modernisation Programme in 2023.

In order to provide additional feedstock to the Sitra Refinery, a new 118 km long 30-inch pipeline, with a maximum nameplate capacity of 400,000 bpd, was commissioned in October 2018 (see “—Saudi Bahrain Pipeline Company—New AB4 Pipeline”) and a new crude oil supply agreement was entered into in February 2019 with Saudi Aramco, for the supply of 350,000 bpd of Arabian crude oil, Bapco’s incremental power requirements post completion of the Bapco Modernisation Programme will be sourced from the Bahrain electricity grid pursuant to a long term power supply agreement with EWA.

The Bapco Modernisation Programme is being undertaken pursuant to a single lump sum turnkey EPC contract, with a contract value of U.S.\$4.1 billion, which was awarded to a consortium comprising Technip USA, Technip Italy, Tecnicas Reunidas of Spain and Samsung Engineering of Korea on 2 February 2018. Front-End Engineering Design for the Bapco Modernisation Programme was completed in May 2016 by Technip Italy S.P.A and Worley Parsons Europe Limited (“**Worley**”) was appointed as the Project Management Consultant in December 2015. Bapco has also completed the Environmental and Social Impact Assessment, while arrangements have been made for the management of the workforce engaged for the purpose of the project, with full-time resources in place to ensure effective implementation of workers welfare standards across the Bapco Modernisation Programme, including the maintenance of a Worker Welfare Officer and a Worker Welfare Specialist.

As of December 2020, the engineering, procurement and construction elements of the project were approximately 61 per cent. complete, which represents a delay as against the originally scheduled progress of the project. While detailed engineering and manufacturing work is at an advanced stage (including the delivery of superheavy and oversized equipment), certain construction, pre-commissioning and commissioning work is still to be completed. The primary cause of the delay to the project has been the impact of COVID-19, which has limited the availability of workforce resource to subcontractors. As at the date of this Base Prospectus, it is expected that the delay will

be for a period of at least 12 months; however, the Company does not currently anticipate this having a material impact on the overall cost of the project.

### *Estimated Project Cost and Funding*

The total project cost of the Bapco Modernisation Programme is currently estimated to be approximately U.S.\$6.9 billion, consisting of development costs, capex contingencies, senior debt interest, fees during construction, and required liquidity reserves. The project cost has been fully funded through a mixture of senior long-term secured debt and equity, including an initial equity contribution from the Company of U.S.\$1.15 billion. The equity contribution from Bapco will be financed primarily through cash generated through Bapco's operations during the construction phase, in the expectation that Bapco continues to benefit from significant Government support in the form of subsidised Bahrain crude oil from the Bahrain Field. The Bapco Modernisation Programme is also financed through the BMP Project Financing, which was entered into on 9 May 2019. The BMP Project Financing comprises covered export credit facilities, uncovered commercial and Islamic financing facilities with a consortium of banks, in an aggregate amount of U.S.\$4.1 billion (of which approximately U.S.\$2 billion had been utilised as at 31 December 2020). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness—BMP Project Financing*" for a description of the BMP Project Financing.

### **Tatweer**

Tatweer is a limited liability company which was formed in November 2009 as a joint venture pursuant to a development and production sharing agreement dated 26 April 2009 and entered into between the Company (51 per cent.), Occidental (29 per cent.) and MDC (20 per cent.). Tatweer is responsible for the exploration and development of the Bahrain Field, including the prospecting for exploration, appraisal, development, production, collection, storage, treatment, processing and transportation of petroleum to specified delivery points. Tatweer generates revenue through the receipt of service charges based on oil and gas production costs from the Company through the cash call mechanism with the Company.

The Company acquired a 100 per cent. interest in Tatweer effective from 1 July 2016, making a payment of BD58 million (U.S.\$154.3 million) to Occidental and MDC. The DPSA provided that, following the withdrawal of Occidental and MDC from the DPSA, NOGA was entitled to receive the assets of Occidental and MDC that had been utilised for the purposes of the petroleum operations conducted under the DPSA. NOGA subsequently transferred its 80 per cent. interest in the assets acquired following the withdrawal of Occidental and MDC (such interests having been previously held 48 per cent. by Occidental and 32 per cent. by MDC) to the Company.

Bapco previously managed all oil and gas exploration activities in Bahrain, as well as Bahrain's gas distribution network, acting as the local gas distribution agent of the Government and supplying gas from the Bahrain Field to independent power producers and other industrial users including Alba and GPIC. However, in order to streamline all upstream operations, the responsibility for oil and gas exploration was transferred to Tatweer as of 1 July 2017 and the operation of the gas distribution network was transferred to Tatweer as of 31 March 2018.

On 21 February 2019, the DPSA was terminated (with effect from 1 January 2018) and replaced by a services contract agreement between NOGA and the Company, a services subcontract agreement between the Company and Tatweer and other ancillary agreements, pursuant to which Tatweer continues to conduct day-to-day petroleum operations and has responsibility for oil and gas exploration and the operation of the gas distribution network. Pursuant to these arrangements, Tatweer is entitled to be reimbursed by the Company through its cash call mechanism for all costs of the project and the Company is entitled to a management fee in an amount equal to 10 per cent. of Tatweer's capital and operating expenditure costs.

Tatweer's primary objectives are to increase oil and gas production in Bahrain to meet demand and generate additional oil and gas reserves, on behalf of the Government as owner of the reserves, in order to increase returns for the Government. Previously, drilling was predominantly carried out on the Ahmedi reservoir in the crest area of the field, which had not previously been developed due to gas handling limitations. Tatweer has also focused on other reservoirs, such as Mauddud and Kharaiib in order to sustain production levels. The Mauddud tight spacing project commenced in 2019 and is expected to increase Bahrain Field production. Tatweer's infill drilling strategy envisages the drilling of 400 wells, with 69 wells drilled in 2019, 102 wells drilled in 2020, 78 wells expected to be drilled in 2021 and 151 wells expected to be drilled between 2022 and 2024. In addition, Tatweer has also installed two new compression stations which are expected to increase gas injection by 105 mmscfd by January 2021, and an additional 140 mmscfd by 2022 through voidage management, improved gravity drainage and an additional 300 mmscfd by 2030 through voidage management and improved gravity drainage.

In order to meet its objectives, Tatweer has continued to focus on developing its production capabilities at the Awali oilfield and improving production efficiency through new facilities and automated systems, with improvements such as: (i) the installation of a centralised gas dehydration facility capable of processing 500 mcf per day of non-associated gas; (ii) the installation of incremental associated gas rental compression units; (iii) the automation of gas lift well chokes; (iv) the installation of low pressure modularised gas compression and liquid handling systems; (v) upgrades to the fibre optic network infrastructure; (vi) continuing the enhanced oil recovery programme, with new technologies being introduced at the Awali oilfield such as water flooding and steam injection; (vii) the execution of multiple additional cost and energy saving projects; (viii) the expansion of gas injection in multiple reservoirs; and (ix) hydraulic and proppant fracturing.

The estimated cost of the Bahrain Field Oil and Gas Development and Expansion Programme is U.S.\$2.9 billion, which is yet to be funded (comprising U.S.\$1.5 billion allocated to the gas development component and U.S.\$1.4 billion allocated to the oil development component). The Group currently expects to seek external financing to fund the costs of the project. The Group expects to recover the costs of the project from MOFNE pursuant to the terms of the services arrangements described above.

### ***Bahrain Field***

Tatweer's operations are focused on the exploration and development of the onshore Bahrain Field, which was discovered in 1932. The main development area of the Bahrain Field (sometimes referred to as the Awali Field), measures approximately 15 km long and 5 km wide. It is a geologically complex field and consists of 16 oil reservoirs and four gas reservoirs in addition to the recently discovered Jubah and Jauf deep pre-Khuff reservoirs located within more than 6,000 metres of stratigraphic column. The reservoirs are mainly carbonates with fluids varying from shallow tarry oil in the Aruma reservoir at 1,000 feet to deep non-associated dry gas in the Khuff and pre-Khuff formations at depths of 9,000 feet and deeper. Bahrain Field oil and gas reservoirs include rubble heavy oil, Mauddud medium oil, Arab light oil and Khuff gas.

### ***Crude Oil***

The annual production of crude oil from the Bahrain Field for the years ended 31 December 2016, 2017, 2018, 2019 and 2020 is set out below:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
			<b>(bpd)</b>		
Crude oil from Bahrain Field .....	48,656	44,234	42,122	42,378	43,279

Source: Tatweer

The crude oil from the Bahrain Field is transported to the Sitra Refinery by pipeline. Since Tatweer took over operation of the Bahrain Field in 2009, it has increased oil production by drilling new wells, debottlenecking facilities, implementing new technologies (such as water flooding and steam injection) and testing advanced oil recovery methods. Tatweer has also made a number of improvements to production operations at the Bahrain Field, constructing new oil handling facilities, water treatment plants, a 220 kV power substation, as well as a 1 MW solar power plant, tripling current solar power supply. Tatweer has also undertaken field development improvements, upgrading the control systems at remote oil well manifolds in order to achieve better surveillance and control from the central control facility through fibre optic connectivity, thereby bringing the entire oil, water, and steam production into the high speed fibre optic network.

Tatweer has more than doubled the number of oil wells since taking over operational control of the Bahrain Field, with 1,288 new oil wells having been drilled since the commencement of operations of Tatweer through to 31 December 2020, increasing the overall active well count to 1,248 as at 31 December 2020. In addition, 15 new well manifolds, two new tank batteries and eight new water treatment plants have been constructed by Tatweer, taking the total number of well manifolds, tank batteries and water treatment plants to 31, eight and eight respectively as at 31 December 2020. Tatweer has also constructed a waste management sump facility, which is used to dispose of liquid waste streams from the Bahrain Field to deep disposal zones in the reservoir.

Tatweer has increased annual crude oil and condensate production from the Bahrain Field from 11.7 million barrels in the year ended 31 December 2009 to 15.8 million barrels in the year ended 31 December 2020 and increased associated gas supply from 285 mmscfd to 650 mmscfd in the same period. In 2020, 168 new wells were drilled, and 682 workovers and 565 stimulation jobs were carried out to increase crude oil production. In addition, Tatweer has recently completed the Ostracod Magwa Fracking Pilot, with 35 new pilot wells completed ahead of

commencement of full field development, and five new Khuff wells drilled as part of Tatweer's long term gas development programme.

Tatweer continues to undertake significant drilling and maintenance work, commissioning 164 wells in 2020. These new wells targeted Mauddud, Ahmadi, Kharaib and Ostratod Magwa reservoirs. Tatweer is currently expected to drill 143 additional new oil wells in 2021. As at 31 December 2020, Tatweer had 706 active beam pumps and had completed 723,596 maintenance man-hours.

### Khuff Gas

The table below provides details of Bahrain's gas production for the periods indicated:

	2016	2017	2018	2019	2020
	(billion cubic feet)				
Khuff gas production.....	499.9	514.4	522.6	612.2	609.4
Associated gas production.....	243.9	243.6	250.0	266.6	262.7
<b>Total gas production</b> .....	<b>743.8</b>	<b>758.0</b>	<b>772.6</b>	<b>878.9</b>	<b>872.1</b>

Source: Tatweer

Khuff gas from the Bahrain Field is transported via transmission lines to the three main distribution points, namely Alba distribution point, Riffa distribution point and Dur distribution point. From these distribution points the gas is supplied through a network of pipelines, local distribution points and metering stations, which comprise the gas distribution network, to various customers across Bahrain. Some of the Khuff gas is re-injected into the oil reservoirs to maintain reservoir pressure and stimulate production whereas some is used to artificially lift oil from wells. Associated gas from the Bahrain Field, a by-product of the oil production process, is supplied as feedstock to Banagas and Tawseah. Tatweer is responsible for the operation and maintenance of the gas distribution network, which supplies about 1,274 mmscf of gas from the Bahrain Field to various customers across Bahrain as both fuel and feedstock for power and industry such as electricity generation, aluminium smelting, petrochemicals, water desalination, refining and others.

Tatweer has focused on maintaining Khuff gas production from the Khuff gas reservoir in order to meet Bahrain's demand for gas for power generation and local industries. Although Bahrain's gas reserves are relatively small, total gas production (i.e., natural gas from the Khuff reservoir and the associated gas production) has gradually increased over the years, from 393.0 billion cubic feet in 1998 to 872.1 billion cubic feet in 2020. Natural gas production from the Bahrain Field continues to increase, reaching 609.4 billion cubic feet in 2020.

Gas is sold directly to the following principal domestic consumers: Bahrain's power stations (which accounted for 44 per cent., 45 per cent., 43 per cent., 40 per cent. and 41 per cent. of total gas utilisation in 2016, 2017, 2018, 2019 and 2020, respectively) followed by Alba (which accounted for 26 per cent., 27 per cent., 27 per cent., 32 per cent., and 33 per cent. of total gas utilisation in 2016, 2017, 2018, 2019 and 2020, respectively), Bapco (which accounted for 11 per cent., 10 per cent., 10 per cent., 9 per cent. and 9 per cent. of total gas utilisation in 2016, 2017, 2018, 2019 and 2020, respectively) and GPIC (which accounted for 9 per cent., 9 per cent., 8 per cent., 8 per cent. and 8 per cent. of total gas utilisation in 2016, 2017, 2018, 2019 and 2020, respectively).

The table below provides details of the percentage of Bahrain's Khuff gas sold directly to each principal domestic consumer for the periods indicated. The table below does not account for re-injected gas:

	2016	2017	2018	2019	2020
	(Percentage of total quantity sold)				
Electricity Directorate .....	44	45	43	40	41
Alba .....	26	27	37	32	33
Bapco .....	11	10	10	9	9
GPIC .....	9	9	8	8	8
Others .....	9	9	12	11	9

The other principal use of the gas produced from the Khuff reservoir is for oil field injection, which accounted for 26 per cent., 31 per cent., 29 per cent., 39 per cent. and 36 per cent. of total gas injection (Khuff gas and associated gas) in 2016, 2017, 2018, 2019 and 2020, respectively.

Alba entered into an agreement with Bapco, on behalf of NOGA, to set the price of gas for the period 2015-2021. This agreement was reached to help curb rising heating costs incurred in the aluminium manufacturing process. Effective 1 April 2015, gas prices increased from U.S.\$2.25 per mmbtu (gross heating value) to U.S.\$2.50 per

mmbtu and will thereafter increase at a rate of U.S.\$0.25 per mmbtu (gross heating value) per annum until the price reaches U.S.\$4.00 per mmbtu on 1 April 2021. The table below outlines gas prices per year based on the above agreement:

Price (in U.S.\$).....	As of 1 April						
	2015	2016	2017	2018	2019	2020	2021
	2.50	2.75	3.00	3.25	3.50	3.75	4.00

Tatweer has recently completed a programme to maintain Khuff gas production and expand the production facilities at the Bahrain Field, with the drilling of five new Khuff gas wells and 164 new oil wells in 2020, targeting the Rubble, Ostracod, Magwa, Ahmadi, Mauddud, and Kharaiab reservoirs, bringing the total number of new wells drilled since Tatweer’s inception in 2010 to 1,288, including 15 Khuff gas wells. The new wells drilled in 2020 were all primary wells, which resulted in the production of an additional full year average of 4,500 bpd. In addition, Tatweer has also completed extensive fiber network infrastructure upgrades throughout the Bahrain Field in 2019.

#### *Oil and gas discovery*

On 4 April 2018, NOGA announced the largest ever discovery of oil and gas reserves in Bahrain. The discovery comprises: (a) unconventional oil resources of at least 80 billion barrels (based on a P50 estimate that provides a 50 per cent. range of confidence that such estimate is above or below in-place resources), within the Khalij Al-Bahrain Basin, encompassing areas of both offshore and onshore Bahrain, close to a fully-operational oil field and potential for substantial cost optimisation; and (b) significant gas reserves in two accumulations below Bahrain’s main gas reservoir.

Extensive work has already been carried out to evaluate in-place volumes. Tatweer is currently involved in the process of drilling a number of appraisal wells to help delineate the asset and collect important production information of the unconventional oil in Khalij Al Bahrain Basin and deep gas resources located onshore in Bahrain. This function was, prior to the transfer of responsibility for the Group’s gas distribution network and the oil and gas exploration activities to Tatweer, being carried out by Bapco. One well was completed and tested in 2020 and the results are currently being evaluated. Due to the risks and limitations of operating in the COVID-19 pandemic environment, plans for drilling and testing a number of key appraisal wells offshore were delayed until 2021, subject to improvement of the pandemic and global oil price conditions. The technical and commercial feasibility, timing, cost and financing of any potential exploitation of the Khalij Al-Bahrain Basin is in the process of being determined and production is expected to begin in 2024.

### ***Bahrain Field Oil and Gas Development and Expansion Programme***

#### *Project Description*

The Bahrain Field Oil and Gas Development and Expansion Programme is a major development project which is expected to be one of the Group’s largest projects in the medium-term, and consists of a number of related oil and gas development projects which are expected to be managed in a coordinated manner with a view to maximising onshore oil and gas production and recovery.

The gas development component of the Bahrain Field Oil and Gas Development and Expansion Programme will involve the drilling and commissioning of over 25 new gas wells, as well as the development of additional gas resources from the Jauf, Jubah, Unayzah and Tawil formations. In addition, the project is also expected to involve technical studies and analysis, as well as the parallel development of additional facilities (including low pressure gas dehydration units and non-associated gas compression facilities), debottlenecking projects and improvements to gas transmission and distribution networks. The gas development component of the project is expected to increase gas reserves capacity by approximately 4.5 tcf following its completion.

The oil development component of the Bahrain Field Oil and Gas Development and Expansion Programme will involve the drilling and commissioning of over 400 new oil wells, as well as the development of additional oil production facility enhancements, including new manifold wells, associated gas compression units and flow line upgrades. In addition, the project is also expected to involve the undertaking of an enhanced oil recovery programme in partnership with prominent third-party service companies based on a risk-reward business model. Oil recovery enhancement initiatives currently being considered include hydraulic fracturing, cyclic steam stimulation, cyclic gas stimulation, water injection pressure maintenance and radial drilling. The oil development

component of the project is expected to increase oil production capacity to approximately 45.8 thousand barrels of oil per day on average following its completion.

#### *Estimated Project Cost and Funding*

The total cost for this project is expected to be U.S.\$2.9 billion (comprising U.S.\$1.5 billion allocated to the gas development component and U.S.\$1.4 billion allocated to the oil development component). To date, costs in relation to the project have been financed by the Company through existing internal funds, with the potential for other sources of finance to be considered. See “*Risk Factors—Risks relating to the strategy of the Group—The Group may experience difficulties in funding its significant planned capital expenditure programme*”.

#### **Banagas and Tawseh**

Banagas is a joint venture in which the Company holds a 75 per cent. stake and each of Chevron Bahrain and Boubyan Petrochemicals hold a 12.5 per cent. stake. Tawseh is a wholly-owned subsidiary of the Company.

Banagas was formed on 17 December 1979 in order to construct, own and operate four gas compressor stations, a processing plant to recover propane, butane and naphtha, and a storage area, with the primary objective of processing associated gas extracted from the Bahrain Field into high-value marketable products. The first shipment of 5,000 metric tonnes of butane was made in March 1980. Since then, Banagas has continued to produce products that are exported worldwide.

Due to a substantial increase in the quantity of associated gas extracted from the Bahrain Field as a result of continuing development of the Bahrain Field, an expansion project was launched in 1988 to upgrade plant processing capacity from 170 mmscfd to 280 mmscfd (the “**LPG Facilities Expansion Project**”). The LPG Facilities Expansion Project, which was implemented by the Government as a sole venture, involved construction of two additional compressor stations and a new processing train adjacent to the Banagas production facilities. The compressor stations and processing train were commissioned in October 1990. Further compressor stations were constructed in 2003 and 2013 to process additional quantities of associated gas and refinery off-gas produced by Bapco and Tatweer, which increased the total nominal processing capacity of the facilities from 280 mmscfd to its current capacity of 303 mmscfd, comprised of 285 mmscfd associated gas from Tatweer and 18 mmscfd of refinery off-gas from Bapco.

In 2008, the LPG Facilities Expansion Project was converted into an independent company, Tawseh, solely owned by the Company. The assets of Tawseh are operated and managed by Banagas under a management and operating agreement. For providing such services, Banagas receives an annual fee from Tawseh equivalent to 3 per cent. of Tawseh’s net profit for the year, subject to a maximum annual fee of U.S.\$450,000. Under the management and operating agreement, Banagas carries out, among other things, product marketing for Tawseh.

Additionally, low pressure non-dehydrated refinery off-gas is supplied from Sitra Refinery by Bapco to Banagas and Tawseh, where it is compressed along with the associated gas provided by Tatweer and delivered to the central gas plants for recovery. The central gas plants are able to recover propane, butane and naphtha from associated gas and refinery off-gas. The liquefied propane and butane are transferred to refrigerated storage tanks located at the Sitra port for loading onto ships, while the naphtha is sent to Bapco for storage and subsequent export. Residue gas resulting from the extraction process is used as fuel for Banagas and Tawseh furnaces and gas turbines, while the rest is supplied to Alba, the EWA Riffa power station and distributed to Bapco for use in the Sitra Refinery.

Banagas and Tawseh currently own and operate five tanks with a total storage capacity of 800,000 barrels at the Sitra storage area, which are dedicated to propane and butane. Bapco currently handles and stores naphtha on behalf of Banagas and Tawseh, while the marketing of naphtha is performed by Banagas, with a formal naphtha service agreement expected to be entered into between Bapco and Banagas in the near-term.

Banagas sells its products and those of Tawseh, as well as recovered LPG from refinery off-gas on behalf of Bapco, to offtakers using fixed-term marketing contracts. Pre-qualified offtakers are invited to participate in a sealed tender process for a one-year term contract, with production for LPG and naphtha each sold as a single tender. The successful bidder for LPG agrees to purchase all quantities of LPG produced, while the successful bidder for naphtha agrees to purchase 330,000 Mts of naphtha in seven shipments of 25,000 Mts or 50,000 MTs +/- 5 per cent. each. Banagas then enters into spot supply contracts for any excess quantities of naphtha produced during the year above 180,000 Mts. Pursuant to a Sitra Wharf operating agreement entered into in June 2012, operating fees are reviewed annually and adjusted based on changes to the Government consumer price index. In



each of the years ended 31 December 2019 and 2020, ITOCHU Corporation was awarded the fixed-term contract for the supply of LPG and Marubeni Petroleum Co. Ltd. was awarded the fixed-term contract for the supply of naphtha.

Bapco operates all of Banagas' export activities at the Sitra Wharf (including loading of vessels), which are managed by a separate Sitra Wharf agreement between Banagas and Bapco, with Banagas being responsible for all calling vessels and loading operations.

In the year ended 31 December 2020, 148,579 metric tonnes of propane, 151,309 metric tonnes of butane and 333,976 metric tonnes of naphtha were produced by Banagas and Tawseh. In addition, 55,301 metric tonnes of product was recovered from refinery off-gas on behalf of Bapco.

In the year ended 31 December 2019, 162,748 metric tonnes of propane, 152,476 metric tonnes of butane and 330,330 metric tonnes of naphtha were produced by Banagas and Tawseh. In addition, 64,899 metric tonnes of product was recovered from refinery off-gas on behalf of Bapco. In the year ended 31 December 2018, 95,699 metric tonnes of propane, 89,653 metric tonnes of butane and 205,758 metric tonnes of naphtha were produced by Banagas and Tawseh. In addition, 98,169 metric tonnes of product was recovered from Refinery Off-Gas on behalf of Bapco.

As a result of the increased exploration and development of the Bahrain Field by Tatweer, the volume of associated gas produced from the Bahrain Field has increased to approximately 650 mmscfd, which is beyond previous existing processing capacity of Banagas and Tawseh. The additional gas was previously re-injected into the Bahrain Field. Tawseh was therefore engaged in the construction of a new gas processing facility and associated storage, designated as the Bahrain Gas Plant Project. In addition to the Bahrain Gas Plant Project, Tawseh has also completed the development of a new Central Gas Processing Train additional pipeline and storage facilities, which were commissioned towards the end of 2018. Final performance tests completed in July and August 2019 indicated that all design and operational parameters were met. The successful onstreaming of these facilities has meant that the processing capacity as well as the recoverable products volumes almost doubled.

In addition to the foregoing, Banagas is also planning to commence the installation of solar cells at its main office, its central gas plant I – II and its car-parking area with capacity to generate approximately 1.0 MWH of power following completion.

### ***Bahrain Gas Plant Project***

#### *Project Description*

As a result of the increased exploration and development of the Bahrain Field by Tatweer, the volume of associated gas produced from the Bahrain Field increased to approximately 650 mmscfd, which is beyond the previous capacity of Banagas and Tawseh. The additional gas was previously re-injected into the Bahrain Field. Tawseh was therefore engaged in the construction of a new gas processing facility adjacent to the existing gas processing facilities of Banagas and Tawseh and associated storage and other facilities.

The new gas processing facility has a nominal processing nameplate capacity of 350 mmscfd to receive the additional associated gas and refinery off-gas and recover propane, butane and naphtha, which will be exported using vessels via the Sitra port. The project also included the construction of additional storage tanks, including a refrigeration train at the Sitra storage area, the construction of new pipelines between the gas processing facility and the Sitra storage area, as well as the installation of a new pipeline to transport the refinery off-gas from the existing refinery off-gas pipeline and compressed along with the associated gas at Tatweer Petroleum compressor station and which is sent finally to a new gas processing facility via a new pipeline or gas gathering header, and the construction of a 66 kilovolt electric substation adjacent to the existing Central Gas Plant

Tatweer supplies the new gas processing facility with 350 mmscfd of associated gas through an incremental associated gas processing agreement entered into between NOGA, the Company, Tatweer and Tawseh dated 31 October 2016 and set to expire on 31 October 2031. Refinery off-gas is supplied by Bapco with processing of refinery off-gas being undertaken for a fee, set out in the existing refinery off-gas processing agreement in place between Bapco and Banagas dated 3 January 2008.

The front-end engineering design work for the project was carried out by Worley. On 27 January 2016, Japan's JGC Corporation signed a U.S.\$355.7 million engineering, procurement, and construction contract for the construction of the new gas processing facility and related facilities. On 5 October 2016, JGC Gulf International

(part of JGC Corporation) was awarded a U.S.\$98.7 million engineering, procurement, and construction contract by Tawseah for the expansion of the storage facilities at Sitra. The construction of the new gas processing facility and related facilities and the expansion of the storage facilities at Sitra was completed 2018 on time and within budget.

#### *Project Cost and Funding*

The total construction cost of the new gas processing facility was U.S.\$645 million. The project was financed through a mixture of *Shari'ah* compliant and conventional debt financing, with U.S.\$515 million of total lending commitments having been provided by international and regional banks to Tawseah and a shareholder loan for U.S.\$76.5 million extended to Tawseah by the Company. An equity contribution of 20 per cent. amounting to U.S.\$130 million was funded by a shareholders loan of U.S.\$76.5 million and the balance was funded by way of cash flow from Tawseah. Tawseah has subsequently refinanced the facilities obtained in connection with the project. See “*Management’s discussion and analysis of financial condition and results of operations of the Group—Borrowings*”.

#### **BAFCO**

BAFCO was established as a Bahraini closed shareholding company in 1985 and is responsible for all aviation refuelling operations at Bahrain International Airport. It is a joint venture in which the Company holds a 60 per cent. interest, Chevron Asia Pacific holds a 27 per cent. interest and BP Middle East holds a 13 per cent. interest. BAFCO supplies aviation fuelling services to airlines at Bahrain International Airport on behalf of Bapco, Chevron Asia Pacific and BP Middle East as aviation fuel suppliers. BAFCO provides its services at a cost to each aviation fuel supplier based on a ratio of fuel sold by each supplier. Each of Bapco, Chevron Asia Pacific and BP Middle East independently negotiate the terms and conditions of their supply of aviation fuel and sales with the airlines independent of BAFCO.

The aviation fuel supplied by Bapco, Chevron Asia Pacific and BP Middle East to airlines is produced to international specifications by Bapco at the Sitra Refinery. The aviation fuel is transported from the Sitra Refinery to Bahrain International Airport through a system of pipelines. The fuel is first pumped to the Arad storage depot until required for fuelling, when it is transported to the airport where hydrant facilities are used to refuel the aircraft.

The pipeline originating from the Sitra Marketing Terminal to the Arad depot fuel storage facility is jointly owned by the Company, Chevron Asia Pacific and BP Middle East, while the hydrant pipeline network was sold to BJFCO in 2017. BAFCO, by way of operating agreements, manages, operates and maintains the pipelines originating from the Sitra Marketing Terminal, as well as the hydrant facilities. BAFCO provides its services at a cost to each shareholder based on a ratio of the shareholding of each shareholder. Pursuant to a separate operating agreement between Bapco and BAFCO, the Sitra Arad pipeline is operated and maintained by Bapco in a way that suits BAFCO’s operational requirements.

BAFCO currently supplies approximately 228,000 US gallons of aviation fuel per day to an average of 43 aircraft at the Bahrain International Airport. In 2020, 18,561 aircraft were refuelled by BAFCO, with a total uplift of 88.9 million gallons. All types of aircrafts, including helicopters, are presently served by BAFCO and BAFCO is also rated to serve the Airbus A380, the world’s largest commercial airliner.

BAFCO’s current fleet consists of 11 dispensers and eight fuellers, with the largest fueller currently in the fleet having a capacity of 80,000 litres. Varying capacities among the fueller fleet add flexibility to the fuel delivery service. Careful scheduling of the mobile fleet is co-ordinated to meet the needs of the airline customers, and provide 24-hour coverage.

The formation agreement between the Bapco, Chevron Asia Pacific and BP Middle East pursuant to which BAFCO was established, expired on 30 June 2015. However, on 22 June 2015, the Government resolved to extend the contract with BAFCO to deliver jet fuel until the completion of construction and operation of new jet fuel tanks constructed inside Bahrain International Airport. This was part of the new plane-fuelling infrastructure put in place in order to move the current storage tanks away from the Arad storage facility. See “*—Associates—BJFCO—Refuelling Infrastructure Project*”. BAFCO expects to commence operating the new storage facilities and hydrant facilities at Bahrain International Airport in 2021, pursuant to a new two-year operational and maintenance agreement entered into with BJFCO in March 2020, which will commence following the handover of the new facility to BAFCO in 2021. In April 2017, Bapco, Chevron Asia Pacific and BP Middle East signed an exclusive concession agreement with the Bahrain Airport Company, pursuant to which BAFCO will continue to

provide aviation fuelling services to airlines at Bahrain International Airport on behalf of Bapco, Chevron Asia Pacific and BP Middle East as the aviation fuel suppliers. This agreement will expire following the handover of the new airport fuel facility.

## BGB

BGB was established in 2016 as a joint venture between the Company, Bapco and Greenergy, to develop new dedicated blending facilities in Bahrain that will allow it to process a wide variety of gasoline components and position Bahrain as a leading participant in the gasoline markets in the Middle East. The Company holds 85 per cent. of the issued share capital in BGB, of which 42.5 per cent. is owned indirectly through Bapco and the remaining 15 per cent. is owned by Greenergy.

The joint venture combines Bapco’s infrastructure and refinery gasoline production with Greenergy’s blending, terminal operations and trading expertise to meet Bahrain’s domestic demand for gasoline blend components as well as create opportunities to import and export gasoline blend products.

Bapco has made available to BGB its entire refinery production of LLCN, MCN, polymer gasoline, platformate, HCU light naphtha and mixed liquefied petroleum gas, alongside utilising its tank storage capacity, import components and export finished grade gasoline from Bapco’s jetties.

BGB commenced gasoline blending and domestic sales in the first quarter of 2017, with import and export operations to sellers and buyers in the Arabian Gulf, Mediterranean and Asia commencing in September 2017.

## Saudi Bahrain Pipeline Company

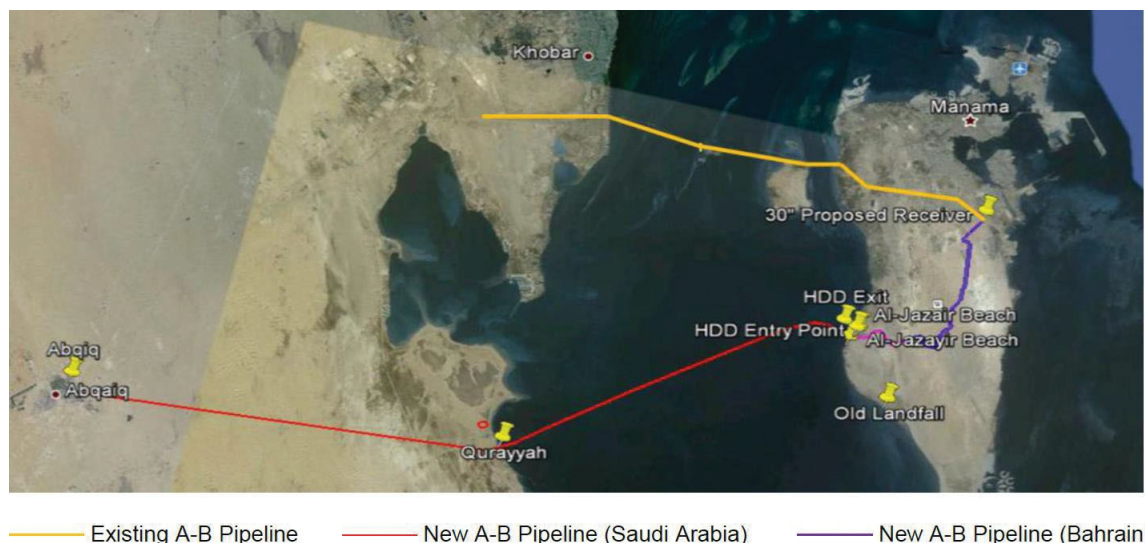
SBPC is a wholly-owned subsidiary of the Company established in 2017 and formed to own the Bahrain portion of the New AB4 Pipeline.

### *New AB4 Pipeline*

#### *Project Description*

A new 118 km long 30-inch pipeline, with a maximum nameplate capacity of 400,000 bpd, and a normal operating capacity of 350,000 bpd was completed in 2018. This has replaced the existing 235,000 bpd pipeline built in 1945 and runs partly onshore and offshore. The New AB4 Pipeline links the Sitra Refinery to Saudi Aramco’s plant at Abqaiq, eastern Saudi Arabia. Abqaiq Plant is Saudi Aramco’s largest oil processing facility and the largest crude oil stabilisation plant in the world. The facilities receive sour crude oil from gas-oil separation plants, process it into sweet crude oil and then transport it. Fibre optic cable is also laid alongside the pipeline for data communication purposes.

The map below shows the location of the New AB4 pipeline.



The front-end engineering design of the pipeline was completed in 2014 by Worley. Contracts for the 43 km long onshore Saudi Arabia stretch of the pipeline and the 41 km offshore stretch were awarded to Al Robaya Holding Company of Saudi Arabia and UAE's National Petroleum Construction Company, respectively. The construction contract for the 28 km onshore Bahrain stretch was awarded to Ramsis Engineering Company of Bahrain. The new pipeline was completed and commissioned in October 2018.

The portion of the new pipeline in Bahrain is owned by SBPC, a wholly-owned subsidiary of the Company, and Saudi Aramco owns the portion of the pipeline in Saudi Arabia. The pipeline is subject to a leasing agreement between Bapco and SBPC, pursuant to which Bapco leases the portion of the pipeline in Bahrain from SBPC for a period of 40 years. Saudi Aramco does not require Bapco to enter into any leasing arrangement with respect to the portion of the pipeline in Saudi Arabia.

Bapco operates and maintains the Bahraini portion of the pipeline, while Saudi Aramco will operate and maintain the Saudi and offshore portion of the pipeline, with Saudi Aramco receiving reimbursement from Bapco for any costs incurred in such operation and maintenance activities. All operation and maintenance activities are governed by a separate operation and maintenance agreement entered into in 2019.

### *Project Cost and Funding*

The total cost of the pipeline was U.S.\$311 million. The cost for the entire pipeline (including the portion of the pipeline in Saudi Arabia) was funded by the Company, with the Company entering into a new U.S.\$1.4 billion Murabaha facility arrangement in October 2019 with a consortium of banks, which replaced a 2016 U.S.\$570 million Murabaha facility, with part of the proceeds from the facility being utilised to fund the construction of the project. The rest of the proceeds were used in order to make equity contributions to BGB and BJFCO and to assist with funding the projects currently being undertaken by Tawseah and general corporate purposes. As at 31 December 2020, the Company had spent U.S.\$311 million in connection with the project. See "*Management's discussion and analysis of financial condition and results of operations—Borrowings*".

### **BRC**

BRC is a 100 per cent. subsidiary owned by the Company that was established in 2019 following the carving-out of the operations of Bapco's 20 service stations. The main objectives of BRC include managing the existing network of service stations and expanding its services by developing new service stations.

### **Aromatics Petchem**

Aromatics Petchem is a 100 per cent. subsidiary owned by the Company that was established in 2015 to procure the development of an aromatics production complex. The Company holds 100 per cent. of the issued share capital of Aromatics Petchem.

### **Aromatics Complex**

#### *Project Description*

Aromatics Petchem is in the process of constructing an aromatics complex to convert the relatively low-value naphtha into high-value products. Approximately 1.44 million metric tonnes per year of paraxylene and 641,000 metric tonnes per year of benzene is expected to be produced by the complex, once operational, which will be exported from Bapco's Wharf. A significant by-product of this process is hydrogen, which will be distributed to Bapco for consumption by the Sitra Refinery. The project currently has no fixed completion date, although the timing for completion of the project is still under review and construction is currently on hold due to the prioritisation of other strategic initiatives, including the Bapco Modernisation Programme, and subject to ongoing feasibility studies.

The plant will be located on a greenfield site adjacent to the Sitra Refinery. Following completion of the Bapco Modernisation Programme, naphtha production at the Sitra Refinery is expected to be in the region of around 95,000 bpd, of which 70,000 bpd will be routed to the plant as feedstock. The balance (mainly heavy naphtha) will be imported through Bapco's Wharf.

Initial feasibility was based on a detailed study carried out by Wood Mackenzie in 2014. Since then, the front-end engineering design has been completed by Technip FMC, Worley has been selected as the project management

consultant, Honeywell UOP has been selected as the technology licensor and an environmental and social impact assessment report has been carried out by Bahrain-based Environmental Arabia.

### ***Estimated Project Cost and Funding***

The total project cost is currently estimated at BD902.4 million (U.S.\$2.4 billion), with the project expected to be financed by a mixture of debt and equity financing.

### **ASSOCIATES**

The Group currently comprises the following associates.

#### **GPIC**

GPIC is an equally-owned joint venture company between the Company, SABIC and PIC established in 1979 for the manufacture of fertiliser and petrochemicals.

GPIC uses Khuff gas provided by Tatweer through the gas distribution network as a feedstock for the production of ammonia, urea and methanol. In addition to the three production plants (one ammonia plant, one methanol plant and one urea plant), the complex comprises a utilities plant, maintenance workshops, warehouses, offices, stores and laboratories.

The complex started commercial production in 1985 and GPIC currently produces approximately 1,200 metric tonnes of ammonia per day, approximately 1,700 metric tonnes of granular urea per day and 1,200 metric tonnes of methanol per day. For the year ended 31 December 2020, GPIC produced 718,793 metric tonnes of urea, 450,097 metric tonnes of methanol and 463,875 metric tonnes of ammonia. Total production for the three products in the year ended 31 December 2020 was 1,632,765 metric tonnes. For the year ended 31 December 2019, GPIC produced 727,244 metric tonnes of urea, 451,429 metric tonnes of methanol and 465,917 metric tonnes of ammonia. Total production for the three products in the year ended 31 December 2019 was 1,644,590 metric tonnes.

Bapco undertakes all of GPIC's export activities for ammonia and methanol at its wharf (including loading of vessels), pursuant to an agreement between GPIC and Bapco, in exchange from which Bapco receives a fee. The export of urea is undertaken at GPIC's dedicated export terminal. GPIC exports its products internationally to destinations in North America, India, Australia, Europe, Africa and Asia. The marketing of methanol is handled by SABIC, while the marketing for ammonia and urea is handled by PIC.

#### **Bahrain LNG**

Bahrain LNG was established in 2015 for the purpose of designing, financing, constructing, commissioning and operating the Bahrain LNG Import Terminal comprising an offshore LNG reception and regasification facility, a gas pipeline and an onshore receiving facility in Bahrain.

The Company holds 30 per cent. of the issued share capital in Bahrain LNG, with the remaining issued share capital being held by each of Teekay LNG Operating LLC (30 per cent.), formed by Teekay Corporation as part of its strategy to expand its operations in the LNG and liquefied petroleum gas shipping sectors, Gulf Investment Corporation GSC (24 per cent.), the venture capital arm of The Cooperation Council for the Arab States of the Gulf and owned equally by the governments of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE and Sam Gulf Investment Limited (16 per cent.), which forms part of the Samsung Group.

#### ***Bahrain LNG Import Terminal***

##### *Project Description*

The Bahrain LNG Import Terminal, which was commissioned in November 2019 and has been operational since 1 December 2019, forms a key part of the energy infrastructure of Bahrain, allowing Bahrain to supplement available natural gas by importing LNG to mitigate against and to handle any potential gas shortages, as well as reduce Bahrain's dependence on oil. The Bahrain LNG Import Terminal has been developed in order to give Bahrain security of supply necessary to meet its growth in demand for natural gas to fuel industrial projects, generate power and water and procure internationally-traded LNG on a competitive basis. As part of its long-term energy strategy, NOGA made a strategic decision to import LNG into Bahrain to reduce its dependence on

domestic oil and gas, as well as focussing on alternative sources of energy. Through the import of LNG, NOGA also aims to supplement currently available natural gas. NOGA's LNG import strategy is based around the Bahrain LNG Import Terminal project.

The Bahrain LNG Import Terminal is located offshore, approximately 5 km north east of the Khalifa Bin Salman port in Bahrain and was developed on a build-own-operate-transfer basis with Bahrain LNG holding a 20 year operating licence before the assets are transferred to NOGA. The Bahrain LNG Import Terminal is comprised of a floating Storage Unit, a regasification platform, onshore receiving facilities and associated utilities and infrastructure. The Bahrain LNG Import Terminal is designed with a gas send-out capacity of 800 mmscfd.

The construction of the terminal itself, including construction of the breakwater, dredging activities and the ground piling works for the LNG jetty and associated platform, was undertaken by GS Engineering & Construction Corp. and the floating storage unit was constructed by Daewoo Ship Building & Marine Engineering Co.

#### *Project Cost and Funding*

The total cost of the Bahrain LNG Import Terminal was U.S.\$1,401 million (which includes financing costs). The Bahrain LNG Import Terminal was financed through a mixture of limited recourse debt financing and equity contributions. Bahrain LNG achieved financial close for its U.S.\$741 million international financing with a commercial tranche by a syndicate of three international and regional banks and a separate K-SURE covered tranche by a syndicate of nine international and regional banks, in December 2016. As at 31 December 2020, U.S.\$79.1 million of the equity contributions had been funded by the Company through share capital and a shareholder loan. See "*Management's discussion and analysis of financial condition and results of operations of the Group—Borrowings*".

#### **Asry**

Asry is a 37 per cent. associate owned by the Company that was established in 1975 to operate a dry dock and two floating docks to carry out shipbuilding, ship repair, engineering and related activities in dry dock, floating docks, etc. The Company holds 37 per cent. of the issued share capital of Asry.

As part of debt restructuring of Asry, the Company has an obligation to provide an interest free shareholder loan up to an amount of BD11.3 million (U.S.\$30 million). The management of the Company expects this shareholder loan to be shared between all shareholders of Asry. The management is of the view that this shareholder loan will take priority over equity of Asry without any exposure to variable returns.

Asry operates as a maritime repair and fabrication facility, maintaining ships, rigs and naval vessels, as well as engineering and constructing offshore and industrial components. Asry's facilities include a 500,000 dwt dry-dock, two floating docks of 252m and 227m in length, 15 repair berths with a total length of approximately 5,000m, twin 255m slipways, a 250,000 sqm fabrication area, and a full range of workshops and service centres. Asry is currently undergoing a modernisation programme aimed at maintaining its maritime market position, as well as diversifying its revenue streams to penetrate the local and regional industrial services and fabrication industry, with particular focus on the oil and gas sector. This modernisation programme includes infrastructure and machinery investments and a restructuring of human resources, financial position, and supply chain processes. In addition, the modernisation programme is also expected to entail further infrastructure and production-related investments and a facility-wide digital transformation project.

#### **Schmidt**

Schmidt was established in 2017 as a joint venture between the Company and Schmidt ME Logistics Company S.P.C for the construction of a new dry bulk logistics hub in the Bahrain Logistics Zone next to the Khalifa Bin Salman port to store, handle and distribute different bulk materials, including polyethylene, polypropylene, catalysts and additives for the chemical and petrochemical industry, for clients looking to import into, and export out of, Bahrain. The logistics hub became operational in August 2017. The total cost for the logistics hub was U.S.\$13.5 million to date. The total cost of construction and pre-operating was equal to BD5.1 million.

#### **JOINT OPERATIONS**

The Group currently has the following joint operations.

## **Bahrain Lube**

Bahrain Lube was established in 2009 as a joint operation between the Company, Bapco and Nesté Bahrain, a wholly-owned subsidiary of Nesté Corporation, in order to fund, design, construct and operate a lube base oil plant located at the Sitra Refinery. The Company holds 55 per cent. of the issued share capital in Bahrain Lube, of which 27.5 per cent. is owned indirectly through Bapco and the remaining 45 per cent. is owned by Nesté Bahrain.

The lube base oil plant is located at the Sitra Refinery and started operations in October 2011. Bapco leases the site on which the lube base oil plant is situated to Bahrain Lube and provides hydrocracker unconverted oil and hydrogen as feedstock to each of the Company, Bapco and Nesté Bahrain, who in turn supply the feedstock, in proportion to their respective shareholding, for processing at the lube base oil plant. The lube base oil plant is owned by the shareholders of Bahrain Lube in proportion to their respective shareholding.

Bapco has agreed to provide services, for a period of 20 years, relating to the operation and management of the lube base oil plant and all facilities for the receipt of raw materials used or consumed in the production, manufacture and processing therein and all facilities for the transportation from Bapco's hydrocracker plant in Sitra to the lube base oil plant or from the lube base oil plant to Bapco's oil export terminal at Sitra. In return for these services, Bahrain Lube pays Bapco a general services and management fee and a wharfage and terminalling fee covering costs relating to the operation and maintenance of the wharf and associated terminalling operations and facilities for each operating year, together with all operating costs actually incurred by Bapco.

The production capacity of the lube base oil plant is 400,000 metric tonnes per year of very high viscosity index, Group III lubricant base oils, which is used in high-quality lubricants. In the year ended 31 December 2020, the lube base oil plant produced 1,497,751 barrels of lubricant base oil. Commercial sales by Bapco of its own branded BAPbase® Group III base oils started in January 2018.

Nesté Bahrain has marketed, distributed and sold the products produced at the lube base oil plant to third party customers located in the European and North American markets for a marketing fee since the initial start-up date of the lube base oil plant pursuant to a marketing and distribution services agreement. However, this marketing and distribution services agreement expired in October 2017, and Bapco is now responsible for marketing, distributing and selling the Company's and Bapco's share of the products produced at the lube base oil plant through its registered brand "BAPbase®". Bapco's domestic lubricant sales have increased in recent years, with a range of industrial lubricants, such as turbine oils and industrial gear oils, being developed for use at refineries, with Bapco targeting new customers and distributors within the GCC and abroad, including large international oil companies, such as Shell.

## **BJFCO**

BJFCO is a joint operation between the Company and Bahrain Airport Company (a wholly-owned Government entity) that was established on 16 May 2016 for the purpose of constructing and owning the new refuelling infrastructure at Bahrain International Airport following the relocation of the existing refuelling facilities.

### ***Refuelling Infrastructure Project***

#### *Project Description*

BJFCO has recently completed projects expanding the hydrant system and constructing a new fuel storage facility at Bahrain International Airport. The Company, Chevron Bahrain and BP Middle East sold the existing hydrant pipeline system within Bahrain International Airport to BJFCO on 25 April 2017. Bapco, Chevron Bahrain and BP Middle East entered into a hydrant usage agreement with BJFCO in respect of a hydrant network system. This contract will be subsumed in a fuel farm operation and maintenance contract, which has recently been awarded to BAFCO on behalf of its shareholders. Following the anticipated commissioning of the newly constructed fuel farm by BJFCO in March 2021, decommissioning and demolition of the previous Arad storage tanks will commence, with the process of decommissioning and demolition expected to be completed by March 2022. The construction and commissioning of phase 1 and phase 2 of the expansion of the hydrant system was completed in October 2020, with phase 3 expected to commence in April 2021, with completion and testing expected to take place by February 2022, following delay of the main Bahrain International Airport Project undertaken by Bahrain Airport Company.

There were three main reasons behind the relocation of the Arad tank farm. Firstly, the area surrounding the current tank farm has become residentially over-populated. Secondly, there was limited storage capacity in place. Thirdly, the Government plans to ensure greater refuelling efficiency and into-plane services by, importantly, ensuring that refuelling infrastructure is moved under indirect Government control, with BJFCO upgrading and taking ownership of the hydrant system distribution network which is already in place. Additionally, the structural changes to the refuelling system assist in the promotion of Bahrain International Airport by setting competitive fuel pricing and providing a transparent fee system.

Bahrain Airport Company has entered into a concession agreement dated 25 April 2017 with Bapco, Chevron Asia Pacific Holdings Limited and BP Middle East, through which the fuel suppliers are charged a concession fee. Since entering into this concession agreement, a committee was formed consisting of MOFNE, the Company and Bahrain Airport Company to reach an agreement to waive this concession fee. In a meeting held on 13 January 2021 between the Minister of Oil and Gas, the Minister of Transportation and Telecommunications and the Minister of Finance and National Economy it was agreed to accept the application of the concession fee of 1 USC/USG payable under the concession agreement entered into by Bapco in 2017, and which became effective from 1 February 2021. The concession agreement grants each concessionaire the right to severally act as fuel concessionaires at Bahrain International Airport and provide necessary services to airlines. In consideration for the sale of the hydrant system to BJFCO, since 1 July 2017 an initial fee was charged to plane suppliers of U.S.\$0.005 per US gallon of fuel supplied for their refuelling services. This fee was increased on 1 July 2019 to U.S.\$0.02 per US Gallon. This fee will combine with the Fuel Farm Capex return fee which is currently estimated at U.S.\$0.0353 per US Gallon, which is expected to translate to a price of jet fuel at Bahrain International Airport of approximately U.S.\$0.22 per US Gallon.

Upon the completion of the fuel farm and the hydrant system, BJFCO entered into an operation and maintenance agreement with BAFCO in respect of the operation and maintenance of the facilities, with BAFCO granted a two-year contract expiring in March 2023. A permission agreement was entered into between Bahrain Airport Company and BJFCO, in which Bahrain Airport Company permits BJFCO to operate at Bahrain International Airport.

#### *Project Cost and Funding*

The total cost for the project was initially estimated at BD30 million (U.S.\$79.8 million), with the costs being funded by a shareholder loan, with a BD15 million (U.S.\$39.9 million) commitment from each of the Company and Bahrain Airport Company.

As at 31 December 2020, the cost of the project was approximately U.S.\$65 million. The board of BJFCO approved an 8 per cent. capex recovery initially funded through U.S.\$1.35 million in equity with the remaining U.S.\$63.5 million funded through a loan. Repayment of the loan is expected to start in 2022, with full repayment to be made over a period of 15 years. The shareholders of BJFCO together agreed to provide a shareholder loan to BJFCO of up to BD15 million each in order to fund the aviation fuel farm and fuel hydrant system projects at Bahrain International Airport, which shall be repayable once BJFCO has sufficient funds available for the purpose of repayment and BJFCO's board of directors approves the repayment.

## **COMPETITION**

The Company believes that its primary mandate to invest in energy and energy-related industries in Bahrain in a commercial and profitable manner is unique among Government-owned holding companies focused on strategic growth and investment, and the Company does not believe it faces significant domestic competition in carrying out this mandate. However, certain of the Company's businesses face competition in their specific business areas. The nature and extent of this competition, and its effect on the Group as a whole, varies depending on the businesses concerned and the particular products being offered.

Management believes that the diversification of the Group's activities offers a level of protection against the adverse effects of one or more of its investments facing significant competition in their sphere of operations.

## **INTELLECTUAL PROPERTY**

The ownership and control of intellectual property generated by companies within the Group is an important consideration for the Group when negotiating new joint ventures. Where practicable, the Group seeks to ensure that any intellectual property developed remains in the ownership of the joint venture and also aims to ensure that such intellectual property is protected against infringement using appropriate tools available. In addition, portfolio



companies will enter into relevant licensing agreements with providers of technology, where such technology is to be used in projects and/or infrastructure of that portfolio company.

## **INFORMATION TECHNOLOGY**

The Company seeks to ensure that its IT systems and software meet the requirements of its business, are effectively maintained and are kept up to date. The Company has an online document management system that is available 24 hours a day and seven days a week, and its in-house IT team is responsible for IT support and maintenance. The Company has implemented the Oracle enterprise resource planning system to improve its internal controls and is seeking to ensure that its jointly controlled entities and subsidiaries have the appropriate links to the central system.

The threats to security from internal and external abuse are monitored and the Company believes appropriate measures have been enacted to prevent such threats. Controls have also been put in place to ensure appropriate levels of confidentiality of information. The Company has prepared a disaster recovery plan to deal with the loss of critical IT services.

## **RISK MANAGEMENT**

The Company is committed to an effective risk management approach that protects the Company's assets, business and reputation while enhancing shareholder value. One of the key components of the Company's overall risk management strategy is the risk management framework, which is mandatory and operates throughout the Company.

The board-approved risk management framework is based on ISO 31000 (Risk Management Standard), reflecting the statutory requirements of Bahrain and other international corporate governance codes. The risk management framework considers strategic, operational, financial and compliance risks. It covers projects, assets, business units, countries and corporate functions. The significant risks at each level of the Group are escalated upwards on a regular basis.

The risk management framework has been established to identify, evaluate and assist in the management of the risks faced by the Group. The process operates on a mandatory basis across the Group and provides the Company's board of directors with assurance that the major risks faced by the Group have been identified and are regularly assessed, and that wherever possible, there are controls in place to eliminate, reduce or manage these risks.

The board of directors of the Company receives quarterly reports on the significant risks facing the business and the mitigation strategies in place to manage these risks. At the management level, an Enterprise Risk and Business Continuity Management Committee was established in 2011, composed of the risk managers from each of the Company's portfolio companies. The terms of reference of this committee include oversight and monitoring of the significant risks facing the business and review of the proposed mitigation strategies. The Committee meets once every quarter to review the risk management strategy of the Company and its portfolio companies. The key outputs of the risk committee are available to the board of directors and senior management of the Company. The Business Continuity Management policy was also approved by H.E. Shaikh Mohammed bin Khalifa bin Ahmed Al Khalifa, the Minister of Oil for Bahrain and the Chairman of the Company.

### ***Response to COVID-19 pandemic***

In response to the COVID-19 pandemic, which has caused global economic disruption, the Company has undertaken a number of steps to ensure the safety of the Group's employees, and has implemented active prevention programmes at its sites and contingency plans in order to mitigate the risks related to COVID-19 and to ensure continuity of the Group's business operations. The Company has also established a COVID-19 response taskforce to oversee the Group's response to the pandemic, with members representing each of the Group's operating companies.

The Company initiated a three-stage cost containment exercise designed to manage the Group's administrative and operational costs, including cost-cutting, cancellation of non-essential projects, deferral of certain projects, contract re-negotiation, and the de-prioritisation of initiatives and projects with lower strategic importance. The Group also delayed plans for drilling and testing a number of key appraisal wells offshore until 2021, subject to improvement of the pandemic and global oil price conditions.

The Group also implemented various measures to limit the spread of COVID-19 and maintain production levels, such as the implementation of a remote working scheme, the adjustment of employee shift schedules and further social distancing measures in its premises. As a result of these measures, all of the Group's operating companies and plants remained fully operational during the COVID-19 pandemic. In particular, the Sitra Refinery maintained a utilisation rate (based on the ratio of crude oil processed to refining capacity) of 82 per cent. in 2020. As of March 2021, 24.4 per cent. of the Group's employees had received COVID-19 vaccinations.

See also "*Risk Factors—The COVID-19 pandemic and its impact on business and economic conditions could negatively affect the Group's business, financial position, cash flow, results of operations and price of the Notes*".

## **PROPERTY**

The Company's principal property, its headquarters, is leased and is located on the 13th and 18th floors of the GBCORP Tower, Building 1411, Road 4626, Block 346, Bahrain Financial Harbour District, Sea Front/ Manama, Kingdom of Bahrain, which was granted to the Company by Global Banking Corporation BSC (c). The Company believes that the Group's current facilities are adequate for its present and future operations.

All portfolio companies operate on Government-owned land and are subject to lease agreements with a Government entity that permit the carrying out of necessary activities. This includes the Sitra Refinery, the port facilities, operations at Bahrain International Airport and other portfolio company installations.

## **ENVIRONMENTAL COMPLIANCE**

The Company and its portfolio companies are subject to various international, national and local environmental laws and regulations governing the emission, discharge, handling, storage, transportation, disposal, import and export of hazardous waste and materials. The Company and its portfolio companies have a strong environmental record and are committed to responsible environmental stewardship and to complying with or exceeding industry standards of all relevant environmental rules and regulations. The environmental management policies of Bapco, Banagas, GPIC and Tawseah are certified to ISO 14001 (Environmental Management System), the internationally-recognised environmental management standard. In addition, GPIC is also certified with Responsible Care Management System RC 14001, Energy Management System ISO 50001 and IFA Protect & Sustain product Stewardship Excellence.

In developing properties and projects, the Company and each of its portfolio companies carry out environmental impact studies, reports and assessments, in order to highlight and address any potential environmental issues.

The Company and each of its portfolio companies possess all material environmental permits and licenses required for the operation of their businesses. As at the date of this document, no material environmental claims have been made or asserted against the Group.

## **ENVIRONMENTAL AND SOCIAL INITIATIVES**

In addition to maintaining its compliance with various international, national and local environmental laws and regulations governing the emission, discharge, handling, storage, transportation, disposal, import and export of hazardous waste and materials, the Group also participates in a number of additional environmental and social initiatives.

### **Environmental Initiatives**

Several environmental initiatives have been undertaken by the Company and its portfolio companies with a view to minimising the environmental impact of the Group, as well as supporting Bahrain's broader environmental initiatives, such as NOGA's "Circular Carbon Economy" initiative, which aims to reduce energy consumption, provide clean and affordable energy, capture remaining carbon emissions, store carbon safely, identify alternative uses for carbon products, and neutralise the impact of remaining carbon.

Projects undertaken by the Group include a mangrove nursery project undertaken by Bapco and aimed at promoting local mangrove ecosystems through the planting of over 4,000 seedlings per season at Ras Sanad. By promoting the growth of mangroves in Bahrain, Bapco aims to support improved water filtration in the surrounding area, the creation of a natural flood barrier and the provision of a carbon sink. In addition, Bapco has conducted a plantation project offering further carbon capture benefits, and undertaken the development of the Princess Sabeeka Park in Awali, which contains more than 51,000 plants, 560 palms and 342 fruit and ornamental trees, while also featuring solar cells, wind generators and hydrogen fuel cells. Bapco has also participated in a

municipality project in Western Eker aimed at creating the first sustainable garden in Bahrain powered by solar energy. It is expected that, following its completion, the sustainable garden will include features such as solar panels capable of producing 8.8kW of energy.

Similarly, the Group has undertaken a number of initiatives with the aim of mitigating the effects of climate change. For example, Bapco, in collaboration with NOGA, the Bahrain Electricity and Water Authority and the University of Bahrain, has completed a solar energy pilot project involving the installation of over 20,000 solar panels within Bahrain, while Bapco has also commissioned a carbon dioxide recovery project with Middle East Carbon Dioxide which, by providing a waste carbon dioxide-rich off-gas stream as feedstock to a carbon dioxide recovery facility, enables the capture of high purity carbon dioxide for use in downstream industrial applications.

In addition to the foregoing, the Group also seeks to incorporate environmental initiatives into its existing operations and business activities. For instance, the Company and its portfolio companies have undertaken a number of projects focused on reducing the environmental impact on air, land and water.

#### *Projects to reduce environmental impact on air*

Projects to reduce the environmental impact on air undertaken by Bapco include: (i) a refinery gas desulphurisation project, which successfully reduced the hydrogen sulphide content in fuel to less than 150 ppm (which is significantly below the legal limit 600 ppm for fuel gas) and for which Bapco received an award for excellence in environmental technology at the Off Shore Arabia Conference in 2009; (ii) a tank seal replacement project, which lowered volatile organic compound emissions and improved ambient air quality by fitting double seals on a number of tanks in the Sitra Refinery; (iii) an unleaded gasoline project, which eliminated the use of tetraethyl lead in production and thereby eliminated organic lead from vehicle exhaust emissions; and (iv) an upgrade initiative to Bapco's API separator, with the aim of enhancing oil and solids removal efficiency, and eliminating the emission of volatile organic compounds into the air. Similarly, GPIC has established a carbon dioxide recovery plant which is capable of capturing carbon dioxide emissions from menthol reformer flue gases.

#### *Projects to reduce environmental impact on water*

Projects to reduce the environmental impact on water undertaken by Bapco include: (i) a kerosene merox project involving the use of cleaner treatment technology in the process of jet fuel production and eliminating lead sulphide discharges into Bapco's effluent system; (ii) the construction of waste water treatment facility capable of treating waste process water from the Sitra Refinery using membrane bioreactor technology, API separators and induced air floatation, thereby ensuring that only clean and uncontaminated water is discharged into the surrounding marine environment; and (iii) the construction of a sewage treatment plant capable of treating domestic sewage from the Sitra Refinery using membrane bioreactor technology and providing treated water suitable for the purposes of irrigation. Similarly, Asry has also undertaken initiatives focused on minimising the environmental impact on water, such as through the increased use of skimmer machines and oil booms in order to more effectively collect oil spillage in the surrounding area.

#### *Projects to reduce environmental impact on land*

Projects to reduce the environmental impact on land undertaken by Bapco include the construction of a hazardous waste landfill facility to US environmental protection agency standards, as well as an accompanying waste stabilisation plant. This facility provides treatment and safe disposal of hazardous waste from Bapco's operations, and received an award for excellence in environmental technology at the Off Shore Arabia Conference in 2006.

#### *Other environmental policies and initiatives*

The Company and its portfolio companies consistently aim to utilise increasingly efficient and advanced technologies, and best industry practice, in order to create efficiencies within the business while minimising the environmental impact of operations, such as through the use of energy efficient lighting, waste recycling, solar technology and steam trap management, as well as through frequently upgrading technology to maximise performance and efficiency in operations. Moreover, the Group regularly seeks to align its policies and objective with international standards applicable to environmental and social initiatives. For instance, GPIC actively seeks to align its strategic aims with the United Nations 17 Sustainable Development Goals, as well as the principles of the United Nations Global Compact, which encourages businesses worldwide to adopt sustainable and socially responsible policies. GPIC in particular has also participated in a number of environmental initiatives, which aim to minimise the environmental impact of its operations, including its energy efficient lighting project, which has seen the installation of over 7,000 LED lights throughout GPIC facilities since 2013, which is expected to result

in an energy saving of over 1,500 megawatt hours per year, and a corresponding reduction in greenhouse gas emissions of 780 metric tonnes of CO<sub>2</sub> equivalent per year. Moreover, GPIC's commitment to improved environmental performance is demonstrated through the publication of an annual sustainability report and the conducting of regular environmental audits. In addition, Asry is currently working towards an approved statement of compliance with the Hong Kong International Convention for the safe and environmentally sound recycling of ships, and inclusion in the European Union's list for ship recycling registration.

### Greenhouse gas emissions

As part of the Group's wider initiatives to monitor and assess the environmental impact of its operations, a number of the Company's portfolio companies regularly monitor GHG emissions arising from their respective operating activities. Bapco, Tatweer and GPIC each regularly calculate their direct (Scope 1) and indirect (Scope 2) greenhouse gas ("GHG") emissions. The following tables set forth the Scope 1, Scope 2 and total GHG emissions (in metric tonnes of CO<sub>2</sub> equivalent) from each of Bapco, Tatweer and GPIC for each of the years indicated.

#### Bapco GHG emissions:

	2017	2018	2019 <sup>(1)</sup>
	(metric tonnes of CO <sub>2</sub> equivalent)		
Scope 1.....	3,674,510	2,972,600	3,012,077
Scope 2.....	106,140	96,780	104,550
<b>Total</b> .....	<b>3,780,650</b>	<b>3,069,380</b>	<b>3,116,627</b>

#### Note:

(1) Bapco GHG emissions data for 2020 is not yet available.

#### Tatweer GHG emissions:

	2017	2018	2019 <sup>(1)</sup>
	(metric tonnes of CO <sub>2</sub> equivalent)		
Scope 1.....	601,865	606,202	848,348
Scope 2.....	86,720	87,225	86,590
<b>Total</b> .....	<b>688,584</b>	<b>693,427</b>	<b>934,939</b>

#### Note:

(1) Tatweer GHG emissions data for 2020 is not yet available.

#### GPIC GHG emissions:

	2018	2019	2020
	(metric tonnes of CO <sub>2</sub> equivalent)		
Scope 1.....	1,000,377	1,028,430	1,044,621
Scope 2.....	85,566	85,566	84,660
<b>Total</b> .....	<b>1,085,943</b>	<b>1,114,000</b>	<b>1,129,281</b>

### Performance Monitoring

As part of its ongoing monitoring and assessment processes, the Group undertakes regular assessments of its environmental and social performance. For instance, Bapco has undertaken regular marine assessment studies since 1981 to provide long-term data for analysis and the measurement of environmental impact. Similarly, certain of the Group's projects have been undertaken in accordance with the Equator Principles, which are adopted by financial institutions for determining, assessing and managing environmental and social risk in projects, such as the Bahrain LNG Import Terminal. Moreover, the Group regularly engages with stakeholders when considering launching new projects, with stakeholder engagement an important step taken when proposing new projects.

### Community and Social Initiatives

The Group aims to play an active role in the development and support of local communities, including creating jobs and career development opportunities for Bahraini nationals, while facilitating the development of high quality infrastructure in Bahrain, including healthcare, education and industrial facilities.

The Company currently implements a number of projects and programmes in education, health and social activities. The Company and its subsidiaries are currently involved in the following activities, amongst others, in order to promote corporate social responsibility:

- Bapco has also hosted a range of events, such as (i) EHS Week, which aims to raise awareness on environment, health and safety amongst employees and their families, as well as the local community, (ii) an annual shoreline clean-up day, and (iii) the “Green School Award” in 2020, which aims to encourage resource conservation projects in schools, and raise environmental awareness amongst students;
- Banagas and Tawseah have contributed to training and development opportunities for students from the local community;
- Bapco has participated in a carbon and gas leak campaign raising public awareness about electrical and gas hazards, the need for regular inspection of gas and electrical appliances, fire hazards and the procedures for safe evacuation; and
- a number of Bapco employees have volunteered their free time to mentor school students in key life skills in support of INJAZ Bahrain, a life coaching programme empowering young people to take ownership of their economic success and prepare them for professional challenges. A total of 456 staff have participated in the programme since its inception 10 years ago.

## **HEALTH & SAFETY**

In relation to personnel safety, the Company and its portfolio companies benchmark themselves against international health and safety standards of reputable international organisations. The Company and its portfolio companies continue to focus on improving and renewing HSE programmes to ensure operational risks are minimised. This is done through a combination of implementing new initiatives and further enhancement of the existing HSE management systems.

Lost time injury (“LTI”) rates of certain Group portfolio companies are set forth below:

- each of Tatweer, GPIC, Banagas, Tawseah and GPIC reported an LTI rate of zero in each of 2018, 2019 and 2020;
- Bapco reported LTI rates of 0.04 and 0.09 for the years 2019 and 2020, respectively; and
- Asry reported LTI rates of 0.67, 0.51 and 0.24 for the years 2018, 2019, and 2020, respectively.

Each portfolio company follows international health and safety standards, which include (but are not limited to) ISO 9001:2015 (Quality Management System), ISO 14001:2015 and OHSAS 18001:2007 (Occupational Health and Safety Management).

## **INSURANCE**

The Company secures insurance coverage which it believes is reasonable and consistent with international industry practice. As a result of the Company’s position as a holding company for Bahraini oil and gas investments, this insurance extends to international coverage of directors and officers, professional and general liability insurance. In addition, each portfolio company takes out subsequent insurance coverage that is consistent with industry practice depending on the project in question. The Company believes that the Group maintains insurance coverage at a level that is sufficient for the needs of its business.

## **LITIGATION**

The Company is currently not involved in any material legal proceeding. The Company has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the last 12 months preceding the date of this Base Prospectus which may have, or have had, a significant effect on its financial position or profitability.

## MANAGEMENT AND EMPLOYEES

The Company is managed by the board of directors which consists of a chairman and six other directors (although this number may vary). The current board, with the exception of the chairman, was appointed by Decree No. 40 for the year 2019, with the Chairman's appointment also being renewed by virtue of Royal Decree No. 40 for the year 2019. The board is nominated by His Majesty King Hamad bin Isa Al Khalifa. The terms of the current members of the board will expire in 2022 or on the date a new board is appointed, whichever is later.

### MANAGEMENT

#### Board of directors

The board of directors of the Company currently comprises the six directors listed below:

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
H.E. Shaikh Mohamed bin Khalifa bin Ahmed Al Khalifa.....	Chairman	2022
H.E. Shaikh Salman bin Khalifa Al Khalifa <sup>(1)</sup> .....	Director	2022
Shaikh Tariq bin Mohammed bin Mubarak Al Khalifa.....	Director	2022
Mr. Khalid Amr Al Rumaihi <sup>(1)</sup> .....	Director	2022
Dr. Fayez Hashim A. Latif Al-Sada.....	Director	2022
Mr. Faisal Al Mahroos <sup>(1)</sup> .....	Director	2022
Dr. Dawood Nassif <sup>(1)(2)</sup> .....	Director	2022

(1) Appointed as a director from 23 May 2019.

(2) Dr. Dawood Nassif previously served as Chief Executive from 1 July 2019 to 4 January 2020.

The business address of each director is c/o The Oil & Gas Holding Company B.S.C. (c), 13th Floor GBCORP Tower, Building No. 1411, Road No. 4626, Block 346 Bahrain Financial Harbour District, P.O. Box 1426, Manama, Kingdom of Bahrain.

The board of directors conducts the Company's business in accordance with the Company's articles of association and the rules and resolutions adopted by the board. The articles of association require that the board meet at least four times a year with a minimum attendance requirement of a simple majority of its members or, in the case of an extraordinary board meeting, at least three members. The articles of association provide that the board shall have the power and authority to manage the Company through: (a) investing the Company's funds in areas identified by the board (including by way of the Company's portfolio companies); (b) acquiring property for the purposes of the Company's activities; (c) establishing, acquiring, participating and investing in new ventures or companies (as well as sales of any such ventures or companies), technology, or services necessary for the Company; and (d) pursuing a course of action that the board may feel necessary. In order to pursue such targets, the board has the remit to, among other things, set a five year strategic business plan for the Company, issue technical, administrative and financial regulations for the Company, and decide upon the organisational structure of the Company.

The board of directors sets the strategic direction of the Company and regularly reviews the Company's and the Group's operating and financial position. It ensures that the necessary resources are in place to enable the Company to meet its strategic growth and investment objectives, monitors the performance of management and aims to ensure that the strategy, policies and procedures adopted are in line with the Company's mandate. In addition, the board approves the preparation and auditing of the Company's financial statements, alongside the Board Audit Committee.

Brief biographies of each of the members of the board are set out below:

#### ***H.E. Shaikh Mohamed bin Khalifa bin Ahmed Al Khalifa***

H.E. Shaikh Mohamed bin Khalifa bin Ahmed Al Khalifa has been an independent, non-executive Chairman of the Company since 2016. Prior to this, His Excellency was a member of the board.

His Excellency is currently the Minister of Oil for Bahrain. He joined the Ministry of Finance of Bahrain in 1999 where he became Director of Government Shareholdings in 2005. During his tenure at the Ministry of Finance he worked on the privatisation of key projects including the privatisation of power plants, the initial public offering of Seef Properties B.S.C. and the Muharraq Sewage Treatment Plant in Bahrain.

In addition to his role as Chairman of the Company, His Excellency is the Chairman of NOGA and Tatweer.

His Excellency graduated with honours from the King Fahd University of Petroleum and Minerals in Dhahran, Saudi Arabia with a Bachelor of Science degree in Electronics. He also holds a postgraduate diploma from the University of Cambridge and an Advanced Masters from the Imperial College of Science, Technology and Medicine in the United Kingdom and an MBA from DePaul University, Kellstadt Graduate School of Business in Chicago, United States of America.

***H.E. Shaikh Salman bin Khalifa Al Khalifa***

H.E. Shaikh Salman bin Khalifa Al Khalifa has been an independent, non-executive director of the Company since 2016.

His Excellency has previously served as Secretary for the Government Executive Committee, and as a member of the Ministerial Committee for Financial Affairs and Rationalizing Expenditure, the Fiscal Reform Committee and the Supreme Council for Education and Training. He held the position of Managing Director of Global Markets for the MENA region at Deutsche Bank AG, Dubai, United Arab Emirates, from 2008 to 2012, and Principal of “Investcorp” Hedge Fund Specialist Group for Middle East Investors, from 2005 to 2008. His Excellency has also held the position of Director of Equity Risk Management Products at UBS Investment Bank, United Kingdom, between 2000 to 2005, where was also a member of the company’s UK Investment Committee.

He currently holds the position of Minister of Finance and National Economy, Director General of the Office of the First Deputy Prime Minister and is a board member of Mumtalakat Holding Company and the Bahrain Economic Development Board, alongside managing multiple business activities.

His Excellency holds a Bachelor of Science in Investments and Economics from Babson College, Wellesley, Massachusetts, United States of America.

***Shaikh Tariq bin Mohammed bin Mubarak Al Khalifa***

Shaikh Tariq bin Mohammed bin Mubarak Al Khalifa has been an independent, non-executive director of the Company since 2015. He is currently a board member of NOGA, Tatweer, and the Bahrain International Circuit, alongside managing multiple business activities.

Shaikh Al Khalifa was Assistant Under-Secretary for Oil Affairs at the Ministry of Oil and Gas of Bahrain from 1996 until 2007. Prior to this, he served as President of the Bahrain Motor Federation from 2000 until 2004.

Shaikh Al Khalifa holds a Business Administration degree from the American University of Washington D.C., United States of America.

***Mr. Khalid Amr Al Rumaihi***

Mr. Khalid Amr Al Rumaihi has been an independent, non-executive director of the Company since 2019.

Mr. Al Rumaihi was previously the Chief Executive of Bahrain Economic Development Board from 2015 until 2019. He has also held the position of Managing Director at Investcorp, where he worked between 2002 and 2012, and Vice President at JPMorgan Chase, where he worked between 1993 and 2002. He is currently a board member of Bahrain Real Estate Investment (Edamah), Bahrain Development Bank, McLaren Group, and the National Oil and Gas Authority, in addition to holding the position of Chief Executive at Mumtalakat Holding Company, alongside managing multiple business activities.

Mr. Al Rumaihi holds a Bachelor’s of Foreign Services from Georgetown University in addition to a Masters of Public Policy, International Economics from Harvard University John F. Kennedy School of Government, United States of America.

***Dr. Fayez Hashim A. Latif Al-Sada***

Dr. Fayez Al-Sada is a Member of the board of directors of NOGA and has been an independent, non-executive director of the Company since 2015. He served as the General Manager of the Bahrain National Company, the General Secretary of the Supreme Oil Council and the Chairman of the board of directors of BJFCO. He also served on the board of a number of companies, as well as on the board of trustees of Bahrain University and Applied Science University in Bahrain.

Dr. Al-Sada holds a B.Sc. degree in mechanical engineering from King Fahd University of Petroleum and Minerals, Saudi Arabia and a Ph.D from Leeds University in the United Kingdom.

**Mr. Faisal Al Mahroos**

Mr. Faisal Al Mahroos has been an independent, non-executive director of the Company since 2019.

Mr. Al Mahroos has approximately 40 years’ experience in the oil and gas industry, during which time he has held several leading positions within the industry, including that of Chief Executive Officer of Bapco as well as a number of senior positions in exploration and petroleum engineering, project development, and energy planning. In addition to the Bahrain Field, Mr. Al Mahroos has worked on the Gulf of Suez’s July field, Kuwait’s Burgan and Sabriyah fields, and USA Midway-Sunset & Kern River steam operations. He has also contributed to the initiation of the Bahrain Field’s first rejuvenation plan and other improved recovery projects. He is an active member of the Society of Petroleum Engineers (“SPE”) and the American Association of Petroleum Geologists and has acted as Chairman of various technical events and served in various organisation committees, such as the International Petroleum Technology Conference, the Middle East Oil and Gas Show, Abu Dhabi International Exhibition & Conference and the GEO Exhibition, and chaired the 2002 SPE Middle East reserve committee. He has published several technical papers on gas and oil characterisation, oil vaporisation, and extending the oil plateau of mature fields.

Mr. Al Mahroos holds a B.Sc degree in Mining and Petroleum from Cairo University and a B.Sc degree in Petroleum Engineering from University of Tulsa, United States of America.

**Dr. Dawood Nassif**

Dr. Dawood Nassif has been a member of the board of the Company since 2019. He currently serves as the Chairman and Chief Executive of Bapco and Chairman of the BAPCO Modernisation Steering Committee, alongside managing multiple business activities. Dr. Nassif previously served as a board director of NOGA until 9 January 2020.

Dr. Nassif has approximately 37 years’ experience in the oil industry, gained across a range of jurisdictions, with a primary focus on refining.

Dr. Nassif holds a degree in Chemical Engineering and is also a fellow of the Institution of Chemical Engineers.

**Senior management**

The Chief Executive Officer and the senior management of the Company are responsible for the proper management, supervision and direction of the Company’s business and affairs. In particular, the Acting Chief Executive Officer is responsible before the board of directors for the Company’s technical, administrative and financial affairs and such targets and policies as may be set by the board.

The members of the Company’s senior executive management comprise:

Name	Title
Mr. James Eastlack.....	Acting Chief Executive
Ms. Afaf Zainalabedin.....	General Manager – Finance and Administration ( <i>outgoing</i> ) <sup>(1)</sup>
Ms. Hayam Al Awadhi.....	General Manager – Finance ( <i>incoming</i> ) <sup>(2)</sup>
Dr. Hassan Al-Mulla .....	Manager – Investments
Mr. Mohamed Al Shehab .....	Manager – Portfolio and Investor Relations
Mr. Joseph Huse .....	Group General Counsel

**Note:**

- (1) Ms. Afaf Zainalabedin will leave her current role as General Manager – Finance and Administration on 1 April 2021 to join Bapco.
- (2) Ms. Hayam Al Awadhi will be appointed as General Manager – Finance with effect from 1 April 2021.

Brief biographies of each of the members of senior management are set out below:

**Mr. James Eastlack**

Mr. James Eastlack is the Acting Chief Executive of the Company. He has 45 years of experience in all aspects of the oil and gas industry.



After three years of fossil fuel research in Wyoming with the United States Department of Energy, Mr. Eastlack joined ARCO in 1976. He spent ten years in Alaska in various assignments in both engineering and operations. He has also had assignments in Midland Texas, Lafayette La, Houston Texas, Plano Texas and California.

Past positions include Manager of Drilling, Production and Environmental Research, Gulf of Mexico Business Unit Manager, V.P. of Engineering & Technology for ARCO International Oil & Gas Co., V.P. of Commercial Development in Ecuador, Venezuela, Brazil and Sub-Saharan Africa. Mr. Eastlack was also a recipient of ARCO's Outstanding Technical Achievement Award.

Mr. Eastlack joined Occidental in 2000 as the President and GM of Oxy Long Beach and was subsequently moved to the Sultanate of Oman as President and General Manager and later the President and General Manager of Tidelands Oil Company. He joined Tatweer Petroleum as Chief Executive Officer in 2017.

Mr. Eastlack obtained his B.S. degree in Electrical Engineering and a M.S. degree in Petroleum Engineering from the University of Wyoming. He is a member of the Society of Petroleum Engineers, and an inventor with several patents.

### ***Ms. Afaf Zainalabedin***

Ms. Afaf Zainalabedin joined the Company in 2014 and holds the role of General Manager – Finance and Administration and Secretary to the board of directors of the Company. Ms. Zainalabedin will leave her current role on 1 April 2021 to join Bapco.

Prior to joining the Company, Ms. Zainalabedin served as Director of Internal Audit from 2004 to 2013, Financial Controller from 2002 until 2004 and Investment Administration Principal from 2000 to 2002 at Arcapita Bank in Bahrain. Before that, she worked as a Manager at Ernst & Young Bahrain and performed audits of major financial and non-financial institutions in the Middle East. During her career, Ms. Zainalabedin developed two standards for the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”) on auditing and accounting. She has also lectured at the University of Bahrain, Bahrain Institute of Banking and Finance and the Ernst & Young training centre, conducting training sessions widely in the Middle East on auditing, accounting and AAOIFI standards. Prior to this, Ms. Zainalabedin trained with Bahrain Telecommunications Company as a management trainee for two years.

Ms. Zainalabedin is a Fellow member of the Association of Certified Chartered Accountants in England and Wales and holds a degree in Accounting (Honours) from the University of Bahrain.

### ***Ms. Hayam Al Awadhi***

With effect from 1 April 2021, Ms. Hayam Al Awadhi will be appointed as General Manager – Finance and Secretary to the board of directors of the Company, in which role she will be responsible for overseeing the financial and accounting affairs of the Company.

Prior to joining the Company, Ms. Al Awadhi was appointed by His Majesty the King to serve as Secretary General of the Bahrain Tender Board (with Under-Secretary rank) from October 2015 to February 2019. Prior to that, she worked as Executive Director – Corporate Services at the Bahrain Economic Development Board from August 2007 to October 2015.

Ms. Al Awadhi has been a Certified Public Accountant since 1993, certified by the Montana State Board of Accountancy, United States of America, and was awarded a Bachelor of Science degree in Business Studies from the University of Bahrain in 1985.

### ***Dr. Hassan Al-Mulla***

Dr. Hassan Al-Mulla joined the Company in September 2008, originally as a NOGA secondee and subsequently on a permanent basis in May 2009 and holds the role of Manager of Investments. He is responsible for developing and implementing the global investment strategy for the Company and ensuring the long-term growth of the Company's investment portfolio. Dr. Al Mulla is Secretary to the board of directors of BGB.

Prior to joining the Company, Dr. Al-Mulla served as Senior Investment Analyst at the Company from September 2008 until August 2011, Oil, Gas & Energy Projects Head at NOGA from July 2007 until August 2008 and

Engineering Expert at Qatar-based Gulf Organisation for Industrial Consulting from November 2005 until December 2006. He has over 15 years of experience in the oil, gas and petrochemical industry.

Dr. Al-Mulla holds a Ph.D. in Chemical Engineering from the University of Surrey, United Kingdom, which he was awarded in 2002. He also holds a Bachelor degree in Chemical Engineering from the University of Wales, Swansea, United Kingdom in 1998 and has obtained a Level 3 Certificate in Leadership & Management from the Institute of Leadership & Management in the United Kingdom.

***Mr. Mohamed Al Shehab***

Mr. Mohamed Al Shehab joined the Company in December 2020 as Portfolio and Investor Relations Manager in the Investment Department. He is responsible for securing funding for investment opportunities, and setting and executing the financing strategy for the Group, as well as managing the portfolio companies' key performance indicators and maintaining investor relations.

Prior to joining the Company, Mr. Al Shehab was a Vice President at Barclays Bank PLC, in London, United Kingdom from August 2013 to November 2020, where he served in several roles in Corporate and Investment Banking in Barclays International.

Mr. Al Shehab holds a Bachelor's of Science in Business Administration from the McDonough School of Business at Georgetown University in Washington, DC, U.S.A., with majors in Finance and Operations and Information Management and minors in Economics and Philosophy, awarded in 2012. He has also obtained a Certificate in Advanced Credit Skills, and passed CFA qualification Level 1, 2 and 3 examinations.

***Mr. Joseph Huse***

Mr. Joseph Huse joined the Company in 2012 and holds the role of Group General Counsel. He is responsible for the legal affairs of the Group.

Prior to joining the Company, Mr. Huse was a partner at the law firm of Freshfields Bruckhaus Deringer from 1992 to 2012. During his time at Freshfields Bruckhaus Deringer, he was a member of the Project and International Arbitration Groups. He retired as MENA Regional Partner for Freshfields Bruckhaus Deringer in 2012.

Mr. Huse received a combined Juris Doctor and Masters in Business Administration from Boston College in 1980. Mr. Huse also received a Master's degree in Business and Tax Law from the University of Paris I (Pantheon-Sorbonne) in 1984. He was admitted to both the Florida Bar and the Massachusetts Bar in 1980 and was also admitted as a French "avocat" in 1991.

**Conflicts**

There are no conflicts of interest between the duties of the members of the board of directors and senior management listed above to the Company and their private interests or other duties.

**Corporate Governance**

The Company is committed to the highest standards of corporate governance across the Group. The Company acknowledges that good corporate governance is essential for sustaining and enhancing company value and for maintaining stakeholder confidence. The Company aspires to the highest standards of ethical conduct and to complement its corporate mission, the Company has adopted a robust and pragmatic corporate governance framework founded upon integrity, transparency, competence and accountability. Responsibility for implementing the framework rests with the board of directors, which recognises the importance of this responsibility and seeks to ensure that the Company and its portfolio companies are managed, directed and controlled effectively.

The Company complies with the Bahrain's Corporate Governance Code (the "**Code**"). The Code was developed in a consultative process involving the Ministry of Industry, Commerce and Tourism, the Central Bank of Bahrain and the National Corporate Governance Committee (a steering committee created under the auspices of the Ministry of Industry, Commerce and Tourism composed of public and private sector stakeholders), and became effective in October 2018. The Code applies to all joint stock companies incorporated under Legislative Decree No. 21 of 2001 with respect to promulgating the Bahrain Commercial Companies Law (and its amendments) (the "**CCL**"). However, the Code can also function as a model and reference framework for all other companies, including other Bahraini companies and foreign companies doing business in Bahrain. The Code is a testament to

the Government's commitment to sound corporate governance principles and making Bahrain an attractive business environment.

The Code is based upon eleven core principles of corporate governance reflecting international best practices, including in the areas of board evaluation, internal control, remuneration of officers and directors, shareholder participation and publicly available written corporate governance guidelines. The Code supplements the CCL, but goes beyond the requirements of such CCL on several points. Examples include the Code's recommendations that the chairperson of the board and the Chief Executive Officer should not be the same person, and that at least 50 per cent. of the members of the board should be non-executive directors. The Code also calls for companies to operate within a "comply or explain" corporate governance framework, which means that companies should comply with the recommendations, or give an explanation in the case of non-compliance. The Company's board and Board Audit Committee are currently working with Keypoint Consulting WLL to fully implement the Code in accordance with the recommendations of Keypoint Consulting WLL.

## **Committees**

### ***Board Audit Committee***

The Board Audit Committee assists the board of directors in independently ensuring and maintaining oversight of the Company's financial reporting system, internal control and risk management processes, audit functions and legal and regulatory requirements. The duties and responsibilities of the Board Audit Committee include assisting the board in identifying and managing principal financial and compliance risks; approving the internal audit plan to be undertaken by the relevant auditor appointed by the Company to conduct internal audits of the Company and regularly update the board; assessing the independence, accountability and effectiveness of the external auditor (currently PwC); and evaluating the adequacy and effectiveness of the Company's policies, procedures and systems (such as the management reporting processes) for ensuring compliance with legal and regulatory requirements and internal policies.

The committee meets four times per year, and its members are appointed by the board. It currently comprises three members, all of whom are non-executive directors of the board.

### ***Enterprise Risk and Business Continuity Management Corporate Committee***

The Enterprise Risk and Business Continuity Management Corporate Committee is a non-executive committee established to provide a forum for the discussion of common issues relating to the enterprise risk management and business continuity management among companies in the Company's oil, gas and petrochemical portfolio. The committee may provide oversight and direction but does not have any decision-making authority over any Company portfolio company.

It provides assistance to the board, the Company's management and portfolio companies in supervising the enterprise risk management and business continuity management activities by, among other things: (a) implementing the Enterprise Risk Management and Business Continuity Management frameworks; (b) assessing and providing oversight and direction relating to the identification of major strategic, operational, financial, regulatory, information and external risks inherent to the business of the Group and the control process with respect to such risks; (c) overseeing the enterprise risk management and business continuity management, compliance and control activities of the Company; and (d) verifying the integration of business continuity plans.

Under its charter, the committee is chaired by the Manager of Portfolio Management and comprises a risk manager or coordinator from each of the Company's portfolio companies. The charter states that the committee should meet at least four times annually.

## **EMPLOYEES**

As at 31 December 2020, the Company had 32 employees. This figure does not include employees of the Company's portfolio companies.

The number of employees of each subsidiary of the Company as at 31 December 2020 was as follows:

<b>Subsidiary</b>	<b>Number of Employees</b>
Aromatics.....	0
Asry.....	2,047
BJFCO .....	1
BAFCO .....	80
Bahrain LNG .....	10
Bapco and Bahrain Lube .....	2,741
Banagas/Tawseah .....	690
BRC .....	58
BGB .....	5
GPIC .....	445
SBPC.....	0
Schmidt.....	3
Tatweer .....	968
<b>Total</b> .....	<b>7,080</b>

Each of the Company and its portfolio companies undertake initiatives to motivate employees to contribute to its success through bonus and other long-term incentive programmes. Such programmes are managed by each entity individually, as opposed to an overarching benefits programme managed solely by the Company. These include bonus payment schemes as well as pension plans for certain of the portfolio companies.

The Group aims to continue to invest in human capital, training and development in order to carry out its planned expansion and growth in years to come. The Group continues to recruit in the most efficient way possible for the portfolio company in question.

## TAXATION

*The following is a general description of certain Bahraini and United States tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, nor does it address the considerations that are dependent on individual circumstances, whether in those countries or elsewhere. Prospective investors in the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This overview is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. Prospective purchasers should note that the Issuer is not obliged to update this section for any subsequent changes or modification to the applicable taxes.*

### **Bahrain Taxation**

As at the date of this Base Prospectus, there are no taxes payable with respect to income, withholding or capital gains under existing Bahrain laws. Under current Bahrain laws, no Noteholder will be deemed to be resident, domiciled or carrying on any commercial activity in Bahrain or subject to any Bahrain tax as a result only of holding any of the Notes.

Corporate income tax is only levied on oil, gas and petroleum companies at a flat rate of 46 per cent. This tax is applicable to any oil company conducting business activity of any kind in Bahrain, including oil production, refining and exploration, regardless of the company's place of incorporation.

There are no currency or exchange control restrictions currently in force under Bahrain law and the free transfer of currency into and out of Bahrain is permitted, subject to any anti-money laundering regulations and international regulations in force from time to time.

Bahrain has introduced the Value Added Tax Law No. 48 of 2018 for the imposition of value added tax on certain products and services.

### **United States Federal Income Taxation**

The following summary discusses the principal U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes. Except as specifically noted below, this discussion applies only to Notes held as capital assets and U.S. Holders (as defined below).

This discussion assumes that the Notes will be treated as debt for U.S. federal income tax purposes. Prospective investors should note, however, that the classification of an instrument as debt is highly factual. No rulings have been or will be sought from the U.S. Internal Revenue Service (the "IRS") with respect to the classification of the Notes in general or with respect to any particular Notes.

This discussion does not describe all of the tax consequences that may be relevant in light of a Noteholder's particular circumstances or to Noteholders subject to special rules, such as:

- financial institutions;
- insurance companies;
- dealers in securities or foreign currencies;
- traders in securities or foreign currencies electing to mark their positions to market;
- regulated investment companies;
- real estate investment trusts;
- tax-exempt organisations;
- persons subject to the alternative minimum tax;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement;

- persons holding Notes as part of a hedging transaction, “straddle”, conversion transaction or other integrated transaction;
- U.S. Holders whose functional currency is not the U.S. dollar; or
- entities classified as partnerships for U.S. federal income tax purposes.

This summary is based on Code, administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Regulations, changes to any of which subsequent to the date of this Base Prospectus may affect the tax consequences described below. This summary does not address any U.S. federal tax consequences other than U.S. federal income tax consequences, such as the estate tax, gift tax or the medicare tax on net investment income. Moreover, this summary deals only with Notes with a term of 30 years or less. Persons considering the purchase of a particular Tranche of Notes should consult the relevant supplement to the Base Prospectus (if any) issued in connection with that Tranche of Notes for any discussion regarding U.S. federal income taxation and should consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

To the extent applicable, the tax treatment of certain Notes such as Notes that are not principal protected will be specified in the relevant supplement to the Base Prospectus issued in connection with those Notes. This summary does not discuss Bearer Notes. In general, U.S. federal income tax law imposes significant limitations on U.S. Holders of Bearer Notes, including the limitations provided in Sections 165(j) and 1287(a) of the Code.

U.S. Holders should consult their tax advisors regarding the U.S. federal income and other tax consequences of the acquisition, ownership and disposition of Bearer Notes.

As used herein, the term “**U.S. Holder**” means a beneficial owner of a Note that is for U.S. federal income tax purposes:

- an individual that is a citizen or individual of the United States;
- a corporation created or organised in or under the laws of the United States or of any political subdivision thereof;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (i) 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 (ii) if such trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. Person.

The term “**U.S. Holder**” also includes certain former citizens and residents of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partners of partnerships holding Notes should consult with their tax advisors regarding the U.S. federal tax consequences of an investment in the Notes.

### **Payments of Stated Interest**

Interest paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the Noteholder’s method of accounting for U.S. federal income tax purposes, *provided* that the interest is “qualified stated interest” (as defined below).

“**Qualified stated interest**” is stated interest that is unconditionally payable, or constructively received under Section 451 of the Code, in cash or property (other than in debt instruments of the issuer) at least annually during the entire term of the Note and equal to the outstanding principal balance of the Note multiplied by a single fixed rate of interest. In addition, interest on a Floating Rate Note that is unconditionally payable, or will be constructively received under Section 451 of the Code, in cash or property (other than debt instruments issued by the Issuer) at least annually will constitute “qualified stated interest” if the Note is a “variable rate debt instrument” (“**VRDI**”) under the rules described below and the interest is payable at a single “qualified floating rate” or single “objective rate” (each as defined below). If the Note is a VRDI but the interest is payable other than at a single

qualified floating rate or at a single objective rate, special rules apply to determine the portion of such interest that constitutes “qualified stated interest.” See “*Original Issue Discount—Floating Rate Notes that are VRDIs*” below. Interest income earned by a U.S. Holder with respect to a Note will generally constitute foreign source income for U.S. federal income tax purposes, which may be relevant in calculating the Noteholder’s foreign tax credit limitation. The rules regarding foreign tax credits are complex and prospective investors should consult their tax advisors about the application of such rules to them in their particular circumstances. Special rules governing the treatment of interest paid with respect to short-term Notes, original issue discount Notes, contingent payment debt instruments and foreign currency Notes are described under “*Short-Term Notes*”, “*Original Issue Discount*”, “*Contingent Payment Debt Instruments*” and “*Foreign Currency Notes*”.

*Definition of Variable Rate Debt Instrument.* A Note is a VRDI if all of the four following conditions are met. First, the “issue price” of the Note (as described below) must not exceed the total non-contingent principal payments by more than an amount equal to the lesser of (i) 0.015 multiplied by the product of the total non-contingent principal payments and the number of complete years to maturity from the issue date (or, in the case of a Note that provides for payment of any amount other than qualified stated interest before maturity, its weighted average maturity) and (ii) 15 per cent. of the total non-contingent principal payments. Second, the Note must generally provide for stated interest (compounded or paid at least annually) at (a) one or more qualified floating rates, (b) a single fixed rate and one or more qualified floating rates, (c) a single objective rate or (d) a single fixed rate and a single objective rate that is a “qualified inverse floating rate” (as defined below). Third, the Note must provide that a qualified floating rate or objective rate in effect at any time during the term of the Note is set at 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. Fourth, the Note may not provide for any principal payments that are contingent except as provided in the first requirement set forth above.

Subject to certain exceptions, a variable rate of interest on a Note is a “qualified floating rate” if variations in the value of the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Note is denominated. A variable rate will be considered a qualified floating rate if the variable rate equals (i) the product of an otherwise qualified floating rate and a fixed multiple (i.e., a spread multiplier) that is greater than 0.65, but not more than 1.35 or (ii) an otherwise qualified floating rate (or the product described in clause (i)) plus or minus a fixed rate (i.e., a spread). If the variable rate equals the product of an otherwise qualified floating rate and a single spread multiplier greater than 1.35 or less than or equal to 0.65, however, such rate will generally constitute an objective rate, described more fully below. A variable rate will not be considered a qualified floating rate if the variable rate is subject to a cap, floor, governor (i.e., a restriction on the amount of increase or decrease in the stated interest rate) or similar restriction that is reasonably expected as of the issue date to cause the yield on the Note to be significantly more or less than the expected yield determined without the restriction (other than a cap, floor or governor that is fixed throughout the term of the Note).

Subject to certain exceptions, an “objective rate” is a rate (other than a qualified floating rate) that is determined using a single fixed formula and that is based on objective financial or economic information that is neither within the Issuer’s control (or the control of a related party) nor unique to the Issuer’s circumstances (or the circumstances of a related party). Notwithstanding the first sentence of this paragraph, a rate on a Note is not an objective rate if it is reasonably expected that the average value of the rate during the first half of the 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 Note’s term. An objective rate is a “qualified inverse floating rate” if (a) the rate is equal to a fixed rate minus a qualified floating rate and (b) the variations in the rate can reasonably be expected to reflect inversely contemporaneous variations in the cost of newly borrowed funds (disregarding any caps, floors, governors or similar restrictions that would not, as described above, cause a rate to fail to be a qualified floating rate).

Unless otherwise provided in the relevant supplement to the Base Prospectus (if any) issued in connection with a particular Tranche of Notes, it is expected, and this discussion assumes, that a Floating Rate Note will qualify as a VRDI. If a Floating Rate Note does not qualify as a VRDI, then the Floating Rate Note will generally be treated as a contingent payment debt instrument, as discussed below under “*Contingent Payment Debt Instruments*”.

### **Original Issue Discount**

Except in the case of a short-term Note, a Note that has an “issue price” that is less than its “stated redemption price at maturity” will be considered to have been issued at an original issue discount (“**OID**”) for U.S. federal income tax purposes (and will be referred to as an “original issue discount Note”) unless the Note satisfies a *de minimis* threshold (as described below). The “issue price” of a Note generally will be the first price at which a substantial amount of the Notes are sold to the public (which does not include sales to 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 generally will equal the sum of all payments required to be made under the Note other than payments of qualified stated interest.

If the difference between a Note’s stated redemption price at maturity and its issue price is less than a *de minimis* amount, i.e., 1/4 of 1 per cent. of the stated redemption price at maturity multiplied by the number of complete years to maturity (or, in the case of a Note that provides for payment of any amount other than qualified stated interest prior to maturity, the weighted average maturity of the Note), the Note will not be considered to have OID. U.S. Holders of Notes with a *de minimis* amount of OID will include this OID in income, as capital gain, on a pro rata basis as principal payments are made on the Note.

A U.S. Holder may make an election to include in gross income all interest that accrues on any Note (including qualified stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium) in accordance with a constant yield method based on the compounding of interest, and may revoke such election only with the permission of the IRS (a “**constant yield election**”).

We may have an unconditional option to redeem, or U.S. Holders may have an unconditional option to require us to redeem, a Note prior to its stated maturity date. Under applicable regulations, if we have an unconditional option to redeem a Note prior to its stated maturity date, this option will be presumed to be exercised if, by utilising any date on which the Note may be redeemed as the maturity date and the amount payable on that date in accordance with the terms of the Note as the stated redemption price at maturity, the yield on the Note would be lower than its yield to maturity. If the U.S. Holders have an unconditional option to require us to redeem a Note prior to its stated maturity date, this option will be presumed to be exercised if making the same assumptions as those set forth in the previous sentence, the yield on the Note would be higher than its yield to maturity. If this option is not in fact exercised, the Note would be treated, solely for purposes of calculating OID, as if it were redeemed, and a new Note were issued, on the presumed exercise date for an amount equal to the Note’s adjusted issue price on that date. The adjusted issue price of an original issue discount Note is defined as the sum of the issue price of the Note and the aggregate amount of previously accrued OID, less any prior payments other than payments of qualified stated interest.

*Fixed Rate Notes.* In the case of a Fixed Rate Note that is an original issue discount Note, U.S. Holders of such Note will be required to include OID in income for U.S. federal tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, regardless of whether cash attributable to this income is received.

*Floating Rate Notes that are VRDIs.* In the case of a Floating Rate Note that is a VRDI and that provides for interest at a single variable rate, the amount of qualified stated interest and the amount of OID, if any, includible in income during a taxable year are determined under the rules applicable to Fixed Rate Notes (described above) by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or a 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), the rate that reflects the yield that is reasonably expected for the Note. Qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid or accrued during an accrual period exceeds (or is less than) the interest assumed to be paid or accrued during the accrual period.

If a Note that is a VRDI does not provide for interest at a single variable rate as described above, the amount of interest and OID accruals are determined by constructing an equivalent fixed rate debt instrument, as follows:

- *First*, in the case of an instrument that provides for stated interest at one or more qualified floating rates or at a qualified inverse floating rate and, in addition, at a fixed rate (other than a fixed rate that is treated as, together with a variable rate, a single qualified floating rate or objective rate), replace the fixed rate with a qualified floating rate (or qualified inverse floating rate) such that the fair market value of the instrument, so modified, as of the issue date would be approximately the same as the fair market value of the unmodified instrument.
- *Second*, determine the fixed rate substitute for each variable rate provided by the Note. The fixed rate substitute for each qualified floating rate provided by the Note is the value of that qualified floating rate on the issue date. If the Note provides for two or more qualified floating rates with different intervals between interest adjustment dates (for example, the 30-day commercial paper rate and quarterly LIBOR), the fixed rate substitutes are based on intervals that are equal in length (for



example, the 90-day commercial paper rate and quarterly LIBOR, or the 30-day commercial paper rate and monthly LIBOR). The fixed rate substitute for an objective rate that is a qualified inverse floating rate is the value of the qualified inverse floating rate on the issue date. The fixed rate substitute for an objective rate (other than a qualified inverse floating rate) is a fixed rate that reflects the yield that is reasonably expected for the Note.

- *Third*, construct an equivalent fixed rate debt instrument that has terms that are identical to those provided under the Note, except that the equivalent fixed rate debt instrument provides for the fixed rate substitutes determined in the second step, in lieu of the qualified floating rates or objective rate provided by the Note.
- *Fourth*, determine the amount of qualified stated interest and OID for the equivalent fixed rate debt instrument under the rules (described above) for Fixed Rate Notes. These amounts are taken into account as if the U.S. Holder held the equivalent fixed rate debt instrument. See “*Payments of Stated Interest*” and “*Original Issue Discount—Fixed Rate Notes*” above.
- *Fifth*, make appropriate adjustments for the actual values of the variable rates. In this step, qualified stated interest or, in certain circumstances, OID allocable to an accrual period is increased (or decreased) if the interest actually accrued or paid during the accrual period exceeds (or is less than) the interest assumed to be accrued or paid during the accrual period under the equivalent fixed rate debt instrument.

### **Market Discount**

If a U.S. Holder purchases a Note (other than a short-term Note) for an amount that is less than its stated redemption price at maturity or, in the case of an original issue discount Note, its adjusted issue price, the amount of the difference will be treated as market discount for U.S. federal income tax purposes, unless this difference is less than a specified *de minimis* amount.

A U.S. Holder will be required to treat any principal payment (or, in the case of an original issue discount Note, any payment that does not constitute qualified stated interest) on, or any gain on the sale, exchange, retirement or other disposition of a Note, including disposition in certain non-recognition transactions, as ordinary income to the extent of the market discount accrued on the Note at the time of the payment or disposition unless this market discount has been previously included in income by the U.S. Holder pursuant to an election by the Noteholder to include market discount in income as it accrues, or pursuant to a constant yield election (as described under “*Original Issue Discount*”) by the Noteholder. In addition, the U.S. Holder may be required to defer, until the maturity of the Note or its earlier disposition (including certain non-taxable transactions), the deduction of all or a portion of the interest expense on any indebtedness incurred or maintained to purchase or carry such Note.

If a U.S. Holder makes a constant yield election for a Note with market discount, such election will result in a deemed election for all market discount bonds acquired by the Noteholder on or after the first day of the first taxable year to which such election applies. This election may only be revoked with the consent of the IRS.

### **Acquisition Premium and Amortisable Bond Premium**

A U.S. Holder who purchases a Note for an amount that is greater than the Note’s adjusted issue price, but less than or equal to the sum of all amounts payable on the Note after the purchase date other than payments of qualified stated interest will be considered to have purchased the Note at an acquisition premium. Under the acquisition premium rules, the amount of OID that the U.S. Holder must include in its gross income with respect to the Note for any taxable year will be reduced by the portion of acquisition premium properly allocable to that year.

If a U.S. Holder purchases a Note for an amount in excess of the sum of the remaining amounts payable on the Note (other than qualified stated interest), the Noteholder will be considered to have purchased the Note with amortisable bond premium equal in amount to such excess. The Noteholder may elect to amortise this premium as an offset to qualified stated interest, using a constant yield method, over the remaining term of the Note. Special rules may apply in the case of a Note that is subject to optional redemption. A Noteholder who elects to amortise bond premium must reduce its tax basis in the Note by the amount of the premium amortised in any year. An election to amortise bond premium applies to all taxable debt obligations then owned and thereafter acquired by the Noteholder and may be revoked only with the consent of the IRS.

If a U.S. Holder makes a constant yield election (as described under “*Original Issue Discount*”) for a Note with amortisable bond premium, such election will result in a deemed election to amortise bond premium for all of the Noteholder’s debt instruments with amortisable bond premium.

### **Benchmark Event**

Following the occurrence of a Benchmark Event, the rate of interest (or any component part thereof) on any Notes that cannot be determined by reference to the original benchmark or screen rate (as applicable) will be determined based on the applicable Successor Rate or Alternative Reference Rate (each, a “**Replacement Rate**”). It is possible that the replacement of the rate referencing to the original benchmark or screen rate with a Replacement Rate could be treated, for U.S. federal income tax purposes, as a significant modification of such Notes, in which case, such “old” Notes would be treated as having been exchanged for “new” notes (a “**Deemed Exchange**”). Upon the occurrence of a Deemed Exchange, a U.S. Holder may be required to recognise taxable gain with respect to such Notes as a result of such Deemed Exchange. In addition, such deemed “new” notes may be treated as being issued with OID. Since any such substitution would occur pursuant to the original terms of the Notes, however, although not free from doubt, a Deemed Exchange is not expected to occur and U.S. Holders are therefore not expected to be required to recognise taxable gain with respect to the Notes as a result of a Benchmark Event.

A Benchmark Event also may affect the treatment of Notes as VRDI. Under proposed Treasury regulations, certain rate replacements would not affect the treatment of Notes that otherwise meet the requirements of the VRDI rules, provided that certain conditions set forth in the proposed regulations are met. There is no assurance that the Floating Rate Notes of any series will meet these conditions or that the Internal Revenue Service will not challenge the treatment of such Notes as VRDIs.

U.S. Holders should consult their tax advisors regarding the impact of a Benchmark Event in their investment in the Notes.

### **Sale, Exchange, Retirement or the Taxable Disposition of the Notes**

Upon the sale, exchange, retirement or other taxable disposition of a Note, a U.S. Holder will generally recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange, retirement or other taxable disposition and the Noteholder’s adjusted tax basis in the Note. A U.S. Holder’s adjusted tax basis in a Note generally will equal the acquisition cost of the Note increased by the amount of OID and market discount included in the Holder’s gross income and decreased by any payment received from the Issuer other than a payment of qualified stated interest and any amortisable bond premium taken into account. Gain or loss, if any, will generally be U.S. source income for purposes of computing a U.S. Holder’s foreign tax credit limitation. For these purposes, the amount realised does not include any amount attributable to accrued interest on the Note. Amounts attributable to accrued interest (including OID) are treated as interest as described under “*Payments of Stated Interest*” and “*Original Issue Discount*”.

Except as described below, gain or loss realised on the sale, exchange, retirement or other taxable disposition of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, retirement or other taxable disposition the U.S. Holder has held the Note for more than one year. Exceptions to this general rule apply to the extent of any accrued market discount or, in the case of a short-term Note, to the extent of any accrued discount not previously included in the Noteholder’s taxable income. See “*Original Issue Discount*” and “*Market Discount*”. In addition, other exceptions to this general rule apply in the case of short-term Notes, foreign currency Notes, and contingent payment debt instruments. See “*Short-Term Notes*”, “*Foreign Currency Notes*” and “*Contingent Payment Debt Instruments*”. The deductibility of capital losses is subject to limitations.

### **Short-Term Notes**

A Note that matures one year or less from its date of issuance (a “**short-term Note**”) will be treated as being issued at a discount and none of the interest paid on the Note will be treated as qualified stated interest. In general, a cash method U.S. Holder of a short-term Note is not required to accrue the discount for U.S. federal income tax purposes unless it elects to do so, with the consequence that the reporting of such income is deferred until it is received. Noteholders who so elect and certain other Noteholders, including those who report income on the accrual method of accounting for U.S. federal income tax purposes, are required to include the discount in income as it accrues on a straight-line basis, unless another election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. Holder who is not required and who does not

elect to include the discount in income currently, any gain realised on the sale, exchange, or retirement of the short-term Note will be ordinary income to the extent of the discount accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, those U.S. Holders will be required to defer deductions for any interest paid on indebtedness incurred to purchase or carry short-term Notes in an amount not exceeding the accrued discount (which includes interest that is payable but that has not been included in gross income) interest income with respect to such short-term Note until the accrued discount is included in income. A U.S. Holder's tax basis in a short-term Note is increased by the amount included in such holder's income on such a Note.

### **Contingent Payment Debt Instruments**

If the terms of the Notes provide for certain contingencies that affect the timing and amount of payments (including certain Floating Rate Notes that do not qualify as VRDIs) they will be "contingent payment debt instruments" for U.S. federal income tax purposes. Under the rules that govern the treatment of contingent payment debt instruments, no payment on such Notes qualifies as qualified stated interest. Rather, a U.S. Holder must accrue interest for U.S. federal income tax purposes based on a "comparable yield" and account for differences between actual payments on the Note and the Note's "projected payment schedule" as described below. The comparable yield is determined by us at the time of issuance of the Notes and equals the greater of (i) annual yield an issuer would pay, as of the issue date, on a fixed-rate, nonconvertible debt instrument with no contingent payments, but with terms and conditions otherwise comparable to the contingent payment debt instrument and (ii) the applicable federal rate. The comparable yield may be greater than or less than the stated interest, if any, with respect to the Notes. Solely for the purpose of determining the amount of interest income that a U.S. Holder will be required to accrue on a contingent payment debt instrument, we will be required to construct a "projected payment schedule" that represents a series of payments the amount and timing of which would produce a yield to maturity on the contingent payment debt instrument equal to the comparable yield.

**Neither the comparable yield nor the projected payment schedule constitutes a representation by us regarding the actual amount, if any, that the contingent payment debt instrument will pay.**

For U.S. federal income tax purposes, a U.S. Holder will be required to use the comparable yield and the projected payment schedule established by us in determining interest accruals and adjustments in respect of an contingent payment debt instrument, unless the Noteholder timely discloses and justifies the use of a different comparable yield and projected payment schedule to the IRS.

A U.S. Holder, regardless of its method of accounting for U.S. federal income tax purposes, will be required to accrue interest income on a contingent payment debt instrument at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments on the contingent payment debt instrument (as set forth below). As such, a U.S. Holder may be required to include interest in income each year in excess of any stated interest payments actually received in that year, if any.

A U.S. Holder will be required to recognise interest income equal to the amount of any net positive adjustment, i.e., the excess of actual payments over projected payments, in respect of a contingent payment debt instrument for a taxable year. A net negative adjustment, i.e., the excess of projected payments over actual payments, in respect of a contingent payment debt instrument for a taxable year:

- will first reduce the amount of interest in respect of the contingent payment debt instrument that a Noteholder would otherwise be required to include in income in the taxable year;
- to the extent of any excess, will give rise to an ordinary loss equal to the extent of the U.S. Holder's interest income on the contingent debt obligation during prior taxable years, reduced to the extent such interest was offset by prior net negative adjustments; and
- to the extent of any excess after the application of the previous two bullet points, will be carried forward as a negative adjustment to offset future interest income with respect to the contingent debt obligation or to reduce the amount realised on a sale, exchange or retirement of the contingent debt obligation.

A net negative adjustment will not be subject to the 2.0 per cent. floor limitation imposed on miscellaneous deductions when miscellaneous deduction become available again to individual U.S. Holders for tax years beginning on or after 1 January 2026. Where a U.S. Holder purchases a contingent payment debt instrument for a price other than its adjusted issue price, the difference between the purchase price and the adjusted issue price

must be reasonably allocated to the daily portions of interest or projected payments with respect to the contingent payment debt instrument over its remaining term and treated as a positive or negative adjustment, as the case may be, with respect to each period to which it is allocated.

Upon a sale, exchange, retirement or other taxable disposition of a contingent payment debt instrument, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the Noteholder's adjusted basis in the contingent payment debt instrument. A U.S. Holder's adjusted basis in a Note that is a contingent payment debt instrument generally will be the acquisition cost of the Note, increased by the interest previously accrued by the U.S. Holder on the Note under these rules, disregarding any net positive and net negative adjustments, and decreased by the amount of any non-contingent payments and the projected amount of any contingent payments previously made on the Note. A U.S. Holder generally will treat any gain as interest income, and any loss as ordinary loss to the extent of the excess of previous interest inclusions in excess of the total net negative adjustments previously taken into account as ordinary losses, and the balance as capital loss. The deductibility of capital losses is subject to limitations. In addition, if a Noteholder recognises loss above certain thresholds, the Noteholder may be required to file a disclosure statement with the IRS (as described under "*Other Reporting Requirements*").

Special rules will apply if one or more contingent payments on a contingent debt obligation become fixed. For purposes of the preceding sentence, a payment (including an amount payable at maturity) will be treated as fixed if (and when) all remaining contingencies with respect to it are remote or incidental within the meaning of the contingent debt regulations. A U.S. Holder's tax basis in the contingent debt obligation and the character of any gain or loss on the sale of the contingent debt obligation would also be affected. U.S. Holders are urged to consult their tax advisers concerning the application of these special rules.

### **Foreign Currency Notes**

The following discussion summarises the principal U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of Notes that are denominated in a specified currency other than the U.S. dollar or the payments of interest or principal on which are payable in a currency other than the U.S. dollar ("**foreign currency Notes**"). However, the U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of currency-linked Notes and non-functional currency contingent payment debt instruments are not discussed herein and, if applicable, will be discussed in a supplement to the Base Prospectus issued in connection with the issuance of such Notes and instruments.

The rules applicable to foreign currency Notes could require some or all gain or loss on the sale, exchange or other disposition of a foreign currency Note to be recharacterised as ordinary income or loss. The rules applicable to foreign currency Notes are complex and may depend on the Noteholder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a Noteholder should make any of these elections may depend on the Noteholder's particular U.S. federal income tax situation. U.S. Holders are urged to consult their tax advisors regarding the U.S. federal income tax consequences of the ownership and disposition of foreign currency Notes.

A U.S. Holder who uses the cash method of accounting and who receives a payment of qualified stated interest in a foreign currency with respect to a foreign currency Note will be required to include in income the U.S. dollar value of the foreign currency payment (determined on the date the payment is received) regardless of whether the payment is in fact converted to U.S. dollars at the time, and this U.S. dollar value will be the U.S. Holder's tax basis in the foreign currency.

An accrual method U.S. Holder will be required to include in income the U.S. dollar value of the amount of interest income (including OID or market discount, but reduced by acquisition premium and amortisable bond premium, to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a foreign currency Note during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. The U.S. Holder will recognise ordinary income or loss with respect to accrued interest income on the date the income is actually received. The amount of ordinary income or loss recognised will equal the difference between the U.S. dollar value of the foreign currency payment received (determined on the date the payment is received) in respect of the accrual period (or, where a Noteholder receives U.S. dollars, the amount of the payment in respect of the accrual period) and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of a cash method taxpayer required to currently accrue OID or market discount.

An accrual method U.S. Holder may elect to translate interest income (including OID) into U.S. dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

OID, market discount, acquisition premium and amortisable bond premium on a foreign currency Note are to be determined in the relevant foreign currency. Where the taxpayer elects to include market discount in income currently, the amount of market discount will be determined for any accrual period in the relevant foreign currency and then translated into U.S. dollars on the basis of the average rate in effect during the accrual period. Exchange gain or loss realised with respect to such accrued market discount shall be determined in accordance with the rules relating to accrued interest described above.

If an election to amortise bond premium is made, amortisable bond premium taken into account on a current basis shall reduce interest income in units of the relevant foreign currency. In that event, amortisable bond premium will be computed in foreign currency. A U.S. Holder making the election to amortise bond premium may recognise exchange gain or loss each period equal to the difference between the U.S. dollar value of bond premium with respect to such period determined on the date the interest attributable to such period is received and the U.S. dollar value of such amortised bond premium determined on the date of the acquisition of the Notes. Any exchange gain or loss will be ordinary income or loss as described below. If the election is not made, any loss realised on the sale, exchange or retirement of a foreign currency Note with amortisable bond premium by a U.S. Holder who has not elected to amortise the premium will be a capital loss to the extent of the bond premium.

A U.S. Holder's adjusted tax basis in a foreign currency Note will generally equal the "U.S. dollar cost" (as defined herein) of the Note to such holder increased by any previously accrued OID or market discount and decreased by any amortised premium and cash payments on the Note other than qualified stated interest. The "U.S. dollar cost" of a Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price based on the spot rate of exchange on the date of purchase (or based on the spot rate of exchange on the settlement date of the purchase, in the case of Notes traded on an established securities market that are purchased by a cash basis U.S. Holder or an electing accrual basis U.S. Holder). If a U.S. Holder receives foreign currency on a sale, exchange, retirement, or other taxable disposition of a Note, the amount realised generally will be based on the U.S. dollar value of such foreign currency translated at the spot rate on the date of taxable disposition. In the case of a Note that is considered to be traded on an established securities market, a cash basis U.S. Holder and, if it so elects, an accrual basis U.S. Holder, will determine the U.S. dollar value of such foreign currency by translating such amount at the spot rate on the settlement date of the disposition. The special election available to accrual basis U.S. Holders in regard to the purchase and disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. Holder and cannot be changed without the consent of the IRS. An accrual basis U.S. Holder that does not make the special settlement date election will recognise exchange gain or loss to the extent that there are exchange rate fluctuations between the disposition date and the settlement date.

Gain or loss realised upon the sale, exchange, retirement or other taxable disposition of a foreign currency Note that is attributable to fluctuation in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the U.S. dollar value of the foreign currency purchase price of the Note, determined on the date the Note is disposed of, and (ii) the U.S. dollar value of the foreign currency purchase price of the Note, determined on the date the U.S. Holder acquired the Note (adjusted, in each case, for any amortised bond premium that has been taken into account prior to the date of the sale, exchange or retirement). Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on foreign currency Notes described above. The foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by the Noteholder on the sale, exchange, retirement or other taxable disposition of the foreign currency Note. The source of the foreign currency gain or loss will be determined by reference to the residence of the Noteholder or the "qualified business unit" of the Noteholder on whose books the Note is properly reflected. Any gain or loss realised by these Noteholders in excess of the foreign currency gain or loss will be capital gain or loss except that any gain will be treated as ordinary income to the extent of any accrued market discount or, in the case of short term Note, to the extent of any discount not previously included in the Noteholder's income. Noteholders should consult their tax advisors with respect to the tax consequences of receiving payments in a currency different from the currency in which payments with respect to such Note accrue.

## **Backup Withholding and Information Reporting**

Information returns may be filed with the IRS in connection with payments on the Notes (including any accrued OID) and the proceeds from a sale or other disposition of the Notes. A U.S. Holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the Noteholder's U.S. federal income tax liability and may entitle them to a refund, *provided* that the required information is timely furnished to the IRS.

## **Other Reporting Requirements**

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS by attaching Form 8886 to their tax returns and retaining a copy of all documents and records relating to the transaction. The scope and application of these rules is not entirely clear and whether an investment in a Note constitutes a "reportable transaction" for any holder depends on the holder's particular circumstances. For example, 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 certain thresholds. In the event the acquisition, ownership 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. Prospective purchasers should consult their tax advisors regarding the application of these rules to the acquisition, ownership or disposition of Notes and should be aware that we (or other participants in the transaction) may determine that the investor list maintenance requirement applies to the transaction and comply accordingly with this requirement.

Certain U.S. Holders who are individuals (which may include certain entities treated as individuals for these purposes) are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Notes.

**The U.S. federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a Noteholder's particular situation. Noteholders should consult their tax advisors with respect to the tax consequences to them of the ownership and disposition of the Notes, including the tax consequences under state, local, foreign and other tax laws and the possible effects of changes in U.S. federal or other tax laws.**

## CERTAIN ERISA CONSIDERATIONS

Unless otherwise provided in any supplement to this Base Prospectus, the Notes should be eligible for purchase by employee benefit plans and other plans subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), or the provisions of Section 4975 of the Code and by governmental, church and non-U.S. plans that are subject to any federal, state, local or non-U.S. law or regulation that is substantially similar to the provisions of Section 406 of ERISA and/or Section 4975 of the Code (“**Similar Law**”) subject to consideration of the issues described in this section. ERISA imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) that are subject to ERISA, on entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, “**ERISA Plans**”), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirements of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under “*Risk Factors*”.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, the “**Plans**”)) and certain persons (referred to as “parties in interest” or “disqualified persons”) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person, including a Plan fiduciary, who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The Issuer, the Registrar, the Arranger, the Dealers, the Agents or any other party to the transactions referred to in this Base Prospectus may be parties in interest or disqualified persons with respect to many Plans. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any of the Notes is acquired or held by a Plan, including but not limited to where the Issuer, the Registrar, the Arranger, the Dealers, the Agents or any other party to such transactions is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire any Notes 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 transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption (“**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 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Prospective investors should consult with their advisors regarding the prohibited transaction rules and these exemptions. There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Notes.

Governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code, may nevertheless be subject to Similar Law. Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, if necessary, and the availability of, any exemptive relief under any Similar Law.

In addition, the U.S. Department of Labor has promulgated a regulation, 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the “**Plan Asset Regulation**”), describing what constitutes the assets of a Plan with respect to the Plan’s investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA and the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code. Under the Plan Asset 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 United States Investment Company Act of 1940, the Plan’s assets include both the equity interest and an undivided interest in each of the entity’s underlying assets, unless one of the exceptions to such treatment described in the Plan Asset Regulation applies. Under the Plan Asset Regulation, a security which is in the form

of debt may be considered an equity interest if it has substantial equity features. If the Issuer was deemed under the Plan Asset Regulation to hold plan assets by reason of a Plan's investment in any of the Notes, such plan assets would include an undivided interest in the assets held by the Issuer and transactions by the Issuer would be subject to the fiduciary responsibility provisions of Title I of ERISA and the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code. The Plan Asset Regulation provides, however, that if equity participation in any entity by "**Benefit Plan Investors**" is not significant, then the "look-through" rule will not apply to such entity. The term "Benefit Plan Investors" is defined in the Plan Asset Regulation to include (1) any "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (2) any "plan" as described in and subject to Section 4975 of the Code, and (3) any entity whose underlying assets include the assets of any such employee benefit plan subject to Title I of ERISA or other plan subject to Section 4975 of the Code. Equity participation by Benefit Plan Investors in any entity is significant if, immediately after the most recent acquisition of any equity interest in the entity, 25% or more of the total value of any class of equity interests in the entity (excluding the value of any interests held by certain persons, other than Benefit Plan Investors, having or exercising control over the assets of the entity or providing investment advice to the entity for a fee (direct or indirect) or any "affiliates" (as defined in the Plan Asset Regulation) of such persons) is held by Benefit Plan Investors. If, as a result of any investment, 25% or more of the total value of any class of equity interests in the Issuer is being held by Benefit Plan Investors, the applicable Notes may be redeemed by the Issuer. While there is little pertinent authority in this area and no assurance can be given, the Issuer believes that the Notes should not be treated as equity interests for the purposes of the Plan Asset Regulation and, therefore, the Plan Asset Regulation should not apply and any such redemptions would not be necessary.

Accordingly, except as otherwise provided in any supplement to this Base Prospectus, each purchaser and subsequent transferee of any Notes will be deemed to represent, warrant and agree, on each day from the date on which the purchaser or transferee acquires such Notes (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Notes (or its interests therein), (i) either that (a) it is not, and is not acting on behalf of (and for so long as it holds such Notes or any interests therein will not be, and will not be acting on behalf of), a Benefit Plan Investor or a governmental, church or non-U.S. plan which is subject to any Similar Law, or (b) its acquisition, holding and disposition of such Notes (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 subject to Similar Law, a violation of any Similar Law, and (ii) it will not sell or otherwise transfer such Notes or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its purchase and holding of such Notes or any interest therein.

Each purchaser and subsequent transferee of any Notes (or any interest therein) that is a Benefit Plan Investor will be further deemed to represent, warrant and agree that (i) none of the Issuer, the Registrar, the Arranger, the Dealers, the Agents or any of their respective affiliates, or any entity or other person providing marketing services on their behalf (each, a "**Transaction Party**") has provided any investment recommendation or investment advice on which it, or any fiduciary or other person investing the assets of the Benefit Plan Investor ("**Plan Fiduciary**"), has relied in connection with its decision to invest in the Notes, and none of the Transaction Parties is undertaking to give advice in a fiduciary capacity or otherwise undertaking to act as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or the Plan Fiduciary in connection with the Benefit Plan Investor's acquisition and holding of the Notes or any interest therein and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the Notes.

Each Plan Fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold any of the Notes should determine whether, under the documents and instruments governing the Plan, an investment in such Notes is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio. Any Plan proposing to invest in such Notes (including any governmental, church or non-U.S. plan) should consult with its counsel to confirm that such investment will not constitute or result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA and the Code (or, in the case of a governmental, church or non-U.S. plan, any Similar Law).

The sale of any Notes to a Plan is in no respect a representation by the Transaction Parties that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.



## SUBSCRIPTION AND SALE

Notes may be offered from time to time by the Issuer to any one or more of the Dealers and any additional dealer(s) appointed under the Programme from time to time by the Issuer (the “Dealers”). The arrangements under which Notes may from time to time be offered by the Issuer to, and purchased by, the Dealers are set out in an amended and restated dealer agreement dated 30 March 2021 (the “Dealer Agreement”) and made between the Issuer, the Arranger and the Dealers. The Issuer and the Dealers will agree the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and the sale of the Notes. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

The Issuer may apply all or part of the proceeds of any of Notes issued under the Programme in repayment of all or part of any credit facilities that may have been, or may in the future be, extended to the Issuer or its portfolio companies by the Dealers or their affiliates.

### General

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will (to the best of its knowledge and belief) comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out below) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

No representation is made that any action has been or will be taken in any jurisdiction which would, or is intended to, permit a public offering of any Notes, or possession or distribution of this Base Prospectus or any other offering materials or Final Terms in any country or jurisdiction where action for that purpose is required.

### United States

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, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the Code and Treasury regulations promulgated thereunder.

In respect of Bearer Notes where TEFRA D is specified in the applicable Final Terms each Dealer has represented and agreed and each additional Dealer appointed under the Programme will be required to represent, undertake and agree, that:

- (a) except to the extent permitted under the TEFRA D Rules, (i) that it has not offered or sold, and during the restricted period it will not offer or sell, Bearer Notes to a person who is within the United States or

its possessions or to a United States person, and (ii) that it has not delivered and it will not deliver within the United States or its possessions Definitive Notes that are sold during the restricted period;

- (b) it has and throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;
- (c) if it is a United States person, it is acquiring Bearer Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it will only do so in accordance with the requirements of U.S. Treasury Regulations §1.163-5(c)(2)(i)(D)(6) (or any substantially identical successor regulations issued for the purposes of Section 4701 of the Code);
- (d) with respect to each affiliate that acquires Bearer Notes from a Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer either (i) repeats and confirms the representations and agreements contained in subparagraphs (a), (b) and (c) on such affiliate's behalf or (ii) agrees that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in subparagraphs (a), (b) and (c); and
- (e) it will obtain from any distributor (within the meaning of U.S. Treasury Regulations §1.163-5(c)(2)(i)(D)(4)(ii)) (or any substantially identical successor United States Treasury regulation issued for the purposes of Section 4701 of the Code) that purchases any Bearer Notes from it pursuant to a written contract with such Dealer (except a distributor that is one of its affiliates or is another Dealer), for the benefit of the Issuer and each other Dealer, the representations contained in, and such distributor's agreement to comply with, the provisions of sub-clauses (a), (b), (c) and (d) of this paragraph insofar as they relate to the TEFRA D Rules, as if such distributor were a Dealer hereunder.

Terms used in this paragraph have the meanings given to them by the Code and Treasury regulations promulgated thereunder, including the TEFRA D Rules.

In addition, to the extent that the Final Terms or the subscription agreement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is TEFRA C, such Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, 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 shall not offer, sell or deliver, directly or indirectly, such Notes within the United States or its possessions in connection with their original issuance. Further, in connection with the original issuance of such Notes, it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions, or otherwise involve its U.S. office in the offer or sale of such Notes. Terms used in this paragraph have the meanings given to them by the Code and regulations promulgated thereunder, including TEFRA C.

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Bearer Notes in global form, the Bearer Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

*“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 U.S. Internal Revenue Code of 1986, as amended.”*

Until 40 days after the commencement of the offering of any Tranche of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering of such Tranche of Notes) 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 directly or through their respective U.S. broker-dealer affiliates 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.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does

not constitute an offer to any person in the United States, other than any QIB to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate.

## 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 or any applicable Final Terms (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 of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"), so long as a concurrent distribution of the Notes is made to investors in the United States, the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering. In the event the Notes are distributed to investors in Canada without a concurrent distribution of the Notes to investors in the United States, the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest may apply.

## Prohibition of sales to EEA Retail Investors

Unless the Final Terms in respect of any 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 the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. 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 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 the 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 specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area (each, a "**Member State**"), 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 the Base Prospectus as completed by the Final Terms in relation thereto to the public in that Member State, except that it may make an offer of such Notes to the public in that Member 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 in (a) to (c) 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 Member 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 and the expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129, as amended.

## **United Kingdom**

### ***Prohibition of sales to UK Retail Investors***

Unless the Final Terms in respect of any 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 in relation thereto to any retail investor in the United Kingdom. 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 European Union (Withdrawal) Act 2018 (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 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 United Kingdom, except that it may make an offer of such Notes to the public in the United Kingdom:

- (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 (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 and the expression

“**UK Prospectus Regulation**” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

#### ***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:

- (a) in relation to any Notes which have a maturity of less than one year, (i) 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 (ii) 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 Financial Services and Markets Act 2000 (the “**FSMA**”) by the Issuer;
- (b) 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
- (c) 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.

#### **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 Market Authority, in each case, in accordance with the KSA Regulations.

The Notes may not this 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 or, or as otherwise required or permitted 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 to a Saudi Investor will be made in compliance with the KSA Regulations.

Each offer of Notes shall therefore not 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.

#### **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 at any time, directly or indirectly, any Notes in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (b) 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 (including the Qatar Financial Centre). This Base Prospectus (i) has not been, and will not be, registered with or approved by the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority and may not be publicly distributed in the State of Qatar (including the Qatar Financial Centre); (ii) is intended for the original recipient only and must not be provided to any other person; and (iii) is not for general circulation in the State of Qatar (including the Qatar Financial Centre) and may not be reproduced or used for any other purpose.

## **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 as marketing to persons in Bahrain who are “accredited investors” for an offer outside Bahrain.

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; or
- (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 ADGM and the DIFC)**

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.

## **Abu Dhabi Global Market**

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 ADGM unless such offer is:

- (a) an “Exempt Offer” in accordance with the Markets Rules (MKT) Module of the Financial Services Regulatory Authority (the “FSRA”) rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.4.1 of the Conduct of Business Rules (COBS) Module of the FSRA rulebook.

## **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 DIFC 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 Conduct of Business (COB) Module of the DFSA rulebook.

## **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: (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA; (b) 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 and (where applicable) Regulation 3 of the Securities and Futures (Classes of

Investors) Regulations 2018; or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (i) 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
- (ii) 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:

- (a) 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;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

### **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 "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 (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and 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 the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in 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.

### **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 has not, directly or indirectly, offered or sold Notes and will not, directly or indirectly, offer or sell any Notes 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 resale, directly or indirectly, in Japan or to, or for the benefit of, any 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.

## TRANSFER RESTRICTIONS

The Notes are being sold in the United States only to qualified institutional buyers within the meaning of and in reliance on Rule 144A. Because of the following restrictions, purchasers of Notes sold in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

### Regulation S Notes

Each purchaser of Bearer Notes or Unrestricted Registered Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Base Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (a) within the meaning of Regulation S, it is, or at the time Notes are purchased will be, the beneficial owner of such Notes and it is not a U.S. Person and it is, or at the time Notes are purchased will be, the beneficial owner of such Notes and it is located outside the United States (within the meaning of Regulation S);
- (b) it understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period (as defined in Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except:
  - (i) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; or
  - (ii) to the Issuer or any affiliate thereof; or
  - (iii) in the case of Unrestricted Registered Notes only, in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB; or
  - (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available); or
  - (v) pursuant to an effective registration statement under the Securities Act,in each case in accordance with any applicable securities laws of any State of the United States;
- (c) on each day from the date on which it acquires the Notes (or any interest therein) through and including the date on which it disposes of such Notes (or its interests therein), (i) either that (A) it is not, and is not acting on behalf of (and for so long as it holds such Notes or any interests therein will not be, and will not be acting on behalf of), a Benefit Plan Investor or a governmental, church or non-U.S. plan which is subject to any Similar Law, or (B) its acquisition, holding and disposition of such Notes (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 subject to Similar Law, a violation of any Similar Law, and (ii) it will not sell or otherwise transfer such Notes or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its purchase and holding of such Notes or any interest therein;
- (d) each purchaser and subsequent transferee of any Notes (or any interest therein) that is a Benefit Plan Investor will be further deemed to represent, warrant and agree that (i) none of the Transaction Parties has provided any investment recommendation or investment advice on which it, or any Plan Fiduciary, has relied in connection with its decision to invest in the Notes, and none of the Transaction Parties is undertaking to give advice in a fiduciary capacity or otherwise undertaking to act as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or the Plan Fiduciary in connection with the Benefit Plan Investor's acquisition and holding of the Notes or any interest therein and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the Notes; and
- (e) it understands that the Issuer, the Agents, the Arranger, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been



made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Issuer and the Dealer(s).

On or prior to the fortieth day after the relevant issue date, Notes represented by an interest in an Unrestricted Global Certificate may be transferred to a person who wishes to hold such Notes in the form of an interest in a Restricted Global Certificate only upon receipt by the relevant Registrar of a written certification from the transferor 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 and in accordance with any applicable securities laws of any state of the United States. After such fortieth day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Global Certificate, as described above under “*Form of the Notes*”.

Notes represented by an interest in a Restricted Global Certificate may also be transferred to a person who wishes to hold such Notes in the form of an interest in an Unrestricted Global Certificate, but only upon receipt by the relevant Registrar of a written certification from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any interest in a Note represented by an Unrestricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in a Note represented by a Restricted Global Certificate will, upon transfer, cease to be an interest in a Note represented by an Unrestricted Global Certificate and become an interest in a Note represented by a Restricted Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Notes represented by a Restricted Global Certificate.

#### **Rule 144A Notes**

Each prospective purchaser of Notes in reliance on Rule 144A (a “**144A Offeree**”), by accepting delivery of this Base Prospectus, will be deemed to have represented, agreed and acknowledged as follows:

- (a) such 144A Offeree acknowledges that this Base Prospectus is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes. Distribution of this Base Prospectus, or disclosure of any of its contents to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is unauthorized, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.
- (b) such 144A Offeree agrees to make no photocopies of this Base Prospectus or any documents referred to herein.

Each purchaser of Restricted Registered Notes in reliance on Rule 144A, by accepting delivery of this Base Prospectus, will be deemed to have represented, agreed and acknowledged as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

- (a) the purchaser is (i) a QIB, (ii) acquiring the Notes for its own account or for the account of one or more QIBs, (iii) not formed for the purpose of investing in the Notes or the Issuer and (iv) is aware, and each beneficial owner of such Notes has been advised that the sale of the Notes to it is being made in reliance on Rule 144A;
- (b) the purchaser understands that (i) the Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (A) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (B) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (C) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (D) pursuant to an effective registration statement under the Securities Act or (E) to the Issuer or any of their respective affiliates, in each case in accordance with any applicable securities laws of any State of the United States; and (ii) it will, and each subsequent holder of the Restricted Registered Notes is required to, notify any purchaser of the Restricted Registered Notes from it of the resale restrictions applicable to the Restricted Registered Notes;
- (c) the purchaser understands that the Restricted Global Certificate and any restricted Individual Note Certificate (a “**Restricted Individual Note Certificate**”) will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

“THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, REPRESENTS THAT IT IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”)) PURCHASING THIS SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS, AND, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (4) TO THE ISSUER OR ITS AFFILIATES, OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION, AND AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

BY ITS ACQUISITION HEREOF, THE HOLDER REPRESENTS, WARRANTS AND AGREES THAT (I) EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THE NOTES REPRESENTED HEREBY OR ANY INTEREST HEREIN WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF), (1) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), THAT IS SUBJECT TO TITLE I OF ERISA, (2) A “PLAN” AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), (3) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE (EACH OF THE FOREGOING, A “BENEFIT PLAN INVESTOR”), OR (4) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA AND/OR SECTION 4975 OF THE CODE (“SIMILAR LAW”), OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THE NOTES REPRESENTED HEREBY (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, AND (II) IT WILL NOT SELL OR OTHERWISE TRANSFER THE NOTES REPRESENTED HEREBY OR ANY INTEREST HEREIN OTHERWISE THAN TO A PURCHASER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS PURCHASE AND HOLDING OF THE NOTES REPRESENTED HEREBY OR ANY INTEREST HEREIN.

EACH PURCHASER AND SUBSEQUENT TRANSFEREE OF THE NOTES REPRESENTED HEREBY (OR ANY INTEREST HEREIN) THAT IS A BENEFIT PLAN INVESTOR WILL BE FURTHER DEEMED TO REPRESENT, WARRANT AND AGREE THAT (I) NONE OF THE ISSUER, THE REGISTRAR, THE ARRANGER, THE DEALERS, THE AGENTS OR ANY OF THEIR RESPECTIVE AFFILIATES, OR ANY ENTITY OR OTHER PERSON PROVIDING MARKETING SERVICES ON THEIR BEHALF (EACH, A “TRANSACTION PARTY”) HAS PROVIDED ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE ON WHICH IT, OR ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE BENEFIT PLAN INVESTOR (“PLAN FIDUCIARY”), HAS RELIED IN CONNECTION WITH ITS DECISION TO INVEST IN THE NOTES REPRESENTED HEREBY, AND NONE OF THE TRANSACTION PARTIES IS UNDERTAKING TO GIVE ADVICE IN A FIDUCIARY CAPACITY OR OTHERWISE

UNDERTAKING TO ACT AS A FIDUCIARY, AS DEFINED IN SECTION 3(21) OF ERISA OR SECTION 4975(e)(3) OF THE CODE, TO THE BENEFIT PLAN INVESTOR OR THE PLAN FIDUCIARY IN CONNECTION WITH THE BENEFIT PLAN INVESTOR'S ACQUISITION AND HOLDING OF THE NOTES REPRESENTED HEREBY OR ANY INTEREST HEREIN AND (II) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE INVESTMENT IN THE NOTES REPRESENTED HEREBY.”;

- (d) 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;
- (e) on each day from the date on which it acquires the Notes (or any interest therein) through and including the date on which it disposes of such Notes (or its interests therein), (i) either that (A) it is not, and is not acting on behalf of (and for so long as it holds such Notes or any interests therein will not be, and will not be acting on behalf of), a Benefit Plan Investor or a governmental, church or non-U.S. plan which is subject to any Similar Law, or (B) its acquisition, holding and disposition of such Notes (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 subject to Similar Law, a violation of any Similar Law, and (ii) it will not sell or otherwise transfer such Notes or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its purchase and holding of such Notes or any interest therein;
- (f) each purchaser and subsequent transferee of any Notes (or any interest therein) that is a Benefit Plan Investor will be further deemed to represent, warrant and agree that (i) none of the Transaction Parties has provided any investment recommendation or investment advice on which it, or any Plan Fiduciary, has relied in connection with its decision to invest in the Notes, and none of the Transaction Parties is undertaking to give advice in a fiduciary capacity or otherwise undertaking to act as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or the Plan Fiduciary in connection with the Benefit Plan Investor's acquisition and holding of the Notes or any interest therein and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the Notes; and
- (g) the purchaser understands that the Issuer, the Agents, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Issuer and the Dealer(s).

Upon the transfer, exchange or replacement of a Restricted Global Certificate or a Restricted Individual Note Certificate, or upon specific request for removal of the legend, the Issuer will deliver only a Restricted Global Certificate or one or more Restricted Individual Note Certificates that bear such legend or will refuse to remove such legend, unless there is delivered to the Issuer and the relevant Registrar such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Any interest in a Restricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Certificate will, upon transfer, cease to be an interest in a Restricted Global Certificate and become an interest in an Unrestricted Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in an Unrestricted Global Certificate. Prospective purchasers that are QIBs are hereby notified that sellers of the Restricted Registered Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

## CLEARING AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear and/or Clearstream (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 Systems. Neither 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. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuers nor any Agent or Dealer takes any responsibility for the accuracy thereof. 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 such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

### **DTC Book-Entry System**

Registered Notes whether as part of the initial distribution of the Notes or in the secondary market, are eligible to be held in book-entry form in DTC.

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, 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 (“**Participants**”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants (“**Direct Participants**”) include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. 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**”).

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 SEC. 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 with respect to 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 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 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. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. 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 Cede & Co. 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. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an 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 DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. 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 in bearer form or registered in "street name", 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 disbursements of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, DTC will exchange the DTC Notes for Individual Note Certificates, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Restricted Global Certificate, will be legended as set forth under "*Transfer Restrictions*".

#### **Book-entry Ownership of and Payments in respect of DTC Notes**

The Issuer may apply to DTC in order to have each Tranche of Notes represented by the Restricted Global Certificate, and if applicable, the Unrestricted Global Certificate, accepted in its book-entry settlement system. Upon the issue of any Global Registered Notes, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Global Registered 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 a Global Registered Note will be limited to Direct Participants or Indirect Participants. Ownership of beneficial interests in a Global Registered Note 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 Global Registered Note registered in the name of DTC's nominee will be made to the order of such 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 relevant Paying Agent on behalf of DTC's nominee and the relevant Paying 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 Global Registered 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 Paying Agents, the Registrars or the Issuer. Payments of principal, premium, if any, and interest, if any, on Notes to DTC are the responsibility of the Issuer.

## **Euroclear and Clearstream**

Euroclear and Clearstream 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 provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system. Investors may hold their interests in Global Certificates directly through Euroclear or Clearstream if they are accountholders or indirectly through organisation which are accountholders therein.

## **Transfers of Notes Represented by Global Registered Notes**

Transfers of any interests in Notes represented by a Global Registered Note will be effected in accordance with the customary rules and operating procedures of Euroclear, Clearstream and/or DTC, as the case may be. The laws of 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 Global Registered Note to such persons may depend upon the ability to exchange such Notes for Individual Note Certificates. 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 Global Registered Note held by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or to otherwise 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 Global Registered Note held 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 or indirect participant in the DTC system.

Transfers at any time by a holder of a book-entry interest in a Restricted Global Certificate to a transferee who takes delivery of such book-entry interest through an Unrestricted Global Certificate for the same Series of Notes will only be made upon delivery to the relevant Registrar of a certificate setting forth compliance with the provisions of Regulation S. Prior to the expiration of the distribution compliance period (as defined in Regulation S), ownership of book-entry interests in an Unrestricted Global Certificate will be limited to persons that have accounts with Euroclear, Clearstream and/or DTC, as the case may be, or persons who hold such book-entry interest through Euroclear, Clearstream and/or DTC, as the case may be, and any sale or transfer of such book-entry interest to a US Person (within the meaning of Regulation S) shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A. Transfers at any time by a holder of a book-entry interest in an Unrestricted Global Certificate to a transferee who takes delivery of such book-entry interest through a Restricted Global Certificate for the same Series of Notes will only be made upon receipt by the relevant Registrar or the relevant Transfer Agent of a written certificate from the transferor of such book-entry interest to the effect that such transfer is being made to a person whom such transferor, and any person acting on its behalf, reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Transfer Restrictions*” and in accordance with any applicable securities laws of any state of the United States.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under “*Transfer Restrictions*”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrars, and/or the Paying Agents, as the case may be, and any custodian with whom the relevant Global Registered Notes have been deposited.

On or after the relevant issue date for any Series, transfers of Notes of such Series between accountholders in Euroclear or Clearstream and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in DTC and Euroclear or Clearstream 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 Euroclear or Clearstream on the other, transfers of interests in the relevant Global Registered Notes will be effected through the relevant Registrar and/or the relevant Transfer Agent, as the case may be, 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 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 payments must be made separately.

Euroclear, Clearstream and DTC have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Global Registered Notes among participants and accountholders of Euroclear, Clearstream and DTC. 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(s) will be responsible for any performance by Euroclear, Clearstream and DTC or its respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Registered Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## GENERAL INFORMATION

### Authorisation

The update of the Programme by the Issuer and the issuance of Notes thereunder has been duly authorised by a resolution of the board of directors of the Issuer dated 17 February 2021 and a resolution of the sole shareholder of the Issuer dated 21 February 2021.

### Approval, Listing and Admission to Trading of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Regulated Market will be admitted separately as and when issued, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche.

Application has been made to Euronext Dublin for Notes issued under the Programme to be admitted to the Official List and admitted to trading on the Regulated Market. The approval of the Programme in respect of Notes is expected to be granted on or around 30 March 2021. Unlisted Notes may be issued pursuant to the Programme.

### Listing Agent

Matheson is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List or to trading on the Regulated Market.

### Litigation

Neither the Issuer nor any other member of the Group is, or 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 Base Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

### Auditors

The Issuer's appointed auditors are PwC.

The 2020 Financial Statements incorporated by reference in this Base Prospectus have been audited by PwC in accordance with International Standards on Auditing, as stated in their audit report. The business address of PwC is 47th Floor, Bahrain Financial Harbour, West Tower, Building no. 1459, Road no. 4626, Block no. 0346, Manama, Kingdom of Bahrain. PwC is regulated in Bahrain by the Ministry of Industry, Commerce and Tourism and is a registered auditor licensed to act as an auditor in Bahrain by the Ministry of Industry, Commerce and Tourism. PwC is a member of the Bahrain Accountants Association.

The 2019 Financial Statements incorporated by reference in this Base Prospectus have been audited by EY in accordance with International Standards on Auditing, as stated in their audit report. The business address of EY is P.O. Box 140, 10th Floor, East Tower, Bahrain World Trade Centre, Manama, Kingdom of Bahrain. EY is regulated in Bahrain by the Ministry of Industry, Commerce and Tourism and is a registered auditor licensed to act as an auditor in Bahrain by the Ministry of Industry, Commerce and Tourism. EY is a member of the Bahrain Accountants Association.

### Significant or Material Change

There has been no significant change in the financial performance or financial position of the Issuer or the Group and there has been no material adverse change in the prospects of the Issuer or the Group, in each case, since 31 December 2020.

### Documents on Display

Copies of the following documents in electronic form may be inspected during normal business hours at the specified offices of the Fiscal Agent and will, when published, be available for viewing on the website of the Company at: <https://www.nogaholding.com/> for a period of 12 months from the date of this Base Prospectus:

- (a) the constitutional documents of the Company;
- (b) the Audited Financial Statements;



- (c) the Agency Agreement;
- (d) the Deed Poll;
- (e) the Deed of Covenant;
- (f) the Base Prospectus and any other documents incorporated herein; and
- (g) any future supplements and any Final Terms to this Base Prospectus (save that Final Terms relating to an unlisted Note will only be available for inspection by a Holder of such Note and such Holder must produce evidence satisfactory to the Fiscal Agent as to the identity of such Holder).

This Base Prospectus will also be available for viewing in electronic form on the website of Euronext Dublin at: <https://www.euronext.com/en/markets/dublin>.

### **Clearing Systems**

The Notes have been accepted for clearance through DTC, Euroclear and Clearstream. The appropriate common code, International Securities Identification Number (ISIN) and/or the Committee on Uniform Security Identification Procedures (CUSIP) Number in relation to the Notes of each Tranche will be specified in the applicable Final Terms. The applicable Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

### **Legal Entity Identifier**

The Legal Entity Identifier (LEI) code of the Issuer is 549300OBH16L6TS6IW50.

### **Issuer Website**

The Issuer's website is <https://www.nogaholding.com/>. Unless specifically incorporated by reference into this Base Prospectus, information contained on this website does not form part of this Base Prospectus.

### **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.

### **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 for, the Issuer in the ordinary course of business for which they may receive fees. They have received, or may in the future receive, customary fees and commission for these transactions.

In addition, 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 or its agencies. Certain of the Dealers or their affiliates have a lending relationship with the Issuer, and of those that do, they may hedge their credit exposure to the Issuer 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.

**Tax legend for Bearer Notes**

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Bearer Notes in global form, the Bearer Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

*“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 U.S. Internal Revenue Code of 1986, as amended.”*

**ISSUER**

**The Oil & Gas Holding Company B.S.C. (c)**

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Manama  
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Telephone: +973 1711 1940

**ARRANGER AND DEALER**

**J.P. Morgan Securities plc**

25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**DEALERS**

**Gulf International Bank B.S.C.**

3 Palace Avenue  
P.O. Box 1017  
Manama  
Kingdom of Bahrain

**HSBC Bank plc**

8 Canada Square  
London E14 5HQ  
United Kingdom

**FISCAL AGENT, RULE 144A PAYING AGENT,  
REG S TRANSFER AGENT AND RULE 144A  
TRANSFER AGENT**

**Citibank N.A., London Branch**

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