FANTASTIC OPPORTUNITIES IN PLASTIC

The Seabury Group identified a number of sectors where SOHAR is uniquely positioned for success; one such sector is primary plastics, where an opportunity exists to manufacture products which include various polyethylenes, polystyrenes, polymers, olefins, polypropylenes etc.

Polymer, olefins are a downstream product of petrochemicals and so naturally the Middle East, and Saudi Arabia in particular, has developed a strong export industry in primary plastics. In fact, one of Saudi Arabia's biggest markets for primary plastics is India, where demand has grown 14% a year over the past five years.

SOHAR is ideally positioned to compete on this tradeflow. The existing Orpic oil refinery in SOHAR produces 116,000 bpd and is currently undergoing a $1.5 billion expansion to add an additional 60,000 bpd of capacity and improve the quality of its chemical by-products.

Other than fuel products, the refinery in SOHAR also produces significant volumes of naphtha and propylene, which serve as feedstock for an adjoining aromatics and polypropylene plant. The aromatics plant has the capacity for 818,000 tonnes/yr of paraxylene, and 198,000 tonnes/yr of benzene, while the polypropylene plant produces 340,000 tonnes/yr. Between the refinery, aromatics plant, and polypropylene plant, there are significant downstream opportunities.

Compared to Saudi Arabia SOHAR also enjoys better connectivity and lower logistics costs to India, giving it additional advantages relative to Saudi Arabia.

SOHAR also has better connectivity and lower logistics costs to India, giving it a further advantage relative to Saudi Arabia.

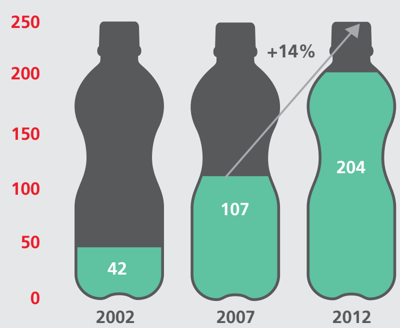
More in store

In addition, there are two additional projects underway that create downstream opportunities. The first is the Liwa Plastics Project, also owned by Orpic. The project is scheduled for completion in 2018, and will process light ends produced in Orpic's Sohar Refinery and Aromatics plant, and will also optimize Natural Gas Liquids.

The project includes a high-density polyethylene (HDPE) plant, a linear low-density polyethylene (LLDPE) plant, and a polypropylene plant, as well additional infrastructure. It is anticipated that the plant will produce 838 KTA of polyethylene (LLDPE and HDPE), 215 KTA of polypropylene, 186 KTA of motor gas, and 46 KTA of benzene.

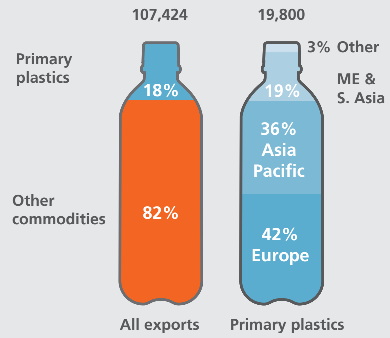
The second project is a joint venture between Oman Oil Company and Korea's LG International (LGI), to develop a plant to produce purified terephthalic acid (PTA) and polyethylene terephthalate (PET). This project is due for completion in 2016. The project will be executed to produce in two phases a total of 1.1 million tonnes of PTA and 500,000 tonnes of PET a year.

India imports of plastics in primary form
TEU (000's)



For the past decade, demand growth for primary plastics in India has grown consistently. India imports from a wide variety of partners, with Saudi Arabia recently growing to become the second largest import partner.

Oman containerised exports, by destination
TEU, 2012



Primary plastics are already one of the major export commodities from Oman, with volumes exported to a number of different regions.

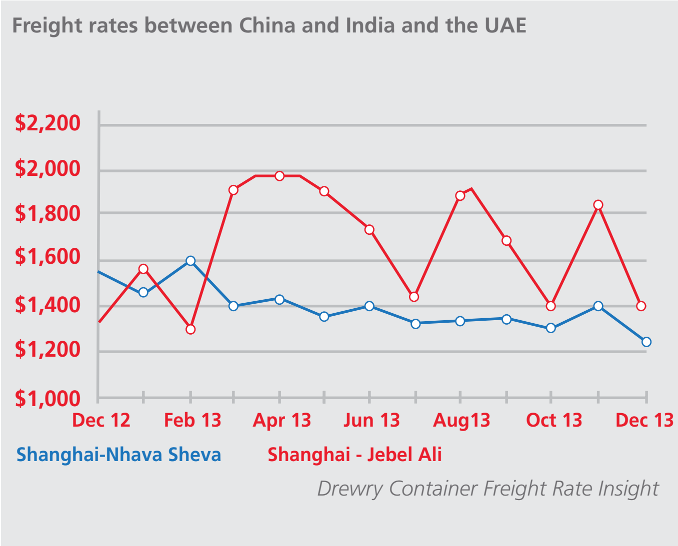
Source: Seabury Ocean Trade Database

Markets for growth

Other than Saudi Arabia, India's main import trade partners for these goods are South Korea and Taiwan. Shipping these goods from the Far East is ultimately expensive, with westbound rates from Shanghai to Nhava Sheva for a 40ft container hovering near US$1,400 for much of 2013.
The cost of logistics can vary depending on a wide variety of factors, but ultimately, some savings can be had on logistics cost. For example, as a point of comparison, shipping to Nhava Sheva from SOHAR costs approximately $340 per container (as of January 2014), which would save over $1,000 per container (or roughly 3% total savings). SOHAR's freight rates can be expected to reduce in the near future as well, as services and volumes that previously went through the Port of Sultan Qaboos in Muscat are re-directed to SOHAR.

	20' Laden	40' Laden
SOHAR to Mundra	$170	$340
Dammam to Mundra	$290	$530
SOHAR freight rate advantage	$120	$190
SOHAR freight rate + THC advantage	$70	$140

	20' Laden	40' Laden
SOHAR to Nhava Sheva	$170	$340
Dammam to Nhava Sheva	$310	$570
SOHAR freight rate advantage	$140	$230
SOHAR freight rate + THC advantage	$90	$180



Please note that these values are freight rates and THC as of January 2014. These do not represent a full cost buildup including all surcharges, border charges, etc.

Ready for production

Other than providing easy access to the Indian market, SOHAR's competitive power and land costs create an attractive environment for developing manufacturing industries. The infrastructure in SOHAR is already equipped to accommodate large scale chemical production. One current port tenant is Oiltanking Odfjell Terminals Oman (OOT), one of the world's leading liquids tank terminal companies. OOT currently has a total storage capacity of 1,366,640 cubic meters, with different tanks optimised for different chemical groups.The tanks for chemicals has a capacity of 31,000 cubic meters, with a potential for expansion to 70.000 cubic meters. The tanks include insulated/heated tanks; those that can store flammable products; and those thatcan store base oils or other chemicals. Some tanks have dedicated infrastructure making it possible to store products like styrene monomer, acrylonitrile, MDI/TDI, epoxy resins, and others. One key, differentiating factor versus other ports in the region is direct access to the jetty, allowing for the storage and handling of a wide variety of chemical types.

	SOHAR	Jebel Ali	DWC	Hamriyah	KIZAD	RAK
Power (USD / kWh)	0.04	0.09	0.09	0.12	0.04	0.11

Source: SOHAR Port and Freezone

Advantage SOHAR

SOHAR Freezone has appealing conditions for traders, distributors and downstream manufacturers. Warehousing costs are competitive and smaller players will be able to sublease warehousing space while still operating with 100% ownership.

- **Captive Omani market, with limited competition** in contrast to the UAE, where there is stiff competition within the free zones and local market
- **Professional and experienced Freezone and Port team through Port of Rotterdam** connection. With a high quality management team in place development will proceed as planned
- **100% foreign ownership** for Freezone tenants
- **Duty-free imports** in the Freezone
- **Tax holidays** for up to 25 years in the Freezone
- **Low local labour requirements** with up to 85% overseas workforce allowed
- **Low capital requirements,** with only OMR 20,000 required to set up a company in the Freezone
- **Lower cost of living** compared to the UAE
- **One-Stop-Shop service** in the Freezone limits the bureaucracy that tenants have to face, and improves the ease of doing business