



لوبريف
luberef

شركة أرامكو السعودية لزيوت الأساس - لوبريف
Saudi Aramco Base Oil Company - Luberef

27 NOVEMBER 2022

RIYADH – KINGDOM OF SAUDI ARABIA

SAUDI ARAMCO BASE OIL COMPANY (LUBEREF)
ANNOUNCEMENT OF INTENTION TO FLOAT ON THE
SAUDI EXCHANGE

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Press Release

SAUDI ARAMCO BASE OIL COMPANY (LUBEREF) ANNOUNCEMENT OF INTENTION TO FLOAT ON THE SAUDI EXCHANGE

RIYADH – 27 November 2022 – Saudi Aramco Base Oil Company – Luberef (*“Luberef” or the “Company”*), one of the largest base oils producers in the world and the leading base oils producer in the Kingdom of Saudi Arabia (the *“Kingdom”*), today announces its intention to proceed with an initial public offering (*“IPO” or the “Offering”*) and the listing of its ordinary shares (*“Shares”*) on the Saudi Exchange’s Main Market.

On 24 November 2022, the Capital Market Authority (*“CMA”*) approved the Company’s application for the Offering of 50,045,000 Shares (the *“Offer Shares”*), representing 29.6562963% of the Company’s issued share capital, by way of a sale of existing Shares by Jadwa Industrial Investment Company (*“Jadwa” or the “Selling Shareholder”*). The final pricing of the Offer Shares will be determined at the end of the book-building period.

The Saudi Arabian Oil Company (*“Saudi Aramco”*) will not sell any of its Shares in the Offering and will continue to own 70% of Luberef’s share capital following the Offering.

Offering overview

- *The Offering consists of a sale by Jadwa of its Shares in Luberef.*
- *The Shares will be listed on the Saudi Exchange’s Main Market following the completion of the IPO and listing formalities with the CMA and the Saudi Exchange.*
- *The IPO of Luberef comprises an offer of 50,045,000 ordinary shares, representing 29.6562963% of the Company’s issued share capital of 168,750,000 shares through the sale of existing shares by Jadwa.*
- *The Offer Shares will be offered for subscription to individual and institutional investors, including institutional investors outside the United States in “offshore transactions” in accordance with Regulation S under the US Securities Act of 1933, as amended (the **“Securities Act”**).*
- *A maximum of 12,511,250 ordinary shares, representing [25%] of the total Offer Shares, will be allocated to individual investors.*
- *The final Offer price will be determined at the end of the book-building process.*

Company overview

- *Luberef was incorporated in 1976G as a pure play base oil producer and currently operates two production facilities strategically located on the west coast of the Kingdom in Yanbu and Jeddah.*
- *The Jeddah facility was commissioned in 1977G and has a current annual production capacity of approximately 275 thousand metric tons (“MT”) of Group I base oils.*
- *The Yanbu facility was commissioned in 1997G with initial production capacity of approximately 300 thousand MT before the completion of the Yanbu Growth I expansion project in 2017G, which enabled the Company to introduce Group II base oils in the Kingdom. The Yanbu facility has a current annual production capacity of approximately 1.1 million MT.*
- *Luberef is one of the largest base oils producers in the world and is the leading base oils producer in the Kingdom.*
- *The Company produces a variety of Group I base oils and Group II base oils, and also produces various byproducts such as asphalt, marine heavy fuel oil, slack wax, bright stock extract and sulfur, as well as white products such as ultra-low sulfur diesel, naphtha and drilling fluid.*
- *Luberef’s products are mainly sold in the Company’s key end-markets including the Kingdom, other countries across the Middle East, the North Africa region and India. Additionally, Luberef’s products are sold across Asia, the Americas and Europe.*
- *The Company is a member of the “Aramco Base Oil Alliance” formed in 2019 between Saudi Aramco and its three base oil producing subsidiaries - Luberef, S-Oil and Motiva.*
- *The Company’s customers, which include some of the largest companies in the lubricant industry and in the world, utilize the Company’s base oils to serve several critical applications within automotive, marine, and other industrial sectors.*
- *The Company markets its key products under trademarks licensed by Saudi Aramco. Group I Base Oils products are branded as “aramcoDURA”, Group II Base Oils products are branded as “aramcoPRIMA” and Group III Base Oils products are branded as “aramcoULTRA”.*
- *The Company has a track record of value-added growth with a pipeline of attractive opportunities to capture projected market growth in key end-markets.*

Luberef in numbers

- *1.3 million MT of annual production capacity of Group 1 and Group 2 base oils*
- *SAR 8,847 million (USD 2,359 million¹) revenues in 2021G*
- *SAR 2,096 million (USD 559 million) earnings before interest, tax, depreciation and amortization (EBITDA) in 2021G*
- *USD 599 per MT base oil crack margin² in 2021G*
- *83% cash conversion³ in 2021G*
- *Approximately SAR 938 million (USD 250 million) dividend distributions in 2021G*
- *31% return on average capital employed (ROACE)⁴ for 2021G*
- *15% gearing⁵ as at 31 December 2021G*

Company strategic direction

- *The Company strives to become a leading supplier of premium base oils and specialty products in key end-markets.*

¹ For the purposes of this announcement, the exchange rate applied is SAR 3.75 = USD 1

² The difference between the prices of base oil and the prices of feedstock

³ Cash conversion defined as FCF / EBITDA. FCF defined as net cash flow from operations minus capex

⁴ NOPAT / (average net financial debt plus average book value of equity). NOPAT calculated as operating income minus taxes

⁵ Net financial debt / (net financial debt plus book value of equity)

- *The Company's products are sold in several key regional and international end-markets, and Luberef aims to grow its sales in key end-markets where the demand outlook is attractive for base oils.*
- *The Company aims to continue utilizing its advantaged positions across the value chain, leveraging its long-term feedstock arrangement, high-quality assets, operational excellence, and long-standing customer relationships.*
- *The Company is focused on converting low value reduced crude oil into high margin, high value base oils and specialty products that generate attractive base oil crack margins, both domestically and through export.*
- *The Company strives to maintain the highest levels of operational excellence and financial discipline and is committed to providing a safe and healthy workplace through a health and safety management system focused on continuous improvement and adoption of international best practice frameworks and learning, as evidenced by its 0.0 total recordable incident rate since June 2019.*
- *The Company maintains financial discipline, with low gearing of 15% at 31 December 2021G, and requires low levels of maintenance capital expenditures as a result of its well-invested and well-designed asset base and rigorous processes for allocating capital to growth projects.*

Ibrahim Qassim Al Buainain, Chairman of Luberef's board, commented: "We believe Luberef is an integral part of Saudi Arabia's supply chain and a driving force in the Kingdom's industrialization ambitions. Luberef's listing on the Main Market of Saudi Exchange adds an important strategic dimension to the Company's growth strategy, while facilitating our vision to be the leading supplier of premium base oils and specialty products."

Tareq Alnuaim, President and CEO of Luberef, commented: "Luberef's IPO supports its growth ambitions, and is expected to strengthen its already competitive business and unlock new opportunities for its stakeholders. Since its establishment, Luberef has built a robust reputation for delivering high-quality base oil products in the Kingdom of Saudi Arabia and beyond, while creating value for all its stakeholders. As we have done in the past, Luberef will continue focusing on achieving growth in key end-markets, especially where market dynamics present attractive demand outlooks."

Tariq Al-Sudairy, Managing Director & CEO of Jadwa Investment, commented: "Jadwa is proud to have been part of Luberef's success story. Since our investment in 2007, we have worked closely with the Luberef management team and our partners at Saudi Aramco to support the company's journey to become one of the largest base oil producers in the world. We are delighted to celebrate the opportunities that this milestone presents for Luberef and for Saudi Arabia's capital market."

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KEY INVESTMENT HIGHLIGHTS: A LEADER IN HIGH VALUE DOWNSTREAM

1. Luberef is a highly specialized, standalone base oil producer with global scale assets and a unique position in the Middle East:

- Luberef is a pure play base oil producer, with facilities optimized for base oil production and is the only virgin base oil producer in the Kingdom.
- The Company's base oil production capacity of 1.3 million MT per annum positions it as the second largest producer by capacity⁶ in the Middle East in 2021G, leveraging its long-term agreements with Saudi Aramco for the provision of its high-quality Arab-light feedstock.

⁶ Market Consultant Report - IHS Markit and the Company for Company data

- Luberef's production assets have competitive scale globally⁷ with the Yanbu facility ranking among the largest ten refining facilities globally in terms of capacity when including the planned Yanbu Growth II expansion project.
- The Company is integrated within Saudi Aramco's system and supplies critical products to the Kingdom.
- The Company has a network of global marketing and logistical hubs in strategic locations, including the Kingdom and the UAE, which Luberef utilizes to export its products regionally and globally.
- The Company's participation in the Aramco Base Oil Alliance allows it to supply base oils to key markets in Asia and the Americas through its partners, S-Oil and Motiva, to benefit from additional demand in other markets.

2. Luberef has advantaged value chain positions due to long term access to high quality, low value reduced crude oil feedstock, operational cost leadership, strategically located production assets, and long-standing relationships with key customers:

- Luberef has advantaged value chain positions in feedstock supply, assets and operations, and customer relationships.
- Luberef believes that the high quality, low value reduced crude oil feedstock, which is the main feedstock used by the Company, has an optimal composition for use in producing base oils, and its market price is typically lower per barrel than Brent due to its high sulfur content⁸.
- The Company believes that its advantaged feedstock position and reliability of supply enable high plant utilization (87% in 2021G) for base oil production, resulting in high operational efficiency, supply and resilience.
- The Company's base oil unit production cost, excluding feedstock, was approximately USD 119 per MT in 2021G, over 60% lower than the average for other base oil producers⁹ due to its asset quality and scale, energy efficiency, and high utilization from secured feedstock.
- The Company believes that its deep, multi-decade relationships with globally and regionally renowned base oil customers, is due to the reliability and quality of its base oil supply.

3. Luberef has a track record of value-added growth with attractive opportunities to capture projected market growth in key end-markets:

- Luberef has grown its base oil production capacity and sales volumes, with the most recent Yanbu Growth I expansion project, allowing the Company to introduce Group II base oil production capacity into Saudi Arabia to cater for domestic and regional demand.
- The expansion of the Yanbu facility following the implementation of the Yanbu Growth I expansion project increased production capacity of the facility by 710 thousand MT, and resulted in an approximately 50% increase in Group II base oil sales volumes in 2021G compared to 2020G.
- The demand outlook for base oils is further supported by strong macro fundamentals in Saudi Arabia and the broader Middle East region, which are key end-markets for Luberef, with real GDP expected to grow at a Compounded Annual Growth Rate (CAGR) of approximately 2.5% in Saudi Arabia and approximately 3.3%, in the Middle East between 2021G and 2030G¹⁰.

⁷ Market Consultant Report - IHS Markit and the Company for Company data

⁸ Market Consultant Report - IHS Markit and the Company for Company data

⁹ Market Consultant Report - IHS Markit and the Company for Company data

¹⁰ Market Consultant Report - IHS Markit

- The Company intends to continue to benefit from the structural growth in global demand for Group II and Group III base oils, which are expected to grow at a CAGR of 3.5% and 4.8% between 2022G and 2030G, respectively¹¹.
- The next phase of the Company's growth story includes the Yanbu Growth II expansion project, which is planned to be completed in 2025G, and which will add additional Group II base oil production capacity and introduce Group III base oil production capacity to Luberef.
- The relationship with Saudi Aramco and its asset portfolio presents a unique platform for additional opportunities for further growth, with demand for base oils globally expected to increase by approximately 5 million MT between 2022G and 2030G¹².

4. Luberef's high margins, high cash conversion and high returns underpin a robust financial framework and allow for optimum shareholder value:

- In FY 2021G, Luberef generated approximately SAR 8,847 million (USD 2,359 million) in revenues and SAR 2,096 million (USD 559 million) in EBITDA resulting in cash conversion of 83% and a ROACE of 31%. Furthermore, the Company distributed approximately SAR 938 million (USD 250 million) of dividends to its shareholders during that period.
- The Company achieved a base oil crack margin of USD 599 per MT in FY 2021G.
- The Company's strong financial performance in FY 2021G is attributed to an increase in Group II base oils sales volumes following full ramp up of its Yanbu Growth I expansion project in 2021G, in addition to high demand that was met with tight supply in the base oil market due to lack of feedstock from refinery operations of some base oil producers.
- The Company operates within a robust financial framework that focuses on three key elements, including capital structure, capital investments and shareholders returns.
- The Company targets a prudent capital structure and strong liquidity position, with a target gearing ratio of 25-35% through the cycle and gearing of 15% as at 31 December 2021G.
- The Company's operational setup requires low maintenance capex given its well invested asset base, preventative maintenance programs, recently completed and ramped up expansions, and a rigorous capital allocation process for growth projects, all of which underpin a robust financial profile the Company believes is beneficial to ROACE.

5. Luberef has a strong commitment to environmental and social performance and a robust governance framework:

- Luberef has a goal to foster environmental excellence. The Company delivered a 40% flaring reduction in 2021G vs. 2020G, as well as an approximate 45% CO2 emission reduction in 2021G vs. 2016G.¹³
- The Company is also exploring new opportunities and collaboration for low carbon hydrogen production and opportunities to reduce the sulfur content of its fuel oil and base oils.
- The Company is collaborating with King Abdullah University of Science and Technology (KAUST) to target up to an 85% reduction in sulphur content of its fuel oil and base oils.
- The Company has a goal to contribute to the well-being and safety of its employees and the communities it operates in. In 2021G, the Company reported a total recordable incident rate of 0.0, which reflects its efforts for employee safety.

¹¹ Market Consultant Report - IHS Markit

¹² Market Consultant Report - IHS Markit

¹³ Based on CO2 generated per valuable product produced i.e., base oils, naphtha, ultra-low sulfur diesel, and drilling fluid.

- The Company has an experienced Board of Directors, with defined corporate governance policies aligned with the applicable governance regulations.

6. Luberef's experienced management team has decades of expertise across the value chain and is committed to foster operational excellence and innovation:

- Luberef has a highly experienced leadership team, with strong sector knowledge, and a deep commitment to maintaining the highest standards of excellence at the Company.
- The senior management team has over 170 years of combined experience across various operational and financial areas.

BACKGROUND TO THE OFFERING

- With respect to the Offering, the Company appointed SNB Capital Company, HSBC Saudi Arabia, Citigroup Saudi Arabia and Morgan Stanley Saudi Arabia to act as Joint Financial Advisors, Bookrunners, Global Coordinators and Underwriters (collectively the "**Joint Financial Advisors**"). In addition, the Company has appointed SNB Capital Company as Lead Manager (the "**Lead Manager**") in relation to the Offering.
- The Saudi National Bank (SNB), Alrajhi Bank, Riyad Bank, Alinma Bank, ANB, the Saudi Investment Bank, Bank Albilad, Banque Saudi Fransi, SABB, Meem (Gulf International Bank) and Bank Aljazira have been appointed as receiving entities (collectively, the "**Receiving Entities**") for the individual investors' tranche.
- Moelis & Company UK LLP ("**Moelis**") has been appointed as an Independent Advisor to Saudi Aramco.
- The CMA and Saudi Exchange approvals have been obtained for the offering and listing as outlined below:
 - Luberef to register its shares and offer 50,045,000 ordinary shares, representing 29.6562963% of the Company's issued share capital of 168,750,000 shares by way of a sale of existing shares by Jadwa.
 - The Shares will be listed on the Main Market of the Saudi Exchange following the completion of the Offering and listing formalities with the CMA and the Saudi Exchange.
 - The Offer Shares will be offered for subscription to institutional investors, including institutional investors outside the United States in "offshore transactions" in accordance with Regulation S under the Securities Act, and individual investors.
 - A maximum of 12,511,250 ordinary shares, representing 25% of the total Offer Shares, will be allocated to individual investors. If individual investors do not subscribe for all the shares allocated to them, the Joint Financial Advisors (as defined below) may reduce the number of shares allotted to them in proportion to the number of shares for which they subscribed.
- The Offering will be restricted to the following groups of subscribers:
 - **Tranche (A):** Participating Parties: this tranche comprises the parties entitled to participate in the book-building process as specified in the Instructions for Book Building Process and Allocation Method in Initial Public Offerings issued by the board of the CMA, which includes investment funds, companies, Qualified Foreign Investors, GCC corporate investors and certain other foreign investors pursuant to swap arrangements (collectively the "**Participating Parties**" and each a "**Participating Party**"). The number of the Offer Shares provisionally allocated to the Participating Parties is fifty million forty-five thousand (50,045,000) Offer Shares, representing 100% of the total Offer Shares. If there is sufficient demand from the Individual Investors (as defined below), the Joint Financial Advisors, in consultation with the Company, will have the right to reduce the number of Offer Shares allocated to Participating Parties to a minimum of thirty-seven million five hundred thirty three thousand and seven hundred and fifty (37,533,750) Shares, representing seventy five percent 75% of the Offer Shares.

- **Tranche (B): Individual Investors:** this tranche comprises Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi individual who can subscribe for her own benefit or in the names of her minor children on the condition that she proves that she is a divorcee or widow and the mother of her minor children, in addition to any non-Saudi natural person who is resident in the Kingdom, or GCC nationals, provided they have a bank account with one of the Receiving Entities and have the right to open an investment account (collectively, the “**Individual Investors**” and each a “**Individual Investor**”). A subscription for shares made by a person in the name of his divorcee will be deemed invalid and if a transaction of this nature is proved to have occurred, the law will be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be considered. A maximum of twelve million five hundred eleven thousand two hundred fifty (12,511,250) Shares, representing 25% of the total Offer Shares, will be allocated to Individual Investors. If Individual Investors do not subscribe for all the shares allocated to them, the Joint Financial Advisors may reduce the number of shares allotted to them in proportion to the number of shares for which they subscribed.
- The Offer Shares will be offered to certain Qualified Foreign Investors or to foreign investors located outside the United States through swap agreements (SWAP). This class will subscribe outside the United States in “offshore transactions” in accordance with Regulation S under the **US Securities Act**. The Offer Shares have not and will not be registered under the US Securities Act or the securities laws of any state of the United States of America or under any other law or regulation outside the Kingdom. The Offer Shares may not be offered or sold in any jurisdiction other than the Kingdom, including the United States of America. This Offering may not be considered as an offer to sell or an invitation to purchase securities in any jurisdiction where this Offering is unlawful or is not permitted.

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Receiving Entities	<ul style="list-style-type: none"> • The Saudi National Bank (SNB) • Alrajhi Bank • Riyad Bank • Alinma Bank • ANB • The Saudi Investment Bank 	<ul style="list-style-type: none"> • Bank Albilad • Banque Saudi Fransi • SABB • Meem (Gulf International Bank) • Bank Aljazira
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This announcement is not an offer for sale of securities of the Company, directly or indirectly, in or into the United States. The Offer Shares may not be offered or sold in the United States unless registered under the US Securities Act of 1933, as amended (the "**Securities Act**"), or offered in a transaction exempt from, or not subject to, the registration requirements of the Securities Act. The Company has not registered and does not intend to register any portion of the Offer Shares under the Securities Act or the laws of any state in the United States or to conduct a public offering of any securities in the United States. Copies of this announcement are not being, and may not be, distributed, forwarded or otherwise sent, directly or indirectly, in or into the United States.

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In the European Economic Area (the "**EEA**"), this communication is only addressed to and directed at persons in member states of the EEA who are "qualified investors" within the meaning of Article 2(e) of Regulation (EU) 2017/1129 (as amended) ("**Qualified Investors**"). In the United Kingdom, this communication is only addressed to and directed at persons who are "qualified investors" within the meaning of Article 2(e) of Regulation (EU) 2017/1129 (as amended), which forms part of UK law by virtue of the European Union (Withdrawal) Act 2018, who are also: (i) persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"); or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (iii) are other persons to whom it may otherwise lawfully be communicated (all such persons referred to in (i), (ii) and (iii) together being "**Qualified Investors**"). This communication must not be acted or relied on (i) in the United Kingdom, by persons who are not Relevant Persons and (ii) in any member state of the EEA by

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This announcement is not an offer document for the purposes of the OSCO Rules and should not be construed as such. The CMA and the Saudi Exchange do not take any responsibility for the contents of this announcement, do not make any representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this announcement.

The international offering circular prepared in connection with the Offering (the “**International Offering Circular**”) is the sole legally binding document containing information about the Company and the Offering outside of Saudi Arabia. In the event of any discrepancy or incompleteness between this announcement and the Local Prospectus and/or the International Offering Circular, as the case may be, the Local Prospectus and/or the International Offering Circular will prevail.

This announcement may include statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “aim,” “anticipate,” “believe,” “can,” “consider,” “could,” “estimate,” “expect,” “forecast,” “intend,” “may,” “ought to,” “potential,” “plan,” “projection,” “seek,” “should,” “will,” “would,” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Any forward-looking statements reflect the Company’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company’s business, results of operations, financial position, liquidity, prospects, growth or strategies. Many factors could cause the actual results to differ materially from those expressed or implied by any such forward-looking statements or contained in projections, including, among other things, risks specifically related to the Company and its operations, the development of global economic and industry conditions, and the impact of economic, political and social developments in Saudi Arabia. Forward-looking statements speak only as of the date they are made. Each of the Company, the Joint Financial Advisors, Moelis and their respective affiliates expressly disclaims any obligation or undertaking to update, review or revise any forward-looking statements contained in this announcement whether as a result of new information, future developments or otherwise.

There is no guarantee that the Offering will occur and you should not base your investment decisions on the Company’s intentions in relation to the Offering. This announcement does not constitute a recommendation concerning the Offering nor any declaration or undertaking by any means. Acquiring Offer Shares to which this announcement relates may expose an investor to a significant risk of losing the entire amount invested.

Persons considering investment should consult an investment advisor or an authorized person specializing in advising on such investments.

The Joint Financial Advisors are acting exclusively for the Company and no-one else in connection with the Offering. They will not regard any other person as their respective client, nor for providing advice in relation to the Offering, the contents of this announcement or any transaction, in relation to the Offering and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients,

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