Saudi Aramco Base Oil Company – Luberef Prospectus

A Saudi joint stock company registered under commercial registration no. 4030010447 dated 03/09/1396H (corresponding to 29/08/1976G) in Jeddah and was converted into a joint stock company pursuant to resolution no. (1173) dated 20/01/1444H (corresponding to 18/08/2022G) issued by the Ministry of Commerce.

Offering of fifty million forty-five thousand (50,045,000) ordinary shares, representing (29.6562963%) of the share capital of Saudi Aramco Base Oil Company – Luberef at an Offer Price of SAR (•) per share.

Offering Period: Two days
starting on Wednesday 20/05/1444H (corresponding to 14/12/2022G)
and ending on Thursday 21/05/1444H (corresponding to 15/12/2022G)

لوبريف
luberef

This preliminary prospectus is meant to be presented to institutional investors during the book-building process, and does not contain the Offer Price. The final prospectus, including the Offer Price, will be published after the completion of the book-building process and the setting of the Offer Price.

This Prospectus is an unofficial English translation of the official Arabic Prospectus and is provided for information purpose only. The Arabic Prospectus published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two languages.

Saudi Aramco Base Oil Company – Luberef (the "**Company**" or the "**Issuer**") is a joint stock company registered under commercial registration number (4030010447) dated 03/09/1396H (corresponding to 29/08/1976G) and converted from a limited liability company to a joint stock company pursuant to resolution number (1173) dated 20/01/1444H (corresponding to 18/08/2022G) issued by the Ministry of Commerce, and its current head office is located at 7168 Al Minaa, 3072 Petromin Dist., P.O. box 5518, Postal Code 22411, Jeddah, Kingdom of Saudi Arabia. The Company's current share capital is one billion six hundred eighty-seven million five hundred thousand Saudi Riyals (SAR 1,687,500,000) fully paid divided into one hundred sixty-eight million seven hundred fifty thousand (168,750,000) ordinary shares with ten Saudi Riyals (SAR 10) nominal value each (the "**Shares**"). As of the date of this Prospectus, the Company has two shareholders: Saudi Arabian Oil Company ("**Saudi Aramco**"), which owns (70%) of the Company's share capital, and Jadwa Industrial Investment Company ("**Jadwa**" or "**JIIC**"), which owns (30%) of the Company's share capital (together, the "**Current Shareholders**").

The Company was incorporated as a limited liability company pursuant to its original articles of association which were signed on 21/06/1396H (19/06/1976G) and registered with the commercial registration in Jeddah under number (4030010447) on 03/09/1396H (corresponding to 29/08/1976G). The Company was incorporated under the name Petromin Lubricating Oil Refining Company with a fully paid cash share capital of twenty-six million two hundred sixty thousand Saudi Riyals (SAR 26,260,000) divided into two thousand six hundred twenty-six (2,626) cash shares each with nominal value of ten thousand Saudi Riyals (SAR 10,000). The Company was established by the General Petroleum and Mineral Organization ("**Petromin**"), owning 70%, and Mobil Petroleum Company, Inc. ("**Mobil**"), owning 30% of the Company's share capital.

On 07/09/1407H (corresponding to 05/05/1987G), the Company's shareholders resolved to increase the Company's share capital from twenty-six million two hundred sixty thousand Saudi Riyals (SAR 26,260,000) to one hundred five million Saudi Riyals (SAR 105,000,000) divided into ten thousand five hundred (10,500) cash shares each with a nominal value of ten thousand Saudi Riyals (SAR 10,000) by way of proportional cash contribution by each Shareholder. The Company continued to be owned by Petromin (70%) and Mobil (30%).

On 15/02/1415H (corresponding to 23/07/1994G), the Company's shareholders resolved to increase the Company's share capital from one hundred five million Saudi Riyals (SAR 105,000,000) to four hundred forty-one million Saudi Riyals (SAR 441,000,000) divided into forty-four thousand one hundred (44,100) cash shares each with a nominal value of ten thousand Saudi Riyals (SAR 10,000), by way of transferring three hundred thirty-six million Saudi Riyals (SAR 336,000,000) from the accumulated profits account. The Company continued to be owned by Petromin (70%) and Mobil (30%).

On 22/02/1417H (corresponding to 08/07/1996G), Council of Ministers resolution no. (29) was issued, which transferred Petromin's shares in the Company to Saudi Aramco. Therefore, Saudi Aramco became a shareholder in the Company owning (70%) of the share capital, with the remaining (30%) continuing to be held by Mobil.

On 16/02/1419H (corresponding to 20/06/1998G), the Company's shareholders resolved to change the Company's name to Saudi Aramco Lubricating Oil Refining Company.

On 21/11/1428H (corresponding to 01/12/2007G), Mobil sold its stake in the Company, which amounted to thirteen thousand two hundred thirty (13,230) shares, representing (30%) of the Company's share capital, to Jadwa, and the Company became owned by Saudi Aramco (70%) and Jadwa (30%).

On 25/03/1434H (corresponding to 06/02/2013G), the Company's shareholders resolved to change the Company's name to Saudi Aramco Base Oil Company – Luberef, which is the Company's current name.

On 01/12/1443H (corresponding to 30/06/2022G), the Company's shareholders resolved to increase the Company's share capital from four hundred forty-one million Saudi Riyals (SAR 441,000,000) divided into forty-four thousand one hundred (44,100) shares each with a nominal value of ten thousand Saudi Riyals (SAR 10,000) to one billion six hundred eighty-seven million five hundred thousand Saudi Riyals (SAR 1,687,500,000) fully paid divided into one hundred sixty-eight million seven hundred fifty thousand (168,750,000) ordinary shares with ten Saudi Riyals (SAR 10) nominal value each, by way of capitalizing one billion two hundred forty six million five hundred thousand Saudi Riyals (SAR 1,246,500,000) of retained earnings, and to convert the Company from a limited liability company to a joint stock company.

On 20/01/1444H (corresponding to 18/08/2022G), the Ministry of Commerce issued resolution number (1173) announcing the conversion of the Company from a limited liability company to a joint stock company with a fully paid share capital of one billion six hundred eighty-seven million five hundred thousand Saudi Riyals (SAR 1,687,500,000) fully paid divided into one hundred sixty-eight million seven hundred fifty thousand (168,750,000) ordinary shares with ten Saudi Riyals (SAR 10) nominal value each. For more information about the Company's history, please see Section (4.3.1) "**Corporate History**".

The initial public offering (the "**Offering**") consists of the sale of fifty million forty-five thousand (50,045,000) ordinary shares, representing (29.6562963%) of the Company's share capital (collectively, the "**Offer Shares**" and each an "**Offer Share**"). The offer price is [•] Saudi Riyals (SAR [•]) per share (the "**Offer Price**") which represents a fully paid nominal value of ten Saudi Riyals (SAR 10) per share.

The Offering is restricted to the following two tranches of investors (the "**Investors**"):

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 (the "**Instructions for Book Building**") issued by the board of the Capital Market Authority ("**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, 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 seven hundred 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 twenty five percent (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 accordance with Regulation S issued under the US Securities Act of 1933, as amended (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 of Saudi Arabia. The Offer Shares may not be offered or sold pursuant to this Prospectus in any jurisdiction other than the Kingdom of Saudi Arabia, 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.

The Company currently has two Substantial Shareholders (owning 5% or more of the Shares), being Saudi Aramco and Jadwa. Table (2) "**Company's Ownership Structure Before and After the Offering**" sets out the Substantial Shareholder's ownership percentage in the Company's capital. The selling shareholder, Jadwa, (the "**Selling Shareholder**") will sell its entire stake in the Offering, which comprises (30%) of Company's capital. Upon the completion of the Offering, Saudi Aramco, which will not sell any Shares in the Offering, will continue to own (70%) of the Shares and will consequently retain a controlling interest in the Company. The Offering proceeds will be distributed to the Selling Shareholder after deduction of the Offering's expenses (the "**Net Offering Proceeds**"). The Company will not receive any part of the Net Offering Proceeds. For more information about the Offering proceeds, please see Section (8) "**Use of Offering Proceeds**". The Offering is fully underwritten by the Underwriters. For more information about underwriting, please see Section (13) "**Underwriting**". Saudi Aramco may not dispose its shares for a period of six (6) months ("**Lock-up Period**") as of the date the trading of the Company's shares commences on the Saudi Exchange (the "**Exchange**"), as set out on page (xvii) of this Prospectus.

The Offering Period for Individual Investors will commence on Wednesday 20/05/1444H (corresponding to 14/12/2022G) and will continue for two (2) days until the end of Thursday 21/05/1444H (corresponding to 15/12/2022G) (the "**Offering Period**"). Subscription to the Offer Shares can be made through e-channels of the Receiving Entities listed on pages (xi-xii) "**Receiving Entities**" during the Offering Period. For more information, please see Section (17) "**Subscription Terms and Conditions**". Participating Parties can bid for the Offer Shares through the Joint Bookrunners (as defined in Section (1) "**Definitions and Terms**") during the book-building process, which takes place before the Offer Shares are offered to Individual Investors and can subscribe for the Offer Shares during the Offering Period.

Each Individual Investor who subscribes to the Offer Shares must apply for a minimum of ten (10) Offer Shares and a maximum of two hundred fifty thousand (250,000) Offer Shares per Individual Investor. The minimum allocation per Individual Investor is ten (10) Offer Shares. In the event that the number of Individual Investors exceeds a million two hundred fifty one thousand one hundred twenty five (1,251,125) individuals, the minimum allocation cannot be guaranteed by the Company and the allocation will be made at the discretion of the Company and the Joint Financial Advisors. Excess subscription amounts (if any) will be refunded to Individual Investors without any charge or commission withheld by the relevant Receiving Entity. Final allocation and the refund of excess subscription amounts (if any) will be announced no later than Wednesday 04/06/1444H (corresponding to 28/12/2022G). For more information, please see the section "**Key Dates and Subscription Procedures**" on page (xix) and Section (17) "**Subscription Terms and Conditions**".

The Company has one class of ordinary shares. Each share entitles its holder to one vote, and each shareholder (the "**Shareholder**") has the right to attend and vote at the shareholders' general assemblies (the "**General Assembly**") no matter the number of shares held. No Shares benefit from any preferential voting rights. The Offer Shares will be entitled to receive dividends declared by the Company as at the date of this Prospectus and for subsequent financial years. For more information about the dividend distribution policy, please see Section (12) "**Legal Information**" and Section (7) "**Dividend Distribution Policy**". Prior to the Offering, there has been no public market for the Shares in the Kingdom or elsewhere. The Company has submitted an application to (1) the CMA for the registration and offer of the shares and to (2) the Saudi Exchange Company ("**Saudi Exchange**") for the listing of the Shares. All required documents have been submitted to the CMA and the Saudi Exchange and all requirements have been met and all approvals relating to the Offering have been obtained, including approval of this Prospectus. It is expected that trading of the Shares will commence on the Exchange shortly after the final allocation of the Offer Shares and the satisfaction of all relevant regulatory requirements. For more information, please see page (xix) "**Key Dates and Subscription Procedures**".

Following the registration and listing of the Company's shares, Saudi nationals, non-Saudi nationals holding valid residency permits in the Kingdom, Saudi and GCC companies, banks, and investment funds as well as GCC nationals will be permitted to trade in the Shares on the Exchange. Moreover, Qualified Foreign Investors will be permitted to trade in the shares in accordance with the Qualified Foreign Investors Rules (as defined in this Prospectus). Foreign Strategic Investors will be permitted to trade in the Shares in accordance with the Strategic Investors Rules (as defined in this Prospectus). Non-GCC nationals living outside the Kingdom and institutions registered outside the GCC and working outside of the Kingdom (collectively the "**Foreign Investors**" and each a "**Foreign Investor**") are also entitled to indirectly invest to acquire economic benefits in the Company's shares by entering into SWAP agreements with a capital market institution authorized by the CMA to buy and trade in shares listed on the Exchange for the benefit of Foreign Investors. Under such swap agreements, the Capital Market Institutions will be registered as the legal owners of such shares.

Subscription in the Offer Shares involves several risks and considerations. Therefore, persons who wish to subscribe for the Offer Shares must carefully read and consider the "**Important Notice**" section and Section (2) "**Risk Factors**" of this Prospectus prior to making any investment decision relating to the Offering.

Joint Financial Advisors, Bookrunners, Global Coordinators and Underwriters

SNB Capital | Morgan Stanley | HSBC | citi

Lead Manager

SNB Capital

This Prospectus includes information provided as part of the application for registration and offer of securities in compliance with the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Authority**") and the application for the listing of securities in compliance with the Listing Rules of the Saudi Stock Exchange. The Directors, whose names appear on page (vi), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading. The Authority and the Exchange do not assume any responsibility for the contents of this Prospectus, 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 Prospectus.

This Prospectus was issued on 30/04/1444H (corresponding to 24/11/2022G)



Important Notice

This prospectus (the "**Prospectus**") contains detailed information about the Company and the Offer Shares. When submitting an application for subscription to the Offer Shares, the Participating Parties and Individual Investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available by visiting the websites of the Company (www.luberef.com), the Joint Financial Advisors (www.alahlicapital.com), (www.hsbcsaudi.com), (www.citigroup.com/citi/about/countries-and-jurisdictions/citigroup-saudi-arabia) and www.morganstanleysaudiarabia.com), and the CMA (www.cma.org.sa).

With respect to the Offering, the Company has appointed SNB Capital Company, HSBC Saudi Arabia, Citigroup Saudi Arabia and Morgan Stanley Saudi Arabia as joint financial advisors (the "**Joint Financial Advisors**"), joint global coordinators (the "**Joint Global Coordinators**") and as joint bookrunners (the "**Joint Bookrunners**"), and SNB Capital Company as lead manager (the "**Lead Manager**").

This Prospectus includes information provided in accordance with the Rules on the Offer of Securities and Continuing (the "**ROSCOs**"). The Directors, whose names appear on page (vi), jointly and severally, accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

While the Company has made all reasonable inquiries as to the accuracy of information contained in this Prospectus as at the date hereof, a substantial portion of information regarding the market and industry in which the Company operates is derived from external sources. While neither the Company nor any of its Directors, the Joint Financial Advisors, the Market Consultant and other advisors whose names appear on pages (viii-x) of this Prospectus (the "**Advisors**") have any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of the Advisors have independently verified such information. Accordingly, no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained herein is subject to change. In particular, the financial position of the Company and the value of Offer Shares may be adversely affected by future developments such as inflation factors, interest rates, taxation, any changes to the rules and regulations, or any economic or political factors or any other factors over which the Company has no control in addition to several other factors related to the market, the Company, and the Offering itself that may affect the information, the financial position and the value of Offer Shares. For more information, please see Section (2) "**Risk Factors**". Neither this Prospectus nor any verbal or written information in relation to the Offer Shares is intended to be or should be construed as or relied upon in any way as a promise, confirmation or representation as to the Company's future earnings, results or events.

This Prospectus shall not be regarded as a recommendation on the part of the Company, the Current Shareholders, its Directors or any of its Advisors to participate in the Offering. Moreover, the information provided in this Prospectus is of a general nature and has been prepared without taking into account the individual investment objectives, financial situation, or particular investment needs of prospective investors in the Offer Shares. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a CMA licensed financial advisor in relation to subscription for the Offer Shares to evaluate the suitability of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs. An investment in the Offer Shares may be appropriate for some investors but not others, and prospective investors should not rely on another party's decision and opinion whether to invest or not as a basis for their own examination of the investment opportunity or such party's circumstances.

Subscription to the Offer Shares in the Offering is limited only to investors in the following two tranches:

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.

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. 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. For more details, please see Section (17) "**Subscription Terms and Conditions**".

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Offer Shares to any person in any jurisdiction in which the applicable law does not permit such offer or solicitation.

The distribution of this Prospectus and the sale of Offer Shares to any person in any country other than the Kingdom is expressly prohibited, except for the Participating Parties entitled to participate in the book-building process as specified in the Instructions for Book Building including Qualified Foreign Investor and Foreign Investors through swap agreements, who will subscribe outside the United States in accordance with Regulation S issued under the US Securities Act, provided that the regulations and instructions governing such distribution are observed. All recipients of this Prospectus are required to review and comply with all regulatory restrictions related to the Offering and the sale of Offer Shares. Each Individual Investor and Participating Party shall read the Prospectus in its entirety and seek advice from their attorneys, financial advisors, and any of their professional advisors regarding the legal, tax, regulatory and economic considerations relating to their investment in the Offer Shares, and shall bear the fees associated with such advice to be received from their attorneys, accountants, and other advisors regarding all matters related to investing in the Offer Shares and no guarantees can be given in terms of making profits.

Market and Industry Information

The information and data related to the base oils sector contained in Section (3) "**Market and Industry Data**" and Section (4) "**Background of the Company and its Business**" were obtained from the market consultant, IHS Global Inc. (the "**Market Consultant**") who provided the market report in July 2022G exclusively to the Company. The Company believes that the information and data obtained from the Market Consultant can be relied upon, but neither the Company, the Directors, the Current Shareholders nor the Advisors have independently verified the validity of such information and data, and therefore no obligation or guarantee can be made regarding the accuracy of this information or its completeness, and therefore none of the aforementioned bears any liability for the accuracy or completeness of said information.

The Market Consultant's main office is in Englewood, Colorado, United States of America. The Market Consultant is part of S&P Global Commodity Insights, a business division of S&P Global Inc. ("**SPGI**"). SPGI also has the following divisions: S&P Dow Jones Indices, S&P Global Engineering Solutions, S&P Global Market Intelligence, S&P Global Mobility, and S&P Global Ratings, each of which provides different products and services.

The Market Consultant does not, nor its employees (who are amongst the team working for the Company) or their Relatives own any Shares or any interest of any kind in the Company or its Subsidiary. As at the date of this Prospectus, the Market Consultant has given and not withdrawn its written consent to the use of its name, logo, market information and data provided by it to the Company in the manner and form set out in this Prospectus.

Financial, Statistical and Other Information

The Company's audited financial statements for the financials years ended 31 December 2019G, 2020G and 2021G and the special purpose financial statements for the six-month period ended 30 June 2022G have been prepared in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA). The Company's unaudited condensed interim financial information for the three-month and nine-month periods ended 30 September 2022G have been prepared in accordance with International Accounting Standards 34 – "**Interim Financial Reporting**" (IAS34). The financial information for the financial years ended 31 December 2019G, 2020G and 2021G have, except as disclosed in Section (6.5) "**Restatement of Financial Information of the Company**" of this Prospectus and unless otherwise indicated, been derived from the Company's audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, respectively. The financial information for the six-month periods ended 30 June 2021G and 30 June 2022G has, unless otherwise indicated, been derived from the Company's audited special purpose financial statements for the six-month period ended 30 June 2022G.

Certain comparative financial information for the financial year ended 31 December 2019G have been reclassified to conform to the presentation adopted in the audited financial statements for the financial year ended 31 December 2020G, and hence differ from the financial information included in the audited financial statements for the financial year ended 31 December 2019G. There was no impact on profit or loss for the financial year ended 31 December 2019G or total equity as a result of such reclassifications, which has been explained in Section "**Summary of Financial Information and Key Performance Indicators (KPIs)**" and Sections (6.1) and (6.5) of the "**Management's Discussion and Analysis of Financial Position and Results of Operations**" where relevant.

The figures contained in this Prospectus are presented in SAR, AED and USD. The figures included in the financial statements, if aggregated, may differ from those contained in this Prospectus as a result of rounding of figures. Accordingly, the financial information contained in this Prospectus may differ from the information contained in the financial statements. It should also be noted that some figures and percentages contained in this Prospectus are approximate figures and percentages. Therefore, the figures shown for the same category presented in different tables may be slightly different, and the figures shown as a total in some tables may not represent an arithmetic average or total of the previous figures. In cases where the amounts mentioned in this Prospectus are converted from SAR into USD, the exchange rate used was a fixed exchange rate of 3.75 SAR for every USD 1.

Historical production capacity information is based on the operational strategy implemented as of the date, while the capacity relating to the Yanbu Growth I Expansion project is based on the design capacity. Expected future capacity is based on the current strategy. Current capacity is for capacity as of the date of this Prospectus.

Dates are presented in this Prospectus in both Gregorian and Hijri format. There could be a slight difference between the dates in Hijri and Gregorian given that converting the dates might not be fully accurate in the past or the future given the moon cycle affecting Hijri years.

For an explanation of certain terms and abbreviations included in this Prospectus, please see Section (1) "**Definitions and Terms**".

Non-IFRS Measures and Indicators

This Prospectus includes non-IFRS measures and indicators. The following table includes the key measures included in this Prospectus and the Company's calculation of them:

Measure	Definition or calculation
Net financial debt	Total borrowings less cash and cash equivalents and short-term deposits.
ROACE	Return on average capital employed, calculated as net operating profit after tax divided by the sum of the average net financial debt and the average book value of equity over the reference period.
Current ratio	Current assets divided by current liabilities.
Gearing ratio	Net financial debt divided by net financial debt and book value of equity.
Gross profit margin	Gross profit divided by revenue.
Net profit margin	Net (Loss) / Profit for the year divided by revenue.
Operating profit margin	Operating (loss) / profit divided by revenue.
EBITDA	Earnings before interest, taxes, depreciation and amortization.
EBITDA margin	EBITDA divided by revenue.
Days sales outstanding (DSO)	Trade receivables multiplied by 365 days and divided by revenue.
Days inventory outstanding (DIO)	Inventories multiplied by 365 days and divided by cost of revenue.
Days payable outstanding (DPO)	Trade payables multiplied by 365 days and divided by cost of revenue.
Cash conversion cycle (CCC)	The sum of days sales outstanding (DSO) and days inventory outstanding (DIO) less days payable outstanding (DPO).
Cash conversion	Cash conversion defined as free cash flow divided by EBITDA. Free cash flow is defined as net cash flow from operations minus capex.

These measures are included as complementary information in relation to the financial or operational position of the Company, and are not intended as forecasts of the future results of the Company. These measures are not calculated based on IFRS standards nor presented according to IFRS, and are not reviewed or audited by an auditor. These non-IFRS measures are not calculated consistently by all companies, and as such the Company's method and presentation might differ from the methods used by other companies. As such, these non-IFRS measures should not be relied upon or compared to other measures used by other companies and should not be used as substitutes for IFRS measures. The recipient of this Prospectus should interpret these measures in conjunction with the Company's financial statements and other information in this Prospectus, and should consult a licensed financial adviser in interpreting and understanding these measures.

Forecasts and Forward-Looking Statements

The forecasts and forward-looking statements set forth in this Prospectus have been prepared on the basis of specific assumptions and future operating conditions may differ from the assumptions used and, consequently, no representation, assurance or warranty is made with respect to the accuracy or completeness of any of such forecasts and statements.

Certain statements in this Prospectus constitute "**forward-looking statements**". Such statements can generally, but not always, be identified by their use of forward-looking words such as "**plans**", "**estimates**", "**expects**", "**considers**", "**forecasts**", "**may**", "**possibly**", "**will**", "**would be**" or the negative thereof or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company and its management with respect to future events but are not a guarantee of future performance, as there are many factors that could cause the actual performance, achievements, or results of the Company to be significantly different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an impact are described in more detail in other sections of this Prospectus, in particular Section (2) "**Risk Factors**". Should any one or more of these factors or risks materialize or any underlying forecasts prove to be inaccurate or incorrect, the Company's actual results may vary materially from those described in this Prospectus.

Pursuant to the requirements of the ROSCOs, the Company shall submit a supplementary prospectus to the CMA if, at any time after the date of publication of this Prospectus and prior to the completion of the Offering, the Company becomes aware that: (a) there has been a significant change in material matters contained in this Prospectus, or (b) additional significant matters have become known which inclusion in this Prospectus would have been necessary.

Except for these two cases, the Company will not update or revise any information included in this Prospectus, whether as a result of new information, future events, updating its information or the information of contracts or licenses or otherwise. Accordingly, the forward-looking events and conditions described in this Prospectus may not occur as expected by the Company, or at all. Consequently, prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Corporate Directory

The Board of Directors

Table (1): Details of Company's Board of Directors

#	Name	Nationality	Position	Capacity	Age	Date of Appointment	Direct Ownership		Indirect Ownership*	
							Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
1	Ibrahim Qassim K. Al Buainain	Saudi	Chairperson	Non-independent, non-executive	55	16/01/1444H (14/08/2022G)	N/A	N/A	0.00000002%(1)	0.00000002%(1)
2	Abdulatif Saleh A. AlShami	Saudi	Vice Chairperson	Non-independent, non-executive	60	16/01/1444H (14/08/2022G)	N/A	N/A	0.00000005%(2)	0.00000005%(2)
3	Andrew Steven Katz	Singaporean	Director	Non-independent, non-executive	53	16/01/1444H (14/08/2022G)	N/A	N/A	N/A	N/A
4	Mohammed Faiz S. AlAhmari	Saudi	Director	Non-independent, non-executive	56	16/01/1444H (14/08/2022G)	N/A	N/A	0.00000003%(3)	0.00000003%(3)
5	Khalid Dawood Y. Alfaddagh	Saudi	Director	Independent, non-executive	67	16/01/1444H (14/08/2022G)	N/A	N/A	N/A	N/A
6	Nabelah Mohammad M. Al Tunisi	Saudi	Director	Independent, non-executive	63	16/01/1444H (14/08/2022G)	N/A	N/A	N/A	N/A

Source: The Company

* The Shares owned by the Directors indirectly in the Company through their ownership in companies that own Shares, or the Shares owned directly in the Company by the Relatives of the Directors.

(1) Ibrahim Al Buainain owns 4,835 shares in Saudi Aramco, which in turn owns 70% of the Company before and after the Offering.

(2) Abdulatif Alshami owns 16,921 shares in Saudi Aramco, which in turn owns 70% of the Company before and after the Offering.

(3) Mohammed AlAhmari owns 8,000 shares in Saudi Aramco, which in turn owns 70% of the Company before and after the Offering.

The current Secretary of the Board of Directors is Aasem S. Jamjoom, and he does not own any shares in the Company.

Company's Address

Saudi Aramco Base Oil Company - Luberef
7168 Al Minaa, 3072 Petromin Dist.,
P.O. box 5518, Postal Code 22411,
Jeddah, Kingdom of Saudi Arabia
Telephone: +966 920003550
Fax: +966 (12) 268 5250
Website: www.luberef.com
E-mail: IR@luberef.com

Company's Representatives

Ibrahim Q. Al Buainain
7168 Al Minaa, 3072 Petromin Dist.,
P.O. box 5518, Postal Code 22411,
Jeddah, Kingdom of Saudi Arabia
Telephone: +966 (13) 873 9091
Fax: +966 (13) 874 1542
Email: Ibrahim.buainain.1@luberef.com

Tareq A. AlNuaim
7168 Al Minaa, 3072 Petromin Dist.,
P.O. box 5518, Postal Code 22411,
Jeddah, Kingdom of Saudi Arabia
Telephone: +966 (12) 229 6666
Fax: +966 (12) 268 5250
Email: Nuaimt@luberef.com

Secretary of the Board of Directors

Aasem S. Jamjom
7168 Al Minaa, 3072 Petromin Dist.,
P.O. box 5518, Postal Code 22411,
Jeddah, Kingdom of Saudi Arabia
Telephone: +966 (12) 229 6521
Email: jamjoma@luberef.com

Stock Exchange

Saudi Exchange Company
Tawuniya Towers, North Tower
King Fahd Road - Al Olaya 6897
Unit no. 15 – Riyadh 12211-3388
Kingdom of Saudi Arabia
Tel: +966 92000 1919
Fax: +966 (11) 218 9133
Website: www.saudiexchange.sa
Email: csc@saudiexchange.sa

Depository Centre

Securities Depository Center Company (Edaa)
King Fahd Road - Al Olaya 6897
Unit no. 11
Riyadh 12211-3388
Kingdom of Saudi Arabia
Tel.: +966 92002 6000
Website: www.edaa.com.sa
Email: cc@edaa.com.sa

Joint Financial Advisors, Joint Bookrunners, Joint Global Coordinators and Underwriters	
SNB Capital Company King Saud Road, SNB Regional Building P.O. Box 22216, Riyadh 11495 Kingdom of Saudi Arabia Tel: +966 920000232 Fax: +966 (11) 4060052 Website: www.alahlicapital.com Email: Snbc.cm@alahlicapital.com	
Morgan Stanley Saudi Arabia Al Rashid Tower, 10th Floor King Saud Street P.O. Box 66633 Riyadh 11586 Kingdom of Saudi Arabia Tel: +966 (11) 218 7000 Fax: +966 (11) 218 7003 Website: www.morganstanleysaudiarabia.com Email: Ineqsy@morganstanley.com	
HSBC Saudi Arabia HSBC Building 7267 Olaya Road, AlMurooj District Riyadh 2255–12283 Kingdom of Saudi Arabia Tel: +966 920005920 Fax: +966 (11) 2992385 Website: www.hsbcsaudi.com Email: LuberefIPO@hsbcsa.com	
Citigroup Saudi Arabia 20th Floor. Kingdom Tower P.O.Box 301700 Riyadh 11372 Kingdom of Saudi Arabia Tel: +966 (11) 2246140 Fax: +966 (11) 2110020 Website: www.citigroup.com/citi/about/countries-and-jurisdictions/citigroup-saudi-arabia Email: info.csa@citi.com	

Lead Manager	
SNB Capital Company King Saud Road, SNB Regional Building P.O. Box 22216, Riyadh 11495 Kingdom of Saudi Arabia Tel: +966 920000232 Fax: +966 (11) 4060052 Website: www.alahlicapital.com Email: Snbc.cm@alahlicapital.com	SNB Capital
Company's Legal Advisor	
Khoshaim & Associates 17th Floor, Tower B, Olaya Towers, Olaya District P.O. Box 230667, Riyadh 11321 Kingdom Saudi Arabia Tel: +966 (11) 461 8700 Fax: +966 (11) 4618799 Website: www.khoshaim.com Email: info@khoshaim.com	K&A
Company's Legal Advisor for the Offering outside of the Kingdom	
Cleary Gottlieb Steen & Hamilton LLP Al Sila Tower, 27th Floor Abu Dhabi Global Market Square Al Maryah Island, PO Box 29920 Abu Dhabi Tel: +971 (2) 412 1700 Website: clearygottlieb.com Email: LuberefIPO@cgsh.com	CLEARY GOTTLIEB
Underwriters, Joint Financial Advisors, Lead Manager, Joint Bookrunners and Joint Global Coordinator's Legal Advisor	
The Law Firm of Salman M. Al-Sudairi King Fahd Road Tatweer Tower - the First Tower - 7th Floor P.O. Box 17411 Riyadh-11484 Kingdom of Saudi Arabia Tel: +966 (11) 2072500 Fax: +966 (11) 2072577 Website: www.alsudairilaw.com.sa Email: info@alsudairilaw.com.sa	شركة سلمان متعب السديري للمحاماة THE LAW FIRM OF SALMAN M.AL-SUDAIRI

Underwriters, Joint Financial Advisors, Lead Manager, Joint Bookrunners and Joint Global Coordinator's Legal Advisor for the Offering outside of the Kingdom	
Latham & Watkins LLP 99 Bishopsgate London EC2M 3XF United Kingdom Tel: +44 (20) 77101000 Fax: +44 (20) 73744460 Website: www.lw.com Email: projectolive.lwteam@lw.com	
Financial Due Diligence Advisor	
Ernst & Young & Co. Al Faisaliah Office Tower – 14th Floor King Fahad Road P.O. Box 2732 Riyadh 11461 Kingdom of Saudi Arabia Tel: +966 (11) 215 9898 +966 (11) 273 4740 Fax: +966 (11) 273 4730 Website: ey.com Email: ey.ksa@sa.ey.com	
Market Consultant	
IHS Global Inc. 15 Inverness Way East, Englewood, CO 80112-5710, United States of America Tel: +1 (800) 447 2273 Fax: +1 (303) 397-2599 Website: www.ihsmarkit.com Email: CustomerCare@ihsmarkit.com	
Company's Auditor	
PricewaterhouseCoopers Certified Public Accountants Jameel Square P.O. Box 16415 Jeddah 21464 Kingdom of Saudi Arabia Tel.: + 966 (12) 610-4400 Fax: + 966 (12) 610-4411 Website: www.pwc.com/middle-east Email: mer_project_olive@pwc.com	

Note: All the above Advisors and Auditor have given and not withdrawn their written consent to the publication of their names and logos in the Prospectus and the inclusion of their statements in the form and content appearing herein. Moreover, they do not, nor their employees (who are amongst the team working for the Company) or their Relatives have any shareholding or interest of any kind in the Company or its Subsidiary as at the date of this Prospectus that would impact their independence.

Receiving Entities
Saudi National Bank (SNB) King Fahad Road – Al-Aqiq King Abdullah Financial District P.O. Box 3208, Unit No. 778 Kingdom of Saudi Arabia Tel: +966 92 0001000 Fax: +966 11 4060052 Website: www.alahli.com Email: contactus@alahli.com
Al Rajhi Bank King Fahd Road - Al-Murouj District - Al Rajhi Bank Tower Riyadh 11411 Kingdom of Saudi Arabia Tel: +966 11 828 2515 Fax: +966 11 279 8190 Website: www.alrajhibank.com.sa Email: contactcenter1@alrajhibank.com.sa
Riyad Bank Eastern Ring Road P.O. Box 22622 Riyadh 11614 Kingdom of Saudi Arabia Tel: +966 11 401 3030 Fax: +966 11 403 0016 Website: www.riyadbank.com Email: customercare@riyadbank.com
Alinma Bank King Fahd Road, Al Anoud Tower P.O. Box 66674 Riyadh 11586 Kingdom of Saudi Arabia Tel: +966 11 218 5555 Fax: +966 11 218 5000 Website: www.alinma.com Email: info@alinma.com
Arab National Bank (ANB) King Faisal Street P.O Box 56921 Riyadh 11564 Kingdom of Saudi Arabia Tel: +966 11 4029000 Fax: +966 11 4027747 Website: www.anb.com.sa Email: info@anb.com.sa
The Saudi Investment Bank Al-Maather Street P.O. Box 3533 Riyadh 11481 Kingdom of Saudi Arabia Tel: +966 11 874 3000 Fax: +966 11 478 1557 Website: www.saib.com.sa Email: info@saib.com.sa

Receiving Entities
Albilad Bank King Abdullah Road P.O. Box 140 Riyadh 11411 Kingdom of Saudi Arabia Tel.: +966 (11) 479 8888 Fax: +966 (11) 479 8505 Website: www.bankalbilad.com Email: customercare@bankalbilad.com
Banque Saudi Fransi King Saud Road P.O. Box 56006 Riyadh 11554 Kingdom Saudi Arabia Tel: +966 920000576 Fax: + 966 (11) 402 7261 Website: www.alfransi.com.sa Email: Fransiplusadmin@alfransi.com.sa
Saudi British Bank (SABB) Prince Abdulaziz Bin Musaad Bin Jalawi Road, Al Morouj District P.O. Box 9084 Riyadh 11413 Kingdom of Saudi Arabia Tel: +966 (11) 440 8440 Fax: +966 (11) 276 3414 Website: www.sabb.com Email: sabb@sabb.com
Meem – Gulf International Bank – Kingdom of Saudi Arabia Low Rise Building, Building 1, Granada Business & Residential Park Eastern Ring Road P.O. Box 89589 Riyadh 11692 Kingdom of Saudi Arabia Tel.: +966 11 511 2200 Fax: +966 11 511 2201 Website: www.meem.com Email: sa@meem.com
Bank Aljazira King Abdulaziz Road P.O. Box 6277 Jeddah 21442 Kingdom of Saudi Arabia Tel: + 966 (12) 609 8888 Fax: + 966 (12) 609 1888 Website: www.baj.com.sa Email: shakwa@baj.com.sa

Offering Summary

This summary is intended to provide a brief overview of the information relating to the Offering contained in this Prospectus. As such, it does not contain all the information that may be important to prospective Investors. Accordingly, recipients of this Prospectus should read it in full before making any decision to invest in the Offer Shares and should not rely solely on any part thereof, including this summary. The Section "**Important Notice**" and Section (2) "**Risk Factors**" of this Prospectus must be carefully considered before making any investment decision in relation to the Offer Shares

Company's Name, Description and Incorporation	Saudi Aramco Base Oil Company – Luberef is a joint stock company registered under commercial registration number (4030010447) dated 03/09/1396H (corresponding to 29/08/1976G) and converted from a limited liability company to a joint stock company pursuant to resolution number (1173) dated 20/01/1444H (corresponding to 18/08/2022G) issued by the Ministry of Commerce. The Company's current share capital is one billion six hundred eighty-seven million five hundred thousand Saudi Riyals (SAR 1,687,500,000) fully paid divided into one hundred sixty-eight million seven hundred fifty thousand (168,750,000) ordinary shares with ten Saudi Riyals (SAR 10) nominal value each. As of the date of this Prospectus, the Company has two shareholders: Saudi Aramco, which owns (70%) of the Company's share capital, and Jadwa, which owns (30%) of the Company's share capital. The Company was incorporated as a limited liability company pursuant to its original articles of association which were signed on 21/06/1396H (19/06/1976G) and registered with the commercial registration in Jeddah under number (4030010447) on 03/09/1396H (corresponding to 29/08/1976G). The Company was incorporated under the name Petromin Lubricating Oil Refining Company with a fully paid cash share capital of twenty-six million two hundred sixty thousand Saudi Riyals (SAR 26,260,000) divided into two thousand six hundred twenty-six (2,626) cash shares each with nominal value of ten thousand Saudi Riyals (SAR 10,000). The Company was established by Petromin, owning 70%, and Mobil, owning (30%) of the Company's share capital. On 07/09/1407H (corresponding to 05/05/1987G), the Company's shareholders resolved to increase the Company's share capital from twenty-six million two hundred sixty thousand Saudi Riyals (SAR 26,260,000) to one hundred five million Saudi Riyals (SAR 105,000,000) divided into ten thousand five hundred (10,500) cash shares each with a nominal value of ten thousand Saudi Riyals (SAR 10,000) by way of proportional cash contribution by each Shareholder. The Company continued to be owned by Petromin (70%) and Mobil (30%). On 15/02/1415H (corresponding to 23/07/1994G), the Company's shareholders resolved to increase the Company's share capital from one hundred five million Saudi Riyals (SAR 105,000,000) to four hundred forty-one million Saudi Riyals (SAR 441,000,000) divided into forty-four thousand one hundred (44,100) cash shares each with a nominal value of ten thousand Saudi Riyals (SAR 10,000), by way of transferring three hundred thirty-six million Saudi Riyals (SAR 336,000,000) from the accumulated profits account. The Company continued to be owned by Petromin (70%) and Mobil (30%). On 22/02/1417H (corresponding to 08/07/1996G), Council of Ministers resolution no. (29) was issued, which transferred Petromin's shares in the Company to Saudi Aramco. Therefore, Saudi Aramco became a shareholder in the Company owning (70%) of the share capital, with the remaining (30%) continuing to be held by Mobil. On 16/02/1419H (corresponding to 20/06/1998G), the Company's shareholders resolved to change the Company's name to Saudi Aramco Lubricating Oil Refining Company. On 21/11/1428H (corresponding to 01/12/2007G), Mobil sold its stake in the Company, which amounted to thirteen thousand two hundred thirty (13,230) shares, representing (30%) of the Company's share capital, to Jadwa, and the Company became owned by Saudi Aramco (70%) and Jadwa (30%). On 25/03/1434H (corresponding to 06/02/2013G), the Company's shareholders resolved to change the Company's name to Saudi Aramco Base Oil Company – Luberef, which is the Company's current name. On 01/12/1443H (corresponding to 30/06/2022G), the Company's shareholders resolved to increase the Company's share capital from four hundred forty-one million Saudi Riyals (SAR 441,000,000) divided into forty-four thousand one hundred (44,100) shares each with a nominal value of ten thousand Saudi Riyals (SAR 10,000) to one billion six hundred eighty-seven million five hundred thousand Saudi Riyals (SAR 1,687,500,000) fully paid divided into one hundred sixty-eight million seven hundred fifty thousand (168,750,000) ordinary shares with ten Saudi Riyals (SAR 10) nominal value each, by way of capitalizing one billion two hundred forty six million five hundred thousand Saudi Riyals (SAR 1,246,500,000) of retained earnings, and to convert the Company from a limited liability company to a joint stock company. On 20/01/1444H (corresponding to 18/08/2022G), the Ministry of Commerce issued resolution number (1173) announcing the conversion of the Company from a limited liability company to a joint stock company with a fully paid share capital of one billion six hundred eighty-seven million five hundred thousand Saudi Riyals (SAR 1,687,500,000) fully paid divided into one hundred sixty-eight million seven hundred fifty thousand (168,750,000) ordinary shares with ten Saudi Riyals (SAR 10) nominal value each. For more information about the Company's history, please see Section (4.3.1) "**Corporate History**".

<table>
<tr><td>Company Activities</td><td>In accordance with its Bylaws, the Company's activities are: (1) manufacture of refined oil products, (2) manufacture of plastics and synthetic rubber in primary form, (3) manufacture of other chemical products that are unspecified in another position, and (4) wholesale of solid, liquid and gaseous fuels and related products.</td></tr>
<tr><td>Substantial Shareholders</td><td>As at the date of this Prospectus, the Substantial Shareholders of the Company (i.e., any shareholders who own 5% or more of the Company's shares) are Saudi Aramco and Jadwa. The below table shows the Company's ownership structure before and after the Offering:

Table (2): Direct Ownership Structure of the Company Before and After the Offering

<table>
<tr><th rowspan="2">Shareholder</th><th colspan="2">Pre-offering</th><th colspan="2">Post-offering</th></tr>
<tr><th>Number of Shares</th><th>Percentage</th><th>Number of Shares</th><th>Percentage</th></tr>
<tr><td>Saudi Aramco</td><td>118,125,000</td><td>70%</td><td>118,125,000</td><td>70%</td></tr>
<tr><td>Jadwa</td><td>50,625,000</td><td>30%</td><td>-</td><td>-</td></tr>
<tr><td>Treasury shares*</td><td>-</td><td>-</td><td>580,000</td><td>0.3437037%</td></tr>
<tr><td>Public</td><td>-</td><td>-</td><td>50,045,000</td><td>29.6562963%</td></tr>
<tr><td>Total</td><td>168,750,000</td><td>100%</td><td>168,750,000</td><td>100%</td></tr>
</table>

* Concurrently with the closing of the Offering, the Company will purchase the treasury shares from Jadwa. For more details, please review Section (5.9.1) "Employees Shares".
Source: The Company</td></tr>
<tr><td>Company's Capital</td><td>The current Company's share capital is one billion six hundred eighty-seven million five hundred thousand Saudi Riyals (SAR 1,687,500,000).</td></tr>
<tr><td>Total Number of the Company's Shares</td><td>The current Company's share capital consists of one hundred sixty-eight million seven hundred fifty thousand (168,750,000) fully paid ordinary shares.</td></tr>
<tr><td>Nominal Value per Share</td><td>The nominal value of the Company's shares is ten Saudi Riyals (SAR 10) per share.</td></tr>
<tr><td>Offering</td><td>Fifty million forty-five thousand (50,045,000) ordinary shares, representing (29.6562963%) of the Company's share capital at an Offer Price of Saudi Riyals (SAR [•]) per share.</td></tr>
<tr><td>Total Number of Offer Shares</td><td>Fifty million forty-five thousand (50,045,000) ordinary shares.</td></tr>
<tr><td>Percentage of Offer Shares to the Company's Capital</td><td>The Offer Shares represent (29.6562963%) of the Company's share capital.</td></tr>
<tr><td>Offer Price</td><td>SAR [•].</td></tr>
<tr><td>Total Offering Value</td><td>SAR [•].</td></tr>
<tr><td>Use of Proceeds</td><td>The Offering proceeds are expected to be SAR (•). After deducting all the Offering costs and expenses estimated, which are approximately SAR (•), the Net Offering Proceeds of SAR (•) will be distributed to the Selling Shareholder. The Company will not receive any part of the Net Offering Proceeds. For more information, please see Section (8) "Use of Offering Proceeds".</td></tr>
<tr><td>Number of Underwritten Offer Shares</td><td>All of the Offer Shares, which are fifty million forty-five thousand (50,045,000) ordinary shares, are underwritten.</td></tr>
<tr><td>Total Underwritten Offering Value</td><td>SAR [•].</td></tr>
</table>

Categories of Targeted Investors	Subscription to the Offer Shares is limited to two tranches of investors, as follows: **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. **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. 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. For more details, please see Section (17) "**Subscription Terms and Conditions**".
Subscription Procedures for Participating Parties	Participating Parties registered in the Kingdom can obtain Bid Forms from the Joint Bookrunners during the book-building period. Participating Parties who are not registered in the Kingdom may bid through phone or email through the Joint Bookrunners without the need to complete and sign a Bid Form. The Joint Bookrunners will, after the approval of the CMA is obtained, offer the Offer Shares to Participating Parties during the book-building period only. Subscription Forms can be obtained from the Joint Financial Advisors after the provisional allocation. A signed Subscription Form must be submitted to one of the Joint Bookrunners, which represents a legally binding agreement between the Selling Shareholder and the Participating Party submitting the application. For more details, please see Section (17) "**Subscription Terms and Conditions**".
Subscription Procedures for Individual Investors	Individual Investor Subscription Forms will be available during the Offering Period on the websites of the Receiving Entities offering this service. Individual Investors can also subscribe through the internet, telephone banking and ATMs of the Receiving Entities offering any or all such services to Individual Investors, provided that the following requirements are satisfied: (a) an Individual Investor must have a bank account with the Receiving Entity which offers such service; (b) there have been no changes to the personal information or data of the Individual Investor (by removal or addition of a family member) since such person last participated in an initial public offering; and (c) Individual Investors who are not Saudi Citizens or GCC nationals must have an account at one of the Capital Market Institution that offers such services. Subscription Forms must be completed in accordance with the instructions set out in Section (17) "**Subscription Terms and Conditions**" of this Prospectus.
Minimum Number of Offer Shares to be Subscribed by Participating Parties	Fifty thousand (50,000) shares.
Minimum Number of Offer Shares to be Subscribed by Individual Investors	Ten (10) shares.
Minimum Subscription Amount for Participating Parties	SAR [•].
Minimum Subscription Amount for Individual Investors	SAR [•].

Maximum Number of Offer Shares to be Subscribed by Participating Parties	Eight million four hundred thirty-seven thousand four hundred ninety-nine (8,437,499) shares.
Maximum Number of Offer Shares to be Subscribed by Individual Investors	Two hundred and fifty thousand (250,000) shares.
Maximum Subscription Amount for Participating Parties	SAR [•].
Maximum Subscription Amount for Individual Investors	SAR [•].
Allocation Method for Participating Parties	The provisional allocation of the Offer Shares will be made as the Joint Financial Advisors deem appropriate in coordination with the Company, using the discretionary share allocation mechanism. It is possible that no shares are allocated to some of the Participating Parties, as may be determined by the Company and the Joint Financial Advisors. The number of the Offer Shares provisionally allocated to the Participating Parties will be fifty million forty-five thousand (50,045,000) Offer Shares, representing 100% of the total Offer Shares. The final allocation will be made after the end of the Individual Subscribers' subscription. If there is sufficient demand from the Individual Investors, 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 seven hundred fifty (37,533,750) Shares, representing seventy five percent (75%) of the Offer Shares.
Allocation Method for Individual Investors	Allocation of the Offer Shares to Individual Investors is expected to be made no later than Thursday 28/05/1444H (corresponding to 22/12/2022G). Each Individual Investor who subscribes to the Offer Shares must apply for a minimum of ten (10) Offer Shares and a maximum of two hundred fifty thousand (250,000) Offer Shares per Individual Investor. The minimum allocation per Individual Investor is ten (10) shares, and the remaining Offer Shares, if any, will be allocated as agreed between the Company and the Joint Financial Advisors. In the event the number of Individual Investors exceeds a million two hundred fifty-one thousand one hundred twenty five (1,251,125) individuals, the minimum allocation cannot be guaranteed by the Company and the Joint Financial Advisors, and the allocation will be made at the discretion of the Company and the Joint Financial Advisors.
Refund of Excess Subscription Monies (if any)	Excess subscription monies, if any, will be refunded to Subscribers without any charge or commission being withheld by the Lead Manager or Receiving Entities. Announcement of the final allocation and refund of excess subscription monies, if any, will be made no later than Wednesday 04/06/1444H (corresponding to 28/12/2022G). For further details, please refer to Section (17.4) "**Allocation and Return of Surplus**" and the "**Key Dates and Subscription Procedures**" Section on Page (xix).
Offering Period	The Offering Period will start on Wednesday 20/05/1444H (corresponding to 14/12/2022G) and end on Thursday 21/05/1444H (corresponding to 15/12/2022G). For further details, please refer to the "**Key Dates and Subscription Procedures**" Section on Page (xix).
Rights to Dividends	The Offer Shares will entitle their holders to receive any dividends declared by the Company from the date of this Prospectus and for subsequent financial years as per the date of entitlement declared for dividends. For further details, please refer to Section (7) "**Dividend Distribution Policy**".

Voting Rights	The Company has only one class of ordinary shares. None of the shares carry any preferential voting rights. Each share entitles its holder to one vote. Each shareholder has the right to attend and vote in General Assembly meetings and may delegate another Shareholder that is not a Director to attend General Assembly meetings and vote on their behalf. For more information about voting rights, please see Section (12.4) "**Summary of the Company's Bylaws**".
Restrictions on the Shares (Lock-up Period)	Saudi Aramco, being the only current Substantial Shareholder who will continue to hold Shares after the Offering, is prohibited from disposing its Shares for a period of six (6) months from the start of trading of the Company's shares on the Exchange. Saudi Aramco may dispose of their shares after the end of this period without obtaining the CMA's approval.
Shares Previously Listed by the Issuer	Prior to the Offering, there has been no public market for the Shares in the Kingdom or elsewhere. The Company has submitted an application to (1) the CMA for the registration of the Shares and the offer of the Offer Shares, and (2) the Saudi Exchange for the listing of the Shares. All required documents have been submitted to the CMA and the Saudi Exchange and all requirements have been met and all approvals relating to the Offering have been obtained, including approval of this Prospectus. It is expected that trading of the Shares will commence on the Exchange shortly after the final allocation of the Offer Shares and the satisfaction of all relevant regulatory requirements. For more information, please see page (xix) "**Key Dates and Subscription Procedures**".
Risk Factors	There are certain risks related to investment in the Offer Shares. Such risks can be classified as follows: (1) risks related to the Company's operations; (2) risks related to the market and industry in which the Company operates; and (3) risks related to the Offer Shares. These risks are described in Section (2) "**Risk Factors**", and should be carefully considered prior to making any investment decision in relation to the Offer Shares.
Offering Expenses	The expenses and costs related to the Offering will be fully borne by the Selling Shareholder and will be deducted from the Offering Proceeds. The offering expenses are estimated to be approximately SAR (•), including the fees of the Joint Financial Advisors, Underwriters, Lead Manager, Joint Bookrunners, Joint Global Coordinators, the legal advisors, Financial Due Diligence Advisor, Auditor, and the Market Consultant in addition to the fees of the Receiving Entities, and the marketing, printing, distribution, regulatory fees and other related expenses.
Underwriters	**SNB Capital Company** King Saud Road, SNB Regional Building P.O. Box 22216, Riyadh 11495 Kingdom of Saudi Arabia Tel: +966 920000232 Fax: +966 (11) 4060052 Website: www.alahlicapital.com Email: Snbc.cm@alahlicapital.com
	HSBC Saudi Arabia HSBC Building 7267 Olaya Road, AlMurooj District Riyadh 2255–12283 Kingdom of Saudi Arabia Tel: +966 920005920 Fax: +966 (11) 2992385 Website: www.hsbcsaudi.com Email: LuberefIPO@hsbcsa.com

Underwriters	**Citigroup Saudi Arabia** 20th Floor. Kingdom Tower P.O. Box 301700 Riyadh 11372 Kingdom of Saudi Arabia Tel: +966 (11) 2246140 Fax: +966 (11) 2110020 Website: www.citigroup.com/citi/about/countries-and-jurisdictions/citigroup-saudi-arabia Email: info.csa@citi.com
	Morgan Stanley Saudi Arabia Al Rashid Tower, 10th Floor King Saud Street P.O. Box 66633 Riyadh 11586 Kingdom of Saudi Arabia Tel: +966 (11) 218 7000 Fax: +966 (11) 218 7003 Website: www.morganstanleysaudiarabia.com Email: lneqsy@morganstanley.com

Note: The Section "**Important Notice**" and Section (2) "**Risk Factors**" of this Prospectus must be carefully read prior to making any investment decision in relation to the Offer Shares.

Key Dates and Subscription Procedures

Table (3): Key Dates and Subscription Procedures

Timetable	Date
Bidding period for Participating Parties and book-building process	Six days period commences on Sunday 10/05/1444H (corresponding to 04/12/2022G) and ends on Friday 15/05/1444H (corresponding to 09/12/2022G)
Subscription period for Individual Investors	Two days period commences on Wednesday 20/05/1444H (corresponding to 14/12/2022G) and ends on Thursday 21/05/1444H (corresponding to 15/12/2022G)
Deadline for submission of subscription forms by Participating Parties based on the initial allocation of Offer Shares	Monday 18/04/1444H (corresponding to 12/12/2022G)
Deadline for submission of subscription forms and payment of subscription amounts for Individual Investors	Thursday 21/05/1444H (corresponding to 15/12/2022G)
Deadline for payment of the subscription amounts for Participating Parties based on the number of provisionally allocated Offer Shares	Wednesday 20/05/1444H (corresponding to 14/12/2022G)
Announcement of the final allocation of the Offer Shares	No later than Thursday 28/05/1444H (corresponding to 22/12/2022G)
Refund of excess subscription amounts (if any)	No later than Wednesday 04/06/1444H (corresponding to 28/12/2022G)
Expected date of commencement of trading on the Exchange	Trading of the Company's shares on the Exchange is expected to commence after all relevant regulatory requirements are satisfied. Trading will be announced on the Saudi Exchange's website (www.saudiexchange.sa).

Note: The above timetable and dates therein are indicative. Actual dates will be communicated through announcements appearing on the websites of the Saudi Exchange (www.saudiexchange.com.sa) and the websites of the Joint Financial Advisors.

How to Subscribe

Subscription to the Offer Shares is limited to two tranches of Investors, as follows:

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.

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. 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. For more details, please see Section (17) "**Subscription Terms and Conditions**".

Participating Parties

Participating Parties registered in the Kingdom can obtain Bid Forms from the Joint Bookrunners during the book-building period. Participating Parties who are not registered in the Kingdom may bid through phone or email through the Joint Bookrunners without the need to complete and sign a Bid Form. The Joint Bookrunners will, after the approval of the CMA is obtained, offer the Offer Shares to Participating Parties during the book-building period only. Subscription Forms can be obtained from the Joint Financial Advisors after the provisional allocation.

A signed Subscription Form must be submitted to one of the Joint Bookrunners, which represents a legally binding agreement between the Selling Shareholder and the Participating Party submitting the application.

Individual Investors

Individual Investor Subscription Forms will be available during the Offering Period on the websites of the Receiving Entities offering this service. Individual Investors can also subscribe through the internet, telephone banking and ATMs of the Receiving Entities offering any or all such services to Individual Investors, provided that the following requirements are satisfied:

- An Individual Investor must have a bank account with the Receiving Entity which offers such service.
- There have been no changes to the personal information or data of the Individual Investor (by removal or addition of a family member) since such person last participated in an initial public offering.
- Individual Investors who are not Saudi Citizens or GCC nationals must have an account at one of the Capital Market Institution that offers such services.

Subscription Forms must be completed in accordance with the instructions set out in Section (17) "**Subscription Terms and Conditions**" of this Prospectus. Each applicant must complete all relevant items of the Subscription Form. The Company reserves the right to decline any Subscription Form, in part or in whole, in the event that any of the subscription terms and conditions are not met. If two subscriptions are submitted, the second will be deemed void and only the first one will be taken into consideration. Amendments to and the withdrawal of the Subscription Form will not be permitted once it has been submitted. Furthermore, the Subscription Form shall, upon submission, be considered to be a legally binding offer by the relevant Subscriber to the Selling Shareholder.

Excess subscription amounts, if any, will be refunded to the main Individual Investor's account held with the Receiving Entity from which the subscription value was debited, without any commissions or deductions by the Lead Manager or the Receiving Entities. Excess subscription amounts will not be refunded in cash or to third-party accounts.

For more information regarding subscription by Individual Investors and Participating Parties, please see Section (17) "**Subscription Terms and Conditions**".

Summary of Key Information

This summary aims to provide a brief overview of the key information detailed in this Prospectus. This summary does not include all information which may be important to prospective investors, thus, all prospective investors and recipients of this Prospectus must read and review it in its entirety before taking any decision to invest in the Offer Shares and not solely rely on this summary. In particular, the Section "**Important Notice**" on Page (i) and Section (2) "**Risk Factors**" of this Prospectus must be carefully considered before making any investment decision in relation to the Offer Shares. Prospective investors should not rely solely on this summary. All terms and abbreviations used in this Prospectus are defined in Section (1) "**Definitions and Terms**", and elsewhere in this Prospectus.

Overview of the Company

Incorporation and key changes in the Company's capital

The Company was incorporated as a limited liability company pursuant to its original articles of association which were signed on 21/06/1396H (19/06/1976G) and registered with the commercial registration in Jeddah under number (4030010447) on 03/09/1396H (corresponding to 29/08/1976G). The Company was incorporated under the name Petromin Lubricating Oil Refining Company with a fully paid cash share capital of twenty-six million two hundred sixty thousand Saudi Riyals (SAR 26,260,000) divided into two thousand six hundred twenty-six (2,626) cash shares each with nominal value of ten thousand Saudi Riyals (SAR 10,000). The Company was established by Petromin, owning 70%, and Mobil, owning (30%) of the Company's share capital.

On 07/09/1407H (corresponding to 05/05/1987G), the Company's shareholders resolved to increase the Company's share capital from twenty-six million two hundred sixty thousand Saudi Riyals (SAR 26,260,000) to one hundred five million Saudi Riyals (SAR 105,000,000) divided into ten thousand five hundred (10,500) cash shares each with a nominal value of ten thousand Saudi Riyals (SAR 10,000) by way of proportional cash contribution by each Shareholder. The Company continued to be owned by Petromin (70%) and Mobil (30%).

On 15/02/1415H (corresponding to 23/07/1994G), the Company's shareholders resolved to increase the Company's share capital from one hundred five million Saudi Riyals (SAR 105,000,000) to four hundred forty-one million Saudi Riyals (SAR 441,000,000) divided into forty-four thousand one hundred (44,100) cash shares each with a nominal value of ten thousand Saudi Riyals (SAR 10,000), by way of transferring three hundred thirty-six million Saudi Riyals (SAR 336,000,000) from the accumulated profits account. The Company continued to be owned by Petromin (70%) and Mobil (30%).

On 22/02/1417H (corresponding to 08/07/1996G), Council of Ministers resolution no. (29) was issued, which transferred Petromin's shares in the Company to Saudi Aramco. Therefore, Saudi Aramco became a shareholder in the Company owning (70%) of the share capital, with the remaining (30%) continuing to be held by Mobil.

On 16/02/1419H (corresponding to 20/06/1998G), the Company's shareholders resolved to change the Company's name to Saudi Aramco Lubricating Oil Refining Company.

On 21/11/1428H (corresponding to 01/12/2007G), Mobil sold its stake in the Company, which amounted to thirteen thousand two hundred thirty (13,230) shares, representing (30%) of the Company's share capital, to Jadwa, and the Company became owned by Saudi Aramco (70%) and Jadwa (30%).

On 25/03/1434H (corresponding to 06/02/2013G), the Company's shareholders resolved to change the Company's name to Saudi Aramco Base Oil Company – Luberef, which is the Company's current name.

On 01/12/1443H (corresponding to 30/06/2022G), the Company's shareholders resolved to increase the Company's share capital from four hundred forty-one million Saudi Riyals (SAR 441,000,000) divided into forty-four thousand one hundred (44,100) shares each with a nominal value of ten thousand Saudi Riyals (SAR 10,000) to one billion six hundred eighty-seven million five hundred thousand Saudi Riyals (SAR 1,687,500,000) fully paid divided into one hundred sixty-eight million seven hundred fifty thousand (168,750,000) ordinary shares with ten Saudi Riyals (SAR 10) nominal value each, by way of capitalizing one billion two hundred forty six million five hundred thousand Saudi Riyals (SAR 1,246,500,000) of retained earnings, and to convert the Company from a limited liability company to a joint stock company.

On 20/01/1444H (corresponding to 18/08/2022G), the Ministry of Commerce issued resolution number (1173) announcing the conversion of the Company from a limited liability company to a joint stock company with a fully paid share capital of one billion six hundred eighty-seven million five hundred thousand Saudi Riyals (SAR 1,687,500,000) fully paid divided into one hundred sixty-eight million seven hundred fifty thousand (168,750,000) ordinary shares with ten Saudi Riyals (SAR 10) nominal value each. For more information about the Company's history, please see Section (4.3.1) "**Corporate History**".

Substantial Shareholders

As at the date of this Prospectus, the Substantial Shareholders of the Company (i.e., any shareholders who own 5% or more of the Company's shares) are Saudi Aramco and Jadwa. The below table shows the Company's ownership structure before and after the Offering:

Table (4): Direct Ownership Structure of the Company Before and After the Offering

Shareholder	Pre-offering		Post-offering	
	Number of Shares	Percentage	Number of Shares	Percentage
Saudi Aramco	118,125,000	70%	118,125,000	70%
Jadwa	50,625,000	30%	-	-
Treasury shares*	-	-	580,000	0.3437037%
Public	-	-	50,045,000	29.6562963%
Total	**168,750,000**	**100%**	**168,750,000**	**100%**

* Concurrently with the closing of the Offering, the Company will purchase the treasury shares from Jadwa. For more details, please review Section (5.9.1) "**Employees Shares**".

Source: The Company

Summary of the Company's Activities

The Company is one of the largest base oils producers in the world and is the only virgin base oils producer in the Kingdom. The Company's products are sold in the Kingdom and in other countries across the MENA region, the Americas and Europe. The Company produces various Group I Base Oils and Group II Base Oils, and also produces various Byproducts such as asphalt, marine heavy fuel oil (MHFO), slack wax, bright stock extract and sulfur, as well as White Products such as ultra-low sulfur diesel (ULSD), naphtha and drilling fluid.

The Company was incorporated in 1976G, and currently has two facilities: one in Jeddah and one in Yanbu. The Jeddah Facility was established in 1977G and has a current annual production capacity of approximately 275 thousand MT of Group I Base Oils. The Yanbu Facility was commissioned in 1997G with an initial production capacity of approximately 300 thousand MT before it completed the Yanbu Growth I Expansion in 2017G, which enabled the Company to produce Group II Base Oils. After reaching full ramp-up in 2021G, the Company's total production capacity reached the current 1.3 million MT of both Group I and Group II Base Oils annually.

The Company is a member of the Aramco Base Oil Alliance, along with S-Oil and Motiva, where each act as an exclusive marketer in its designated zone. The Company's marketing zone is the Middle East (including Pakistan) and Africa, Motiva's marketing zone is North, Central and South America, and S-Oil's marketing zone is Europe and Asia (excluding Middle East and Pakistan and including India). The Aramco Base Oil Alliance enables the Company to export and import base oil products from other Alliance members. The Company currently procures and resells Group III Base Oils products from the Aramco Base Oil Alliance members, and will be expanding its production in Yanbu to include Group III Base Oils in 2025G.

The Company markets its key products under trademarks licensed by Saudi Aramco. The 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 sold approximately 887 thousand MT, 912 thousand MT, 1,160 thousand MT and 672 thousand MT of base oils in 2019G, 2020G and 2021G and the six-month ended 30 June 2022G, respectively. The Company also sold approximately 4 thousand MT, 53 thousand MT, 67 thousand MT and 36 thousand MT of imported Base Oils for the same periods, respectively.

The Company's Vision and General Strategy

The Company's Vision

The Company's vision is to be a leading supplier of premium base oils and specialty products in key end-markets.

The Company's Mission Statement

The Company strives to achieve excellence in the production of base oils and specialty products.

The Company's Strategy

The Company's strategy aims to reinforce its competitive position in base oil and specialty products markets.

Growth in key markets with high demand

The Company aims to grow sales in key end markets with attractive demand outlooks. The Company's products are currently sold in key regional and international end markets, including base oil products which are critical in applications across the automotive, marine, and industrial sectors, amongst others. In 2021G, the Company sold approximately 1.2 million MT of base oils (including Group III Base Oils sales), with 29.6% of volumes sold in the KSA, 38.5% in the MENA region excluding KSA, 19.9% in India, and 12.0% in other markets.

Per data from the Market Consultant, global demand for Group II and Group III Base Oils is expected to grow at a CAGR of 3.5% and 4.8% between 2022G and 2030G, respectively. In the Middle East, demand for Group II and III Base Oils is expected to grow at a CAGR of 4.4% and 5.9% between 2022G and 2030G, and in Saudi Arabia at a CAGR of 2.2% and 5.9% between 2022G and 2030G, respectively. Furthermore, the Company achieved growth in base oil volumes at a CAGR of 22% from 2017G to 2022G, despite global demand for paraffinic base oil decreasing at a CAGR of 1% over this period per Market Consultant data. The Company's sales and marketing activities are supported by the Aramco Base Oil Alliance and the international distribution and logistics network it uses, thereby allowing it to reach customers across its key end-markets.

Utilize advantaged cost and value chain positions

The Company believes it has advantaged positions in the value chain in feedstock, in its assets and operations, and in its customer relationships.

The Company is supplied with RCO under long term agreements. The Company considers this feedstock advantageous for use in producing base oils, and RCO is typically sold to the Company at a price comparable to high sulfur fuel oil, with high sulfur fuel oil market prices being on average lower than Brent in 2021G. The Company believes its feedstock security enables its facilities to operate at a high utilization rate, leading to cost efficiency, and that this feedstock supply also provides a competitive advantage over base oil producers that rely on their internal refinery operations to provide feedstock for their base oil production.

Per data from the Market Consultant, the Company's unit production cost, excluding feedstock, is over 60% lower than the average of base oil competitors. The Company's base oil unit production cost, excluding feedstock, was approximately USD 119 / MT in 2021G. Base oil producers average, weighted by capacity, in 2021G calculated at approximately $310/ MT per data from the Market Consultant. This cost position is driven by the Company's asset scale, high utilization of 87.2% in 2021G, with mechanical availability for the Company of 99.7% in 2021G, as well as low energy costs for its production assets located in the Kingdom. The Company's facilities are located in the Kingdom, a key base oils market, and in proximity to other key base oil markets including the UAE and India. The strategically advantaged location of the Company's facilities in Yanbu and Jeddah leads to lower shipping costs and faster access to customers.

The Company has multi-decade relationships with leading lubricant customers including Petro Lube (previously known as Petromin Corporation), the Arabian Petroleum Supply Company (APSCO), Al Jomaih and Shell Lubricating Oil Company Limited, Alhamrani Fuchs Petroleum Saudi Arabia Ltd, TotalEnergies Supply MS, Total Marketing Middle East, and ENOC Lubricants and Grease Manufacturing Plant LLC. In addition, per the latest available data from the Market Consultant, the Aramco Base Oil Alliance manufactured one in every eight barrels of base oil globally in 2021G. This Alliance between the Company, Motiva and S-Oil allows joint marketing of base oils globally, as well as import and resale of Group III Base Oils into the Kingdom.

Focus on high-margin and specialty products

The Company is focused on converting low value RCO into high-margin, high value base oils. The Company generates premium base oil crack margins, both domestically and on exports. From 2012G to 2021G, the Company outperformed the Market Consultant's industry base oil crack margin benchmark on average by approximately USD 120 per ton as it achieved a base oil crack margin average during that period of USD 489/MT (based on average margin weighted by the Company's Group I and Group II Base Oils sales volumes in the Kingdom and export markets for comparison purposes. The Company's base oils crack margins are calculated as revenues less freight (where applicable for exports), minus feedstock cost).

Maintain operational excellence and financial discipline

The Company strives to maintain operational excellence and financial discipline, and is committed to providing a safe and healthy workplace by fostering a culture of zero harm, and aims to implement international safety standards to minimize potential risks to people, communities, assets, and the environment. The Company seeks to regularly train its employees to implement safety practices and had a Total Recordable Incident Rate (TRIR) of 0.0 in 2021G. The Company also maintains financial discipline and has low gearing of 15% at 31 December 2021G, maintains low levels of capital expenditures and follows rigorous processes for allocating capital to growth projects.

The Company's Strengths and Competitive Advantages

The Company is a highly specialized, standalone base oil producer with global scale assets and a unique position in the Middle East

The Company is a pure play base oil producer with facilities optimized for base oil production. Typically, and based on data from the Market Consultant, other base oil producers are part of a larger refinery, where base oil production represents approximately 1% of total refined product slate (calculated as 2021G total paraffinic base oil production divided by 2021G total refined products supply).

The Company's base oil production capacity of approximately 1.3 million MT per annum positions it as the second largest producer by capacity in the Middle East in 2021G per data from the Market Consultant, and it is the only virgin base oil producer in the Kingdom. The Company believes its production assets have competitive scale globally, with the Yanbu Facility base oil production capacity expected to increase to approximately 1.3 million MT per annum in 2025G, following the Yanbu Growth II Expansion. In 2025G, it is expected that the production capacity would be 270 thousand MT of Group I, 815 thousand MT for Group II and 175 thousand MT for Group III (with Group III expected to increase further in 2027G onwards).

The Company is deeply integrated within the Saudi Aramco's system and supplies critical products in the Kingdom, with a network of global marketing assets in key logistical hubs, including the Kingdom and the UAE, supporting the Company's sales and distribution activities. Furthermore, 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 other Alliance members, S-Oil and Motiva, to benefit from demand in other markets.

The Company has advantaged value chain positions, operational cost leadership, strategically located production assets, and long-standing relationships with key customers

The Company believes it has advantaged value chain positions in the value chain in feedstock supply, assets and operations, and customer relationships.

The Company has long-term agreements with Saudi Aramco for the provision of its feedstock. The Company believes the RCO it uses 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 content.

The Company believes this advantaged feedstock position and reliability of supply enables high plant utilization and base oil production, which allow the Company to operate efficiently and meet market demand in a more competitive way than other base oil producers who are reliant on their internal refinery operations to provide base oil feedstock.

The Company has a track record of value-added growth with attractive opportunities to capture projected market growth in key end-markets

The Company has grown its base oil production capacity and sales volumes, with the most recent Yanbu Growth I Expansion (which started commercial production in 2018G and with 2021G being the first fully ramped-up year), allowing the Company to introduce Group II Base Oils production capacity into Saudi Arabia to cater for domestic and regional demand. This expansion increased the Company's production capacity by 710 thousand MT, and the ramp up resulted in approximately a 50% increase in Group II Base Oil sales volumes in 2021G versus 2020G.

The Company intends to continue to leverage its advantaged positions across the value chain. As an example, the Yanbu Growth II Expansion is expected to add additional Group II Base Oil production capacity, and introduce Group III Base Oils production capacity into Saudi Arabia. The production of the aforementioned products is planned to start in 2025G. Additionally, the Company's relationship with Saudi Aramco and its asset portfolio present additional opportunities for further growth, with demand for Group II and III Base Oils globally expected to increase by approximately 5 million MT between 2022G and 2030G as per data from the Market Consultant.

The Company's high-margins, high cash conversion and high returns underpin a robust financial framework and allow for shareholder distributions

In 2021G, the Company generated SAR 8,847 million (equivalent to USD 2,359 million) in revenues and EBITDA of SAR 2,096 million (equivalent to USD 559 million), while achieving a base oil crack margin of USD 599 per ton. The Company delivered cash conversion of 83% and a ROACE of 31% during this period. The Company benefitted from a strong margin environment in 2021G, with high base oil crack margins as feedstock cost remained stable while product prices increased. The Company also benefited from an increase in the Company's Group II Base Oils sales volumes following full ramp up of the Yanbu Growth I Expansion.

The Company operates with a robust financial framework that focuses on three key elements: capital structure, capital investment 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 believes it has low maintenance capex, given its well invested asset base, preventative maintenance programs, the recently completed and ramped up expansions, and a rigorous capital allocation process for growth projects, which underpin robust financial profile which the Company believes is beneficial to ROACE.

The Company has a strong commitment to environmental and social performance and a robust governance framework

The Company has a goal to foster environmental excellence, and aims to make further improvements. The Company recently delivered a 40% flaring reduction in 2021G vs. 2020G, as well as an approximately 45% CO_2 emission reduction in 2021G vs. 2016G (based on CO_2 generated per valuable product produced i.e., base oils, naphtha, ULSD, and drilling fluid).

From a governance perspective, the Company has an experienced Board of Directors, with defined corporate governance policies aligned with applicable regulations. The Company maintains an arms-length relationship with Saudi Aramco, with key feedstock purchases and product sales conducted on an arm's length basis.

The Company's experienced management team has decades of expertise across the value chain and is committed to foster operational excellence and innovation

The Company 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.

Market Overview

- Global real GDP is forecast to grow by 2.9% CAGR from 2022 to 2030, driven by growth in non-OECD countries, specifically growth in Asia. Global economic growth is a key driver of liquids demand.
- Liquids balance is an indicator of how the global oil market performs in terms of supply-demand dynamics. Due to the economic impact of the COVID-19 pandemic, global liquids demand declined by 10.0% between 2019 and 2020. With a swift recovery of markets in 2021, global liquids demand grew by 6.7% between 2020 and 2021 and is expected to grow at a CAGR of 0.9% from 2022 to 2030.
- Global lubricant demand is expected to witness a growth rate of 0.8% of CAGR for the forecast period of 2022 to 2030. The Middle East and the KSA is expected to grow at 1.4% CAGR each during the same period. The economic growth in the forecast period for the Middle East, in particular the Kingdom of Saudi Arabia, is expected to be supported by continued diversification efforts and population growth. Automotive lubricant demand is expected to remain robust in the Middle East and KSA with a projected growth rate of 1.4% and 1.2% CAGR respectively from 2022 to 2030.
- Base oil demand is driven primarily by dynamics of the wider oil market and lubricants demand. Globally, base oils represent 0.8% of total hydrocarbon demand and their production economics are inextricably linked with production economics of main refined products. Base oils compete with main refined products for feedstock. Refined product cracks and refining margins impact availability of feedstock for base oil plants and thus impact base oil prices and market dynamics. Base oil prices move broadly in line with crude oil and feedstock prices, typically with a time lag of one to three months and are also a function of base oil supply-demand dynamics.
- While some lubricants are only base oil, many lubricants are a blend of different base oils and additives, tailored to meet a specific lubricating function. Hence, changes in demand and the need for higher quality lubricants not only impact overall base oil demand but also demand for different base oil groups.
- Base oil demand is derived from finished lubricants demand based on typical blending formulations and the expected impact of future changes on these formulations. Based on properties, base oils are classified into five separate Groups designated from Group I to V. The total technical demand for base oils considers trends in lubricant formulations as driven by emission standards, engine technologies, and fuel efficiency requirements. The technical demand for a base oil is defined as the minimum quantity required of Group II, Group III, Group IV, and Group V base oils, based on the technical requirements of the finished lubricant formulations supplied to the market.
- Global base oil demand closely follows lubricant demand at a growth rate of 0.7% CAGR for the forecast period. Continuous lubricant quality improvements are expected to support the growing demand for high quality, low viscosity base oils primarily Group II and Group III base oils. Global base oil demand growth for Group II is expected to grow at 3.5% CAGR from 2022 to 2030 and Group III at 4.8% CAGR during the same period. The Middle East's and KSA's base oil demand growth is projected to exceed the global average, with growth of 1.3% and 1.2% CAGR respectively over the period of 2022 to 2030. Technical demand for both the Middle East and KSA will shift gradually away from Group I base oil driven by an increasing proportion of the vehicle fleet population that will require enhanced engine oil performance.
- Global Group I base oil demand is expected to witness a decline of 2.9% CAGR for the period 2022 to 2030 from the level of 17.5 MT in 2021. In response to demand decline, plant utilization is expected to decrease from 45% in 2021 to 33% by 2030, which will cause the rationalization of Group I plants. The Middle East's and KSA's demand is expected to decline by 2.8% and 5.5% CAGR each during the forecast period.
- Global Group II base oil demand is expected to grow at 3.5% CAGR for the period 2022 to 2030 from 8.6 MT in 2021, which would increase plant utilization from 52% in 2021, to 59% by 2030, but no new capacity is needed on a global scale. The Middle East's and KSA's demand is expected to grow by 4.4% and 2.2% CAGR each during the forecast period.
- Global Group III base oil is expected to grow at 4.8% CAGR for the period 2022 to 2030 from 4.5 MT in 2021, which would increase plant utilization from 61% in 2021 to 79% by 2030, hence additional capacity is likely to be needed eventually for sustainable supply. The Middle East and KSA's demand is expected to grow by 5.9% CAGR each during the forecast period.

Source of information for this section: the Market Consultant

Summary of Risk Factors

Before making any decision to invest in the Offer Shares, prospective investors must carefully consider all the information contained in this Prospectus, particularly the risks summarized below, which are described in detail in Section (2) "**Risk Factors**".

Risks Related to the Company's Operations

- Risks relating to the changes in crack margins
- Risks relating to the Jeddah Facility closure and reliance on one facility in the future
- Risks relating to the Company's strategy, growth and new projects and inability to achieve its objectives and goals, including the Yanbu Growth II Expansion project
- Risks relating to regulatory licenses and permits
- Risks relating to infrastructure and logistic networks inside and outside of the Kingdom and reliance on certain ports
- Risks relating to revenue concentration in certain geographies
- Risks relating to customer concentration, attraction of new customers and retention of existing customers
- Risks relating to unplanned shutdowns, business interruptions and machine failure
- Risks relating to feedstock supply, quantity and quality
- Risks relating to materials supply, quality and prices
- Risks relating to the effective control by Saudi Aramco
- Risks relating to reliance on Saudi Aramco's expertise, trademarks and services
- Risks relating to information technology infrastructure, cyber-attacks and data protection
- Risks relating to intellectual property, trademark protection and technology licensing
- Risks relating to leases and not owning the lands on which the Company's facilities are located
- Risks relating to environment protection regulations and health and safety related violations and penalties
- Risks relating to utility supply, prices and reliance on third party providers
- Risks relating to disputes and litigation
- Risks relating to collection of receivables
- Risks relating to financing arrangements, debt repayment, default and covenants attached thereon
- Risks relating to significant or extended changes in prices of feedstock and products during storage
- Risks relating to the Aramco Base Oil Alliance
- Risks relating to related party transactions
- Risks relating to reliance on senior management and Senior Executives and potential conflict of interest and competition
- Risks relating to attraction and retention of skilled employees
- Risks relating to employees' misconduct and mistakes
- Risks relating to labor law and policies issues, including Saudization
- Risks relating to the implementation of new governance and compliance policies and systems
- Risks relating to the management and the Board's limited experience in managing a public company
- Risks relating to insufficient insurance coverage
- Risks relating to liquidity
- Risks relating to product quality
- Risks relating to business practices that may conflict with the Company's commercial interests
- Risks relating to Zakat and tax
- Risks relating to enforcement of foreign judgments and arbitral awards and international disputes
- Risks relating to marketing, branding, and sales strategy

Risks Related to the Market and Industry

- Risks relating to feedstock supply and prices
- Risks relating to product prices and base oil market decline
- Risks relating to competition in the market, pricing structure and self-sufficiency of targeted markets
- Risks relating to public health issues and pandemics including COVID-19
- Risks relating to the Saudi Arabian and global economy and the political and economic conditions in the Kingdom and the countries in which the Company sells its products
- Risks relating to political and social instability in the MENA region
- Risks relating to the impact of force majeure events such as natural disasters, terrorist attacks and wars
- Risks relating to health, safety and security standards and measures
- Risks relating to the new Companies Law and its application
- Risks relating to currencies fluctuation
- Risks relating to the Company operating in a highly regulated industry and the changes in regulatory environment
- Risks relating to interest rates fluctuation
- Risks relating to international operations and the impact of international trade litigation and sanctions
- Risks relating to competition law and anti-trust regulations
- Risks relating to climate change and environmental, social and governance practices

Risks Related to the Offer Shares

- Risks relating to selling a large number of shares post-Offering
- Risks relating to liquidity and the absence of prior market for the Shares
- Risks relating to fluctuation in the market price of the Shares
- Risks relating to foreign exchange rates when investing in the Offer Shares
- Risks relating to a delay of closing the Offering and listing the Shares
- Risks relating to research published about the Company
- Risks relating to the Company's ability to distribute dividends
- Risks relating to unqualified foreign investors not being able to directly hold Shares
- Risks relating to investment in an emerging market
- Risks relating for forward-looking statements

Summary of Financial Information and Key Performance Indicators (KPIs)

The financial information for the financial years ended 31 December 2019G, 2020G and 2021G set out below have, except as disclosed in Section (6.5) "**Restatement of Financial Information of the Company**" of this Prospectus and unless otherwise indicated, been derived from the Company's audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, respectively. The financial information for the six-month period ended 30 June 2022G set out below, unless otherwise indicated, has been derived from the Company's audited special purpose financial statements for the six-month period ended 30 June 2022G. The selected financial information and key performance indicators (KPIs) of the Company set out below should be read together with information in Section 2 "**Risk Factors**", Section 6 "**Management Discussion and Analysis of Financial Condition and Results of Operations**", the audited financial statements for the financial years ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the special purpose financial statements for the six-month period ended 30 June 2022G. Refer to Section 19 "**Financial Statements and Auditor Report**" of this Prospectus.

The Company's audited financial statements for the financial years ended 31 December 2019G, 2020G, 2021G and the special purpose financial statements for the six-month period ended 30 June 2022G have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") that are endorsed in the Kingdom and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("**SOCPA**"), and have been audited by PricewaterhouseCoopers Certified Public Accountants (the "**Auditor**"), as set out in their audit reports on the audited financial statements for the financial years ended 31 December 2019G, 2020G, 2021G and the special purpose financial statements for the six-month period ended 30 June 2022G.

The Company has agreements with Saudi Aramco to purchase feedstock for the Company's Jeddah and Yanbu production facilities and to supply certain by-products back to Saudi Aramco after the feedstock has been processed and base oil extracted for sale to its other customers. The Company determined during the six-month period ended 30 June 2022G to account for these transactions with Saudi Aramco separately as purchases of feedstock from, and sales of by-products to, Saudi Aramco, instead of provision of processing services. This is on the basis of the Company's ability to control, obtaining substantial economic benefit and decision making relating to feedstock used and mix of the products produced which are substantially different from the feedstock purchased. These transactions with Saudi Aramco were previously recorded on a net basis with the sales proceeds of the by-products recorded against the feedstock purchases. This change does not have any impact on the statement of financial position, statement of changes in equity and statement of cash flows as of and for the years then ended. Please refer to Section 6.5 "**Restatement of Financial Information of the Company**" of this Prospectus for the financial impact of this restatement".

Certain comparative financial information for the financial year ended 31 December 2019G have been reclassified to conform to the presentation adopted in the audited financial statements for the financial year ended 31 December 2020G, and hence differ from the financial information included in the audited financial statements for the financial year ended 31 December 2019G. There was no impact on profit or loss for the financial year ended 31 December 2019G or total equity as a result of such reclassifications, which has been explained in this Section and Section 6.1 and 6.5 "**Management's Discussion and Analysis of Financial Position and Results of Operations**" where relevant.

The following table presents the summary of financial information of the Company.

Table (5): Summary of financial information and key performance indicators for the financial years ended 31 December 2019G, 2020G and 2021G and the six-month period ended 30 June 2022G of the Company

Currency: SARm	2019G	2020G	2021G	Six-month period ended 30 June 2022G
Statement of comprehensive income				
Sales[1]	5,620.4	4,393.5	8,846.7	6,083.2
Cost of sales[1]	(5,414.1)	(3,978.6)	(6,804.9)	(4,983.5)
Gross profit	**206.3**	**414.9**	**2,041.8**	**1,099.7**
Selling and distribution expenses	(93.6)	(97.8)	(116.6)	(45.4)
General and administrative expenses	(181.2)	(177.5)	(176.9)	(108.3)
Other income / (expenses)	19.3	20.6	(6.0)	6.6
Fair value (loss) / gain on derivative financial instruments measured at fair value through profit or loss	(8.4)[3]	(11.2)	13.3	6.3
Operating (loss) / profit	**(57.6)[3]**	**149.0**	**1,755.6**	**958.9**
Finance income	19.2	4.5	5.6	6.8
Finance cost	(99.6)[3]	(71.6)	(69.9)	(25.8)
(Loss) / profit before zakat and income tax	**(137.9)**	**81.9**	**1,691.4**	**939.9**
Zakat and income tax	(2.7)	(0.9)	(188.9)	(199.9)
(Loss) / profit for the year	**(140.6)**	**81.1**	**1,502.5**	**740.0**
Add:				
Zakat and income tax	2.7	0.9	188.9	199.9
Net finance cost	80.4	67.1	64.3	19.0
Depreciation and amortization	303.9	309.1	340.2	169.3
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	**246.4**	**458.2**	**2,095.9**	**1,128.2**
Other comprehensive income				
Item that will not be reclassified to profit or loss:				
Remeasurement gain / (loss) on defined employee benefit obligations	34.0	33.6	(37.3)	20.2
Deferred tax relating to remeasurement gain / (loss)	-	-	5.3	(2.8)
Total comprehensive (loss) / income for year	**(106.6)**	**114.7**	**1,470.5**	**757.4**
Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	30 June 2022G
Summary of the statement of financial position				
Total equity	3,596.9	3,711.6	4,244.5	3,877.0
Total non-current assets	5,663.4	5,518.7	5,255.9	5,106.1
Total current assets	1,491.6	1,793.7	3,108.4	3,226.6
Total assets	**7,155.1**	**7,312.4**	**8,364.3**	**8,332.7**
Total non-current liabilities	1,783.1	1,550.2	2,626.0	2,615.7
Total current liabilities	1,775.1	2,050.6	1,493.8	1,840.0
Total liabilities	**3,558.2**	**3,600.8**	**4,119.8**	**4,455.7**
Total liabilities and equity	**7,155.1**	**7,312.4**	**8,364.3**	**8,332.7**

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	30 June 2022G
Summary of the statement of cash-flows				
Net cash from operating activities	21.5[(4)]	311.3[(5)]	1,814.6	646.9
Net cash from investing activities	(314.0)[(4)]	11.3	(221.6)	(12.4)
Net cash from financing activities	(447.3)	171.2[(5)]	(916.4)	(1,210.4)
Cash and cash equivalents at beginning of year	918.9	179.0	672.9	1,349.5
Cash and cash equivalents at end of year	**179.0**	**672.9**	**1,349.5**	**773.6**
KPIs				
Nameplate VDU capacity (MBD)	64.5	64.5	69.5	69.5
Capacity utilization [(6)]	69.7%	70.9%	87.2%	91.6%
Base oil sales volume (MT'000) (including Alliance trade and direct import sales volume)	891.0	965.4	1,226.6	707.8
Alliance trade and direct import sales volume (MT'000)	4.1	53.2	66.6	35.7
Total gross sales volume (MT'000)	3,205.0	3,238.6	3,766.1	2,012.2
Gross feedstock costs (excluding Group III imported sales) (SAR/MT)	1,444.8	965.0	1,548.0	2,221.2
Luberef-produced gross base oil crack margin (net of rebates and freight) (SAR/MT)	1,083.2	1,222.4	2,247.7	1,851.2
Gross profit margin	3.7%	9.4%	23.1%	18.1%
Operating profit margin	(1.0%)	3.4%	19.8%	15.8%
EBITDA margin	4.4%	10.4%	23.7%	18.5%
Net profit margin	(2.5%)	1.8%	17.0%	12.2%
Return on average capital employed (ROACE)[(2)]	(1.2%)	2.9%	30.7%	29.9%
Current ratio	0.8	0.9	2.1	1.8
Total assets to total liabilities	2.0	2.0	2.0	1.9

Source: Audited financial statements for the financial years ended 31 December 2019G, 31 December 2020G and 31 December 2021G and the special purpose financial statements for the six-month period ended 30 June 2022G, and Company information.

(1) Financial information in the table above for sales and cost of sales have been extracted from Company information for the financial years ended 31 December 2019G, 2020G and 2021G, following the restatement of these balances as set out in Notes 3.7 and 32 in the Company's special purpose financial statements for the six-month period ended 30 June 2022G.

(2) ROACE for the financial years ended 31 December 2019G, 2020G and 2021G is calculated as [net operating profit after tax / (average net financial debt for current and prior financial year + average book value of equity for current and prior financial year)]. ROACE for the six-month periods ended 30 June 2022G is calculated as [annualized six-month net operating profit after tax / (average net financial debt for current period and prior financial year + average book value of equity for current period and prior financial year)].

(3) The numbers for the financial year ended 31 December 2019G were reclassified from "**Finance cost**" to "**Fair value loss on derivative financial instruments**" in line with the revised classification in the audited financial statements for the financial year ended 31 December 2020G.

(4) The numbers for the financial year ended 31 December 2019G were reclassified from "**Cash from investing activities**" to "**Cash from operating activities**" in line with the revised classification in the audited financial statements for the financial year ended 31 December 2020G.

(5) The numbers for the financial year ended 31 December 2020G were reclassified from "**Cash from operating activities**" to "**Cash from financing activities**" in line with the revised classification in the audited financial statements for the financial year ended 31 December 2021G.

(6) Utilization is calculated as dividing the Company's total production by the total nameplate capacity.

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1. Definitions and Terms

Term	Definition
ATA	Aramco Trading Americas LLC, previously called Motiva Trading LLC, a limited liability company organized under the laws of Delaware and headquartered in Houston, Texas.
Motiva	Motiva Enterprise and/or ATA, as the context requires.
Advisors	The Company's advisors for the Offering, whose names appear on pages (viii-x) of this Prospectus.
AED	United Arab Emirates Dirham, the official currency of the UAE.
Affiliate	A person who Controls another person or is Controlled by that other person, or who is under common Control with that person by a third person. In any of the preceding, Control could be direct or indirect.
Americas	The continents of North and South America.
"Aramco Base Oil Alliance" or "Alliance"	The Saudi Aramco base oil alliance formed in 2019 between Saudi Aramco and its base oil producing Subsidiaries: Luberef, S-Oil and Motiva.
Audit Committee	The audit committee of the Company.
Auditor	PricewaterhouseCoopers Certified Public Accountants, as the Company's external auditor.
"Authority" or "CMA"	The Saudi Capital Market Authority.
Bid Form	The application form to be used by Participating Parties to bid during the book-building process.
"Board" or "Board of Directors"	The Company's Board of Directors.
Brokers	Capital market institutions authorized to conduct trading activities.
Business day	Any official working day on which the banks are open for ordinary business in the Kingdom (except for Fridays, Saturdays and any official holidays).
Bylaws	The Company's bylaws.
CAGR	Compound annual growth rate.
Capital Market Institution	A capital market institution authorized by the CMA to carry out securities business.
CEO or Chief Executive Officer	The President and Chief Executive Officer of the Company.
Chairperson	Chairperson of the Board of Directors.
"Company", "Issuer" or "Luberef"	Saudi Aramco Base Oil Company – Luberef, a joint stock company registered in the city of Jeddah under commercial registration no. (4030010447) dated on 03/09/1396H (corresponding to 29/08/1976G) and was converted into a joint stock company pursuant to resolution no. (1173) dated 20/01/1444H (corresponding to 18/08/2022G) issued by the Ministry of Commerce.
Control	Except with respect to financial information, the term means the ability to influence the actions or decisions of another person through, whether directly or indirectly, alone or with a Relative or an Affiliate (a) holding 30% or more of the voting rights in a company, or (b) having the right to appoint 30% or more of the members of the governing body. With respect to financial information, the term has the meaning described under the IFRS.
Conversion Assembly	The Company's conversion assembly held on 16/01/1444H (corresponding to 14/08/2022G).
Current Shareholders	Saudi Aramco and Jadwa.
Directors	The members of the Board of Directors.
Edaa	The Saudi Securities Depository Center Company (Edaa).
Exchange	The Saudi stock exchange, the market in which Saudi ssecurities (such as shares) are traded, which is managed and supervised by the CMA and the Saudi Exchange.

Term	Definition
Extraordinary General Assembly	Duly convened extraordinary general assembly of the Company.
Foreign Investors	Non-GCC nationals living outside the Kingdom and institutions registered outside the GCC and working outside of the Kingdom.
Foreign Strategic Investor	Foreign strategic investors, as defined in the FSI Rules.
GAC	The General Authority for Competition in Saudi Arabia.
Gas and Ethane O&M Agreement	The operation and maintenance agreement relating to the custody transfer metering facilities for measurement of sales gas and Ethane between the Company and Saudi Aramco.
GCC	Gulf Cooperation Council.
GDP	Gross domestic product.
General Assembly	Any Shareholders general assembly duly convened, including Ordinary General Assembly or Extraordinary General Assembly.
Government	The government of the Kingdom.
Group	A person and its Affiliates.
ICC Rules	The arbitration rules issued and adopted by the International Chamber of Commerce.
IFRS	International Financial Reporting Standards that are endorsed in the Kingdom and other standards and pronouncements issued by SOCPA.
Individual Investor	Saudi Citizens, 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.
Jadwa Investment Company	Jadwa Investment Company is a closed joint stock company registered under commercial registration number (1010228782) in Riyadh.
Jeddah Facility	The Company's production facility in Jeddah.
Jadwa	Jadwa Industrial Investment Company is a limited liability company registered under commercial registration number (1010237679) dated 20/08/1428H (corresponding to 02/09/2007G) in Riyadh.
Joint Bookrunners	The Joint Financial Advisors, as joint bookrunners in relation to the Offering.
Joint Financial Advisors	SNB Capital Company, HSBC Saudi Arabia, Citigroup Saudi Arabia and Morgan Stanley Saudi Arabia as the Company's joint financial advisors in connection with the Offering.
Joint Global Coordinators	The Joint Financial Advisors, as joint global coordinators in relation to the Offering.
"Kingdom" or "KSA"	The Kingdom of Saudi Arabia.
Lead Manager	SNB Capital Company, as the lead manager in connection with the Offering.
Legal Advisor	Khoshaim & Associates (K&A), as the Company's legal advisor in connection with the Offering.
Listing	Admission of the Shares to trading on the Exchange and the official commencement of the trading of the Shares, in accordance with the Listing Rules.
Lock-up Period	The six (6) months period after the Listing, during which Saudi Aramco may not dispose its Shares.
LubeHUB	The industrial park the Company intends to establish in cooperation with other stakeholders. For more details about this project, please refer to Section (4.5.3.3) "**LubeHUB**".

Term	Definition
Luberef FZE	Saudi Aramco Base Oil Company - Luberef FZE, a wholly owned Subsidiary of the Company incorporated on 26/03/1435H (corresponding to 27/01/2014G) as a free zone establishment in the Hamriyah Free Zone in the UAE and is registered under registration number (12689) with the Hamriyah Free Zone Authority's commercial register.
MARAFIQ	Power and Water Utility Company for Jubail and Yanbu, a Saudi joint stock company registered under commercial registration no. (2055004968) in Jubail.
Market Consultant	IHS Global Inc., as the Company's market consultant.
MENA	The Middle East and North Africa.
MHRSD	The Ministry of Human Resources and Social Development in the Kingdom.
MIMR	The Ministry of Industry and Mineral Resources in the Kingdom.
"Ministry of Commerce" or "MOC"	The Ministry of Commerce in the Kingdom.
"Ministry of Energy" or "MOE"	The Ministry of Energy in the Kingdom.
MISA	Ministry of Investment in Saudi Arabia.
Mobil	Mobil Petroleum Company, Inc., a founding shareholder of the Company and any of its legal successors.
Motiva Enterprise	Motiva Enterprise LLC, a limited liability company organized under the laws of Delaware and headquartered in Houston, Texas.
NCA	National Cybersecurity Authority in the Kingdom.
Net Offering Proceeds	The Offering proceeds after deduction of the Offering's expenses. For more information about the Offering's expenses and their estimation, please see Section (14) "**Offering Expenses**".
Nitaqat	Nitaqat, it is an initiative by the Ministry of Human Resources and Social Development in the Kingdom to evaluate the entities operating in the Saudi market according to the number of Saudi Citizens working in them, where each entity is classified under one of the bands (which are four) according to the number of Saudi employees.
OECD	Organization for Economic Co-operation and Development.
Offer Price	SAR [•] per share.
Offer Shares	The Company's fifty million forty-five thousand (50,045,000) ordinary shares with a nominal value of ten (10) Saudi riyals per share, which will be sold by the Selling Shareholder during the Offering.
Offering	The initial public offering of the Company pursuant to this Prospectus.
Offering Period	Two days period commences on Wednesday 20/05/1444H (corresponding to 14/12/2022G) and ends on Thursday 21/05/1444H (corresponding to 15/12/2022G).
Offering Proceeds	The gross proceeds collected from the Offering. For more information about the Offering proceeds and their use, please see Section (8) "**Use of Offering Proceeds**".
OPEC	Organization of the Petroleum Exporting Countries.
Ordinary General Assembly	Duly convened ordinary general assembly of the Company.

Term	Definition
Participating Parties	They include a group of persons and institutions, which are as follows: 1- Government agencies and government-owned companies, whether directly or through a private portfolio manager, or any supranational authority recognized by the CMA, the Saudi Exchange, or any other stock exchange recognized by the CMA or Edaa. 2- Public investment funds established in the KSA that are offered publicly, in addition to private funds that invest in securities listed on the Exchange, if permissible according to the terms and conditions of such funds, in compliance with the provisions and restrictions set forth in the CMA's Investment Funds Regulations and the Instructions for Book-Building. 3- Capital market institutions authorized to deal in securities as a principal, subject to the provisions of the CMA's Financial Prudency Rules when submitting the Bid Form. 4- Clients of any capital market institution authorized to conduct managing activities in accordance with the Instructions for Book Building. 5- Any legal person allowed to open an investment account in the KSA, and an account with Edaa, in compliance with the controls on investment by listed companies in the securities listed on the Exchange. 6- GCC companies and GCC funds if permissible according to the terms and conditions of such funds. 7- Foreign legal persons allowed to invest in the Exchange, in compliance with the controls on investment by listed companies in the securities listed on the Exchange, as stipulated in the CMA circular no. (6/05158) dated 11/08/1435H (corresponding to 9/06/2014G), issued pursuant to the CMA's board resolution no. 9-28-2014, dated 20/07/1435H (corresponding to 19/05/2014G).
Petromin	The General Petroleum and Mineral Organization (Petromin), a founding shareholder of the Company.
Propane O&M Agreement	The operation and maintenance agreement relating to the custody transfer metering facility for measurement of propane between the Company and Saudi Aramco.
Prospectus	This Prospectus, which was prepared by the Company in relation to the Offering.
Public	Any person other than those listed below: 1- Affiliates of the Company. 2- Substantial Shareholders of the Company. 3- Directors and Senior Executives of the Company. 4- Directors and Senior Executives of the Affiliates of the Company. 5- Directors and Senior Executives of the Substantial Shareholders of the Company. 6- Any Relatives of the persons referred to in (1), (2), (3), (4), or (5) above. 7- Any company controlled by any person referred to in (1), (2), (3), (4), (5) or (6) above. 8- Persons acting in concert and, collectively, holding 5% or more of the Shares.
Qualified Foreign Investor	Qualified foreign investors, as defined in the QFI Rules.
RCJY	The Royal Commission for Jubail and Yanbu.
Receiving Entities	Saudi National Bank (SNB), Al Rajhi Bank, Riyad Bank, Alinma Bank, Arab National Bank (ANB), the Saudi Investment Bank, Albilad Bank, Banque Saudi Fransi, Saudi British Bank (SABB), Meem – Gulf International Bank – Kingdom of Saudi Arabia, and Bank Aljazira.

Term	Definition
Related Party	Any of the following: 1- Affiliates of the Company. 2- Substantial Shareholders in the Company. 3- Directors and Senior Executives of the Company. 4- Directors and Senior Executives of the Affiliates of the Company. 5- Directors and Senior Executives of the Substantial Shareholders of the Company. 6- Any Relatives of the persons referred to in (1), (2), (3), (4), or (5) above. 7- Any company controlled by any person referred to in (1), (2), (3), (4), (5) or (6) above.
Relative	Spouse and minor children.
SAMREF	Saudi Aramco Mobil Refinery Company Ltd. (SAMREF), a Saudi limited liability company registered under commercial registration no. (4700001240) in Yanbu.
"SAR" or "Saudi Riyal"	The Saudi Arabian Riyal, the official currency of the Kingdom.
Saudi Aramco	Saudi Arabian Oil Company, a public joint stock company by virtue of Royal Decree number (M/8) dated 04/04/1409H (corresponding to 13/11/1988G) and Council of Ministers Resolution number (180) dated 01/04/1439H (corresponding to 19/12/2017G), registered in the city of Dhahran under commercial registration number (2052101150) dated 11/07/1439H (corresponding to 28/03/2018G).
Saudi Citizen	Any person holding a Saudi Arabian citizenship.
Saudi Exchange	The Saudi Exchange Company, which is a wholly owned subsidiary by Saudi Tadawul Group and was established in March 2021 following the transformation of the Saudi Stock Exchange (Tadawul) into a holding company, Saudi Tadawul Group.
Secretary	Secretary of the Board of Directors
Selling Shareholder	Jadwa Industrial Investment Company.
Senior Executives	Any natural person to whom the governing body of the firm, or a member of the governing body of the firm, has given responsibility, either alone or jointly with others, for management and supervision and either reports to the governing body, a member of the governing body or the chief executive officer.
"Share" or "Shares"	Ordinary shares of the Company with a nominal value of ten (10) Saudi Riyals per share.
Shareholder	A shareholder of the Company at any time.
SOCPA	Saudi Organization for Chartered and Professional Accountants.
S-Oil	S-Oil Corporation, a company organized under the laws of the Republic of Korea and registered under business registration number 110111-0189955, and headquartered in Seoul, Republic of Korea.
Subscriber	Any person who subscribes to the Offer Shares, whether a Participating Party or an Individual Investor.
Subscription Form	The application form to be used by Investors to apply to subscribe in the Offer Shares during the Offering Period.
Subscription Terms and Conditions	The subscription terms and conditions set out in Section (17) "**Subscription Terms and Conditions**" of this Prospectus.
Subsidiary	Except with respect to financial information, the term means in relation to a company, any other company controlled by that company. With respect to financial information, the term has the meaning described under the IFRS.
Substantial Shareholders	Any person owning 5% or more of the Company's shares.
UAE	The United Arab Emirates.
Underwriters	The Joint Financial Advisors, as the underwriters in connection with the Offering.
Underwriting Agreement	The underwriting agreement between the Company, the Selling Shareholder and the Underwriters for the purposes underwriting the Offering.
"USD" or "$"	The United States Dollar, the official currency of the United States of America.

Term	Definition
VAT	Value added tax.
Vice Chairperson	Vice Chairperson of the Board of Directors.
Yanbu Growth I Expansion	The expansion project the Company underwent for the Yanbu Facility, which competed at the end of 2017G.
Yanbu Growth II Expansion	The proposed expansion project the Company intends to undergo for the Yanbu Facility, which is planned to complete in 2025G. For more details about this project, please refer to Section (4.5.3.1) "**Yanbu Growth II Expansion**".
Yanbu Facility	The Company's production facility in Yanbu.
ZATCA	The Saudi Arabian Zakat, Tax and Customs Authority.
Laws and Regulations	
Arbitration Law	The Arbitration Law issued pursuant to Royal Decree no. M/34 dated 24/05/1433H (corresponding to 16/04/2012G), as amended by Royal Decree no. M/8 dated 18/01/1443H (corresponding to 26/08/2021G).
Capital Markets Law	The Capital Market Law issued pursuant to Royal Decree no. M/30 dated 02/06/1424H (corresponding to 31/07/2003G), as amended by Royal Decree no. M/16 dated 19/01/1440H (corresponding to 18/09/2019G).
Companies Law	The Companies Law issued pursuant to Royal Decree no. M/3 dated 28/01/1437H (corresponding to 10/11/2015G), as amended by Royal Decree no. M/79 dated 05/07/1439H (corresponding to 11/04/2018G).
Corporate Governance Regulations	The Corporate Governance Regulations issued by the CMA's board pursuant to resolution no. (8-16-2017) dated 16/05/1438H (corresponding to 13/02/2017G), as amended by CMA's board resolution no. (1-94-2022) dated 24/01/1444H (corresponding to 22/08/2022G).
FSI Rules	The Instructions for the Foreign Strategic Investors Ownership in Listed Companies issued by the CMA's board pursuant to its resolution no. (3-65-2019) dated 14/10/1440H (corresponding to 17/06/2019G).
Instructions for Book Building	Instructions for Book Building Process and Allocation Method in Initial Public Offerings (IPOs) issued by the CMA's board pursuant to its resolution no. (2-94-2016) dated 15/10/1437H (corresponding to 20/07/2016G), and last amended by resolution of the CMA's board no. (3-102-2019) dated 18/01/1441H (corresponding to 17/09/2019G).
Listed Companies Rules	The Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies issued by the CMA's board pursuant to its resolution no. (8-127-2016) dated 16/01/1438H (corresponding to 17/10/2016G), and last amended by resolution of the CMA's board no. (4-122-2020) dated 03/04/1442H (corresponding to 18/11/2020G)
Listing Rules	The Listing Rules approved by the CMA's board pursuant to resolution no. (3-123-2017) dated 09/04/1439H (corresponding to 27/12/2017G), as amended by the CMA's board resolution no. (3-96-2022) dated 10/02/1444H (corresponding to 06/09/2022G).
QFI Rules	The Rules for Qualified Foreign Financial Institutions Investment in Listed issued by the CMA's board pursuant to its resolution no. (1-42-2015) dated 15/07/1436H (corresponding to 04/05/2015G), and last amended by resolution of the CMA's board no. (3-65-2019) dated 14/10/1440H (corresponding to 17/06/2019G).
ROSCOs	The Rules on the Offer of Securities and Continuing Obligations issued by the CMA's board pursuant to its resolution no. (3-123-2017) dated 09/04/1439H (corresponding to 27/12/2017G), as amended by CMA's board resolution no. (1-94-2022) dated 24/01/1444H (corresponding to 22/08/2022G).
US Securities Act	The United States' Securities Act of 1933, as amended.
Other Technical Terms and Definitions	
BPCD	Barrel per calendar day.
BS	Bright stock.

Term	Definition
Byproducts	Products produced during the refining process, including asphalt, MHFO, slack wax, bright stock extract, sulfur and White Products.
Crack margins	The difference between the prices of base oils or byproducts and the prices of feedstock, as the case may be.
DAO	De-asphalted oil.
FEU	Furfural solvent extraction unit.
Group I Base Oils	Base oil products which fall under Group I (as defined by the American Petroleum Institute (API)). Those are sold by the Company under aramcoDURA™ brand, and include products such as aramcoDURA150, aramcoDURA500, aramcoDURA BS 150. References to these terms in the prospectus could also refer to the base oil product itself even if not trademarked as the time.
Group II Base Oils	Base oil products which fall under Group II (as defined by the American Petroleum Institute (API)). Those are sold by the Company under aramcoPRIMA™ brand, and include products such as aramcoPRIMA 70, aramcoPRIMA110, aramcoPRIMA230, aramcoPRIMA500. References to these terms in the prospectus could also refer to the base oil product itself even if not trademarked as the time.
Group III Base Oils	Base oil products which fall under Group III (as defined by the American Petroleum Institute (API)). Those are resold by the Company under aramcoULTRA™ brand, and include products such as aramcoULTRA 2, aramcoULTRA 4, aramcoULTRA 6, and aramcoULTRA 8. References to these terms in the prospectus could also refer to the base oil product itself even if not trademarked as the time.
HCU	Hydrocracker unit.
L	Litre, a measurement unit.
LVGO	Light vacuum gas oil.
MBD	Thousand barrels per day.
MHFO	Marine heavy fuel oil.
MLDW	Mobil lube de-waxing unit.
MMBTU	Million British thermal unit.
MMSCF	Million standard cubic feet.
MT	Metric ton.
Natural gas	Also referred to as sales gas or dry gas, is gas based mainly on methane and may include some ethane and minimal amount of heavier hydrocarbon material and other components.
PDA	Propane de-asphalting unit.
RCO	Reduced crude oil, the main feedstock used by the Company.
ULSD	Ultra-low sulfur diesel.
VGO	Vacuum gas oil.
Virgin base oil	Base oil that has not been previously used nor recycled.
White Products	A subset of Byproducts which includes products such as ULSD, naphtha and drilling fluid.

2. Risk Factors

Prospective investors should carefully consider all information provided in this Prospectus, including the following risk factors, prior to deciding to invest in the Offer Shares. The risks and uncertainties described below do not necessarily constitute all the risks affecting the Company or associated with an investment in the Offer Shares. There may be additional risks and uncertainties that are not currently known to the Company, or that the Directors currently believe to be immaterial. The occurrence of any such risks may materially and adversely affect the Company's business, financial condition, results of operations, and future prospects, the trading price of the Shares, and the Company's ability to pay dividends, which may cause investors to lose all or portion of their investment in the Shares.

The Company's business, financial condition, results of operations, and future prospects may be materially and adversely affected, the Company may not be able to pay dividends, the Share price may decrease, and investors may lose all or portion of their investment in the Shares, if any of the risks referred to below, or any other risks not identified by the Directors or not currently considered material, occur or become material. As a result of these risks or other factors that may affect the Company's business, the expected future events and circumstances that are described in this Prospectus may not occur in the way the Company and/or the Directors expect, or at all. Therefore, investors should consider all forward-looking statements contained in this Prospectus in light of this explanation and should not rely on such statements. For more information, please see the Page (i) "**Important Notice**".

The Directors confirm that, to the best of their knowledge and belief, there are no other material risks as at the date of this Prospectus - other than as disclosed in this section - that may materially affect investors' decisions to invest in the Offer Shares. All prospective investors who wish to subscribe to the Offer Shares should assess the risks related to the Company, the Offer Shares and the Offering in general and the economic, political and regulatory environment in which the Company operates.

An investment in the Offer Shares is only appropriate for those investors who are able to evaluate the risks of such investment and who have sufficient resources to bear any loss resulting from such investment. Prospective investors who have doubts about what actions to take should consult a financial advisor duly licensed by the CMA for advice prior to investing in the Offer Shares.

The risks described below are not arranged in order of priority based on their importance or expected effect on the Company. Where a risk factor may be categorized in more than one category such as risks relating to the Company's operations or the market, such risk factor may appear only in the most relevant category, but this should not be read to limit the effect or impact of such risks.

2.1 Risks Relating to the Company's Business

2.1.1 Risks relating to the changes in crack margins

The Company's business success, financial performance and profitability are impacted by the difference between the prices of base oil or Byproducts and the prices of feedstock, known as the base oil crack margin or Byproducts crack margin respectively.

Feedstock prices are affected by many factors that are beyond the Company's control, including but not limited to, global supply and demand, oil prices, market expectations of future supply and demand, global political conditions, decisions of production levels by OPEC member states and oil producers, regional geopolitical conditions and other market variables including availability and overall economic conditions.

In addition, the prices at which the Company is able to sell its base oil products and Byproducts are also volatile, and prices have fluctuated considerably in recent years and may continue to do so in the future. Prices may change as a result of many factors which are outside of the Company's control including demand for base oils and Byproducts, global production and storage capacity, changes in applicable regulations, weather and seasonality, international armed conflict, terrorism, general economic conditions, pandemics, competition from alternative material, pricing decisions of competitors, changes in the cost and availability of logistic services and the demand on lubricants and other finished products. For example, the recent events in Russia and Ukraine have caused shortage in the supply of base oils and therefore resulted in higher crack margins. These margins might narrow in the future when the supply disruption is resolved.

Similar to feedstock, the prices of the base oil products and Byproducts are also themselves impacted by the prices of crude oil, and could decrease correspondingly, with generally a month or few months lag. However, the impact can be immediate or delayed depending on the contractual arrangement for the sale of these products. For example, the Byproducts agreements with Saudi Aramco and SAMREF indicates that Byproducts selling prices are determined by a formula linked to crude oil prices and therefore unlike base oil, Byproducts' pricing is immediately impacted by the movement of crude oil prices.

The Company's crack margins will be affected by any fluctuation and increase in the price of feedstock which is not offset by the same increase in the price of the base oil or Byproduct the Company sells. The Company's crack margins are also impacted by any decrease in the prices of base oils or Byproducts that is not offset by lower feedstock prices. For example, the Company crack margins in the six-month period ended 30 June 2022G reduced relative to the six-month period ended 30 June 2021G, mainly driven by an increase in feedstock cost at a higher proportion compared to the increase in base oil prices. The Company does not hedge prices for its feedstock (e.g., through feedstock or base oil derivative contracts), which increases the risk of volatility in prices having an impact on the Company's crack margins.

Global crack margins for base oils have been volatile in recent years and may continue to be so in the future. The Company's historic base oil crack margins were USD 289 per MT, USD 326 per MT, USD 599 per MT and USD 494 per MT for the financial years ended 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G, respectively. For further details about the Company's crack margins, please refer to Section (6.7.1) "**Statement of comprehensive income of the Company**".

If any of the above occurs and the Company's crack margins decrease, this will materially and negatively impact the Company's financial position, cash flows and future prospects.

2.1.2 Risks relating to the Jeddah Facility closure and reliance on one facility in the future

As per the Company's business plan, approved by the Board, the Jeddah Facility will close in 2026G. For more details about the Jeddah Facility closure, please refer to Section (4.5.1.2) "**Jeddah Facility**". The Jeddah Facility's closure may include a full shutdown of its operations and its demolition or mothballing if agreed upon with the lessor, Saudi Aramco.

The Company currently books the Jeddah Facility at historical cost less accumulated depreciation and has provisioned a decommissioning cost of SAR 38.75 million as of 30 June 2022. However, if decommissioned, the amounts provisioned might not be sufficient and the Company may incur additional costs to the amount it has provisioned.

Under the Environment Law and its implementing regulations, any person causing environmental deterioration of a site is obligated to rectify such deterioration. The demolition of a facility such as the Jeddah Facility might cause an environmental impact and damage to the environment of the site. If that occurs, the Company could be liable to rectify such impact or damage. This is in addition to other unexpected liabilities and costs that could arise as a result of the Jeddah Facility closure. The Company cannot adequately estimate or predict such costs, which may significantly exceed the decommissioning provision made by the Company.

The demolition of a facility such as the Jeddah Facility imposes several other risks, including the risk of the Company's inability to supplement its business and production in the Yanbu Facility to cover for the loss of production from the Jeddah Facility. The base oil production from the Jeddah Facility represented 27.4%, 28.3%, 22.2% and 20.7% of the Company's total production for the financial years ended 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G, respectively. The Jeddah Facility also has a 31,540 cubic meters storage capacity of finished products (compared to Yanbu Facility's storage capacity for finished goods of 278,180 cubic meters), which the Company would lose access to upon the Jeddah Facility closure and therefore the Company's total storage capacity will decrease.

After the expected Jeddah Facility closure, the Company's production will be concentrated in one facility, the Yanbu Facility, as opposed to two facilities. The Yanbu Facility, even with the implementation of the Yanbu Growth II Expansion project, might not fully off-set production volumes currently being produced from the Jeddah Facility or provide the same storage capacity. The closure of the Jeddah Facility puts the Company's operations and business in significant reliance on one facility, the Yanbu Facility. Therefore, any interruption or incident that occurs to this facility (including the various risks described in this Prospectus) will have a significantly higher impact than if the Company had additional facilities and could materially and significantly affect the Company's business.

If any of the above factors materializes, it could have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

2.1.3 Risks relating to the Company's strategy, growth and new projects and inability to achieve its objectives and goals, including the Yanbu Growth II Expansion project

The Company's ability to increase its revenues and profitability depends on the effective implementation of its business plans and the successful achievement of its strategy. The Company's ability to successfully implement the Company's strategy depends on a variety of factors, including its ability to identify acceptable opportunities, develop new market opportunities, arrange financing, if necessary, and comply with regulations. As the Company pursues such growth opportunities, the Company may incur or assume unanticipated liabilities, losses or costs.

In particular, the Company aims to continue expanding its business by undertaking new projects, including the Yanbu Growth II Expansion project, the business transformation initiatives, LubeHUB and others. For further details about these projects, please refer to Section (4.5.3) "**Future Projects**".

The Yanbu Growth II Expansion project is planned to be completed in 2025G, prior to the potential closure of the Jeddah Facility, and it aims to allow the Company to start producing Group III Base Oils and to produce additional quantities of Group II Base Oils. For further details about the risks relating to the Jeddah closure, please refer to Section (2.1.2) "**Risks relating to the Jeddah Facility closure and reliance on one facility in the future**". Reducing the production of certain Group I Base Oils products and the commencement of the production of Group III Base Oils is a significant strategic decision by the Company. The success of this strategic decision could be impacted by several factors, many of which are beyond the Company's control. These factors include the political and economic conditions in the Kingdom and globally, securing the additional feedstock needed for the Yanbu Growth II Expansion project, changes in the laws and regulations, changes in the markets' conditions, the entry of new competitors into the market, changes in the market's demand for Group III Base Oils or such demand not meeting the Company's expectation, increased Group I Base Oils demand, and other factors described in this Prospectus. If these factors materialize, the Company may not succeed and realize the profits expected based on the relevant feasibility studies or projections, or any profit at all.

In addition, the Company intends to establish LubeHUB, which is an industrial park for specialty products. The success of LubeHUB depends on a variety of factors, many of which are outside the Company's control. For example, the ability of the Company to establish LubeHUB largely depends on the parties that the Company contracts with to set up the project, such as development companies, contractors, engineering offices and other advisors and service providers. LubeHUB's success also depends on other stakeholders involved, mainly the RCJY, the MOE and MISA, and their performance of the roles in the project, and the type of investments attracted and the receptiveness of targeted investors to join LubeHUB and continue to be part of LubeHUB. The Company will be expending investment into building infrastructure for LubeHUB, and the Company may not realize returns that equal or exceed such expenditure.

Furthermore, the ability of the Company to complete its planned projects – including the Yanbu Growth II Expansion, the business transformation initiatives and LubeHUB – on time, budget and with the required quality also largely depends on the parties that the Company contracts with for the purpose of setting up projects, such as regulators, suppliers, contractors, engineering offices and other advisors and service providers. If these parties do not comply with their obligations in accordance with the concluded contracts, this may affect the Company's ability to complete its projects at the specified schedule or budget and with the required quality.

If the Company is unable to successfully complete new projects, including the Yanbu Growth II Expansion, the business transformation initiatives and LubeHUB, or if these new projects are not profitable, this will adversely affect the Company's business, results of operations, financial position and future prospects and inhibit the Company's growth.

2.1.4 Risks relating to regulatory licenses and permits

The Company is required to obtain and maintain appropriate licenses, such as industrial licenses from the MIMR and export permits from the MOE, and other permits and licenses in relation to its activities. For more details, please refer to Section (12.5) "**Material Licenses**". Some of the Company's licenses are issued for a specific term and must be renewed on an ongoing basis. The licenses and permits obtained by the Company have requirements, terms and conditions to which they are subject. Any breach or noncompliance with any of these regulatory requirements could result in the imposition of penalties or fines or the revocation of licenses, permits, and consents, which could lead to the suspension of the relevant licensed or permitted activity.

Licensing requirements and policies are subject to change, and it is possible that the Company may become subject to more extensive licensing requirements in the future that may be more onerous or costly to comply with. If the Company fails to obtain a license required by law, fails to renew a license upon its expiry, fails to comply with a license's terms and conditions, or has a license suspended or terminated, or if the Company was not able to obtain any additional licenses that will be required in the future, the Company might be required to cease the activities covered by that license, might be penalized or fined, might be asked to pay damages, might be subject to reputational damage, or may be subject to operational and production interruption.

The Company did not historically obtain an environmental operational permit, Civil Defense permit or municipality permit for its Jeddah Facility. If the competent authorities deem the Company as being required to obtain such permits, the Company may be subject to several risks, including penalties such as fines up to SAR 20 million for violating the Environment Law and up to SAR 1 million for violating other relevant municipality and Civil Defense rules and regulation, in addition to the risk of permanent or temporary closure of the facility. While the Company has submitted an application for an environmental operational permit for the Jeddah Facility in 2022G, the Company may still be subject to the above risks if the relevant authorities do not grant the permit or assess and impose historic penalties on the Company.

Each of these events, if they were to occur, will have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

2.1.5 Risks relating to infrastructure and logistic networks inside and outside of the Kingdom and reliance on certain ports

The Company's activities and operations depend on adequate infrastructure and the logistic network the Company uses such as storage facilities, delivery infrastructure, third party distribution networks, key ports and maritime movement and other logistics. Please refer to Section (4.6.4) "**Logistics**" for more details about the logistics.

This infrastructure and logistics can be impacted by many factors, including performance failure by service providers, interruptions or incidents affecting the Company's use of such facilities or services, human errors or mistakes causing service interruptions or damage to products, acts of God which affects the accessibility or usage of the infrastructure, weather and seasonal changes, delays in shipping and delivery and any demurrage the Company incurs (which is a charge payable to the owner of a chartered ship on the Company's failure to load or discharge the ship within the time agreed), constraints in global logistics routes, property damage or loss, and other factors.

If any of the above materializes, it may have an adverse effect on the Company's ability to store, transport, or distribute its products by the timelines agreed upon with the Company's customers, or may increase the Company's costs, and therefore may result in customer and revenue loss or negatively impact the Company's reputation, which will have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2.1.6 Risks relating to revenue concentration in certain geographies

The Company has a significant proportion of its operations in, and derive significant amount of its revenue from, the Kingdom and MENA. The Company sells directly in five countries, being the UAE, Egypt, Jordan, Oman and Pakistan, and sells indirectly through distributors, in South Africa, Tanzania and Sudan. The Company sells in four countries through S-Oil, being: France, India, Singapore and Turkey, and sells in the Americas through Motiva. Accordingly, the Company's business operations and financial performance will continue to be generally and materially affected by the financial, political and general economic conditions prevailing from time to time in the MENA generally, and the Kingdom specifically.

These regions are subject to risks including in some cases significant legal, economic and political risks, and any factor affecting these will materially affect the Company given the concentration of sales revenue. The below table shows sales revenue break-down by geography and product type:

Sales revenue contribution %	31-Dec-2019		31-Dec-2020		31-Dec-2021		30-Jun-2022	
	Base Oil	Byproducts	Base Oil	Byproducts	Base Oil	Byproducts	Base Oil	Byproducts
Kingdom	38.3%	99.9%	41.6%	99.9%	33.9%	98.9%	34.7%	99.0%
MENA*	26.5%	0.0%	30.8%	0.0%	36.0%	0.0%	38.8%	0.0%
India	30.8%	0.0%	10.6%	0.0%	16.7%	0.0%	16.9%	0.0%
Others**	4.4%	0.1%	17.1%	0.1%	13.5%	1.1%	9.6%	1.0%

* Excludes the KSA, and including UAE, Oman, Egypt and Jordan.

** Includes the Americas, Brazil, Pakistan, Cyprus, Turkey, Singapore and Tanzania.

Source: the Company

While the Kingdom aims to diversify its economy away from depending on natural resources by attracting foreign investment, reducing spending; the oil and gas industry continues to dominate the Kingdom's economy. If the Kingdom's economy is negatively affected by the various macroeconomic factors, it might, in turn, have an adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

Furthermore, the revenue concentration for the Company in specific areas, such as the MENA region and India, exacerbates the effect on the Company of the risks associated with such countries compared to other companies with more diversified businesses. As such, economic, financial and political risks associated with the countries that the Company's revenue is generated from will in turn have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

2.1.7 Risks relating to customer concentration, attraction of new customers and retention of existing customers

The Company's revenues from its top ten (10) largest customers for base oils reached about SAR 1,324.3 million representing 23.6% of the gross revenue, SAR 1,302.7 million representing 29.7%, SAR 2,490.9 million representing 28.2% and SAR 1,375.6 million representing 22.6% as at 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G, respectively. The Company relies heavily on Saudi Aramco's Group as a customer, mainly for Byproducts. The sale to Saudi Aramco's Group for Byproducts represented 98.6%, 98.5%, 96.8% and 96.4% of the Company's total Byproducts sales as at 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G, respectively. The Company's revenues rely on such key customers, and the Company expects that it will continue to rely on its relations with them and on the renewal of the sales agreements with them.

The customers agreements generally include a provision allowing for termination for convenience, with notice periods ranging from 90 days to one year. For more details about these contracts, please refer to Section (12.6.7) "**Sales Agreements to Customers**". Some markets of the Company are characterized by a small number of major customers. A payment default of a major customer or customers in consolidated markets using their power to exert pressure on the Company's prices and margins may have an adverse effect on the Company's business, results of operations, cash flows and financial condition.

To the extent that any of these key customers terminate or significantly reduce their volume of business with the Company in the future, and such volumes are not offset by new customers, the Company may not be able to achieve its target sales. The loss of any key customer may be outside the Company's control, and could include their unwillingness to do business, changes in their strategy, their assessment of the products supplied being below agreed quality standards, interruption in their business or their own financial and operational position. Such loss of key customers, when not offset by new customers, which could have a material adverse effect on the Company's business, results of operations, financial position and future prospects.

2.1.8 Risks relating to unplanned shutdowns, business interruptions and machine failure

The operation of the Company's facilities involves inherent risks that include the breakdown or failure of equipment or processes and performance below expected levels of output or efficiency. Equipment failures and performance issues can stem from a number of causes, including human error, design errors, quality problems, lack of maintenance, general wear and tear over time, accidents, explosions, leaks, fires, natural disasters, theft and failure in the performance and reliability of critical equipment and machinery as well as power, water, systems and equipment failures, and other unexpected risks outside the Company's control.

The Jeddah Facility has been in operation for approximately 45 years, the Yanbu Facility for approximately 25 years and the Yanbu Growth I Expansion project units for approximately four years. The age of these facilities is associated with an increase in the risk of malfunctions and unexpected interruptions. In 2019G, 2020G, 2021G and for the six-month ended 30 June 2022G, there was a number of material shutdowns: (1) a 20-day shutdown of certain units at the Yanbu Facility in January 2019G resulting from a power dip; and (2) 46-days of unplanned shutdowns of certain units at the Yanbu Facility in April and May 2020G relating to the hydrogen manufacturing unit. Such unplanned shutdowns may occur from time to time and are an inherent risk of the Company's business.

In addition, the equipment at the facilities, whether old or new, requires periodic upgrades, maintenance, improvement or repair. Both facilities are shut down for an extended period of time for scheduled maintenance ('turnaround and inspection'/ 'T&I') approximately every five years. The next planned T&I is in 2023G (with costs expected to be around SAR 75 million (equivalent to USD 20 million)) for the Jeddah Facility and 2024G and 2029G for the Yanbu Facility (with costs expected to be around SAR 131.25 million (equivalent to USD 35 million) in turnaround years), with both expected to be for approximately a month. Each regularly scheduled shutdown has the effect of decreasing the Company's production for the period during which the shutdown occurs. Depending on any issues discovered during this shutdown, there is a risk that the period may overrun resulting in a prolonged interruption in production, or potentially exceed the cost estimated. In addition, there may be unscheduled shutdowns that arise from time to time which could result in a prolonged interruption in production. The Company will continue to conduct these periodic scheduled maintenances, in order to ensure safety and operational upkeeping.

If critical equipment failure were to occur, the Company could suffer significant losses due to the costs of repair, the potential loss in revenue during the period when the facility remains non-operational, the incurrence of liability for injury or damages and subsequent increased insurance costs. The losses may not be covered adequately by insurance that the Company has in place or by future performance. The outage of production facilities and interruptions in production workflows could have an adverse impact on produced volumes, people and the environment. If the Company does not respond, or if it is perceived as not responding, in an appropriate manner or if the Company is not able to restore or replace critical operational capacity, the Company's business activities could be impaired and reputation harmed. Any such failure could increase the Company's outage rates, decrease commercial availability and result in additional expenses and a prolonged failure could have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

Furthermore, in case of equipment failure or need for periodic replacement and maintenance, replacement equipment or parts may be difficult to obtain especially in circumstances where the Company relies on a single supplier or a small number of suppliers of equipment or where suppliers become insolvent. The inability to obtain replacement equipment or parts may negatively impact the ability of the relevant facility to perform and could, therefore, have a material impact on the Company's business, results of operations, financial position, and future prospects. Moreover, critical equipment needs to be replaced due to its failure or malfunction, which could result in significant capital expenditure for the Company especially if it is not covered under the supplier's warranty period, latent defect period or any property damage insurance.

In addition, the Company is subject to increased risks if any of the foregoing occurs to the Yanbu Facility specifically, given the concentration of its operations and production capacity in it; as the base oil production from the Yanbu Facility comprised 73%, 72%, 78% and 79% of the total Company's base oil production for the financial years 2019G, 2020G, 2021G and the six months ending 30 June 2022G, respectively.

If any of these risks materialize, this will have a material adverse effect on the Company's business, results of operations, financial position and future prospects.

2.1.9 Risks relating to feedstock supply, quantity and quality

The Company's operations, business and success are dependent on receiving RCO, the main feedstock of the Company which is supplied exclusively by Saudi Aramco. Any shortage of RCO supply, or any difference in quality, will materially and adversely impact the Company's production capabilities and products.

The ability of the Company to obtain RCO from Saudi Aramco is subject to a number of factors including but not limited to, Government action, the issuance or promulgation of laws, rules and orders resulting in an impact on the supply to the Company, changes in economic conditions and policies in the Kingdom that affects the RCO supply, interruptions in RCO production and delivery including interruptions caused by human errors, terrorist attacks, acts of God, or otherwise, and any factor affecting the business, operations or supply chain of Saudi Aramco and other factors. The quality of the RCO is also impacted by various factors, including the integrity of the supply and delivery chain and the availability of RCO of the required quality. The materialization of any of these risks could impact the feedstock supplied to the Company, which will have a material adverse effect on the Company's planned production operations and performance and sales commitments.

The Company has two key feedstock agreements with Saudi Aramco. The feedstock supply agreement for the Jeddah Facility is effective from the Company's incorporation for a term of 50 years (ending in 2026), and is automatically renewable for additional periods of 50 years each, except if terminated by either of the parties serving a written notice at least six-month prior to the expiration date. The Yanbu Facility feedstock supply agreement is valid until 2038G but may be terminated by either party by serving a 1-year notice during the initial term, or by a six month notice during any renewal period. The quantities supplied and purchased are determined based on the specified method under each agreement, as further detailed in Section (12.6.1) "**Key Feedstock and Supply Agreements**". There are no contractual financial penalties on the Company if it did not require or purchase certain amounts, but failure to comply with the provisions of the agreement might result in contractual claims or suits.

If either of the agreements expire or terminate pursuant to their respective terms, and the Company was not able to enter into new feedstock agreements with Saudi Aramco under commercially acceptable terms, the Company may not be able to secure all or any of its feedstock supply needs. Furthermore, the terms of either agreement could change upon its renewal after expiry or termination. If either of the feedstock agreements with Saudi Aramco is terminated or expired, or the terms are revised, the Company may not be able to obtain RCO feedstock on suitable commercial terms or at all. For more details about the termination mechanism of each agreement, please refer to Section (12.6) "**Material Agreements**".

If any of the above factors materializes, it could have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

2.1.10 Risks relating to materials supply, quality and prices

In addition to feedstock, the Company relies on a number of materials in its production processes such as natural gas, propane and liquid nitrogen. The Company receives all of its natural gas supply from Saudi Aramco. The Company receives propane from the National Gas & Industrialization Co (at the Jeddah Facility) and from Saudi Aramco (at the Yanbu Facility) and liquid nitrogen from Abdullah Hashim Industrial Gases & Equipment Co. Ltd, among other materials. For more details about the contracts entered into with such suppliers, please refer to Section (12.6) "**Material Agreements**").

The prices of such materials supplied to the Company can change from time to time. The prices are impacted by Government action (such as changing regulated prices of natural gas), international commodities prices, and other market variables including availability, supply and demand and overall economic conditions. Changes in the prices of the materials supplied to the Company could increase the Company's cost and decrease its profit margins.

The Company receives propane and natural gas based on allocation letters issued by MOE specifying the quantity of natural gas and propane the Company may receive, and are issued for a specific term. The MOE allocation imposes stringent requirements on the Company as conditions for receiving propane and natural gas. Pursuant to its allocation letters, the MOE set the fourth quarter of 2022G as the date for launching LubeHUB, which the Company did not yet meet. The Company is currently discussing the overall timeline of LubeHUB with the MOE. However, MOE may not extend the timeline and may impose additional conditions or revoke its allocation as a result of the Company not meeting the deadline. The non-renewal of these allocation letters upon their expiry, or MOE's termination of these letters for the Company's failure to comply with the conditions, will affect the Company's access to natural gas and propane and its ability to operate.

Furthermore, if any of the agreements with the suppliers of these materials expire or terminate pursuant to their respective terms or because of the Company's breach of the relevant agreement, or there were to be a change to their terms upon renewal, such as increasing the purchase price, reducing the quantity supplied or any change to the credit terms and conditions, the Company may not be able to negotiate suitable commercial terms or secure alternatives in a timely manner or for reasonable cost.

If any of the above factors materializes, it would have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

2.1.11 Risks relating to the effective control by Saudi Aramco

Following completion of the Offering, Saudi Aramco will continue to hold 70% of the Shares. Saudi Aramco will therefore continue to own a controlling interest in the Company after the Offering and its approval will be required for all decisions at the general assembly. This includes the election of the Board of Directors, approvals relating to declaration or retention of dividends, capital increases and decreases, mergers, amendments to bylaws and decisions beyond the Board's powers and authorities.

Saudi Aramco will also exercise oversight over the Company pursuant to the Management Agreement, which is effective from the date of the completion of the Offering. This includes, inter alia, by way of nominating the Chief Executive Officer that shall be vested with sufficient powers and authority to enter into contracts on behalf of the Company, including with Saudi Aramco, and to ensure that Saudi Aramco's and the Company's business strategies and investment and business planning processes are fully aligned and integrated. Furthermore, Saudi Aramco will be able to second key Senior Executives to the Company. For further details about the Management Agreement and such rights and obligations, please refer to Section (12.6.10) "**Management Agreement**", and for further details about the risks relating to the secondment of the Senior Executives, please refer to Section (2.1.25) "**Risks relating to reliance on senior management and Senior Executives**".

The interests of Saudi Aramco may differ from those of other Shareholders, and Saudi Aramco may prevent the Company from making certain decisions or taking certain actions and might direct the Company's strategy in a manner different than what the Company or other Shareholders wish, which may affect the Company's business, results of operations, financial condition and future prospects and therefore the Share price.

2.1.12 Risks relating to reliance on Saudi Aramco's expertise, trademarks and services

The Company depends on Saudi Aramco to provide it with certain key services and support to its business, including ports access and services, utilities, management services, the provision of key executive personnel, licensing of software and trademarks, as a customer of Byproducts and various administrative and technical services. For more details about the terms of these agreements, the risks relating to the seconded employees, risks relating to the licensed technologies and software and risk regarding sale concentration to Saudi Aramco's Group, please refer to Section (2.1.11) "**Risks relating to the effective control by Saudi Aramco**", Section (2.1.24) "**Risks relating to reliance on senior management and Senior Executives**", Section (2.1.14) "**Risks relating to intellectual property, trademark protection and technology licensing**" and Section (2.1.7) "**Risks relating to customer concentration, attraction of new customers and retention of existing customers**").

Saudi Aramco is the key supplier of the Company. The feedstock cost accounted for approximately 85% of the total cost of materials between 2019G and 2021G with payables to Saudi Aramco contributing to an average of approximately 79.5% of the Company's total payables across the same period. The feedstock received from Saudi Aramco, including the additional feed received due to the recent increase in the vacuum distillation unit (VDU) capacity at the Yanbu Facility by 5 MBD in 2021G, is utilized under normal operational circumstances. However, any disruption to any process unit due to mechanical, operational or external reasons may result in receiving lower than optimal feedstock from Saudi Aramco and would impact the production of the Company depending on the nature of the issue.

In addition, the Company has entered into the Management Agreement with Saudi Aramco pursuant to which Saudi Aramco agreed to support the Company with respect to corporate and professional services, including with respect to finance, treasury, accounting, procurement, risk management, insurance, and legal and human resources. For more information, please refer to Section (12.6.10) "**Management Agreement**" and Section (2.1.11) "**Risks relating to the effective control by Saudi Aramco**".

Saudi Aramco provides various services to the Company under the 1998 Technical Services Agreement, and has the right to revise the services rate once in any 12 months' period by serving a notice to that effect. The quarterly scheduled services' payments under the fire protection and industrial security agreement with Saudi Aramco are subject to cost adjustments based on Kingdom's Consumer Price Index (CPI). Any unexpected increase of the rates could increase the Company's cost, which may negatively impact the Company's financial position and profit.

Further, Saudi Aramco and the Company entered into an operation and maintenance agreement in 1997G, under which Saudi Aramco maintains the Company's delivery facilities at the Yanbu Facility. For more details about this agreement, please review Section (12.6.3.4) "**Operation and Maintenance Agreement**". The agreement has terminated according to its terms. However, the parties continue to implement the agreement in practice and are currently in discussion to extend this agreement or enter into a new agreement. Continuing to implement the agreement without written renewal confirming the provisions under which the Company and Saudi Aramco are performing imposes risk of disputes about the provisions, including price, and potential suspension of services at any time given that there are no clear obligations or scope for the provision of these services.

If Saudi Aramco is unable, or unwilling, to provide any of these services, or if the agreements under which these services are provided expire or are terminated pursuant to their terms without renewal on similar or more favorable terms, the Company would not continue to receive these services from Saudi Aramco. Moreover, the Company would be required to either develop the capability to perform these services internally or contract with another provider of these services, either of which could take a considerable amount of time and increase the Company's costs. Consequently, the termination or non-renewal of such agreements would negatively affect the Company's results of operations and financial condition.

Any of the foregoing materializing will have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

2.1.13 Risks relating to information technology infrastructure, cyber-attacks and data protection

The Company's success, business and operations are dependent on the Company's information technology infrastructure and the technologies used in its processes. This infrastructure and processes may be impacted by natural disasters, electronic viruses, technical errors, human errors, cyber-attacks and other factors. In particular, the energy and refining industry is subject to fast-evolving risks from cyber threat actors, including nation states, criminals, terrorists, hacktivists and insiders. The Company was subject to three cyber-attacks in 2020, which did not result in material damage to the Company's systems, and none in 2019G, 2021G and in the first half of 2022G. Nevertheless, the Company may be subject to cyber-attacks in the future, which might be more severe, or that the Company might not be successful in detecting and preventing. A breach or failure of the Company's infrastructure due to breaches of the Company's cyber defenses, negligence, intentional misconduct or other reasons, could seriously disrupt the Company's operations. This could result in the loss or misuse of data or sensitive information, injury to people, disruption to the business, harm to the environment or the Company's assets, legal or regulatory breaches and legal liability. These could result in significant costs including fines, cost of remediation or reputational consequences. Generally, any malfunction in the Company's information systems or an incident that exposes the Company to cyber-attacks that could harm its electronic infrastructure and could result in the full or partial shutdown of the systems used by the Company could interrupt the Company's business and operations. Any of the foregoing occurring will have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

Furthermore, given that the Company owns critical national infrastructure, the Company is required to have and maintain a certain level of compliance with cybersecurity requirements and other rules issued by the NCA, including the Essential Cybersecurity Controls. An assessment of the Company's systems in 2021G showed it is not in full compliance with the Essential Cybersecurity Controls, including lack of certain cybersecurity policies and lack of certain cybersecurity measures and protocols. The Company may not be able to bring its systems and cybersecurity infrastructure in line with the Essential Cybersecurity Controls and other applicable controls and standards. In addition to potential penalties or audits, expenses and costs incurred to comply with these requirements, this non-compliance may increase the risk of successful cybersecurity attacks, including attacks that could affect the Company's systems, data and infrastructure, and could result in leakage or destruction of such data or damage to these systems and infrastructure.

The Company also stores and processes employees', suppliers' and customers' data, including data with respect to international suppliers and customers. Data protection laws apply to the Company in the vast majority of countries in which the Company does business. Such laws and requirements regarding personal data and data storage and processing are becoming more stringent and are being enforced more rigorously, and the Company must be able to adapt dynamically to any legislative or enforcement changes and be capable of updating its internal programs if necessary, as a result of which the Company may incur significant compliance costs in the future. The Company's failure to comply with any applicable data protection laws and regulations may also lead to governmental actions against the Company, including fines and penalties on the Company, employees', suppliers' or customers' claims requiring the Company to compensate them for damages, which, in turn, could result in significant costs and also harm the Company's reputation.

Each of these events, if they were to occur, will have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

2.1.14 Risks relating to intellectual property, trademark protection and technology licensing

The Company owns the trademark used as its logo (with a bilingual version and an English-only version). The Company has registered the same trademark in several jurisdictions, including Saudi Arabia, UAE, Bahrain, Kuwait, India, Turkey, and the European Union. For further details regarding trademarks owned by the Company, please refer to Section (12.9.1) "**Trademarks Owned by the Company and its Subsidiary**". Furthermore, the Company sells its products under the branding of Saudi Aramco, and is licensed to use the aramcoULTRA, aramcoDURA, aramcoPRIMA. For further details regarding licensed trademarks by the Company, please refer to Section (12.9.2) "**Licensed Trademarks**". The Company also has two main internet domains registered for it. For further details regarding the Company's domain names, please refer to Section (12.10.3) "**Domain Names**".

If the Company fails to register the trademarks or domain names it uses under its name or fails to renew the registration upon its expiry, third parties might be able to register such trademarks or domain names in their name and may be able to restrict the Company from using such trademarks or domain names. Furthermore, even with registration, third parties may infringe on the Company's rights and use its trademarks without prior authorization, which could cause reputational damage and leakage of value. The Company is not fully protected from the foregoing occurring. In the event any of these risks materialize, it could have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects. Moreover, if the Company fails to renew its license agreements, or renews them on different adverse terms, or if the license agreements are terminated, the Company's business, operations, financial position, cash flows and future prospects might be adversely affected.

The Company also depends on third-party licensors to secure the technology that it requires to operate its business. For further details about material technologies and software, please refer to Section (12.10.2) "**Licensed Technologies and Software**". The Company may not have uninterrupted full access to these technologies as service providers may fail to provide the services required to the Company, such providers may default and breach the agreements, and the agreements may terminate and expire without being renewed under the same or better terms. These events could affect the Company's ability to use the technologies and licenses provided or might eliminate such ability entirely. If any of these events were to occur, this will result in a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

2.1.15 Risks relating to leases and not owning the lands on which the Company's facilities are located

The lands on which the Jeddah Facility and the Yanbu Facility are located are leased and not owned by the Company. The Company also leases two storage facilities, one in Yanbu and one in the UAE.

The land on which the Jeddah Facility is located is leased pursuant to a Utilities Sales Agreement between Saudi Aramco and the Company, and the land on which the Yanbu Facility is located is leased pursuant to an Industrial Land Lease between RCJY and the Company. For further details regarding leases, please refer to Section (12.6.5) "**Real Estate and Assets Lease Agreements and Utilities Agreements**". The Utilities Sales Agreement leasing the Jeddah Facility land expires in 2026G, and the Industrial Land Lease Agreement leasing the Yanbu Facility land expires in 2024G, both without automatic renewal provisions.

For the Jeddah Facility, Saudi Aramco has the right to increase the rent at its sole discretion with three months' notice. As such, the Company may incur additional unplanned cost in the future until the lease expiry. For more details about the Company's plans regarding closing the Jeddah Facility upon the expiry of the Utilities Sales Agreement, please refer to Section (2.1.2) "**Risks relating to the Jeddah Facility closure and reliance on one facility in the future**".

As to the Yanbu Facility, the lease expires in 2024G. If the agreement is not renewed upon its expiry, the Company will have no right to access the Yanbu Facility. The Company may be unable to renew the lease or renew the lease on similar or better terms, and as such might lose access to the land, be required to cease its operations at the Yanbu Facility, not be able to find an alternative facility or may incur significant cost to do so, and will be required to surrender the lands free from facilities (i.e., incur demolition costs, land rehabilitation cost and other costs, which it has not provisioned for). Furthermore, the Industrial Land Lease Agreement has been amended in 2017G to increase the rent and to grant RCJY the right to increase the rent every five years in line with the Consumer Prices Index (CPI). As such, the rent might increase in the future and the Company may incur additional unplanned cost. Both the Jeddah Facility and the Yanbu Facility leases provide that the premises shall only be used in connection with the operation of the facility and cannot be used for any other purposes without the prior written approval of Saudi Aramco or RCJY, respectively, which may restrict the Company should it wish to use the lands for other purposes.

The Company leases two storage facilities. The Company leases a storage facility in Hamriyah Free Zone which the Company uses to store its products before distribution in UAE and abroad. This lease expires on 31 December 2022G without automatic renewal. The second leased storage facility is located in Yanbu, and the lease expires on 31 December 2022G but is automatically renewable unless a party gives a non-renewal notice. If the lessors of these storage facilities terminate the relevant leases pursuant to their respective terms or the leases expire without renewal or are renewed on less favorable terms, this will affect the Company's access to the leased tanks and its capacity to store products, which might eventually affect the volume of sales. For more details about the two leases storage facilities, please refer to Section (12.8.2) "**Real Estate Rented by the Company and the Subsidiary**".

Any of the above risks materializing, especially in relation to the Jeddah Facility and the Yanbu Facility given that the Company's business is contained in them, will have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

2.1.16 Risks relating to environment protection regulations and health and safety related violations and penalties

Base oil production involves certain inherent potential environmental risks, including toxic material spillage or seepage, the release of hazardous materials and sulfur emissions and pollution. The Company's operations are subject to stringent environmental laws and regulations governing, among other things, the production process, use, disposal and transportation of hazardous materials and the emission and discharge of hazardous materials into the ground, air or water. The environmental laws and regulations are expected to become more stringent in the future and their enforcement is expected to become more rigorous. Any such change may result in increased liabilities, compliance costs, capital expenditures to finance the Company's projects. In addition, the Company may need to obtain new or revised permits, make offsets or allowances or install costly technologies. The Company may not be able to comply with new requirements.

The Company incurs, and expects to continue to incur, substantial capital, operating, maintenance and remediation costs relating to compliance with increasingly complex laws and regulations for the protection of the environment, including costs of preventing, controlling, eliminating or reducing certain types of emissions, remediation of environmental contamination and adverse impacts caused by the Company's activities or accidents at various facilities and compensation of damages arising as a result of the Company's activities or accidents.

The Company does not have an environmental operational permit for its Jeddah Facility. For more details, please refer to Section (2.1.4) "**Risks relating to regulatory licenses and permits**". Currently, the Jeddah Facility's sulfur production levels and SO2 air emission levels are not in compliance with the applicable standards. If the competent authorities deem the Company as being required to obtain a permit or in violation of the emission levels, this may subject the Company to various consequences including fines up to SAR 20,000,000, temporary or permanent closure of the relevant facility, payment of damage or rehabilitation cost, in addition to the reputational damage that the Company may incur. Further, the Company's expected closure of the Jeddah Facility in 2026G might result in certain other environmental implications such as the necessity to rectify any deterioration of the land plots occupied by the Company. For more details, please refer to Section (2.1.2) "**Risks relating to the Jeddah Facility closure and reliance on one facility in the future**".

In addition to the Company's risk of liability for noncompliance with environmental laws and regulations, the Company may also be liable for injuries to third parties caused by any failure to comply or as a result of exposing others to hazardous materials or damage to the environment. Furthermore, the Company is exposed to the risks of claims brought against it with regards to exposing its employees to toxic chemical substances. Government environmental agencies and counterparties with agreements with the Company may take action against the Company for any failure to comply with applicable laws, regulations or requirements. Such actions could lead to, among other things, the imposition of fines, liabilities, revocation of licenses, suspension of operations, termination of contracts, seeking damages, or reputational harm to the Company.

Environmental laws and regulations can also impose joint or several liability for the environmental remediation of releases and discharges of hazardous materials and waste at the Company's leased and operated sites and at third-party sites to which the Company has sent waste, and could require the Company to incur significant costs for natural resource damages, investigating or remediating resulting contamination, or indemnifying or reimbursing third parties for the same. Locations at which the Company operates may be, or have been in the past, contaminated with hazardous materials, resulting in a potential liability to investigate or remediate them, as well as for claims of alleged harm to persons, property or natural resources.

If any of these risks materialize, it could have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

2.1.17 Risks relating to utility supply, prices and reliance on third party providers

The majority of the Company's direct costs are incurred in the Kingdom and therefore the Company's cost is linked to the general price levels in the Kingdom. In addition, prices for certain commodities or products required by the Company for its operations may increase at a higher rate than inflation due to an increase in demand for such commodities or products, and the Company may be unable to pass along the increased costs to its customers in order to preserve existing operating margins. In particular, the Company receives its electricity and water supply at the Yanbu Facility exclusively from MARAFIQ, and mainly from Saudi Aramco at the Jeddah Facility.

For the Jeddah Facility, Saudi Aramco may increase the utilities rate at its sole discretion and has done so in 2016G. Saudi Aramco also increased the utilities rate in 2019G, which was not accepted by the Company and the amount of this increase is still under discussion. Based on this 2019G increase, an amount of SAR 79.46 million (equivalent to USD 21.19 million) as of 30 June 2022G was provisioned by the Company which covers the accrued additional cost of utilities as of that date (representing the difference between the new proposed rate and the old rate). The Company has entered into contracts with third parties in 2022G to provide utilities at the Jeddah Facility, but the provision of services under these contracts has yet to commence. For further details, please review Section (12.6.5) "**Real Estate and Assets Lease Agreements and Utilities Agreements**".

For the Yanbu Facility, rates may be amended by MARAFIQ following a decision by the relevant regulator. Furthermore, MARAFIQ is not liable under the utilities agreement for any loss or damage resulting from its failure to deliver the utilities except in certain limited cases. The Company experienced a number of planned and unplanned service interruptions to MARAFIQ's utilities supply in the past three years, none of which materially impacted the Company's activities. The electricity and water rates may increase as inflation significantly increases, which may result in increased cost on the Company for the Yanbu Facility, and the services may be interrupted in the future, which the Company cannot control or predict. Such increase could impact the Company's cost and affect its profitability, and such interruption may affect the Company's operations and production capabilities.

Given the reliance on certain utilities provider, any factor impacting the operation of Saudi Aramco, MARAFIQ or the other suppliers (if any), respectively, will directly affect the utilities supplied to the Company. The providers' operations may be interrupted or completely cease, which would affect the supply of utilities to the Company. This can be due to various factors including their failure to adhere to their contractual obligations, employee errors, natural disasters, planned or unplanned equipment or facilities shutdown, lack of cash flow or even bankruptcy.

Furthermore, the contractual relationship between the Company and those parties might expire, or be terminated or disputes might arise between the parties in relation to such contracts. Such incidents might impact the utilities supply to the Company and thus directly impact its business and operations. The Company might not be able to renew such contracts on the same or better terms. In the event that the Company is not able to renew the contracts, the Company might not be able to find a suitable replacement for any such third party in a timely manner and/or at reasonable cost. In certain cases, the Company might not be able find suitable replacements for such third-party services at all, particularly in the case of MARAFIQ, which is the sole utilities provider in Yanbu Industrial City.

Any of the above factors materializing could have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

2.1.18 Risks relating to disputes and litigation

The Company is exposed to risks relating to legal disputes, fines or damage claims, including threatened or future ones, and many aspects of the Company's business involve potential litigation risks. These risks include, amongst others, potential liability from disputes over contractual claims, product liability, environmental disputes, regulatory disputes, competition law matters, labor conflict and disputes, and others.

The Company is currently reviewing and discussing different requests for additional payment by contractual counterparties in the total amount of approximately SAR 225,000,000 which are not provisioned for in the Company's financials as at 30 June 2022G. These requests mainly relate to the engineering, procurement and construction of certain projects. The Company also had a complaint submitted by an employee claiming approximately SAR 200,000 which has not been pursued by the employee before court and the employee failed to attend the mediation session. If these requests for payment materialize to litigation and the counterparties become entitled to additional amounts; this could impose financial liability on the Company. For further details about litigations and disputed requests for payments, please refer to Section (12.12) "**Lawsuits and Claims**".

In addition, increasing attention on climate change may result in an increased possibility of litigation against the Company by private parties, shareholders, public interest organizations, regulators or others, including claims alleging adverse impacts of climate change or misrepresentation of dangers or false claims of substantial investments in lower carbon technologies and renewable energy. Some of these claims demand that the defendants pay financial amounts as compensation for alleged past and future damages resulting from climate change. Claims such as these could grow in number and the Company could be the subject to similar claims in the future. The Company could also be subject to claims alleging that the Company's failure to obtain an environmental operational permit for its Jeddah Facility, or the Jeddah Facility's sulfur production levels and SO2 air emission levels not being in compliance with the applicable standards, resulted in a failure to protect the public and the environment from risks associated with environmental impacts, including the impact of SO2 emissions from the Jeddah Facility.

Therefore, the Company may become subject to judicial or administrative action that results in a judgment or set of judgments against the Company, which may require it to pay substantial damages or impose material restrictions on how the Company can conduct its business going forward. The Company could also incur significant expense defending claims (including legal fees and wasted management time), even those in which it prevails and those which are frivolous or vexatious and without merit. This could also have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

2.1.19 Risks relating to collection of receivables

The Company's business depends on its collection of amounts owed by its customers on a timely basis. Trade receivables are amounts due from customers for products sold in the ordinary course of business, and are generally due for settlement within 30-90 days.

Total accounts receivable amounted to SAR 390.4 million, SAR 438.8 million, SAR 862.7 million and SAR 1,464.1 million as at 31 December 2019G, 2020G, 2021G and 30 June 2022G, respectively. As at 31 December 2019G, 2020G, 2021G and 30 June 2022G, expected credit losses accounted for 0.1%, 0.1%, 0.6%, and 0.8%, respectively, of the total accounts receivable. Overdue receivables (beyond 91 days past-due) amounted to SAR 23,653 representing 0.01%, SAR 588,223 representing 0.13%, SAR 1,663,158 representing 0.19% and SAR 622,846 representing 0.58% of the total accounts receivable as at 31 December 2019G, 2020G, 2021G and 30 June 2022G, respectively.

Customers may delay payments, request modifications to their payment arrangements, or default on their payment obligations, or there may be disputes with customers regarding contract values or the Company's payments, which may increase the possibility that the Company will not be able to collect these amounts from its customers, leading to the Company facing working capital shortages. Trade and other receivables, including overdue receivables, may not be recovered, which could have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2.1.20 Risks relating to financing arrangements, debt repayment, default and covenants attached thereon

The Company maintains a certain level of indebtedness to finance its operations. It currently has two financing arrangements: one Murabaha Facility Agreement with a syndicate of banks entered into in 2021G to finance previous facility agreement, and another credit facility agreement with Riyad bank entered into in 2019G to fund credit requirements. For further details about the withdrawn and outstanding amount, default provisions and guarantees in relation to these two financing arrangements, please refer to Section (12.6.9) "**Financing**".

The Company's total outstanding borrowings amounted to SAR 1,914 million, SAR 2,154 million, SAR 2,250 million and SAR 2,188 million as at 31 December 2019G, 2020G, 2021G and 30 June 2022G, respectively.

The Company's indebtedness requires it to maintain an adequate level of cash flow to satisfy its debt obligations as they become due. The Company's cost of finance could increase for various reasons, including economic conditions and the Company's financial performance. The Company's historic finance costs were SAR 100 million, SAR 72 million, SAR 70 million and SAR 26 million for the financial years ended 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G, respectively.

If the Company fails to fulfill its labilities on the due dates, it could lead to a payment default under one of the financing agreements and cross-defaults under other financing agreements. The Company is also subject to a number of undertakings and covenants pursuant to these financing arrangements, including restrictions on material business changes, material acquisitions and change in legal status, which could, inter alia, limit its flexibility to plan for or react to, changes in the Company's business or the industry in which it operates and restrict the Company from taking advantage of business opportunities. These covenants may also limit dividend payments. The Company is currently restricted from declaring or paying dividends which would result in, amongst other things, event of default under the Murabaha Facility Agreement or if such payments result in breach of the 2:1 EBITDA to financing cost ratio agreed in such agreement. These agreements also include a number of events of defaults triggered by, for instance, the existence of a litigation or a lawsuit against the Company, its subsidiaries or sister companies or the default of a sister company under a separate loan agreement. Please refer to Section (12.6.9) "**Financing**" for more details about such obligations and events of defaults.

The Company may breach such covenants and be in default of the relevant financing agreement. For example, the Company historically breached the debt service coverage ratio in 2019G and this non-compliance was waived by the lenders at the time. In case of a default, the lenders have the right to cancel or terminate the financing agreements, accelerate the Company's indebtedness immediately, or enforce against promissory notes issued to them. Such default and subsequent acceleration could result in the reclassification of respective indebtedness from a long-term liability to a current liability, which, in turn, could have an adverse impact on the financial condition of the Company, its ability to borrow and finance its projects and the implementation of its future plans.

Additionally, the Company may not always be able to generate enough cash through operating activities, and the Company may need additional funds to address the challenges it may face in the course of its business operation, implement its growth strategy, increase its sales across its current markets, expand into other markets, or expand its product offering. The liquidity generated from the Company's current operations and financial resources may not be sufficient to fund its growth strategy, and thus the Company may seek to increase its equity capital or indebtedness. The Company could be in a position where the current portion of total borrowings could lead to current liabilities being greater than current assets. As at 31 December 2019G and 2020G, the Company's net current liabilities exceeded its current assets by SAR 283 million and SAR 257 million, respectively. This was largely due to the current portion of the Company's borrowings (which forms part of its current liabilities). The Company's repayment of its debt obligations in historical years has negatively impacted its cash balance as cash on the balance sheet was used to cover the debt maturing, and this could occur again in the future resulting in a lower level of liquidity for the Company. The Company's repayment of borrowings amounted to SAR 536 million, SAR 0, SAR 2,154 million and SAR 62 million for the financial years 2019G, 2020G, 2021G and the six months ending 30 June 2022G, respectively.

If the Company is not able to obtain sufficient funds when needed or under favorable terms, the Company's ability to run its business or achieve the intended growth rate might be adversely affected, which could adversely and materially affect the Company's business, results of operations, financial position, and prospects.

2.1.21 Risks relating to significant or extended changes in prices of feedstock and products during storage

The price of feedstock and the price of base oils and Byproducts may change during the period between the Company's purchase of feedstock and the sale of base oils and Byproducts. Generally, there is an approximately 18-to-35-day lag time from the delivery of feedstock to the Company's facilities to the time when the base oils and Byproducts are sold by the Company. The Company also maintains inventories of feedstock and of products, and the values of such inventories are subject to fluctuations in market prices. These fluctuations may impact the value the Company records in its financials for such inventories, which could be lower at the time it is recorded than the time it is actually supplied or sold.

Any adverse impact on prices for feedstock as well as base oils and Byproducts and may result in an adverse effect on the Company's financial position.

2.1.22 Risks relating to the Aramco Base Oil Alliance

The Company is party to the Aramco Base Oil Alliance along with Saudi Aramco's other base oil producing subsidiaries, Motiva and S-Oil. The Aramco Base Oil Alliance was created in 2019G pursuant to the Alliance Framework Agreement and the Master Sale Agreement, to regulate the sale and marketing of Saudi Aramco's branded base oil products by each of the three subsidiaries each in its designated zone and to enable the parties to align marketing, research and development efforts. For more details about the Aramco Base Oil Alliance and the zone system and the Aramco Base Oil Alliance agreements, please refer to Sections (4.5.4) "**Aramco Base Oil Alliance**" and (12.6.6) "**The Aramco Base Oil Alliance Agreements**".

The Company benefits from the Aramco Base Oil Alliance in terms of marketing, sale and research and development. For example, the Company is able to sell its products in countries within S-Oil and Motiva's designated zones benefiting from their marketing and distribution networks and expertise. In addition, the Company is able to import base oils products produced by Motiva and/or S-Oil into the Kingdom and into the Company's designated zone which covers the Middle East (including Pakistan) and Africa. The Company sold approximately 4 thousand MT, 53 thousand MT, 67 thousand MT and 36 thousand MT of base oils which it has imported from S-Oil (an Aramco Base Oil Alliance member) in 2019G, 2020G and 2021G and the six-month ended 30 June 2022G, respectively. The Company was also able to sell its products in S-Oil and Motiva's zones, and such sales reached approximately 320 thousand MT, 250 thousand MT, 351 thousand MT and 176 thousand MT for the same periods, respectively.

Motiva and S-Oil's marketing and distribution networks and reputation might be impacted by various factors, including human misconduct and errors, failure of third-party service providers in rendering their services to Motiva or S-Oil, any interruption in Motiva or S-Oil's operation or business due to a force majeure event or other economic or global conditions impacting them. If these factors occur and impact Motiva or S-Oil's ability to market and sell base oils products produced by the Company, or to provide the Company with their products if requested by the Company, the Company's sales will be negatively impacted, which, in turn, might negatively affect the Company's business, financial position and future prospects.

Further, under the Alliance Framework Agreement, Saudi Aramco has the right to terminate the agreement at any time by giving a one-year notice and thus dissolve the Aramco Base Oil Alliance. Each of the other parties, including the Company, Motiva and S-Oil, has the right to withdraw from the Alliance Framework Agreement either by giving a 90-day prior notice in case a change of control event occurs (being the direct or indirect 50% ownership or appointment of majority of the governing body) or by a one-year notice if they raise a material concern about the Alliance Framework Agreement and such concern remains unresolved after discussion with other parties. Each party also has the right to terminate the Alliance Framework Agreement for another party (i.e., force the party out of the Alliance) if the latter becomes insolvent or a change of control over such other party occurs. Therefore, the Company's business, financial position and future prospects might be adversely impacted if the Company ceases to be a member of the Aramco Base Oil Alliance due to change of control or insolvency, if either Motiva or S-Oil withdraw from the Alliance or cease to be members due to change of control or insolvency or if Saudi Aramco dissolves the Alliance.

2.1.23 Risks relating to related party transactions

The Company maintains ongoing and close business relationships with several Related Parties, and in particular Saudi Aramco and its Affiliates. For further details about the current Related Parties transactions, please refer to Section (12.7) "**Related Party Transactions**". In accordance with the CMA's regulations, the Company must disclose, after its listing, such transactions pursuant to the disclosure requirements set forth by the relevant regulations and have these agreements reviewed by the Audit Committee.

The Company's failure to identify Related Parties based on the CMA's definition, or its failure to understand the surrounding regulatory framework may affect its ability to comply with regulatory obligations to monitor such transactions, ensure their review by the Audit Committee and disclosure, which may result in the Company facing several risks including penalties imposed by the CMA and/or failure to ensure that these transactions are in the best interest of the Company and such risks may have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

The Company's sales transactions with related parties (primarily Saudi Aramco, SAMREF, S-Oil, Motiva Trading LLC and Aramco Chemical Company) based on financial reporting requirements reached SAR 3,251.2 million (57.8% of total revenue), SAR 2,502.5 million (57% of total revenue), SAR 4,919.9 million (55.6% of total revenue) and SAR 3,691.4 million (60.7% of total revenue) as at 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G, respectively. The Company's purchase/service related transactions with related parties (primarily Saudi Aramco, SAMREF and S-Oil) based on financial reporting requirements reached SAR 4,649.4 million (87.3% of total purchases/service related transactions), SAR 3,253.1 million (84.8% of total purchases/service related transactions), 6,249.0 million (94.2% of total purchases/service related transactions) and SAR 4,505.7 million (93.8% of total purchases/service related transactions) as at 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G, respectively.

The Company's future success is dependent on the continuation of its business relationships with the Related Parties it contracts with and on ensuing these transactions are in the best interest of the Company. The expiry or termination of any material Related Party contract or relationship, or the failure to ensure these Related Party transactions are in the best interest of the Company, might adversely affect the Company's business, results of operations, financial position, and future prospects.

The Company may not be able to renew its contracts with such Related Parties when terminated, or may not be able to renew it on similar or better terms. If any such Related Parties do not renew the agreements entered into with the Company or renew these agreements but under different less favorable conditions, this could adversely affect the Company's business, results of operations, financial position, and future prospects.

2.1.24 Risks relating to reliance on senior management and Senior Executives and potential conflict of interest

The Company depends on a number of key Senior Executives and key management personnel whose experience and contribution is essential to the Company and its operations.

The Company may not be able to retain its key management personnel and Senior Executives, to continue to develop their skills or to attract new qualified personnel. The Company may need to invest significant financial and human resources to do so. Therefore, the Company's loss of any of its Senior Executives and other key management personnel, and its inability to hire a replacement with the same level, experience and skill at an appropriate cost, will have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

Furthermore, a number of Senior Executives are currently not employed by the Company but are seconded by Saudi Aramco, namely, the President & Chief Executive Officer, Chief Financial Officer, VP of Engineering & Projects and the Director of Sales & Marketing. For more details about the contracts and secondment of such Senior Executives, please refer to Section (5.3.9) "**Employment Contracts with Senior Executives**".

Having key Senior Executives seconded by Saudi Aramco, rather than directly employed by the Company, imposes certain risks including the ability of Saudi Aramco to terminate the secondment of such employees or Saudi Aramco's termination of the employment of such employees and as such the automatic termination of their secondment; both which are outside of the control of the Company. In such cases, the Company might not secure a qualified replacement in a timely manner or might incur unexpected cost in doing so. Furthermore, Saudi Aramco is the legal employer of these key Senior Executives, evaluates them and determines and pays their remuneration and salaries while the Company pays Saudi Aramco for secondment service. This could impose certain risks including potentially causing a conflict of interest or an influence over their decision and management of the Company given their affiliation with and compensation by Saudi Aramco. This could also result in unexpected cost the Company may incur if Saudi Aramco decided to pay significantly higher remuneration than the expected and historical remuneration the Company expects.

If any of these events materializes, it might have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

2.1.25 Risks relating to attraction and retention of skilled employees

The Company's success to date has depended, and will depend, to a significant extent upon the Company's ability to attract and retain highly qualified professionals, including technical personnel with skills that align with continuing changes in the base oil sector, evolving industry standards, and changing customer preferences. The Company's profitability also depends on its ability to effectively utilize personnel with the right mix of skills and experience to support the Company's business.

There is currently a shortage of, and significant competition for, professionals with the advanced skills necessary to support the Company's business, particularly in the Kingdom, and finding employees with the right skill set for the Company's business is challenging. If the Company is unable to attract and retain qualified employees, its ability to develop new business and effectively lead its current projects could be materially affected. In addition, the processes and costs associated with recruiting, training, and retaining employees place significant pressure on the Company's resources which could adversely impact the Company's operations and financial performance.

2.1.26 Risks relating to employees' misconduct and mistakes

The Company is exposed to the risk of errors, fraud or misconduct by its employees which could subject the Company to financial claims for negligence or otherwise, reputational harm and/or regulatory actions. The Company's employees could execute transactions that may present unacceptable risks to the Company or divert funds from the Company, could act without proper authorization, and could commit mistakes or illegal actions. In addition, employees of the Company could use the Company's confidential information for personal or other improper purposes, as well as misrepresent or conceal improper activities and information from the Company. These actions and misconduct could place higher financial, reputational and operational risk on the Company if made by a Board member or a Senior Executive.

The Company may not always be able to prevent its employees from committing such acts that lead to serious errors, or ensure that they comply with the Company's internal regulations. The Company's corporate governance and compliance policies may not protect it from its employees' misconduct. Any of these acts may cause the Company to incur losses, fines or financial liabilities, or may result in damage to the Company's reputation.

Any material misconduct or errors by the Company's employees, could have a material adverse impact on the Company's business, results of operations, financial position, and future prospects.

2.1.27 Risks relating to labor law and policies issues, including Saudization

The MHRSD imposes certain Saudization requirements on companies operating in the Kingdom. Furthermore, the Company is under additional Saudization requirements imposed by the MOE and RCJY. The Company's Saudization percentage as of 30 June 2022G is 83.32%, which places the Company in the platinum classification by Nitaqat.

The Company may not continue to hire and retain a sufficient number of Saudi employees to satisfy current or future Saudization requirements. There is also a risk that the Saudization ratio requirement may be increased in the future or that other regulators may increase or impose additional Saudization requirements. If the Saudization ratio of the Company falls below the required ratio, or if the Company fails to train and develop Saudi employees, it may be subject to penalties, including, among others, the suspension of applications for employment visas or for transfers of sponsorship of non-Saudi employees and the termination of the MOE feedstock allocation letters.

In addition to the Saudization ratio requirement, there is a risk of restrictions on expatriate visas and that additional requirements may be imposed on non-Saudi employees which in turn may result in higher staff turnover and/or staff shortages. Each resident non-Saudi employee must obtain a residence permit from the Government. If the fees for the issuance and renewal of residence permits increases, it may be difficult for the Company to hire and retain its expatriate employees. Any significant increase in staff turnover or shortages could have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

Furthermore, the Company must comply with the Labor Law and the various regulations and orders issued by MHRSD, which may become more stringent in the future. Failure to do so subjects the Company to penalties and fines, reaching up to SAR 10,000 per employee/misconduct, reputational damage and exposure to claims by employees. The Company's standard employment contracts, including those entered into with some Senior Executives, do not follow the MHRSD employment contract templates in certain respects and clauses, and therefore may subject the Company to fines by MHRSD or disputes over the terms of the contracts with the employees. Any of the foregoing materializing could have an adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

2.1.28 Risks relating to the implementation of new governance and compliance policies and systems

The Company's general assembly and the Board approved a number of policies and internal controls on 04/02/1444G (corresponding to 31/08/2022G) and 09/02/1444H (corresponding to 05/09/2022G), which include rules and procedures related to corporate governance derived from the Corporate Governance Regulations. The Company did not historically have all such policies given that the majority of the provisions are not applicable to a private company. For further information about these polices and the Company's compliance with the Corporate Governance Regulations, please refer to Section (5.8) "**Corporate Governance**".

The Company's success in properly implementing the corporate governance rules and procedures will depend on the extent of the comprehension and understanding of these rules, as well as the proper execution of such rules and procedures by the Board, its committees and Senior Executives, especially with regards to the formation of the Board and its committees, independence requirements, and rules related to conflict of interests and Related Party transactions.

Article 23 of the Corporate Governance Regulations requires the adoption of a detailed written policy defining the powers delegated to the executive management and an authority matrix clarifying such powers. On 04/02/1444G (corresponding to 31/08/2022G), the Board of Directors approved the authority matrix governing the delegation of powers and authorities between the Board and the Senior Executives and other management personnel. Failure to abide by such authority matrix would expose the Company to unauthorized actions that could bind the Company before third parties and cause cost and disturbance of the Company's operations.

Failure to comply with the governance rules, especially the mandatory rules derived from the Corporate Governance Regulations, could subject the Company to regulatory penalties and may adversely and materially affect the Company's business, results of operations, financial position, and future prospects.

The Company had an Audit Committee and a Board Compensation Committee before converting into a joint-stock company. After converting to a joint stock Company, the General Assembly approved the Audit Committee Charter and appointed the Audit Committee on 09/02/1444H (corresponding to 05/09/2022G). The Board of Directors formed the Remuneration and Nomination Committee on 11/02/1444H (corresponding to 07/09/2022G). For further details, please see Section (5.3.4) "**Company Committees**". Failure by members of these committees to perform their duties and adopt a work approach that ensures protection of the interest of the Company and its Shareholders may affect corporate governance compliance, the continuous disclosure requirements, and the Board's ability to monitor the Company's business through these committees. That could have a material adverse effect on the Company's business, results of operations, financial position, and future prospects. Further, Saudi Aramco has been afforded certain rights in these policies and charters to enable it to discharge the management obligations it had undertaken to provide under the Management Agreement, which could possibly slow down the work of these committees as they would have to consult with Saudi Aramco before making certain decisions or which could also possibly entail certain conflicts of interests. For further details on the Management Agreement, please refer to Section (12.6.10) "**Management Agreement**".

Furthermore, the Board has recently approved a number of compliance policies to align with Saudi Aramco's global compliance and ethics program, and approved a gradual implementation of these policies. These policies, which are subject to amendment as they are implemented, impose additional requirements on the Company which are not required under the applicable law. The Company's success in properly implementing these policies depends on having the adequate resources to implement them and Company employees' understanding of these policies. The Company might not be successful in implementing these policies in the timeframe mandated by the Board, which may result in the objectives of these policies not being met and the Company may also incur costs in complying with these stringent policies which could have an adverse effect on the Company's business, results of operations, financial position, and future prospects.

2.1.29 Risks relating to the management and the Board's limited experience in managing a public company

The Company's management team has limited experience managing a public company, interacting with investors and complying with the increasingly complex laws, regulations and other obligations pertaining to public companies. After the Offering, the Company will be subject to significant regulatory oversight and reporting obligations under CMA rules and the continuous scrutiny of securities analysts and investors.

These new obligations and constituents will require significant attention from the Company's Board and senior management and could divert their attention from the day-to-day management of the Company's business. In addition, failure to comply in a timely manner with the regulations and disclosure requirements imposed on listed companies will expose the Company to regulatory sanctions and fines. Any of these events, if it materializes, could have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2.1.30 Risks relating to insufficient insurance coverage

The Company has insurance protection covering various aspects of its business and operations. For more details about insurance policies held by the Company, please refer to Section (12.11) "**Insurance**".

The Company, as an industrial company, may be subject to risks that cannot be insured or be adequately insured. There may be events in the future where the Company's insurance does not cover all the potential losses, or it may not be insured against them at all. Also, the insurance policies purchased, similar to all insurance policies, contain certain standard exclusions and limitations, which could potentially leave the Company exposed to liability. Accordingly, losses from uninsured risks may cause the Company to incur costs that could have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

Also, if the insurance policies are not renewed with the current scope of coverage and at commercially acceptable terms, or if they are not renewed at all, or if there is no insurance or insufficient insurance available for the different areas of the Company's business, and in each case, the Company suffers a substantial loss for which it does not have sufficient financial reserves, this could have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2.1.31 Risks relating to liquidity

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's current ratio is 0.8, 0.9, 2.1 and 1.8 as at 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G, respectively.

The Company's failure to manage its liquidity efficiently and properly, or conditions outside of its control emerging that might affect the Company's liquidity such as unexpected loss or damage requiring immediate cash payment, might result in the Company not being able to comply with its due obligations, and the need to liquidate any assets or reschedule payments or secure alternative financing with high cost; all of which could have an adverse effect on Company's business, operations, financial position, cash flows and future prospects.

2.1.32 Risks relating to product quality

The quality of products produced by the Company depends on the effectiveness of the quality control system, which in turn depends on a number of factors, including the quality of the RCO, the training program on quality control and ensuring that employees adhere to quality control policies and standards. These systems may not run effectively, and the product quality may not be maintained at its current level, at all times.

The failure of the Company to maintain the level and quality of the products it provides could negatively affect its reputation in the market and among its customers and might result in their reluctance to deal with the Company and weaken its ability to retain its customers or get new customers, harm people and the environment, result in regulatory action and legal liability, and impact financial performance. In addition, if the Company's losses the quality certificates that are in its possession, it might affect the volume of demand on the Company's products. If either of these circumstances occur, it may have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

2.1.33 Risks relating to business practices that may conflict with the Company's commercial interests

The Company is an industrial company governed by multiple regulators, including the MOE and RCJY, who exercise oversight over and influence the Company's activities. The Government also indirectly controls the Company. For further details, please refer to Section (4.3.5) "**The Company's Ownership Structure before and after the Offering**". The Government's policies are heavily influenced by social and/or national economic considerations and this can be manifested in the various policies and mandates the Government may direct companies, including industrial companies, to follow. Consequently, the Company's operations, strategy and budget, as well as capital expenditure program may be, influenced by such social and national economic factors. The Company, as a result of these factors, may engage in activities that may be in conflict with its commercial interest. Any of these activities could have an adverse effect on the Company's revenues and profitability, which in turn could have a material adverse effect on the Company's business, results of operations, financial position, future prospects and the value of the Offer Shares.

2.1.34 Risks relating to Zakat and tax

The Company is required to file Zakat and tax returns with the ZATCA in the Kingdom on an annual basis. The Company has been compliant in filing its corporate income tax, Zakat, withholding tax, value added tax and with the compliance requirements for transfer pricing for all years since inception up until the date of the prospectus. The Company has finalized its corporate income tax and Zakat and withholding tax position as required by ZATCA since incorporation and up to 2009G. ZATCA has not issued any final assessment for the years 2010G, 2011G, 2012G, 2013G and 2014G. Additionally, ZATCA issued an assessment for the year 2015G claiming additional Zakat in the amount of SAR 242 thousand, which has been settled by the Company to finalize the year. In relation to 2018G, ZATCA issued an assessment showing a net tax refund of SAR 41 million, which was refunded to the Company during 2019G. As such, 2018G has been finalized with ZATCA. During the year 2022G, ZATCA has issued an assessment in the amount of SAR 0.63 million for the year 2016G which was accepted and settled by the Company to finalize the year. In relation to the years 2017G, 2019G and 2020G, ZATCA has not issued a formal assessment. However, during the year 2021, ZATCA raised queries and requested additional information for the aforementioned years, which the Company has submitted in a timely manner. Furthermore, for the year 2021G, ZATCA has not yet raised any queries or issued any formal assessments. For more information about the Zakat and tax status of the Company, please refer to Section (12.14) "**The Company's Zakat and Tax Status**". Certain Zakat and/or corporate income tax risks may potentially arise for:

- Potential for ZATCA not allowing a deduction for unreconciled differences in foreign purchases. The Company has reported nil value of foreign purchases in its corporate income tax /Zakat returns despite reporting SAR 109.3 million and SAR 116.2 million in customs listings for 2019G and 2021G, respectively. In relation to 2020G, the Company has reported foreign purchases of SAR 88.6 million in the corporate income tax /Zakat return compared to SAR 65.8 million reported in the customs listing. For the current year and up to 30 June 2022G, Management represented that no discrepancy should exist between the foreign purchases as per the customs listing and the management accounts for the current year and up to 30 June 2022G. The Company expects the same position upon filing the 2022G corporate income tax /Zakat return. The Company have represented that the requested reconciliation cannot be prepared within the condensed timeline and therefore, cannot be provided. Should such a reconciliation be requested by ZATCA, the Company will engage their external tax consultants to prepare the reconciliation for submission of the same with ZATCA. In the absence of a detailed reconciliation, ZATCA may seek to impute a deemed profit at 10.5% on the unreconciled differences, assuming those to be un-reported sales for 2019G and 2021G, and disallow the differences in 2020G, interpreting those as unsupported costs, which may result in an additional corporate income tax liability of SAR 6.6 million (excluding any delay penalties and prior to taking into account the impact of adjusted loss for 2019G) and Zakat liability of SAR 338 thousand (prior to taking into account the impact of negative Zakat base for 2019G).* However, if the corporate income tax losses and negative Zakat base were taken into account, the potential cash outflow should be SAR 1.7 million and SAR 255 thousand for corporate income tax and Zakat purposes, respectively. It should be noted that 2019G and 2020G are yet to be assessed and hence it cannot be definitively indicated whether the same level of shelter would be available post-assessment. The Company, therefore, is potentially exposed to additional corporate income tax and Zakat liabilities which cannot be accurately quantified at this point in time since the corporate income tax and Zakat assessments and the corresponding corporate income tax losses and negative Zakat base are not concluded.

  * Note that the Company had corporate income tax losses of SAR 601.8 million and SAR 374.8 million for 2019G and 2020G, respectively and a negative Zakat base of SAR 76.2 million and SAR 76.1 million based on the corporate income tax and Zakat returns for 2019G and 2020G, respectively.

- Potential for ZATCA not allowing a deduction for re-measurement gain/loss on the defined employee benefit obligations accounted for through other comprehensive income, where the Company has claimed a deduction of SAR 33.6 million and SAR 32 million for 2020G and 2021G, respectively, while computing the corporate income tax base for the financial year 2020G, and the Zakat base for the financial year 2021G. For the current year and up to 30 June 2022G, the Company has claimed a deduction of SAR 20.2m from the OCI while computing the corporate income tax base, while adding the same amount to the Zakat base. Since the remeasurement gains/losses have not been accounted for through profit and loss (but through OCI) and therefore form part of the closing balance of retained earnings (that is added to the Zakat base in the following year), no adjustment should have been made to the accounting profit to compute the adjusted profit. Therefore, ZATCA may seek to reject the Company's claim to deduct SAR 33.6 million and SAR 32 million for the financial years 2020G and 2021G, respectively. This may result in an additional corporate income tax liability of SAR 4.8 million and Zakat liability of SAR 240 thousand. With respect to the corporate income tax/Zakat provision for the current year and up to 30 June 2022G, the Company has adopted the same treatment, and should the Company continue this treatment through to the filed corporate income tax and Zakat return, it may result in a net additional corporate income tax /Zakat provision of SAR 2.7 million (for the figures available to us up to 30 June 2022). However, it should be noted that the current year and up to 30 June 2022G accounts and the provision therein are not a reflection of the amounts that would necessarily be reported in the audited financial statements for 2022G. Also, this is not necessarily going to be the Company's filed and final position and may differ at the time of filing the corporate income tax/Zakat return. However, if the impact of corporate income tax losses and the negative Zakat base for 2019G and 2020G were considered (as noted above *), there should be no potential cash outflow for corporate income tax and Zakat purposes. As noted, these years are yet to be assessed and hence it cannot be definitively indicated whether the same level of shelter would be available post-assessment.

- Potential for ZATCA not allowing carried forward corporate income tax losses for the financial year 2021G, where the Company has deducted carried forward corporate income tax losses of SAR 210.3 million and SAR 132.8 million for financial year 2021G and the current year and up to 30 June 2022G, respectively. Please note that the amount of net adjusted losses carried forward will depend on and be determined when the assessment for the years to which these losses pertain are raised by the ZATCA. Since the financial years 2019G and 2020G remain unassessed, the quantum of available losses may reduce as these years are assessed and therefore it is unclear whether the portion of the losses relating to the financial years 2019G and 2020G are available for offset during the financial year 2021G. Hence, the potential CIT liability is unquantifiable at this stage.

If any such risks materialize, the Company may be subject to additional corporate income tax and Zakat which cannot be quantified and might be significant.

Furthermore, any material changes in the rules and regulations or a material shift in ZATCA's policy, practice, or rules, could increase the deductions from the Company or could subject the Company to additional tax or Zakat payments in the future. Furthermore, the Company's tax and Zakat status would change after Offering as the Company would be subject to Zakat only without income tax (See Section (12.14) "**The Company's Zakat and Tax Status**"). ZATCA may implement this change in a different manner than expected by the Company, or ZATCA's policies and practices may change when the Company files its returns reflecting this change, which could result in additional tax liabilities. Furthermore, rules and tax laws may change and tax rates, such as corporate income tax, withholding tax, VAT and indirect taxes, may increase in the future; which may adversely affect the Company's profitability. Any of the forgoing occurring would have a material adverse effect on the Company's profitability, financial position, cash flows and future prospects.

2.1.35 Risks relating to enforcement of foreign judgments and arbitral awards and international disputes

The Company contracts with entities not resident in the Kingdom to sell its products. In case of disputes with these parties, foreign courts or arbitral bodies might be involved. Additionally, some of the material agreements the Company is party to are not governed by the laws of the Kingdom. For more details about such agreements, please refer to Section (12.6) "**Material Agreements**".

Foreign judgments and arbitral awards issued in connection with certain material agreements of the Company may only be enforced in the Kingdom in accordance with the requirements of the Enforcement Law. The enforcement courts in the Kingdom have discretion not to enforce foreign judgments and arbitral awards based on certain grounds, including violation of public policy, which could result in judgments obtained by the Company not being enforced.

Furthermore, the Company might need to litigate in courts outside of the Kingdom or enforce judgments issued in a specific country, including the Kingdom, in another country. Countries around the world have their own judgment enforcement mechanisms and requirements, which the Company might not always successfully be able to satisfy. In such cases, the Company might not be able to enforce judgments against parties situated outside of the Kingdom.

The inability of the Company to enforce foreign judgment or arbitral award in the Kingdom or abroad, for whatever reason, could result in value loss by the Company, and therefore could have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

2.1.36 Risks relating to marketing, branding, and sales strategy

The Company's success depends on its ability to maintain its image and reputation, as well as its commitment to a certain level of quality in its products. Quality, health and safety issues, actual or perceived, can damage the reputation of Company, which could cause customers to switch to competitors, resulting in a loss of customers and a decline in the Company's sales and revenues. The Company's brand and reputation may be materially and adversely impacted by factors beyond the Company's control including lawsuits, regulatory investigations, fines and penalties against the Company or other factors relating to the Saudi Aramco trademarks used by the Company.

Furthermore, adverse publicity (whether accurate or not) relating to activities by the Company's Board, Shareholders, management, Related Parties, suppliers, employees, contractors or agents may tarnish the reputation of the Company. With the increase in the use of social media, adverse publicity can be disseminated quickly and broadly, making it increasingly difficult for the Company to effectively respond.

Any damage to the Company's brand or reputation as a result of these or other factors may cause its products to be perceived unfavorably by customers, regulators and other business partners, and its business, results of operations, financial conditions and prospects could be materially and adversely affected as a result.

2.2 Risks Relating to the Market in Which the Company Operates

2.2.1 Risks relating to feedstock supply and prices

The Company's operations, business and success is dependent on receiving RCO and raw materials, mainly natural gas. Therefore, any factor that affects the price, supply, availability and condition of the feedstock and raw materials the Company receives may have an adverse impact on the Company's business, operations, financial position, cash flows and future prospects.

Feedstock and raw materials supply is affected by a number of factors, including but not limited to, Government action, such as the issuance or promulgation of laws, rules, and orders resulting in an impact on the feedstock supplied to the Company; changes in economic conditions and policies in the Kingdom; the quantity of gas or similar resource actually available, expected or unexpected interruptions in the operations of explorations, any factor affecting the business, operations and supply chain of Saudi Aramco (being the main feedstock supplier) and other factors.

The materialization of any of these risks could have an adverse effect on the Company's planned production operations and performance and sales commitments, thus having an adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

2.2.2 Risks relating to product prices and base oil market decline

The prices of base oils and Byproducts are volatile and subject to decline. The global Group I Base Oils demand has declined and is expected to continue declining.

The base oil market may decline in the long term due to various factors including, for example, the change in specifications or requirements for customers or because of regulatory requirements change, the decline in the demand of lubricants or other finished products, motor oil options with longer intervals, electrification of cars which use significantly less base oil compared to internal combustion engines, the development of other substitutes of base oils and other factors.

These factors may affect the demand of the Company's products and might decrease the profit margins, and therefore impact the Company's business, financial position, cash flows and future prospects.

2.2.3 Risks relating to competition in the market, pricing structure and self-sufficiency of targeted markets

The Company operates in a marketplace that is competitive and governed by many factors which include global supply and demand, reputation, the quality of products, product innovation and execution ability, and the competition may intensify in the future.

Although the Company is the only virgin base oil producer in the Kingdom and one of the largest base oil producers in the world, other domestic producers may enter the market in the future. These companies may have greater financial, technical, research and development, marketing, distribution and other resources than the Company. They may also have longer operating experience, a larger customer base or broader and deeper market coverage. If so, the Company may not be able to compete effectively against future competitors or may not be able to maintain its current premiums, and the Company's competitors may be able to respond more quickly and effectively to new or evolving opportunities. Changes in the competitive environment may result in price reductions, increased costs or loss of sales and revenue, any of which could adversely affect the Company's business. For example, some of the Company's competitors (including outside of the Kingdom) may manufacture similar products more economically efficiently and maintain significantly greater operating and financial flexibility than the Company, the Company may not be able to outperform current of future competitors, and competitors might be able to develop new technologies that advance their position in the market. Furthermore, those competitors may be better positioned to withstand changes in conditions within the industry, prices of certain raw materials and power, and general economic conditions.

The adoption of aggressive and competitive pricing strategies, development and use of innovative technologies and methods, marketing, environmental preferences, mergers or formation of strong alliances, and other decisions of existing or new competing base oil producers could adversely affect the Company's margins and profitability. Additionally, there is a risk that export markets may attain greater self-sufficiency in the production of certain base oils, which could increase competition for the Company and reduce its access to those export markets.

The materialization of any of these risks could have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

2.2.4 Risks relating to public health issues and pandemics, including COVID-19

The coronavirus pandemic has created economic and financial disruptions globally and has led governmental authorities to take unprecedented measures to mitigate the spread of the disease, including travel bans, border closings, business closures, quarantines and shelter-in-place orders, and to take actions designed to stabilize markets and promote economic growth. The outbreak of other variants or other infectious diseases in the Kingdom, the MENA region or globally might have a materially negative impact on the relevant country's economy and business environment and may have broader impacts. It could also have a material impact on the supply chain and delivery infrastructure, including access to ports and key export points such as what have occurred during the COVID-19 pandemic in relation to the closure of the key ports the Company uses. In addition, it could impact third-party vendors and other counterparties of the Company and their ability to comply with their obligations towards the Company. These interruptions might affect the business operations of the Company and the demand of base oils and therefore its business, operations, financial position, cash flows and future prospects.

The future extent of the impact of the COVID-19 pandemic on the Company's business, operations, financial position, cash flows and future prospects will depend largely on future developments, including, amongst other things, the widespread distribution, acceptance and effectiveness of one of more vaccines and medicines.

2.2.5 Risks relating to the Saudi Arabian and global economy and the political and economic conditions in the Kingdom and the countries in which the Company sells its products

The Company's performance depends heavily on economic and political conditions in the Kingdom since it generates a material amount of its revenue in the Kingdom. The Company's performance is also impacted by the economic and political conditions in the countries it sells its products in and the economies of the countries they trade with. For more details about the distribution of revenue per country, please refer to Section (2.1.6) "**Risks relating to revenue concentration in certain geographies**".

Although there are risks affecting the global economy at large, each one of these countries has factors which specifically affect it. Any slowdown in the global economy or in the economies in these countries, in addition to any sanctions, trade restrictions, antitrust restrictions, boycotts, procedures, currency changes, wars or any other factors that could impact the economies of key countries could have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

Any change in the political situation in the Kingdom or the countries the products of the Company are sold in or those they trade with, including but not limited to, changes in governments or administrations, changes in public policy, changes in laws or incentives (including restricting foreign products or disincentivizing it), wars, geopolitical and political stability and other matters, may have an impact on the Company's business and might affect its ability to produce efficiently and profitability, affect costs, lower profit margin, reduce demand or result in other adverse effects.

Furthermore, the relationship between the Kingdom and these countries is an important factor in the Company's ability to market its products in foreign countries. Therefore, any instability or change in the relationship – including the cut-off of ties – can restrict the Company from accessing these countries and therefore directly affect the Company's business, operations, financial position, cash flows and future prospects.

Additionally, relationships and political and geopolitical situations in the countries in which the Company's products are not sold at all could still affect the Company. For example, instability in any of the OPEC countries or other oil exporting states could have an impact on oil prices and therefore the Saudi Arabian economy in general. Further, political and economic conditions in countries the Company's customers sell to might impact the general demand for the Company's products which could affect its business.

Therefore, any of the above factors materializing may have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

2.2.6 Risks relating to political and social instability in the MENA region

The Company is headquartered in the Kingdom, and conducts much of its business in the MENA region. The MENA region is strategically important from a geopolitical perspective and has been subject to political and security concerns and social unrest, especially in recent years. For example, a number of countries in the MENA region have witnessed significant social unrest, including widespread public demonstrations, and, in certain cases, armed conflict, terrorist attacks, diplomatic disputes, foreign military intervention and a change of government. Such social unrest and other political and security concerns may not abate, may worsen and could spread to additional countries, and might have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

Any unexpected changes in political, social or economic conditions may have a material adverse effect on the Company's operations and sales, and/or on investors' willingness to invest in the Kingdom or companies that are based in the Kingdom, including in the Shares, all of which could have a material adverse effect on the Company's business, results of operations, financial position, future prospects and Share price.

2.2.7 Risks relating to the impact of force majeure events such as natural disasters, terrorist attacks and wars

Certain areas in the Kingdom have been subject to ballistic missile and other aerial attacks, including attacks targeting Saudi Aramco facilities and other key areas of the Kingdom such as Jeddah. These attacks could target key feedstock facilities in the Kingdom as well as the Company's facilities. These attacks cause business interruptions and other disruptions, especially because the Company has only two facilities and might have only one site if the Jeddah Facility closes in 2026G, as expected, which in turn further exacerbates the risk.

Furthermore, the Company is largely dependent on Saudi Aramco in relation to its feedstock supply and otherwise. For further details about the reliance on Saudi Aramco, please see Section (2.1.12) "**Risks relating to reliance on Saudi Aramco's expertise, trademarks and services**". Saudi Aramco's facilities have been targeted by terrorist and other attacks and may be targeted in the future, which could result in the temporary suspension of operations at Saudi Aramco's facilities and therefore could potentially reduce the overall feedstock supply by Saudi Aramco.

As such, any terrorist or other attacks on the Company's facilities, Saudi Aramco facilities or other areas in the Kingdom could have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

Furthermore, the occurrence of natural disasters or disruptive acts that are beyond the Company's control may adversely affect the Company's facilities and employees. Any damages to the Company's facilities as a result of floods, earthquakes, storms, or other natural disasters, or as a result of disruptive acts such as acts of sabotage, could result in significant costs or the suspension of the Company's operations, which could result in an increase in production costs or a decrease in revenues. The occurrence of any of these events could have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2.2.8 Risks relating to health, safety and security standards and measures

The Company is subject to applicable health, safety and security regulations that set various standards for regulating certain aspects of health, safety and security quality and impose civil and criminal penalties and other liabilities for any violations. The use of machinery and high-voltage equipment is inherent in the Company's business, and may involve significant health and safety risks. Potential health, safety and security events that may materially impact the Company's operations include fires, flooding, explosions, vehicle incidents, falls from height, personal injuries and fatalities, electrocutions, incidents involving equipment and emissions of harmful gases or chemicals. Fatalities, or serious injury, to employees or contractors may occur due to these or other factors.

The Company may not be in compliance with all applicable health, safety and security regulations in force in the future. Should the Company fail to comply with any such regulations, it may be liable for penalties and/or the consequences of default under any contractual obligations requiring it to comply with applicable regulations. Such accidents could result in incurring cost or a material reputational impact on the Company and adversely impact its business, operations, financial position, cash flows and future prospects.

In addition, relevant authorities may enforce existing regulations, including health, safety and security laws and regulations, more strictly than they have done in the past and may in the future impose stricter standards, or higher levels of fines and penalties for violations, than those which are in effect at present. Accordingly, the Company is unable to estimate the future financial impact of compliance with, or the cost of a violation of, any applicable regulations. In addition, the Company's costs and management time required to comply with internationally recognized standards of social responsibility and sustainability are expected to increase over time.

Any occurrence of loss of life or serious injury to the Company's employees as a result of any breach of applicable safety legislation may result in a disruption to the Company's operations or cause significant liability for damages, penalties and/or compensation as a result. Major incidents could also be identified and reported by the media thus adversely affecting the Company's reputation.

If any of the above risks were to materialize, they could materially and adversely affect the Company's business, operations, financial position, cash flows and future prospects.

2.2.9 Risks relating to the new Companies Law and its application

Similar to other companies, the Company is subject to the Companies Law. On 01/12/1443H (corresponding to 30/06/2022G), a new Companies Law was issued pursuant to Royal Decree number M/132. The new law will come into effect at the start of 2023G and granted companies a 2-years grace period from its effectiveness to comply with it. The application and interpretation of the new law is subject to implementing rules issued by the Minister of Commerce and the CMA's board.

The new Companies Law imposes additional and different obligations on companies, which are yet to be implemented and tested. If the Company fails to adjust its affairs in compliance with the new Companies Law and its new implementing rules within the grace period, the Company might be subject to penalties up to SAR 5,000,000 under the new Companies Law.

Furthermore, the new Companies Law introduces provisions that are significantly different than the current Companies Law. These provisions include different conflict of interest and directors' competition rules, limits on the liability of board members, mandatory tender offer and mandatory drag and tag-along rules and other provisions. These provisions might limit the recourse shareholders have against board members, impact procedures followed for conflict of interest, or impact the shareholders' shareholding in the Company and the rights attached to their shares.

The new law also allows joint stock companies, including listed companies, to have authorized share capital that is higher than its issued capital and allows the board to then issue new shares within the authorized capital. The new law also has no mandatory minimum par value of shares (while the current Companies Law mandates it to be SAR 10). The Company may utilize these options in the future, and therefore this would impact the share capital of the Company, shareholders' equity and the price of Shares.

2.2.10 Risks relating to currencies fluctuation

The Company's revenue and majority of its cost are in USD, but a part of the Company's cost is in SAR. If the Kingdom's policy of pegging the SAR to the USD were to change in the future and the SAR were to become stronger relative to the USD, the Company may experience a significant increase in the SAR denominated costs of its operations. Such an increase could have a material adverse effect on the Company's business, financial position and results of operations.

2.2.11 Risks relating to the Company operating in a highly regulated industry and the changes in regulatory environment

The industry in which the Company operates is heavily regulated. The Company is subject to laws and regulations in the Kingdom, including energy, industrial, governance, environmental law, antitrust and others, and is subject to international laws and regulations, including anti-dumping and customs laws and policies implemented by importing countries. The Company is under the supervision of multiple regulators in the Kingdom, including the MIMR, the MOE, the RCJY, the MOC and the General Court of Audit and might also be subject to supervision of regulators outside of the Kingdom in the countries in which its products are sold. Furthermore, after Listing, the Company will be subject to the CMA and the Saudi Exchange's supervision and will be subject to the CMA's rules and regulations including disclosure and corporate governance requirements and other continuous obligations.

Both the Kingdom's and international laws and regulations evolve rapidly and change, with or without notice. The Company may not be in compliance with all these continuingly evolving laws and regulations, or may incur cost to do so.

Being under such extensive regulatory supervision means the Company needs to comply with multiple requirements, including periodic reporting requirements and audits. The Company is required to make periodic and ad-hoc reporting to the MOC, the MIMR, the MOE, the RCJY and other regulators. These reporting requirements are extensive and detailed. Furthermore, after Listing, the Company will be required to announce its quarterly and annual financial results and the Board report within the time period determined under the CMA rules, as well as to disclose any material information as soon as it occurs. External reporting of financial and non-financial data relies on the integrity of the control environment, the Company's systems and people operating them. All these requirements result in a higher compliance cost than companies in less regulated industries. Furthermore, as the Company is monitoring multiple regulators and their changing requirement at different times, the Company may not be compliant at all times with all applicable requirements from each regulator.

In case the Company fails to make such reporting on time fully and accurately, the reputation of the Company might be impacted, and penalties might be imposed by the relevant regulator including fines, which could have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

Furthermore, any violation by the Company of any of the multiple legal requirements to which it is subject will expose the Company to procedures and sanctions that may be taken against it by the concerned authorities, including fines and other sanctions in specific cases, such as the suspension or withdrawal of licenses and permits. The Company may be subject to regulatory investigations, and if any such investigations were to find that the Company was not in compliance with applicable regulation, may result in the imposition of substantial fines and penalties or may impose regulatory restrictions and cause interruption to the Company's operations. For further information about the penalties the Company was subject to, please refer to Section (12.13) "**Penalties**". If substantial fines are imposed, or if regulatory restrictions or other sanctions are imposed, the Company may incur additional costs and its operations could be interrupted.

Any change to the regulatory framework in which the Company operates, including the amendment of existing laws or the introduction of new ones, could result in costs being incurred by the Company to comply with such new laws, reduction in margins, difficulties in operations or even failure to comply with any new or newly amended laws. This could have an adverse impact on the operations of the Company and its profit margins and could lead to penalties being imposed, business interruption or other matters. If any of these materialized, it could have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

2.2.12 Risks relating to interest rates fluctuation

The Company's interest rate risks stem mainly from the facilities the Company has, which bear finance costs. Finance costs are generally based on Saudi Inter Bank Offered Rate (SAIBOR) for SAR denominated borrowings and on London Interbank Offered Rate (LIBOR) for USD denominated borrowings. These benchmark interest rates could change based on the requirements of the Saudi Central Bank (SAMA) as done recently with the enhanced methodology for SAIBOR and could also change because of international requirements such as LIBOR which is being discontinued and replaced with SOFR. Additionally, the Company has short-term deposits that are at floating rate of interest and are subject to re-pricing on a regular basis.

The Company entered in to a Murabaha Facility Agreement in August 2021 with maturity date being June 2029. Murabaha A (denominated in SAR) of the agreement amounts to SAR 1,687.5 million and interest is based on SIBOR plus a margin which increases from 0.75% to 1.05% over the period of the facility and Murabaha B (denominated in USD) of the Agreement amounts to USD 150 million and interest is based on LIBOR plus a margin which increases from 1.00% to 1.50% over the period of the facility. As mentioned, these benchmark interest rates are subject to change per regulatory and commercial requirements. At 31 December 2019G and 31 December 2020G, the Company's borrowings included Murabaha facilities obtained mainly from Riyad Bank (consisted of three Murabaha facilities with one facility's interest based on SIBOR plus a margin and two facilities' interest based on LIBOR plus a margin) and a single term loan from the Public Investment Fund (with interest based on LIBOR plus a margin).

Therefore, decreases in interest rates would reduce the Company's income from short-term deposits, and increases in interest rates would increase the Company's interest expense. Any increases in interest expense could adversely affect the Company's cash flows and ability to service debt.

2.2.13 Risks relating to international operations and the impact of international trade litigation and sanctions

The Company's international activities and dealings, including exports of base oil and Byproducts by the Company to foreign countries, may be affected by economic sanctions and international trade litigation or agreements that lead to the imposition of import trade measures, including anti-dumping and countervailing duties, safeguard measures, import licensing and customs requirements. Such economic sanctions and other trade measures, including those discussed below, may limit what dealings the Company can engage in and/or may otherwise adversely affect the Company's business, results of operations, financial position and future prospects.

The U.S. government, including the U.S. Department of the Treasury's Office of Foreign Assets Control, or OFAC, administers and enforces certain laws and regulations, or U.S. primary sanctions, that impose prohibitions or restrictions on dealings with or relating to certain designated countries and territories, governments, entities and individuals, and entities majority-owned by such parties, that take place within U.S. jurisdiction. U.S. primary sanctions include territorial sanctions targeting specific countries and jurisdictions; blocking sanctions, which generally prohibit U.S. persons from engaging in transactions or other dealings with or involving blocked persons or the property or interests in property of blocked person; and non-blocking prohibitions and restrictions that target specific kinds of dealings, including, for example, dealings in certain debt or equity issued by certain designated parties. U.S. primary sanctions are subject to frequent and unpredictable changes. For example, as a result of recent events in Ukraine, the United States has adopted new, additional and/or enhanced primary sanctions targeting, to different extents, Russia and persons located in Russia. Although U.S. primary sanctions rules generally are not applicable to non-U.S. persons (although certain U.S. primary sanctions programs do apply to non-U.S. subsidiaries of U.S. companies), non-U.S. persons can be held liable for violations of U.S. primary sanctions to the extent they participate in prohibited transactions within U.S. jurisdiction (including transactions, for example, involving U.S. goods, services or technology, U.S. persons, or U.S. dollar payments that are cleared through the U.S. financial system). U.S. primary sanctions may apply to the Company or its dealings, and changes to U.S. primary sanctions may affect what dealings the Company can pursue or engage in, and/or what counterparties the Company can interact with.

In addition to U.S. primary sanctions, the United States maintains numerous secondary sanctions programs that provide the U.S. government with authority to impose sanctions on non-U.S. parties that engage in certain sanctionable activities, including certain dealings with U.S. sanctioned persons, regardless of whether such activities occur within U.S. jurisdiction. The imposition of U.S. secondary sanctions is not automatic, and instead requires specific action by the U.S. government. In practice, U.S. secondary sanctions are highly discretionary and may be strongly influenced by political considerations, and accordingly, are difficult to predict. Non-U.S. parties that engage in sanctionable activities are potentially subject to a number of sanctions, including, among other things, blocking sanctions. The Company's business and reputation could be adversely affected, for example, if the U.S. government were to determine that its activities, or the activities of any of its counterparties, involve sanctionable activity under U.S. secondary sanctions.

In addition to U.S. primary and secondary sanctions, other jurisdictions, including the European Union and the United Kingdom, administer and enforce their own economic sanctions that target certain countries and territories, governments, entities and individuals in varying respects. Like the United States, some of these jurisdictions have adopted new, additional and/or enhanced sanctions targeting Russia in response to recent events. These sanctions may apply to the Company or its dealings, and changes to such sanctions may affect what dealings the Company can pursue or engage in, and/or what counterparties the Company can interact with.

Among other recent sanctions developments, the United States, the European Union, and the United Kingdom have each adopted bans, which vary in substance and form, regarding the importation of and/or dealings in Russia-origin oil and oil products. Although not directly impacted by these recent Russia-related sanctions or bans, such sanctions or bans may apply to, or limit, what dealings the Company can pursue or engage in, and/or what counterparties the Company can interact with on the future and/or may otherwise adversely affect the Company's business, results of operations, financial position and future prospects. Any violations of these or any other applicable sanctions by the Company could result in criminal, civil, and/or administrative liability for the Company, including potentially substantial fines or other criminal, civil, and/or administrative penalties, and the Company's reputation being adversely affected.

In addition, the Kingdom is a party to international trade agreements, such as World Trade Organization agreements that include commitments by the Kingdom with respect to the composition of its laws, regulations and practices regarding or relating to international trade. The Kingdom may become a party to other such agreements in the future. Compliance by the Kingdom with any such commitments, which could require changes to the Kingdom's laws, regulations and practices, may directly or indirectly impact the Company and could cause it to alter its operations in a manner that is costly or otherwise has a material adverse effect on its business, financial position or results of operations. If the Kingdom fails to comply with these commitments, the Company's business operations could be exposed to scrutiny and its exports to potential remedial measures, such as duties, which could have a material adverse effect on its business, results of operations, financial position and future prospects.

2.2.14 Risks relating to competition law and anti-trust regulations

Given its international sales, the Company may be subject to competition laws and regulations in jurisdictions around the world from time to time. As such, the Company may be subject to allegations of, or regulatory investigations or proceedings into, unfair competitive practices or similar behaviors. Such allegations, investigations or proceedings may require the devotion of significant management effort, time and financial resources to defend the Company. In the event that such allegations are proven, there may be significant fines, damage awards and other expenses, and the Company's reputation may be harmed, which could have a material adverse effect on its business.

In the Kingdom, the Competition Law imposes significant fines and damages for non-compliance. In the event that the Company violates the provisions of the Competition Law, or any waivers granted to Saudi Aramco that the Company may benefit from are no longer applicable, and a judgment is issued against the Company with respect to such violation, the Company may be subject to significant fines at the discretion of the GAC. In addition, the GAC is entitled to request the partial or full suspension of the Company's activities, temporarily or permanently, in the case of repeated violations.

If any of the above risks were to materialize, this could have a material adverse effect on the Company's business, results of operations, financial position, and future prospects.

2.2.15 Risks relating to climate change and environmental, social and governance practices

The Company is exposed to risks associated with climate change. Climate change concerns manifested in public sentiment, social attitudes, customer preferences, government policies, laws and regulations, international agreements and treaties and other actions may reduce global demand for base oils and Byproducts and propel a shift to lower carbon intensity fossil fuels or alternative energy sources. The Company is in the process of developing a strategy, which has not yet been finalized, to achieve net zero emissions. For more information about the Company's environmental, social and governance practices, please refer to Section (4.8) "**Environmental, Social and Governance (ESG)**".

In particular, increasing pressure on governments has led to a variety of actions that aim to reduce the use of fossil fuels, including, among others, carbon dioxide emission cap, carbon taxes, increased energy efficiency standards and incentives and mandates for renewable energy and other alternative energy sources. In addition, international agreements that aim to limit or reduce greenhouse gas emissions are currently in various stages of implementation, and the number of such international agreements is increasing. Further, the parties to the United Nations Framework Convention on Climate Change (UNFCCC) meet annually to combat global climate change. The UNFCCC may results in countries pledging various undertakings to reduce emissions and to take protective measures locally. For example, the 21st Conference approved the Paris Agreement, which became effective in November 2016G, and many of the countries that have ratified the Paris Agreement are adopting domestic measures to meet its goals, which include reducing their use of fossil fuels and increasing their use of alternative energy sources. During the 26th Conference in 2021, many parties signed a global methane pledge, and agreed to take voluntary actions to contribute to a collective effort to reduce global methane emissions at least 30 percent from 2020 levels by 2030.

The landscape of such related laws and regulations has been in a state of constant re-assessment and, in some cases, it is difficult to predict with certainty the ultimate impact of these laws and policies, regulations and international agreements will have on the Company. In addition, increasing attention on climate change and other environmental impacts may result in a possibility of litigation against the Company. Existing and future climate change concerns and impacts, including physical impacts to infrastructure, and related laws, regulations, treaties, protocols, policies and other actions could shift demand to other fuels, reduce demand for base oils and Byproducts and could cause the Company to incur costs or invest additional capital in new more climate friendly technologies or to find other income streams; any of which might have a material adverse effect on the Company's business, results of operations, financial position and future prospects.

In addition, risks associated with climate change comprise physical risks which derive from the physical effects of climate change such as rise in temperature, sea-level rise, changes in precipitation patterns, fluctuations in water levels or more frequent occurrence of extreme temperatures, droughts or other extreme meteorological phenomena, such as cyclones or hurricanes. These effects could adversely impact the Company's operations, assets and supply chains.

In addition, institutional investors, creditors and other financial markets participants have become increasingly focused on companies' climate change and environmental, social and governance (ESG) practices in evaluating their investments and business relationships. Certain organizations also provide climate change and ESG related ratings, scores and benchmarking that assess companies' climate change and ESG practices. Some investors use these ratings, scores and benchmarking to inform their investment and voting decisions. It is possible that the Company's future shareholders or organizations that report on, rate or score climate change and ESG practices will not be satisfied with the Company's climate change and ESG strategy or performance. Unfavorable ratings or assessments of climate change and ESG strategies or practices, regardless of whether or not the Company complies with applicable legal requirements, may lead to negative investor sentiment towards the Company, which could have a material adverse effect on the Company's financial position and Share price.

2.3 Risks Relating to the Offer Shares

2.3.1 Risks relating to selling a large number of shares post-Offering

Sales of large numbers of the Shares on the market after the completion of the Offering, or the perception that those sales will occur, could adversely affect the market price of the Shares.

Upon the completion of the Offering, Saudi Aramco will be subject to a six-month lock-up period starting from the commencement of trading of the Shares on the Exchange, during which it may not dispose of any Shares it owns in the Company. The sale of a substantial number of Shares by Saudi Aramco following the expiry of the lock-up period could have an adverse effect on the market for the Shares and may result in a lower market price. Further, if Saudi Aramco divests any or all of its ownership in the Company, the Share price will likely be materially and negatively impacted given the Company's reliance on Saudi Aramco and the perception, or the actuality, of such relationship and arrangement with Saudi Aramco being impacted. For more information about the Company's reliance on Saudi Aramco's expertise and services, as well as a customer, please see Sections (2.1.12) "**Risks relating to reliance on Saudi Aramco's expertise, trademarks and services**" and (2.1.7) "**Risks relating to customer concentration, attraction of new customers and retention of existing customers**".

Furthermore, the Company will be subject to a six-month lock up period upon the completion of the Offering where it cannot issue securities of the same class of the Offer Shares. Following expiry of the lock up period, the Company may issue and list new Shares, or it may issue other securities from time to time as, consideration for, or to finance, future acquisitions or investments or for other capital needs. The Company cannot predict the size of future issuances of the Shares or the effect, if any, that future sales or issuances of Shares would have on the market price of the Shares. If any such acquisition, investment or capital need is significant, the number of Shares or the number of other securities that the Company may issue may in turn be substantial and may result in dilution to the Company's shareholders.

2.3.2 Risks relating to liquidity and the absence of prior market for the Shares

The Company's shares have not been previously listed or traded in any securities market, and an active and sustained market for the Shares may not develop or be sustained after the Offering. If an active and liquid market is not developed or maintained, the price of the Shares may be adversely affected or might lead to the loss of all or a portion of Subscribers' investments in the Company, which, in turn, would affect the expected returns of the Subscribers.

Various risks, including but not limited to the Company's financial results, its status in the industry in which it operates and the economic and regulatory environment may lead to sharp fluctuations in the price of the Shares and the liquidity available for trading the Shares.

2.3.3 Risks relating to fluctuation in the market price of the Shares

The Offer Price has been determined based upon a variety of factors, including the Company's prior performance and future business prospects, the industry in which the Company operates and the markets in which it competes, and the Company's assessment of its management, operations, and financial results. Following completion of the Offering, the trading price of the Shares will vary from the Offer Price. Investors may not be able to resell the Offer Shares at or above the Offer Price, or investors may not be able to sell them at all. Additionally, the Saudi Exchange imposes fluctuation limits which could limit the ability to sell or purchase the Shares below or beyond such limits and therefore limit the overall tradability of the Shares and the amount of return that can be obtained.

Stock market in general experiences extreme price and volume fluctuations from time to time. Market fluctuations could result in extreme volatility in the price of the Shares, which could cause a decline in the value of the Shares, with price volatility being worse if the trading volume of the Shares is low. The price of Shares may be negatively affected by various factors, many of which are beyond the Company's control, including the Company's results of anticipated operations and improvement in the performance and results of its competitors, downgrades or changes in research coverage by securities research analysts with respect to the Company and its competitors, or the industry in which the Company operates, departures of key personnel, the public's reaction to the Company's press releases and other public announcements, changes in earnings estimates or forecasts, failure by the Company or its competitors to meet analysts' projections, the release or expiry of the lock-up period or other transfer restrictions on the Shares, or the materialization of any of the other risks described in this Section, or, the general situation of the Saudi Arabian economy, changes in applicable laws and regulations, terrorist acts, escalation of hostilities, acts of war or periods of widespread civil unrest, natural disasters and other calamities and stock market price fluctuations. The occurrence of any of these risks or other factors could have a material adverse effect on any investor's anticipated returns, or result in the loss of all or a portion of their investment in the Company.

2.3.4 Risks relating to foreign exchange rates when investing in the Offer Shares

The Offer Shares are, and any dividends to be paid in respect of the Offer Shares will be, denominated in Saudi Riyals. Any investment in the Offer Shares by an investor whose principal currency is not SAR will be exposed to foreign currency exchange rate risk. This may adversely impact the investor's value of its investment in the Offer Shares or any dividends.

2.3.5 Risks relating to a delay of closing the Offering and listing the Shares

A public offering of shares to be listed on the Exchange typically closes concurrently with the shares being admitted for trading on the Exchange, with both typically occurring more than two weeks after the announcement of the final offer price for the Shares. The Saudi Exchange has implemented a number of new procedures to enable the Listing of the Offer Shares to take place within the timeframe described in "**Key Dates and Subscription Procedures**" in this Prospectus. However, the Listing of the Offer Shares may not commence as and when expected. As a result, closing of the Offering and Listing of the Offer Shares for trading on the Exchange could be delayed. The Saudi Exchange will announce the commencement of trading of the Shares on the Exchange on its website (saudiexchange.com.sa).

2.3.6 Risks relating to research published about the Company

The trading price and volume of the Shares will depend in part on the research that securities or industry analysts publish about the Company and its business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who covers the Company downgrade their recommendations on the Shares or publishes inaccurate or unfavorable research about the Company's business, which the Company cannot control, the market price for the Shares could decline. In addition, if one or more research analysts cease coverage of the Company or fail to publish reports on it regularly, it could lose visibility in the financial markets, which, in turn, could cause the market price for the Shares to decline significantly. Accordingly, occurrence of any of the forgoing could have a material adverse effect on the Shareholders' anticipated returns on the investment in the Offer Shares.

2.3.7 Risks relating to the Company's ability to distribute dividends

The Company may not be able to pay dividends, and the Board of Directors may not recommend and/or the Shareholders may not approve the payment of dividends for any reasons. The future distribution of dividends will depend on several factors, including, among other things, future profits, financial position, cash flow, working capital requirements, capital expenditures and distributable reserves of the Company. For further information regarding the Company's dividend distribution policy, please refer to Section (7) "**Dividends Distribution Policy**". The Company may also incur expenses or liabilities that could reduce or eliminate the cash available for the distribution of dividends. If the Company does not pay dividends on the Shares, Shareholders will not receive any return on the investment in the Shares unless they sell the Shares at a price higher than the Offer Price.

In addition, the Company is subject to certain financial covenants in the current Murabaha Facility Agreement and may be subject to restrictions in future financing agreements, which may limit dividend payments. The Company is currently restricted from declaring or paying dividends which would result in, amongst other things, event of default under the facility or if such payments result in breach of the 2:1 EBITDA to financing cost ratio agreed in the Murabaha Facility Agreement. Please refer to Section (12.6.9.2) "**Murabaha Facility Agreement**" for more details about financial covenants in the Company's current financing.

The occurrence of any of the forgoing will have an adverse effect on Shareholders' anticipated returns on the investment in the Offer Shares.

2.3.8 Risks relating to unqualified foreign investors not being able to directly hold Shares

Under the applicable regulations, unqualified foreign investors (who are also not strategic foreign investors) wishing to participate in the Offering must enter into swap arrangements with a Capital Market Institution, pursuant to which they acquire an economic benefit in the Offer Shares. Unqualified foreign investors would be able to trade these interests through Capital Market Institutions who will hold the legal title to the Shares.

Accordingly, unqualified foreign investors will not hold legal title in the Shares nor will they be able to vote the Shares in which they hold an economic benefit. These factors could have an adverse effect on investors' anticipated returns or may result in the loss of all or portion of their investment in the Company.

2.3.9 Risks relating to investment in an emerging market

An investment in the Offer Shares involves risks related to investing in securities in emerging markets, such as the Kingdom, which generally involves a higher degree of risk than investments in issuers' securities in more developed markets. Generally, investments in emerging markets are only suitable for sophisticated investors who fully appreciate and are familiar with the significance of the risks involved in investing in emerging markets. The Saudi Arabian economy may be susceptible to future adverse effects similar to those suffered by other emerging markets and could be adversely affected by negative economic or financial developments in other emerging markets. The occurrence of any of the foregoing factors could have an adverse effect on investors' anticipated returns or may result in the loss of all or portion of their investment in the Company.

2.3.10 Risks relating for forward-looking statements

Some information contained in this Prospectus may constitute 'forward-looking statements' and includes known and unknows risks and speculations which impact the Company's financial results. This information includes, by way of example, information relating to the financial position of the Company, its plans, its strategy and its future goals. The future results and performance information of the Company cannot actually be predicted, and may differ from what is set out in this Prospectus, as the achievements and ability of the Company to develop are what determine the actual results of the Company. The inaccuracy of information and results is one of the risks that Shareholders and investors take by investing in the Shares. In case the actual future results of the Company are different from the expected ones, this might negatively affect the Share price. For more information about forward-looking statements, please refer to the 'Important Notice' section of this Prospectus.

3. Market and Industry Data

The information in this Section (3) "**Market and Industry Data**" is derived from the market study report prepared by IHS Global Inc. (the "**Market Consultant**") for the Company in July 2022. The Market Consultant's main office is in Englewood, Colorado. For further details about the Market Consultant, please visit its website https://ihsmarkit.com.

The Market Consultant's reports, data and information referenced herein (the "**Market Consultant Materials**") are the copyrighted property of the Market Consultant and its subsidiaries. The Market Consultant believes that the information in this section is from sources considered reliable; however, the accuracy and completeness thereof are not warranted, nor are the opinions and analyses published by the Market Consultant representations of fact. The Market Consultant Materials speak as of the original publication date thereof and are subject to change without notice. IHS Markit and other trademarks appearing in the Market Consultant Materials are the property of the Market Consultant or their respective owners.

The Market Consultant has given its written approval on the use of its logo, name and the market information and data provided by it to the Company in the manner set out in this Prospectus, and such approval has not been withdrawn as of the date of this Prospectus.

The Market Consultant is part of S&P Global Commodity Insights, a business division of S&P Global Inc. ("**SPGI**"). SPGI also has the following divisions: S&P Dow Jones Indices, S&P Global Engineering Solutions, S&P Global Market Intelligence, S&P Global Mobility, and S&P Global Ratings, each of which provides different products and services. SPGI keeps the activities of its business divisions separate from each other in order to preserve the independence and objectivity of their activities in accordance with the S&P Global Divisional Independence and Objectivity Policy.

Commodity Insights publishes commodity information, including price assessments and indices. Commodity Insights maintains clear structural and operational separation between its price assessment activities and the other activities carried out by Commodity Insights (including the Market Consultant) and the other business divisions of SPGI to safeguard the quality, independence and integrity of its price assessments and indices and ensure they are free from any actual or perceived conflicts of interest.

The Market Consultant Materials should not be considered investment advice or any form of recommendation to buy, sell or subscribe for any securities or make any other investment decisions in relation to the Offer Shares or regarding any of the Market Consultant's customer's corporate or legal structure, assets, liabilities or activities. The Market Consultant Materials should not be relied on in making any investment or other decision.

Glossary

Abbreviations	Description	Abbreviations	Description
$/bbl	dollars per barrel	**IOCs**	international oil companies
GDP	gross domestic product	**NGLs**	natural gas liquids
CIS	Commonwealth of Independent States	**Light Neutrals**	low viscosity Group I base oils
OECD	Organization for Economic Co-operation and Development	**Heavy Neutrals**	medium-high viscosity Group I base oils
b/d	barrels per day	**Bright stock**	high viscosity Group I base oil produced from de-asphalted oil
MMb/d	million barrels per day	**GHG**	greenhouse gases
MENA	Middle East and North Africa	**FOB**	Free on board
ME	Middle East	**R&D**	Research and development
ppm	parts per million	**Mt/y**	million tons per year
GCC	Gulf Cooperation Council	**Kt/y**	thousand tons per year
USGC	United States Gulf Coast	**API**	American Petroleum Institute
NWE	Northwest Europe	**ACEA**	European Automobile Manufacturers Association
EU	European Union	**CVL**	commercial vehicle lubricants
CAGR	compounded annual growth rate	**HDEO**	heavy-duty engine oil
t	metric ton	**MCO**	motorcycle oil
Kt	kiloton	**PCMO**	passenger car motor oil
Mt	million tons	**PVL**	private vehicle lubricants
cu.m	cubic meters	**SAE**	Society of Automobile Engineers
y	year	**n/a**	not available or not applicable

3.1 Overview

Global real GDP is a key driver of oil demand. Over the last 3 years, the global economy has witnessed sizable swings which have impacted global oil dynamics. Global GDP declined significantly during 2020, due to the COVID-19 pandemic and the measures taken against it. However, a sharp recovery followed in 2021, as economies worldwide re-opened on the back of a wide vaccination coverage. More recently, geo-political events (particularly, the Russia-Ukraine war), global supply chain disruption, rising inflation, and increasing interest rates, have dampened the global economic outlook in the near-term. However, in the long-term, the economic outlook for non-OECD countries is forecasted to be robust. In addition, economic growth in the forecast period for the Middle East, in particular the Kingdom of Saudi Arabia, is expected to be supported by continued diversification efforts and population growth.

Liquids balance is an indicator of how the global oil market performs in terms of supply-demand dynamics. Due to the economic impact of the COVID-19 pandemic, the global demand for liquids declined by 10.0% between 2019 and 2020. During the same period, the demand for liquids declined by 10.2% in Middle East, whereas this fell by 5.9% in the Kingdom of Saudi Arabia. With a swift market recovery in 2021, the demand for liquids grew by 6.7% globally between 2020 and 2021, with a 3.0% increase in the Middle East.

Base oil demand is primarily driven by the dynamics of the wider oil market and the demand for lubricants. Globally, base oils represent 0.8% of the total hydrocarbon demand, and their production economics are inextricably linked to the production economics of the main refined products. Almost all base oil plants are located on, or immediately adjacent, to refineries as feedstock is generally purchased from the refineries and by-products are sold back to them. Base oils compete with the main refined products for feedstock and, therefore, base oil producers are typically price-takers when it comes to the feedstock cost. Refined product cracks and refining margins impact the availability of feedstock for base oil plants, thus impacting base oil prices and market dynamics.

While some lubricants are only base oil, many others are a blend of different base oils and additives, tailored to meet a specific lubricating function. Hence, changes in the demand and need for higher quality lubricants not only impact the overall base oil demand, but the demand for different base oil groups as well.

The total technical demand for base oils generally reflects trends in lubricant formulations as driven by emission standards, engine technologies, and fuel efficiency requirements. The technical demand for a base oil is defined as the minimum quantity required of Group II, Group III, Group IV, and Group V base oils, based on the technical requirements of the finished lubricant formulations supplied to the market.

Global base oil production stood at 34,887kt in 2021 and is expected to grow at a CAGR of 0.7% between 2022 and 2030. Due to the Aramco Base Oil Alliance, Saudi Aramco is one of the largest producers of base oils globally. Comprising of S-Oil, Motiva, and Luberef, the Aramco Base Oil Alliance manufactured one in every eight barrels of base oil globally in 2021.

Base oil prices generally move broadly in line with crude oil and feedstock prices. However, this typically occurs with a time lag of one to three months. Lower viscosity Group I light and heavy neutral grades tend to track crude oil more closely, while the high viscosity bright stock grade has historically remained more stable and tend to trade at a premium to the lower viscosity grades.

Base oil prices were relatively high in 2021, driven by a shortage of base oil, which in turn was driven by a shortage of feedstock, as main fuel refineries' throughput slumped as a result of the reduction in demand caused by the COVID-19 pandemic. This led to robust base oil margins for the year.

3.2 Economic growth

Global real GDP is forecasted to grow at a 2.9% CAGR from 2022 to 2030, driven by the growth in non-OECD countries, especially in Asia.

From 2010 to 2019, global real GDP grew at a CAGR of 3.0%. Due to the economic impact of the COVID-19 pandemic and the measures taken against it, the global economy declined in 2020, with real GDP falling by 3.4% between 2019 and 2020. A sharp recovery in 2021, driven by economies reopening worldwide thanks to the spread of vaccines, pushed the global real GDP to grow by 5.8% between 2020 and 2021. After an expected stabilization in the market, global real GDP is now expected to grow at a CAGR of 2.9% from 2022 to 2030.

In recent years, non-OECD countries have been the main drivers of the real global GDP growth. From 2010 to 2019, the real GDP of non-OECD countries grew at a CAGR of 4.8%, with the real GDP of OECD countries growing at a CAGR of 2.0% instead.

The Russia-Ukraine war, rising inflation, and increasing interest rates, dampened the global economic outlook in the near-term. However, in the long-term, the real GDP of non-OECD countries is forecasted to grow at a CAGR of 4.3% from 2022 to 2030, with Asia Pacific at 4.4%, while the real GDP of OECD countries is expected to grow at a CAGR of 1.9% during the same period.

The Kingdom of Saudi Arabia's real GDP is forecasted to grow at a CAGR of 2.0% from 2022 to 2030, supported by the near-term high oil prices, an investment surge connected with Vision 2030, and a general economic diversification.

From 2010 to 2019, the real GDP of the Middle East and the Kingdom of Saudi Arabia grew at CAGRs of 2.9% and 3.3%, respectively. For the period 2022 to 2030, the Middle East and the Kingdom of Saudi Arabia's real GDP are expected to grow at CAGRs of 3.0% and 2.0%, respectively, while the short-term growth is supported by the rebound in energy and chemical exports and high oil prices, with the Middle East and the Kingdom of Saudi Arabia's GDP expected to grow at 6.0% and 7.1%, respectively, between 2021 and 2022. Going forward, the near-term high oil prices and the investment surge connected with Vision 2030 will drive short-term economic growth of the Kingdom of Saudi Arabia, while a general economic diversification will drive its long-term growth.

Below figures show real annual GDP growth rate of OECD and non-OECD countries, the Middle East, and the Kingdom of Saudi Arabia from 2010 to 2030.

Figure (3-1): Real GDP growth rate of Global, OECD and non-OECD countries

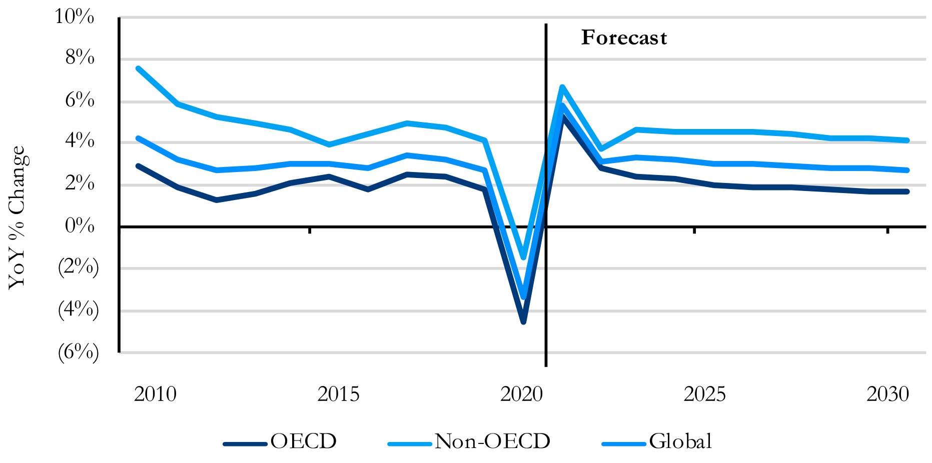
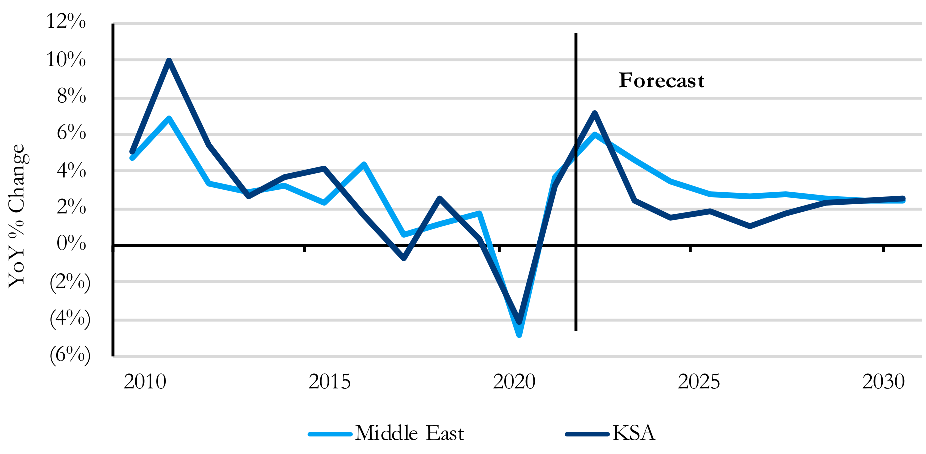


Figure (3-2): Real GDP growth rate of Middle East and Kingdom of Saudi Arabia



3.3 Liquids and Refined Products Supply-Demand Balance

Global liquids demand is expected to grow at a CAGR of 0.9% from 2022 to 2030

Liquids balance is an indicator of how the global oil market is performing in terms of supply-demand dynamics. The global supply of liquid products relies on the supply of feedstock, including crude oil, condensate, and NGLs. Conversely, the demand for liquid products, which include refined products, blended biofuels, synthetic fuels, liquid petroleum gases, and ethane, differs by region. From 2010 to 2019, global liquids demand grew at a CAGR of 1.7%. Due to the economic impact of the COVID-19 pandemic and measures taken against it, global liquids demand declined by 10.0% between 2019 and 2020. However, this demand is expected to grow at a CAGR of 0.9% from 2022 to 2030.

Below figures shows the liquids supply-demand from 2010 to 2030 and shows the historical Brent price dynamics.

Figure (3-3): Global Liquids supply demand

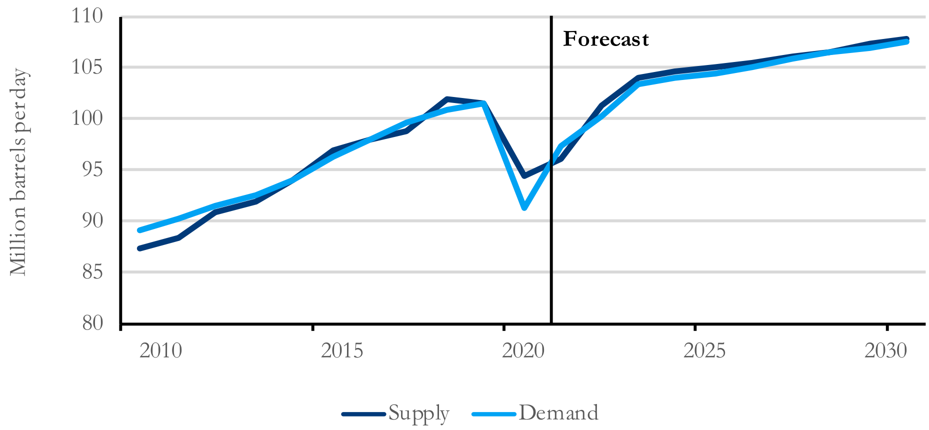
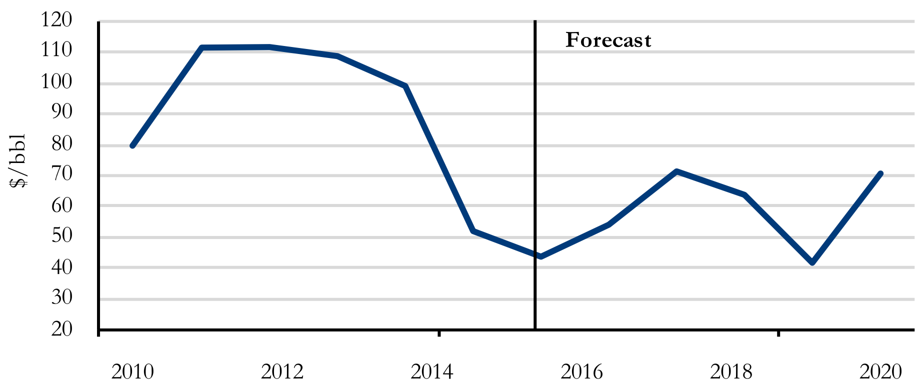


Figure (3-4): FOB Dated Brent Historical Price



Global refined product demand is forecasted to grow at a CAGR of 0.9% and reach 90 MMb/d by 2030 driven by growth in Africa, the Middle East, and Asia

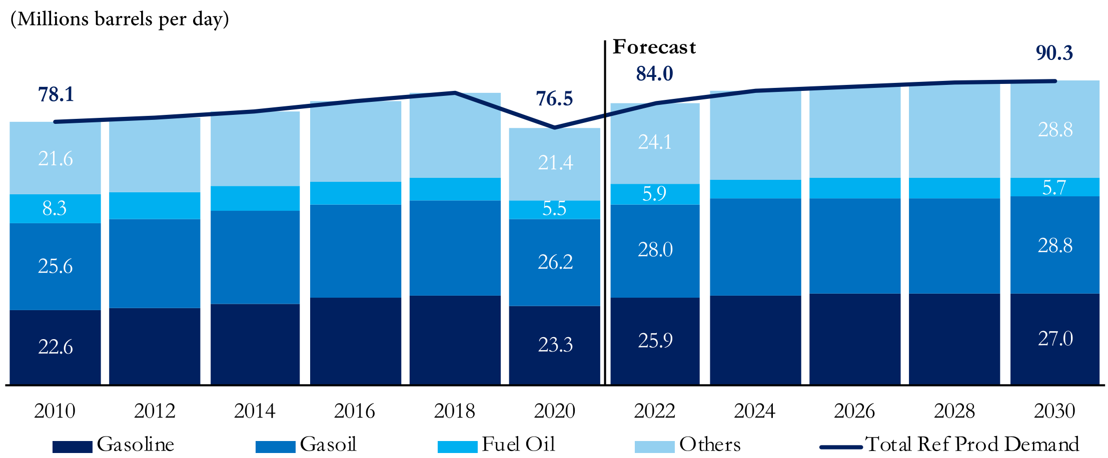
Between 2010 and 2019, refined products demand increased at a CAGR of 1.2% globally, mainly driven by the growth in Commonwealth of Independent States (CIS), Africa, the Middle East, and Asia Pacific. Global demand for refined products declined by 12.1% between 2019 and 2020 due to the economic impact of the COVID-19 pandemic and measures taken against it. However, 2021 witnessed a steep market recovery as global demand for refined products increased by 6.3% from the previous year. Global refined products demand in 2021 stood at 81.3 MMb/d and it is further expected to grow at 3.3% in 2022. Between 2022 and 2030, global demand for refined products is expected to increase at a CAGR of 0.9%, driven by continuing demand growth from Africa, the Middle East, and Asia Pacific.

Among the refined products, naphtha, gas oil, and fuel oil is expected to grow at 2.8%, 0.3%, and -0.5% CAGR between 2022 to 2030, respectively. The demand for naphtha is expected to be driven by strong petrochemicals feedstock requirements, while gas oil demand is expected to be driven by transportation requirements. However, global diesel demand is expected to peak by end of this decade because of the initiatives for the energy transition.

Global refined product supply is estimated to reach 92 MMb/d by 2030 (4,290 Mt equivalent, considering 365 days of operation and a factor of 7.8 for converting barrel to tonne) from 83 MMb/d (3,881 Mt equivalent) in 2021, implying a CAGR of 0.9%. Africa, Middle East, and Asia Pacific are expected to lead the global supply growth. Africa is expected to witness a CAGR of 3.7% over the forecast period from 2022 to 2030, followed by the Middle East, with 1.8%, and the Asia Pacific, with 1.0%. Europe and CIS region will be witnessing a declining trend with regards to refined products supply, while North America is expected to remain almost stagnant and witness negligible growth over the forecast period.

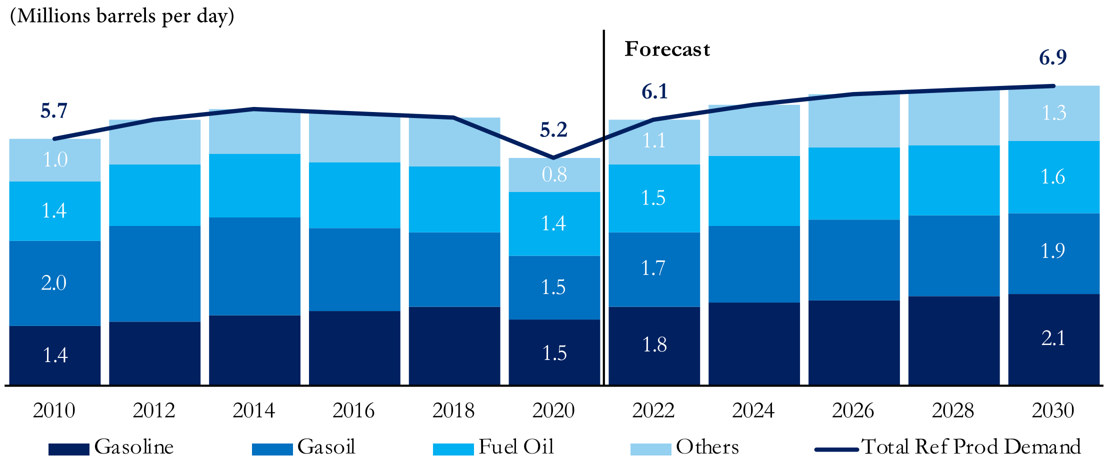
The Figure below shows the refined products demand globally and in the Middle East from 2010 to 2030, respectively.

Figure (3-5): Global refined product demand



Note: Others include NAPHTHA, Jet / Kerosene

Figure (3-6): Middle East refined product demand



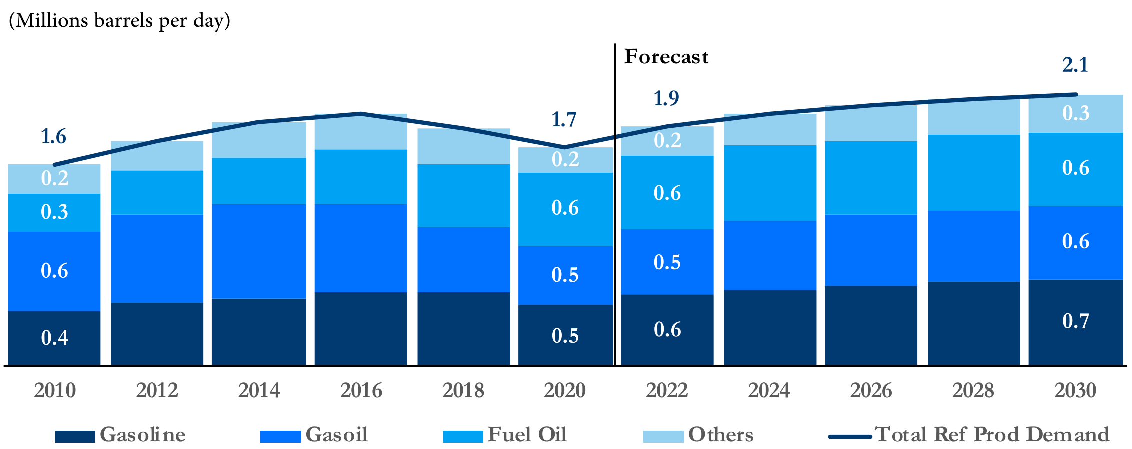
Note: Others include Naphtha, Jet / Kerosene

The Kingdom of Saudi Arabia's refined products demand is forecasted to grow faster than the global and regional average at a 1.6% CAGR and will continue to be a net exporter with supply growth.

Refined products demand in the Kingdom of Saudi Arabia grew at a CAGR of 1.7% from 2010 to 2019. In 2020, the demand for refined products fell by 6.9% and grew by 0.4% in 2021. The Kingdom of Saudi Arabia is the largest consumer of refined products in Middle East, with 1.7 MMb/d in 2021, and it is expected to grow by 8.8% in 2022. For the forecast period from 2022 to 2030, refined products demand is expected to grow at a CAGR of 1.6%, with naphtha and gas oil demand expected to grow at CAGRs of 4.4% and 1.4%, respectively, whereas fuel oil demand is expected to grow at a CAGR of 0.2%, peaking in 2025 due to the higher penetration of gas into the power generation.

The Figure below shows the Kingdom of Saudi Arabia's refined products demand from 2010 to 2030.

Figure (3-7): Kingdom of Saudi Arabia refined product demand



Note: Others include NAPHTHA, Jet / Kerosene

3.4 Lubricants Demand

3.4.1 Global

Global lubricant demand is forecasted to grow at a CAGR of 0.8%, driven by vehicle population growth and industrial growth.

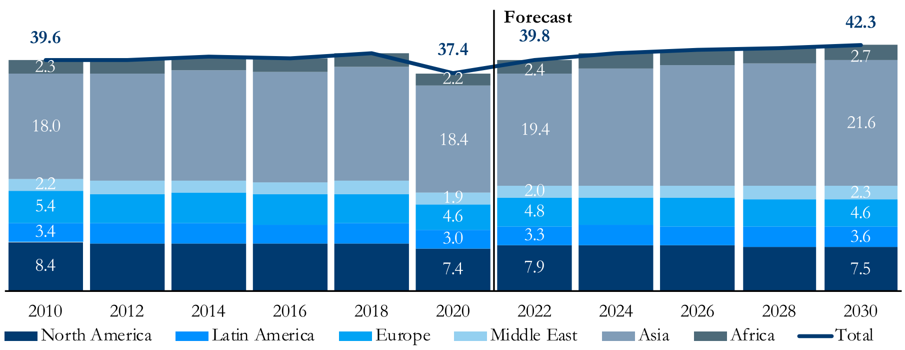
Global lubricants demand for the period 2010 to 2019 grew at a CAGR of 0.3%, while declining by 7.8% in 2020 due to COVID-19. However, a steep recovery was witnessed in 2021, with demand growing by 4.5% from the previous year.

Global lubricants demand stood at 39.1 Mt/y in 2021 and it is expected to grow by 1.8% in 2022. From 2022 to 2030, the global lubricants demand is expected to grow driven by population expansion, economic growth, and global vehicle fleet growth, offset by improvements in lubricants efficiency. Over this period, lubricants demand is expected to grow at a 0.8% CAGR, with stronger growth in Asia, the Middle East, Africa, and Latin America, offsetting the expected decline in North America and Europe.

The Figure below shows the global lubricants demand by region from 2010 to 2030.

Figure (3-8): Global lubricants demand by region

(Million tonnes per annum)



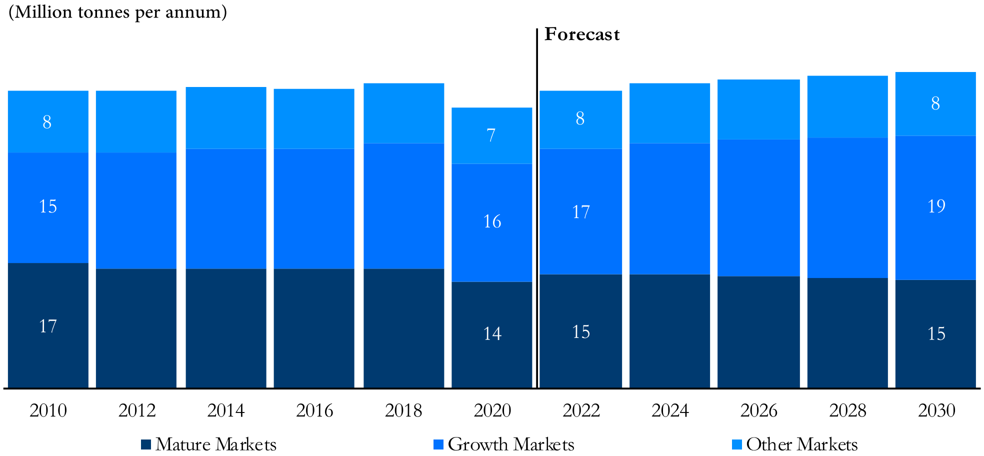
CAGR (10-19)	CAGR (22-30)
0.3%	0.8%
0.7%	1.4%
0.9%	1.4%
(0.4%)	1.4%
(0.7%)	(0.6%)
(0.0%)	1.2%
(0.3%)	(0.6%)

Note : Aisa Includes CIS and APAC

The Figure below shows the global lubricants demand by market category from 2010 to 2030.

Figure (3-9): Evolution of finished lubricant demand by market category

(Million tonnes per annum)



CAGR (10-20)	CAGR (22-30)
(0.9%)	1.0%
0.6%	1.8%
(1.5%)	(0.6%)

Note: Mature markets comprises of Europe, North America and Other North Asia. Growth markets comprise of China, Middle East and South Asia. Other markets comprise of Africa, CIS and Latin America

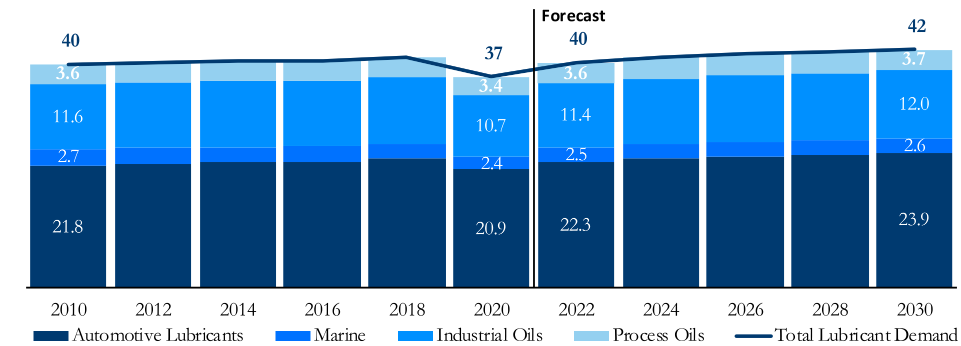
Demand for transport lubricants is expected to grow at a CAGR of 0.8% over the 2022-2030 period, following a decline of 8.3% in 2020. Demand from the passenger car motor oil (PCMO) segment is expected to grow at a CAGR of 0.2% from 2022 to 2030, driven by the growth in the number of vehicles and offset by lengthening drain internals, increasing vehicle efficiency, increasing uptake of hybrid and fully electric light duty vehicles (LDV), and changes in consumer behavior. Demand for heavy-duty engine oil (HDEO) is expected to grow at a CAGR of 1.3% over the same period, driven by the growing economic activity, which will require an increased transportation of goods.

The total global fleet is expected to grow at a CAGR of 1.9% from 2022 to 2030, increasing from 2,303 million vehicles in 2022 to 2,668 million vehicles in 2030. Global LDV fleet is expected to grow at a CAGR of 1.6% from 2022 to 2030, while the HDV fleet and 2-wheeler fleets are expected to grow at a CAGR of 1.9% and 2.5%, respectively, over the same period. The total Middle East fleet is expected to grow at a CAGR of 1.7% from 2022 to 2030, increasing from 81 million vehicles in 2022 to 93 million vehicles in 2030. Middle East LDV fleet is estimated to grow at a CAGR of 1.4%, while HDV and 2-wheeler fleet will both experience a CAGR of 2.3% over the forecast period from 2022 to 2030. The total fleet in Africa is expected to grow at a CAGR of 2.3% from 2022 to 2030, increasing from 61 million vehicles in 2022 to 73 million vehicles in 2030. In Africa, 2-wheelers will grow the fastest, at a CAGR of 2.7%, followed by the HDV fleet at a CAGR of 2.3%, and LDV at a CAGR of 2.0% from 2022 to 2030. As energy transition gains pace in the fight against climate change, the penetration of fully electric and hybrid electric vehicles is expected to impact the volume of lubricants consumed per vehicle. The displacement of PCMO demand due to LDV fleet electrification is currently projected to potentially reduce the overall demand from the global lubricants market by 373 Kt/y by 2030.

The outlook for the non-transport segment also indicates limited volume growth, with demand edging slowly higher driven by increased economic activity, with new practices and technologies moderating the upward potential. A variety of emerging trends and practices are converging to constrain lubricants demand growth in non-transport applications. Advanced manufacturing techniques in the automotive and other sectors, such as 3-D printing, the use of composite materials, or Minimum Quantity Lubrication, are expected to reduce the need for metalworking fluids.

The Figure below shows the global lubricants demand by sector from 2010 to 2030.

Figure (3-10): Global lubricants demand by sector



CAGR (10-19)	CAGR (22-30)
0.3%	0.8%
(0.0%)	0.4%
(0.0%)	0.7%
(0.6%)	0.5%
0.6%	0.9%

Note: Automotive lubricants and Marine are all "Transport" sectors. Process oils and Industrial oils are "non-Transport" sector

3.4.2 Middle East

In the Middle East, lubricant demand is forecasted to grow faster than the global average at a CAGR of 1.4% from 2022 to 2030.

Middle East lubricants demand during the 2010-2019 period has witnessed a marginal decline, at a CAGR of 0.4%. In the region, growth was strong in the early part of the decade, but many countries experienced declines over the 2016-2019 period, owing to economic slowdown in those years. Furthermore, while the demand declined by 9.9% in 2020 due to COVID-19, 2021 witnessed a strong recovery, with a 5.4% increase from the previous year. Middle East lubricants demand stood at 1,974 Kt/y in 2021 and it is expected to grow by 2.3% in 2022.

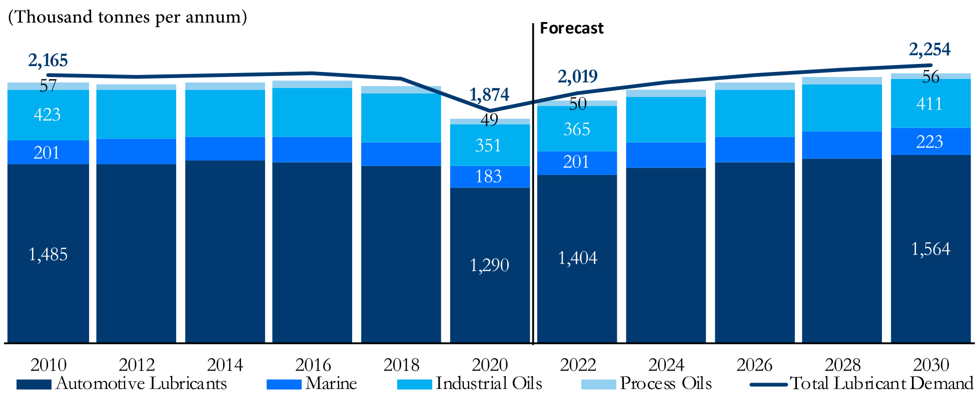
From 2022 to 2030, Middle East lubricants demand growth is expected to increase owing to population expansion, economic growth, and increased resource extraction and marine activity, partly offset by the improvements in lubricants usage efficiency. The total lubricants demand growth over this period is expected at a CAGR of 1.4%.

HDEO is by far the largest lubricant product category in the region, currently accounting for just under 40% of the total demand and is expected to grow at a CAGR of roughly 1.6% over 2022-2030. Demand in the PCMO segment, in volume terms, is roughly half the size of the HDEO segment and is expected to grow at a slower pace of 0.9%. Demand from the marine segment is relatively high, reflecting the region's key role in energy shipping and bunkering.

The process oil segment is relatively modest, reflecting the region's limited light industrial and manufacturing base. However, the industrial segment demand is bolstered by the region's resource extraction industries.

The Figure below shows the Middle East lubricants demand by sector from 2010 to 2030.

Figure (3-11): Middle East lubricants demand by sector



CAGR (10-19)	CAGR (22-30)
(0.4%)	1.4%
(0.6%)	1.4%
(1.1%)	1.5%
0.2%	1.3%
(0.3%)	1.4%

Note: Automotive lubricants and Marine are all "Transport" sectors. Process oils and Industrial oils are "non-Transport" sector

3.4.3 Kingdom of Saudi Arabia

The Kingdom of Saudi Arabia's lubricant demand is forecasted to grow at a CAGR of 1.4%, closely following the growth at a regional level.

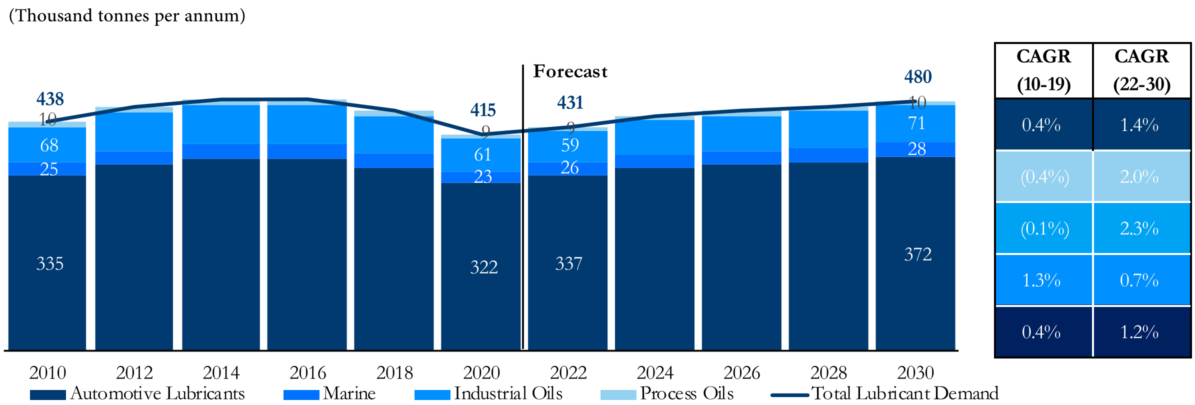
The Kingdom of Saudi Arabia's lubricants demand for the period 2010-2019 grew at a CAGR of 0.4%. In 2020, the demand declined by 8.3% due to COVID-19. From the low of 2020, a 3.3% recovery in demand was witnessed in 2021. The Kingdom of Saudi Arabia's lubricants demand stood at 429 Kt/y in 2021, and it is expected to grow by 0.4% in 2022.

From 2022 to 2030, the Kingdom of Saudi Arabia's lubricants demand is expected to grow owing to population expansion coupled with economic growth, driving strong growth in vehicle fleets and increased resource extraction and marine activity, partly offset by improvements in lubricants usage efficiency. Vehicle fleet in the Kingdom of Saudi Arabia, which grew at a CAGR of 3.5% between 2010 and 2021, from 7.6 million vehicles to 11.1 million, is expected to continue to grow, albeit at a slower pace, from 11.2 million in 2022 to 12.7 million in 2030, implying a CAGR of 1.5%. Total lubricants demand over this period is expected to grow at a CAGR of 1.4%.

HDEO is by far the largest lubricant product category in the country, currently accounting for just under 41% of the total demand. This is projected to grow at a CAGR of roughly 1.7% over 2022-2030. Demand in the PCMO segment, in volume terms, accounts for roughly 30% of the total lubricants demand, and is projected to grow at a slower pace of 0.5%. Demand from the marine segment is relatively high, reflecting the country's key role in energy shipping. The process oil segment is relatively modest, reflecting the country's limited light industrial and manufacturing base. However, the industrial segment demand is expected to be bolstered by the country's extensive resource extraction industries.

The Figure below shows the Kingdom of Saudi Arabia lubricants demand by sector from 2010 to 2030.

Figure (3-12): Kingdom of Saudi Arabia lubricants demand by sector



Note: Automotive lubricants and Marine are all "Transport" sectors. Process oils and Industrial oils are "non-Transport" sector

3.5 Base Oil supply and demand

Based on properties, base oils are classified into five separate Groups as shown in Table 1 below.

Table (3.1): Base Oil Groups classification

Paraffinic Base Oils				
	Saturates (%wt.)	Sulfur (%wt.)	Viscosity Index	Production Technology
Group I	< 90	> 0.03	80 - 120	Solvent Extraction and Dewaxing. Needs a Paraffinic Crude Oil feedstock
Group II	> 90	< 0.03	80 - 120	Hydrocracking and Hydroisomerisation
Group III	> 90	< 0.03	> 120	Severe Hydrocracking and Hydroisomerisation
Non-Paraffinic Base Oils				
Group IV	Poly Alpha Olefins (PAOs), Traditional Synthetic Lubes			Specific Molecular Manufacture - built up from ethylene
Group V	All other base oils, but primarily Naphthenic Base Oils.			Naphthenic Base Oils produced by Solvent Extraction, Dewaxing and Hydro processing. Needs a Naphthenic Crude Oil feedstock

Base oil demand is derived from finished lubricants demand based on typical blending formulations and the expected impact of future changes on these formulations.

The total technical demand for base oils considers trends in lubricant formulations as driven by emission standards, engine technologies, and fuel efficiency requirements. The technical demand for a base oil is defined as the minimum quantity required of Group II, Group III, Group IV, and Group V base oils, based on the technical requirements of the finished lubricant formulations supplied to the market.

Technical demand can differ significantly from actual consumption in any given market, since lubricant blenders can choose to use greater volumes of higher-quality (Group II and Group III) base oils than technically necessary in certain lubricant formulations for economic, marketing, or logistical reasons. The use of Group II or Group III base oils in lubricants that, technically, could be produced to required standards using Group I base oil, is known as "**over-blending**".

3.5.1 Global Base Oil demand

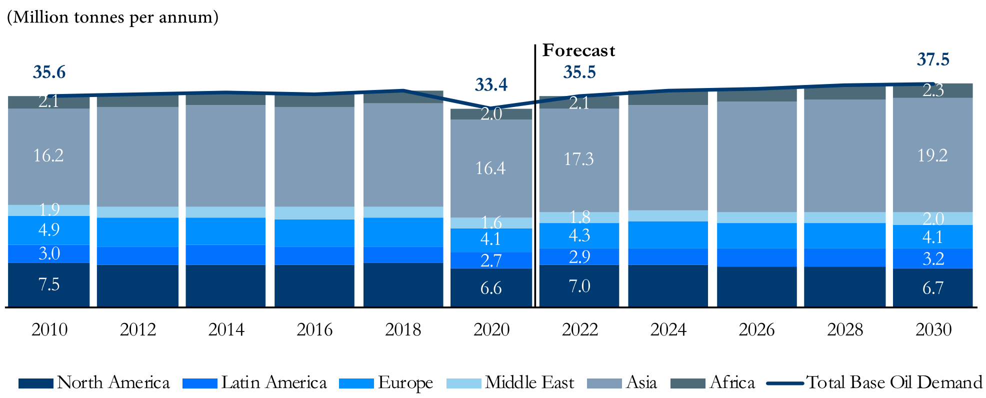
Global base oil demand growth will be driven by stronger demand for Group II (3.5% CAGR over 2022-2030) and Group III (4.8% CAGR over 2022-2030) base oils.

Base oil demand growth closely tracks the growth in lubricants demand since lubricants consist of base oils plus additives. Some of the most advanced automotive lubricants contain up to 20% additives, but some simple industrial lubricants consist of base oil only.

Base oil demand grew at a CAGR of 0.2% over the 2010-2019 period. In 2020, the demand declined by 7.8% due to COVID-19. From the low of 2020, a steep recovery in demand was witnessed in 2021, with a 4.4% increase from the previous year. In 2021, Global base oil demand stood at 34.9 Mt/y, and it is expected to grow by 1.7% in 2022. From 2022 to 2030, global base oil demand is expected to grow at a CAGR of 0.7%, with stronger growth in Asia, the Middle East, Africa and Latin America, offsetting the expected decline in North America and Europe.

The Figure below shows the global technical base oil demand by region from 2010 to 2030.

Figure (3-13): Global technical base oil demand by region



CAGR (10-19)	CAGR (22-30)
0.2%	0.7%
0.6%	1.3%
0.8%	1.3%
(0.5%)	1.3%
(0.8%)	(0.6%)
(0.2%)	1.1%
(0.4%)	(0.7%)

Note : Aisa Includes CIS and APAC

While total base oil demand has remained relatively static, with only modest growth forecasted, there has been, and will be, significant changes in demand for different base oil Groups. Requirements for higher performance lubricants, especially in the automotive sector, have been, and will remain, the key factors driving a continued growth in technical demand for Group II and Group III base oils, and a decline in the demand for Group I base oil.

Group I base oil demand for the period 2010-2019 declined at a CAGR of 2.6%. In 2020, demand declined by 10.2% due to a combination of COVID-19 and lack of supply. From the low of 2020, very little recovery in demand was observed in 2021, with a growth of 0.7% from the previous year. Group I base oil demand stood at 17.5 Mt/y in 2021 and it is expected to decline by 1.7% in 2022. From 2022 to 2030, global Group I base oil demand is expected to decline at a CAGR of 2.9%.

Since 2019, Group I base oil plant rationalization has picked up the pace, with announced closures of Galp's Matosinhos refinery in Portugal (150 Kt/y, inactive since October 2021), Total's Gonfreville Refinery in France (250 Kt/y of capacity in 2021), Eneos' Negishi (closure of 230 Kt/y of capacity planned for October 2022), and Wakayama (closure of 370 Kt/y of capacity planned for 2023) refineries in Japan.

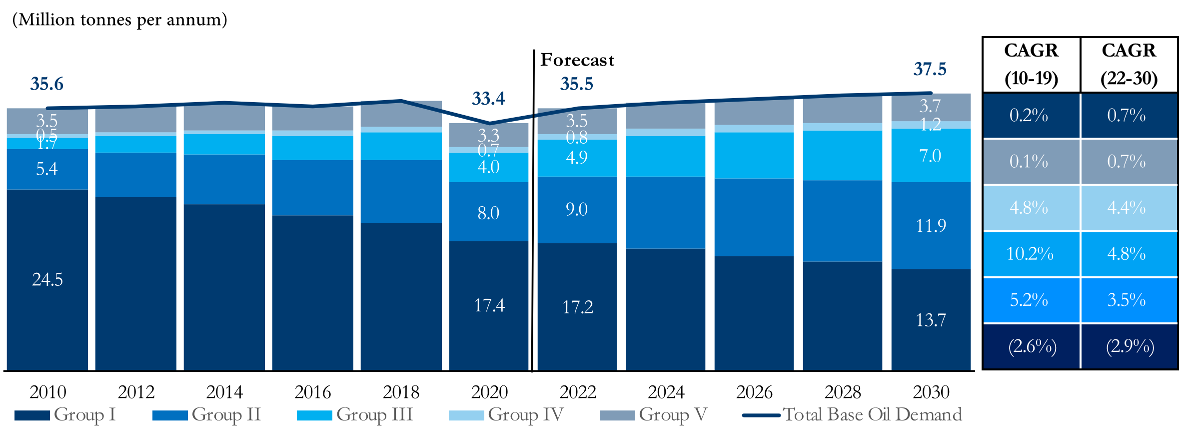
Global demand for Group II and Group III base oils grew at a CAGR of 5.2% and 10.2% between 2010 and 2019, respectively. The demand for Group II and III Base Oils globally is expected to increase by approximately 5 Mt/y between 2022 and 2030, implying a CAGR of 3.5% and 4.8% between 2022 and 2030, respectively.

Group II base oil demand for the period 2010 to 2019 grew at a CAGR of 5.2%. In 2020, the demand declined by 6.0% due to a combination of COVID-19 and lack of supply. From the low of 2020, demand recovered and grew by 8.1% in 2021. Group II base oil demand stood at 8.6 Mt/y in 2021 and it is expected to grow by 4.6% in 2022. From 2022 to 2030, global Group II base oil demand growth is expected to grow at a CAGR of 3.5%.

Group III base oil demand for the period 2010-2019 grew at a CAGR of 10.2%. In 2020, the demand declined by 2.3% due to COVID-19. From the low of 2020, demand recovered and grew by 12% in 2021. Group III base oil demand stood at 4.5 Mt/y in 2021 and it is expected to grow by 7.8% in 2022. From 2022 to 2030, global Group III base oil demand is expected to grow at a CAGR of 4.8%.

The Figure below shows the global technical base oil demand by API Group from 2010 to 2030.

Figure (3-14): Global technical base oil demand by API Group



Overall, base oil production capacity has grown steadily over the past decade, dramatically transforming the market structure. Capacity growth has outstripped demand, resulting in utilization rates to slowly decline.

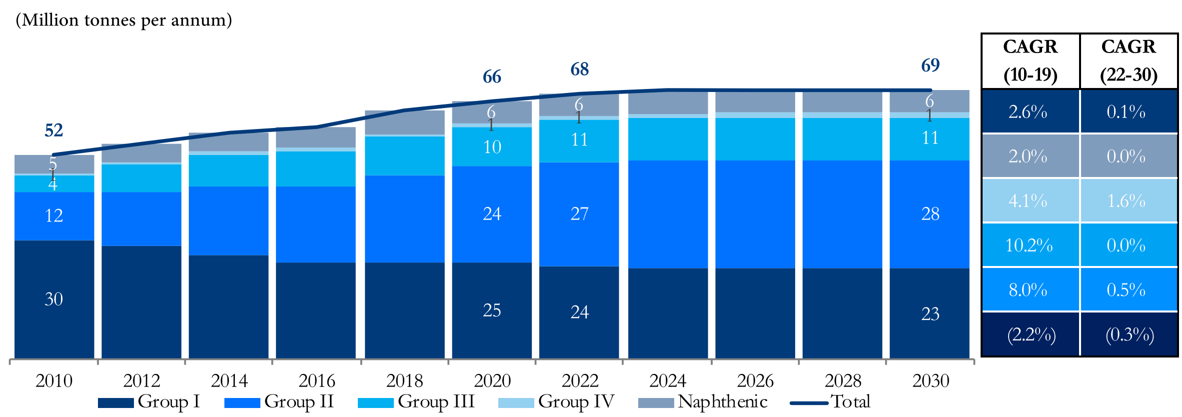
The introduction of hydro-processing upended earlier established cost relationships, enabling the production of higher-quality base oils at lower cost. The base oil industry is still moving through the resulting long-term capital replacement cycle, driven by superior technology and evolving market needs.

As of the start of 2021, the total production capacity for conventional paraffinic and naphthenic base oils and PAOs stood at nearly 62.5 Mt/y. Re-refining adds another 4.5 Mt/y of Group I, Group II, Group III, and naphthenic base oil production capacity. Group II/III capacity additions have outpaced Group I capacity reductions, resulting in a net capacity increase of approximately 13.8 Mt/y over the 2011-2020 period.

Group I capacity has fallen by about one-fifth since 2010. Group II capacity has more than doubled since 2010 and now exceeds Group I capacity. Group III capacity has increased by 145% compared to the 2010 level.

The Figure below shows the global base oil capacity by API Group from 2010 to 2030.

Figure (3-15): Baseoil capacity by API group

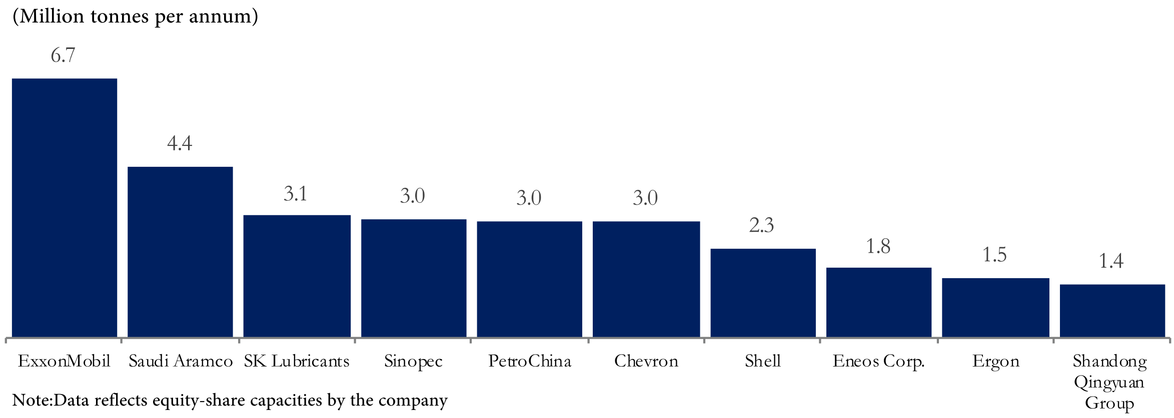


Out of the top 10 global base oil producers by capacity, ExxonMobil is the largest, with a total supply share of 22% of the top 10 producers' capacity, closely followed by Saudi Aramco at 15%, and by SK Lubricants at number 3, accounting for 10%.

Singapore refinery has the largest base oil plant with capacity of 2.4 Mt/y. USA and South Korea accounts for nearly 73% of the top 15 base oil plants by capacity.

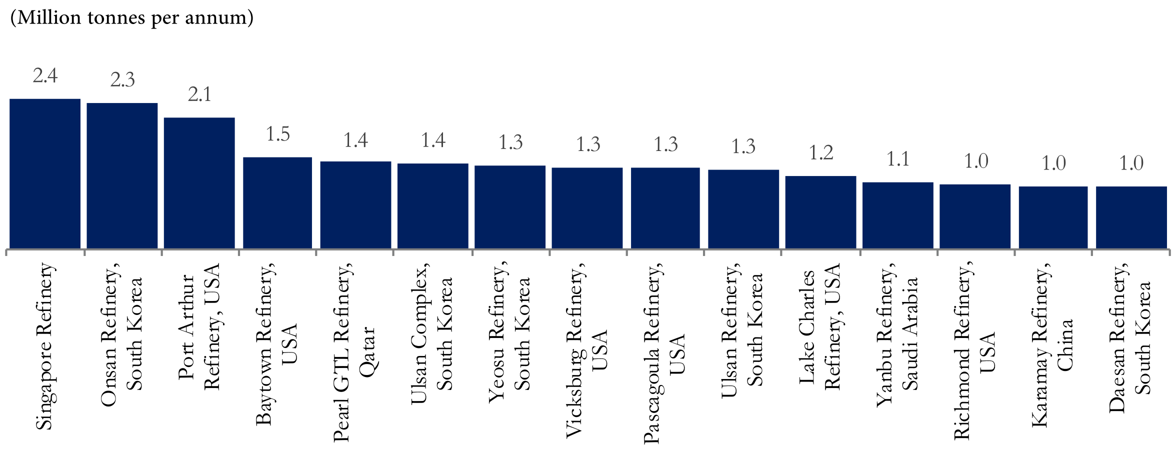
The Figure below shows the top 10 global base oil producers by capacity in 2021.

Figure (16-A): Top 10 global baseoil producers by capacity:



The Figure below shows the top 15 global base oil plants by capacity in 2021.

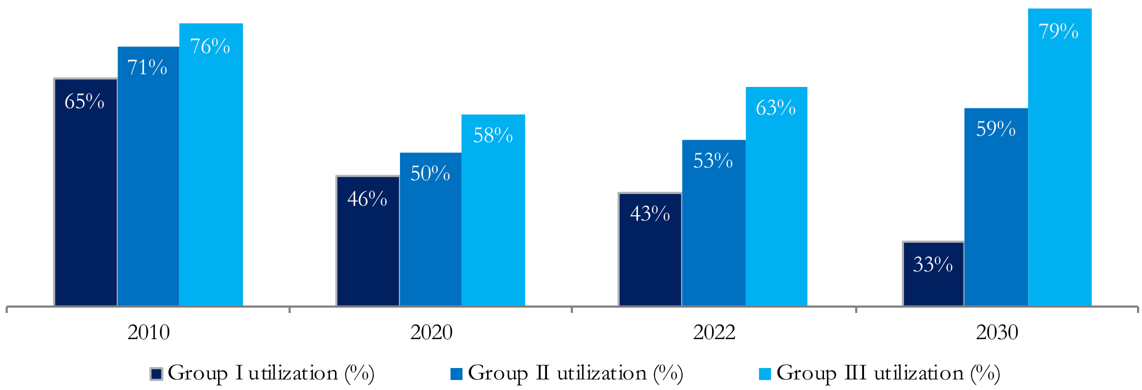
Figure (16-B): Top 15 global baseoil plants



Global average base oil capacity utilization rates can be expected to remain low through 2030. Excess capacity is observable in all base oil segments. The Group III segment is likely to be best placed to maintain relatively healthy capacity utilization rates as the rising Group III demand forecast eats into spare production capacity. By the end of the 2030s, utilization rates are expected to be greater than 75%, implying that additional capacity will be required beyond 2030. Global Group II capacity utilization will be reduced by the very large volumes recently added in the Netherlands and the upcoming new capacity additions in China and Singapore. However, with steady organic demand growth, Group II utilization rates are expected to recover to around 60% by 2030. Group I capacity utilization rates, on the contrary, are expected to decline steadily in line with falling global demand.

The Figure below shows the global paraffinic base oil plant utilization by API Group from 2010 to 2030.

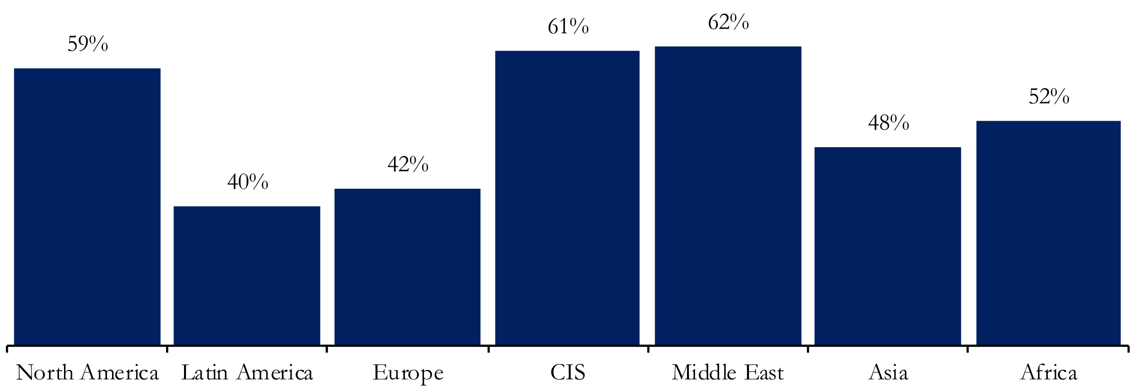
Figure (3-17): Global paraffinic base oil plant utilization



On a regional basis, the Middle East will have the highest utilization compared to other regions. The low cost of fuel for electricity generation provides the regional base oil plants with a structural advantage. Coupled with the increasing global demand for Group II and Group III, this will drive the region's improving capacity utilization. Other than the Middle East, Asia is the only other region expected to witness increasing plant utilizations over the forecast period. Africa and Latin America are expected to witness the steepest declines compared to other regions, owing to lack of investments and global economic pressures. Capacity rationalization can be expected with regards to Group I base oil plant utilizations as global demand declines and moves away from Group I usage.

The Figure below shows the regional paraffinic base oil plant utilization for 2021.

Figure (3-18): Regional paraffinic base oil plant utilization in 2021



3.5.2 Middle East Base Oil Demand, Production

3.5.2.1 Demand

Middle East base oil demand growth is expected to exceed the global average, with a CAGR of 1.3% over the 2022-2030 period.

Base oil demand for the period 2010 to 2019 witnessed a marginal decline at a CAGR of 0.7% as the lubricant demand declined. In 2020, demand declined by 7.4% due to COVID-19. From the low of 2020, a strong recovery in demand was observed in 2021, with a growth of 6.2% from the previous year. Middle East base oil demand stood at 1,764 Kt/y in 2021 and it is now expected to grow by 2.1% in 2022. From 2022 to 2030, Middle East base oil demand is expected to grow at a CAGR of 1.3%. As in other regions, there has been, and will be, significant changes in demand for the different base oil Groups driven by the same requirements for improved lubricant performance, particularly in the automotive sector.

Group I base oil demand for the period 2010 to 2019 declined at a CAGR of 4.4% following the global trend. In 2020, the demand declined by 10.4% due to a combination of COVID-19 and reduced refinery throughput leading to short supply of base oil feedstock. From the low of 2020, very little recovery in demand was observed in 2021, with a growth of 0.8% from the previous year. Middle East Group I base oil demand stood at 956 Kt/y in 2021 and it is now expected to decline further by 1.3% in 2022. From 2022 to 2030, Middle East Group I base oil demand is expected to decline at a CAGR of 2.8%.

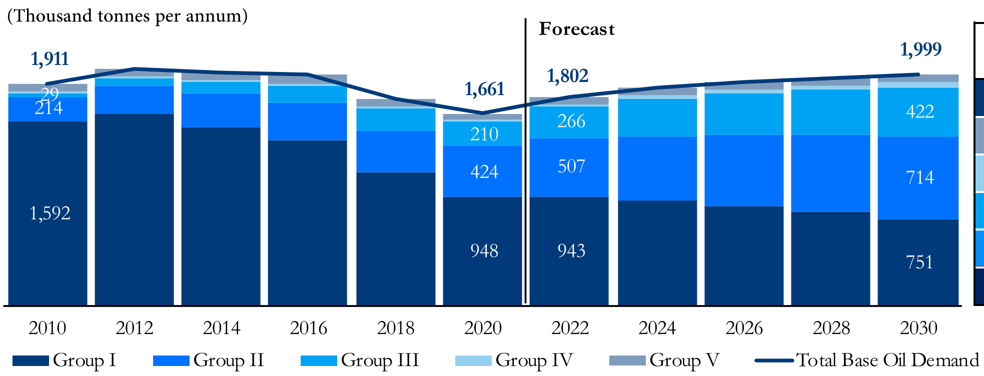
In the Middle East, demand for Group II and Group III base oils grew at a CAGR of 8.4% and 24.6% between 2010 and 2019, respectively. Demand for Group II and Group III base oils is expected to grow at a CAGR of 4.4% and 5.9% between 2022 and 2030, respectively. The outlook is further supported by strong macro fundamentals in the broader Middle East region, with a real GDP CAGR of approximately 3.0% expected from 2022 to 2030.

Group II base oil demand for the period 2010 to 2019 grew at a CAGR of 8.4%. In 2020, the demand declined by 3.9% due to a combination of COVID-19 and lack of supply. From the low of 2020, a strong recovery was observed in 2021, with a growth of 14.4% from the previous year. Middle East Group II technical base oil demand stood at 485 Kt/y in 2021 and it is expected to grow by 4.4% in 2022. From 2022 to 2030 Middle East Group II base oil demand is expected to grow at a CAGR of 4.4%.

Group III base oil demand for the period 2010 to 2019 grew at a CAGR of 24.6%, from a relatively low starting point. In 2020, demand remained static despite the impact of COVID-19. From the flat growth in 2020, a strong recovery was observed in 2021, with a growth of 14.6% from the previous year. Middle East Group III technical base oil demand stood at 241 Kt/y in 2021 and it is expected to grow further at 10.5% in 2022. From 2022 to 2030, Middle East Group III base oil demand is expected to grow at a CAGR of 5.9%.

The Figure below shows the Middle East technical base oil demand by API Group from 2010 to 2030.

Figure (3-19): Middle East technical base oil demand by API group



CAGR (10-19)	CAGR (22-30)
(0.7%)	1.3%
(0.1%)	2.1%
6.7%	6.5%
24.6%	5.9%
8.4%	4.4%
(4.4%)	(2.8%)

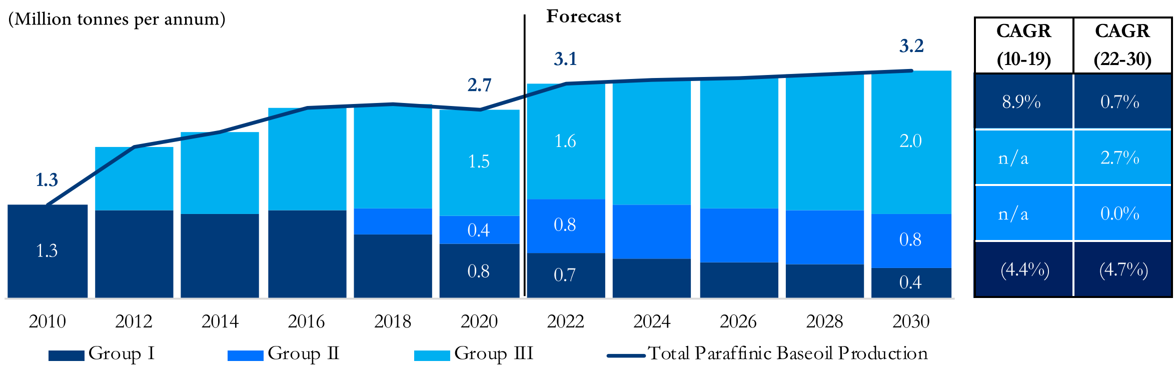
3.5.2.2 Production

In 2021, the Middle East paraffinic base oil production stood at 3,109 Kt/y, composed of 762 Kt/y Group I base oil, 761 Kt/y Group II base oil, and 1,586 Kt/y Group III base oil.

Going forward, Group I production is expected to decline in line with the regional and global demand decline. Group II and Group III production is expected to grow, with increased utilization of existing capacity and potential new plants coming online, to meet growing regional and global demand.

The Figure below shows the Middle East paraffinic base oil production by API Group from 2010 to 2030.

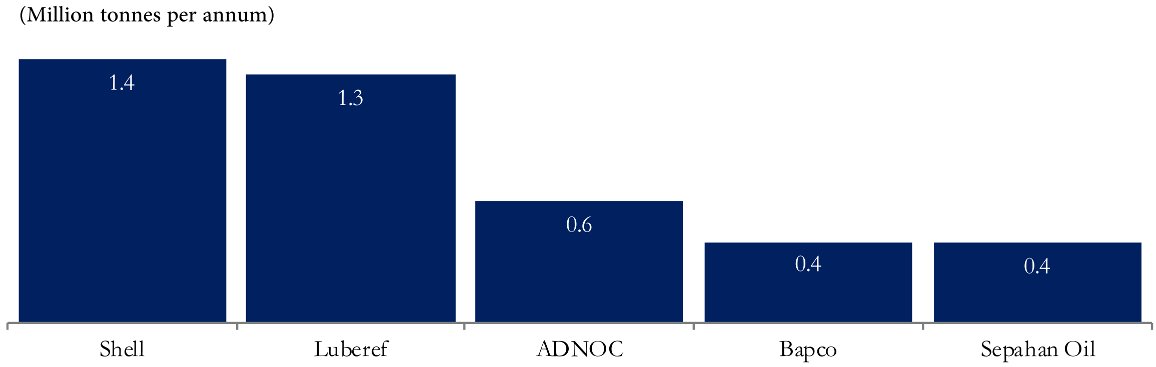
Figure (3-20): Middle East paraffinic base oil production by API group



Shell is the largest producer of base oil in the Middle East, followed by Luberef, accounting for 40% and 23% of the total base oil production amongst the top five producers in the region, respectively.

The Figure below shows the Middle East top five base oil operators by capacity in 2021.

Figure (3-21): Middle East top 5 base oil operators by capacity in 2021



Note: Data reflects the capacities of the operating company

3.5.3 Kingdom of Saudi Arabia Base Oil Demand, Production

3.5.3.1 Demand

The Kingdom of Saudi Arabia's base oil demand is forecasted to grow at a CAGR of 1.2%, closely following the regional growth.

Base oil demand for the period 2010 to 2019 declined at a CAGR of 0.6%. In 2020, demand grew by 4.0%, whereas in 2021, further recovery was observable, with a growth of 7.5% from the previous year. The Kingdom of Saudi Arabia's base oil demand stood at 408 Kt/y in 2021 and it is expected to grow by 0.1% in 2022. The total paraffinic base oil in-Kingdom demand reached 393 Kt/y in 2021. From 2022 to 2030, the Kingdom of Saudi Arabia's base oil demand is expected to grow at a CAGR of 1.2%. There has been, and will be, significant changes in demand for the different base oil groups driven by the same requirements observable globally and in-region for improved lubricant performance, particularly in the automotive sector.

Group I base oil demand for the period 2010 to 2019 declined at a CAGR of 10.0%, following the need of improving lubricant quality and resulting in replacement of Group I base oil with Group II material. In 2020, the demand grew by 9.1%, whereas in 2021 the demand declined by 7.6%. The Kingdom of Saudi Arabia's Group I base oil demand stood at 122 Kt/y in 2021 and it is expected to decline by 6.1% in 2022. From 2022 to 2030, the Kingdom of Saudi Arabia's Group I base oil demand is expected to decline at a CAGR of 5.5%, continuing the long-term trend. It should be noted that some of this technical demand for Group I base oil is met by supplying Group II material (so called "**overblending**"), particularly since the cost of production of Group II base oil at Yanbu is lower than the cost of production of Group I at Yanbu and Jeddah.

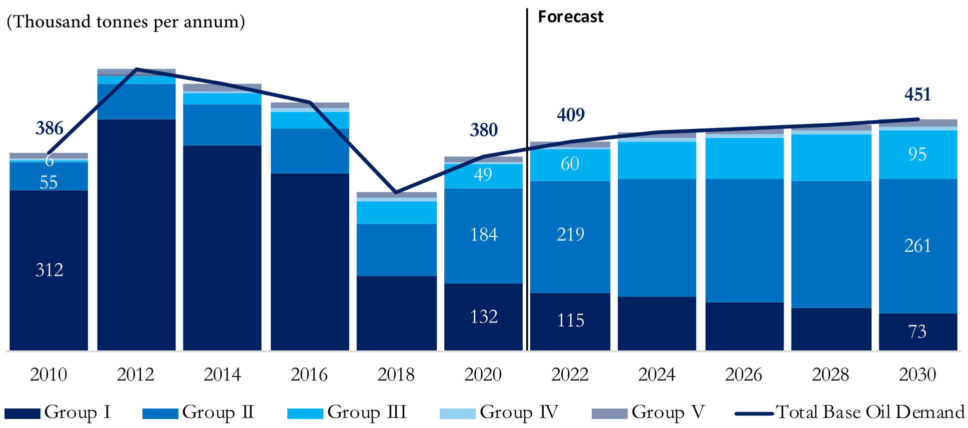
In the Kingdom of Saudi Arabia, demand for Group II and Group III base oils grew at a CAGR of 14.2% and 26.1% between 2010 and 2019, respectively. Demand for Group II and III base oils is expected to grow at a CAGR of 2.2% and 5.9% between 2022 and 2030, respectively. The outlook is further supported by strong macro fundamentals in the Kingdom of Saudi Arabia, with a real GDP CAGR of approximately 2.0% expected from 2022 to 2030.

Group II base oil demand for the period 2010 to 2019 grew at a CAGR of 14.2%. In 2020, the demand grew by 1.7%, whereas in 2021 a strong recovery was observable, with a growth of 17.4% from the previous year. The Kingdom of Saudi Arabia's Group II technical base oil demand stood at 216 Kt/y in 2021 and it is expected to grow by 1.3% in 2022. From 2022 to 2030, the Kingdom of Saudi Arabia's Group II base oil demand is expected to grow at a CAGR of 2.2%, in response to continuing requirements for higher quality lubricants.

Group III base oil demand for the period 2010 to 2019 grew at a CAGR of 26.1%, from a relatively low starting point. In 2020, demand grew by 3.4% despite the impact of COVID-19. From 2020, demand rebounded strongly in 2021, with a growth of 12.0% from the previous year. The Kingdom of Saudi Arabia's Group III technical base oil demand stood at 55 Kt/y in 2021 and it is expected to grow by 9.0% in 2022. From 2022 to 2030, the Kingdom of Saudi Arabia's Group III base oil demand is expected to grow at a CAGR of 5.9%.

The Figure below shows the Kingdom of Saudi Arabia's technical base oil demand by API Group from 2010 to 2030.

Figure (3-22): Kingdom of Saudi Arabia technical base oil demand by API group



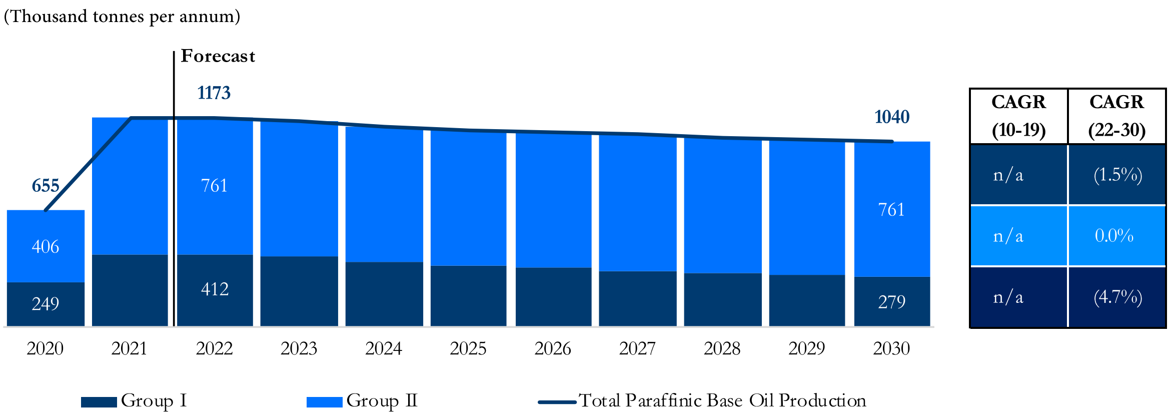
CAGR (10-19)	CAGR (22-30)
(0.6%)	1.2%
0.5%	2.6%
8.3%	6.5%
26.1%	5.9%
14.2%	2.2%
(10.0%)	(5.5%)

3.5.3.2 Production

In 2021, the Kingdom of Saudi Arabia paraffinic base oil production stood at 1,173 Kt/y, composed of 412 Kt/y Group I base oil and 761 Kt/y Group II base oil. Going forward, Group I base oil production is expected to decline in line with the regional and global demand decline. Group II base oil production is expected to remain steady (at maximum plant utilization) to meet growing domestic, regional, and global demand. For Group III base oil, the potential expansion project at Luberef should see production grow from zero to around 200 Kt/y per annum by 2025. However, the same is excluded from the below Figure.

The Figure below shows the Kingdom of Saudi Arabia's base oil production by API Group from 2020 to 2030

Figure (3-23): Kingdom of Saudi Arabia's base oil production by API group



Note:

1) Luberef is currently the only base oil producer in the Kingdom of Saudi Arabia.
2) Historical base oil production data from 2010 to 2019 are not available, while production values shown for 2020 are estimates based on the annual report of Saudi Aramco. 2021 data are actuals provided by Luberef.

The Kingdom of Saudi Arabia is a net exporter of Group II base oil, and it is expected to remain a net exporter despite the increasing local demand. On the contrary, all Group III base oil demand is currently met through imports, as there is no domestic production. However, this may change once Luberef's Yanbu expansion project is completed.

3.5.4 Other Key Markets

3.5.4.1 UAE and India are the two key target markets for base oil exports from the Kingdom of Saudi Arabia.

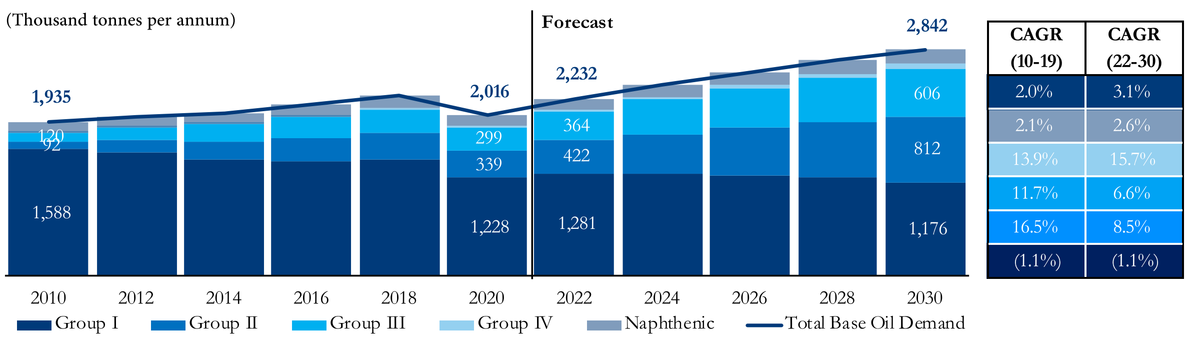
UAE's technical paraffinic base oil demand required to produce finished lubricants required for domestic consumption was 195 Kt/y in 2021, consisting of 156 Kt/y Group I base oil, 24 Kt/y Group II base oil and 15 Kt/y Group III base oil. However, the UAE market for base oils is much larger than this, as the UAE is a major regional blending hub. There will also be other 'export' demand from lubricants blenders that produce lubricants in the UAE for export into other Middle Eastern, African, and Asian markets. These demand volumes are captured in their respective regions, without any visibility on trade data. Therefore, the base oil sales volumes to the UAE can far exceed the domestic demand requirements of the Kingdom of Saudi Arabia for finished lubricants. Base oil sales to the UAE may well go to other parts of the Middle East, and other regions, such as India and Africa as re-export from UAE.

India's total paraffinic base oil demand stood at 2,006 Kt/y in 2021, consisting of 1,284 Kt/y of Group I base oil, 386 Kt/y Group II base oil, 336 Kt/y Group III base oil.

Between 2022 and 2030, Group I base oil demand in India is expected to decline at a CAGR of 1.1%, slower than the global average at a CAGR of -2.9%. However, India is expected to remain a structural importer of Group I base oil over this period, as demand greatly exceeds local production. Group II base oil demand is expected to grow at a CAGR of 8.5% over the same period, but India will remain a net exporter as BPCL base oil refinery expansion is expected to add 350 Kt/y of capacity by the end of 2022, taking the total Group II base oil production capacity to 1.0 Mt/y. During the same period, India's Group III base oil demand is expected to grow at a CAGR of 6.6% and is expected to reach 606 Kt/y by 2030. Despite being an import market for Group III base oil, the Indian production capacity will reach 395 Kt/y by the end of 2022, with expected capacity additions of 100 and 270 Kt/y at BPCL's Mumbai refinery and IOCL's Haldia refinery, respectively.

The Figure below shows India's base oil demand by API group from 2010 to 2030.

Figure (3-24): India technical base oil demand by API group



3.5.4.2 Africa's total paraffinic base oil demand stood at 1,920 Kt/y in 2021, consisting of 1,418 Kt/y of Group I base oil, 299 Kt/y Group II base oil, and 203 Kt/y Group III base oil.

Between 2022 to 2030, Group I base oil demand in Africa is expected to decline at a CAGR of 1.0%, much lower than global average at a CAGR of -2.9%, while the total base oil demand will continue to grow at a CAGR of 1.3% over the same period. Group II and Group III base oils demand are expected to grow at a CAGR of 5.5% and 6.1% between 2022 and 2030, respectively, as the demand for advanced engine oil increases with the modernization of the vehicle fleets in Africa.

3.6 Base Oil Prices

Base oil prices are expected to remain high in 2022 and 2023 driven by the robust demand growth and reduced Group I base oil supply.

Base oil prices move broadly in line with crude oil and feedstock prices, typically with a time lag of one to three months, and are also a function of base oil supply demand dynamics. Lower viscosity Group I light and heavy neutral grades track crude oil more closely, while the high viscosity bright stock grade has historically remained more stable and tend to trade at a premium to the lower viscosity grades.

The COVID-19 pandemic had a significant impact on crude oil prices, leading to a price collapse first, then followed by a price recovery. Crude oil prices have been on an upward trend since December 2020 as supply has not kept up with demand. Although base oil prices followed the crude oil price trend at first, with the characteristic time lag, the subsequent base oil price spike has proved much stronger.

From mid-2020 to late 2021, base oil prices benefitted from a new market dynamic which led to a 'tight' base oil market. Short supply of base oil feedstock resulted from lower refinery throughputs (owing to lower demand of transport fuels) and related base oil production bottlenecks.

Base oil prices started to ease in 3Q2021 as recovery in fuel demand gained momentum, with the most pronounced corrections observable in the Group I segment, while little movement was observed for Group III base oil. Base oil prices remain strong in 2022, and further upward pressure can be expected with the spiking of crude oil prices from late February 2022 and with reduction in supply of Group I base oil from Russia following on from the sanctions imposed on the purchase of Russian oil products after the invasion of Ukraine.

The Figure below shows the recent historical monthly price movements and annual historic average prices of crude oil, fuels, and various base oil grades in Singapore. Very similar price relationships would be observable in any other pricing hub.

Figure (3-25): Historical monthly prices for crude, fuels and base oils in Singapore

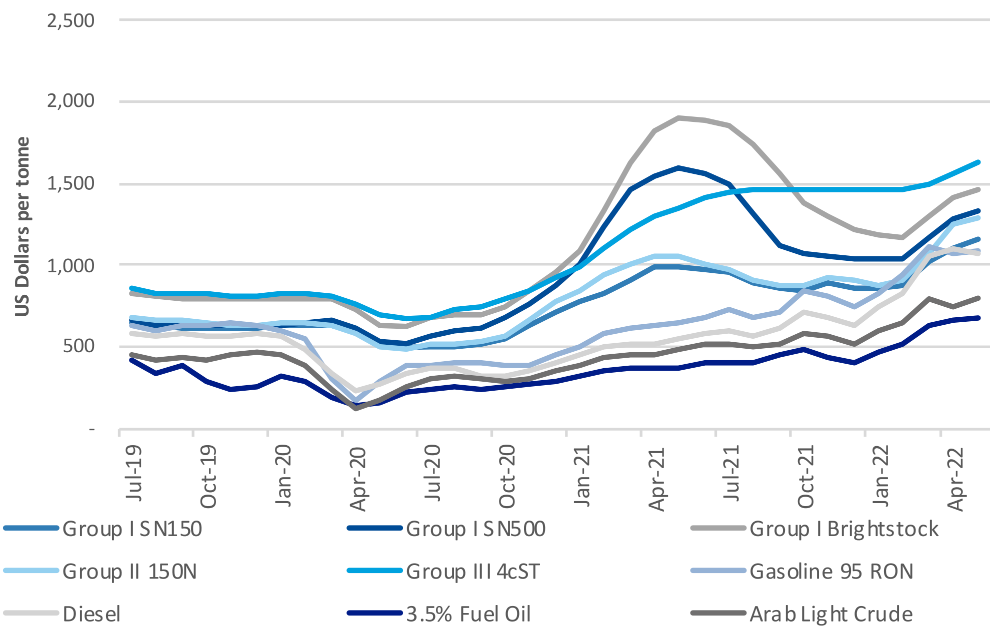
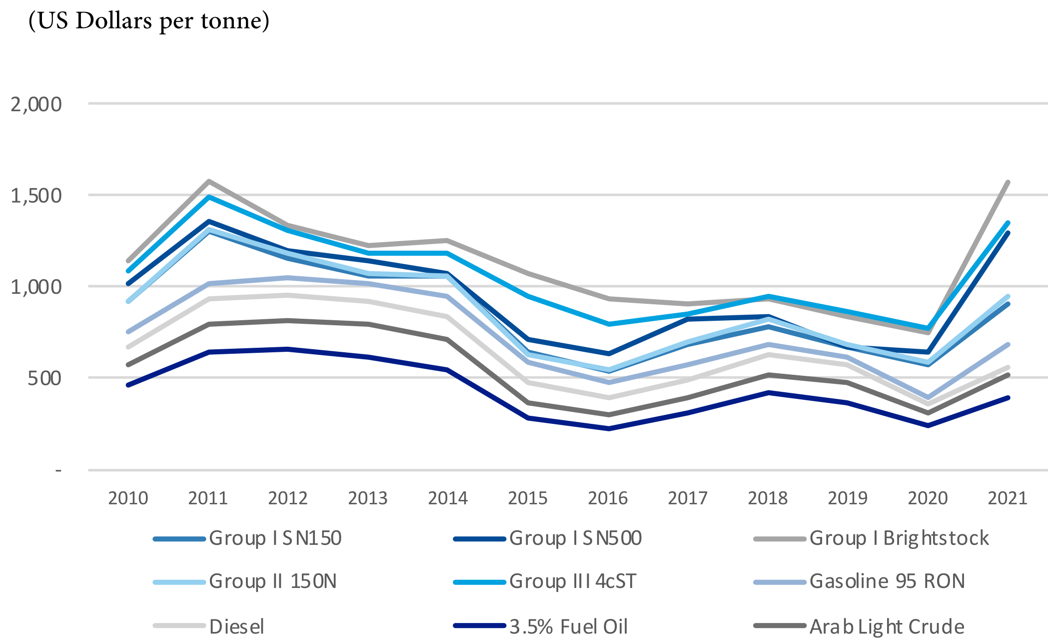


Figure (3-26): Historical Annual prices for crude, fuels and base oils in Singapore



Group II base oil prices are set in competition with Group I base oil and show limited premiums above the same, since Group II base oil is now routinely utilized in place of Group I base oil in many lubricant applications. An exception can be observed in Europe, where the local excess of Group I base oil results in Group I base oil pricing at export parity, whereas the local shortage of Group II base oil results in the same pricing at import parity. In all regions, low viscosity Group III base oil prices retain a significant premium over the lower viscosity Group I and Group II base oils, with higher viscosity Group III products attracting even higher premiums.

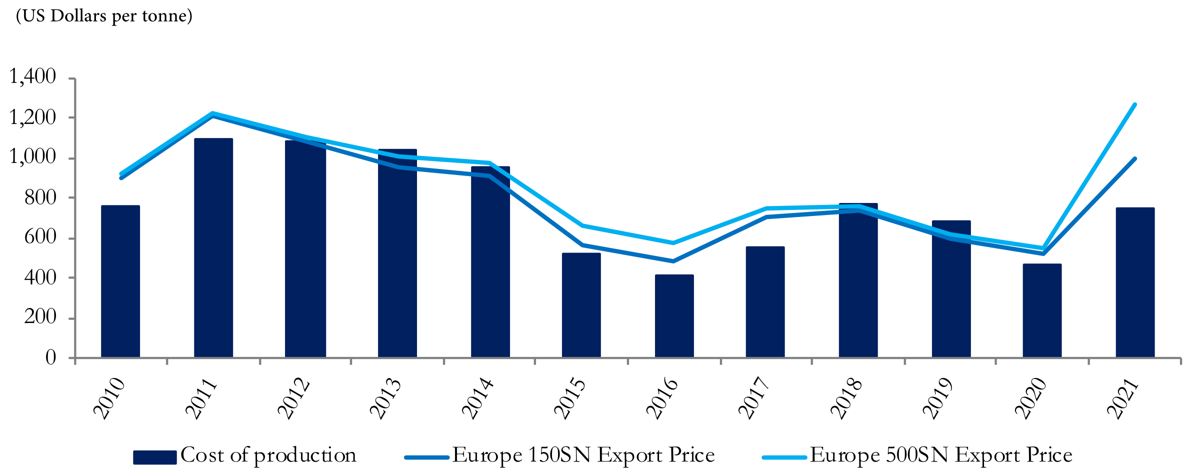
Table (3.2): Benchmark base oil prices by API Group and grades and fuel oil prices from 2010 to 2021 are shown in Table 2 below.

US Dollars per tonne	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Avg (2010-2021)
Group I													
150 N (EU)	897	1213	1084	959	914	565	485	701	734	593	521	997	805
500 N (EU)	927	1231	1103	1009	979	662	577	746	765	624	550	1270	870
Bright Stock (EU)	1065	1406	1138	1122	1110	866	853	798	901	733	620	1611	1019
Group II													
60-80 N (Asia)	839	1258	1073	984	963	504	433	547	645	557	447	719	748
150 N (Asia)	852	1251	1047	1001	964	546	483	608	715	593	509	799	781
500 N (Asia)	948	1349	1127	1097	983	662	645	779	771	609	578	1143	891
Group III													
2 cSt (Asia)	1030	1455	1260	976	1048	793	703	800	872	788	710	1231	972
3 cSt (Asia)	1048	1462	1271	1099	1120	884	788	862	941	860	774	1348	1038
4 cSt (Asia)	1085	1490	1307	1177	1182	944	798	846	941	860	774	1348	1063
6 cSt (Asia)	1035	1492	1318	1177	1184	940	793	841	936	855	769	1343	1057
8 cSt (Asia)	1017	1484	1292	1160	1132	858	703	857	905	836	740	1223	1017
Fuel Oil													
3.5% Fuel Oil, 180 cst	463	639	661	609	552	286	228	318	419	366	246	403	432
3.5% Fuel Oil, 380 cst	455	636	649	602	545	278	223	313	412	360	239	395	426

Typically, the cost of production is the fundamental driver of base oil prices. In the short-term, prices have diverged far above the cost of production, owing to a shortage of feedstock during the COVID-19 pandemic which led to a shortage of base oils and pressure on the supply side due to sanctions on Russian Group I base oil exports, thus driving up base oil prices. As and when the global economy returns to normal following a period of accelerated recovery, demand is likely to normalize with margins returning to historical levels in line with the cost of production.

The Figure below shows the cost of base oil production and the price of Group I base oil in Europe, from 2010 to 2021.

Figure (3-27): Base oil cost of production Vs Europe Group I price



3.7 Base Oil Manufacturing Costs

Plants located in the Middle East have lower energy costs than plants located elsewhere.

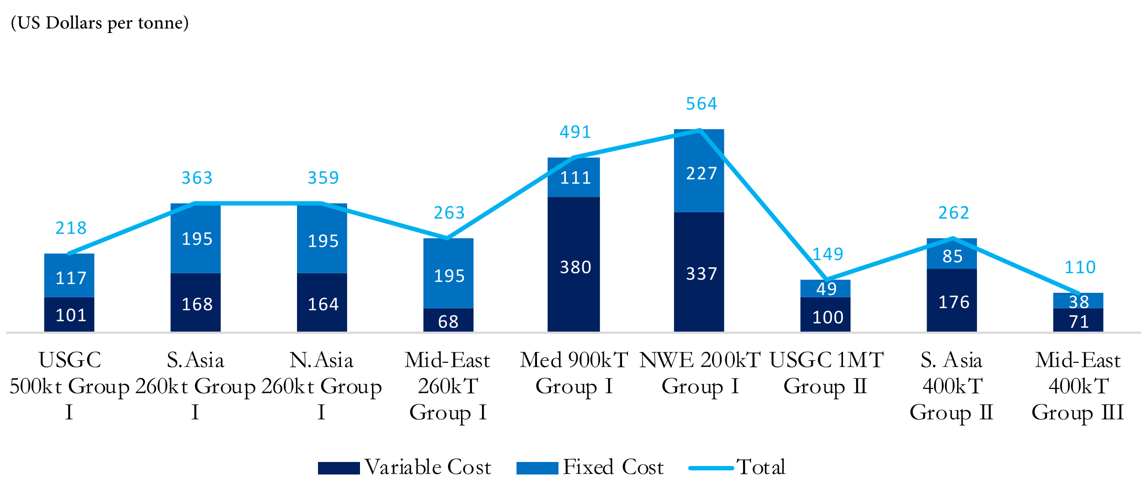
The cost of manufacturing base oils is influenced by the technology and configuration, plant capacity, feedstock quality, and plant location. In general, Group II and Group III base oil plants based on hydrocracking technology have lower operating costs than older solvent extraction Group I base oil plants. Base oil plants that operate at higher utilization rates will tend to have lower operating cost in dollar per tonne of base oil produced and hence the lower cost of production.

Plants located in the Middle East have lower energy costs than plants located elsewhere. High-capacity plants have a lower cost than low-capacity plants, owing to economies of scale, where fixed costs are divided by a higher throughput, resulting in lower fixed costs per tonne, or barrel.

In our analysis, the most cost advantaged plants in 2021 were Middle East Group II and Group III base oil plants, while the most cost disadvantaged plants were small Group I base oil plant located in Europe.

Figure shows IHS Markit's estimated base oil production cost per tonne of base oil for different base oil plant sizes and configurations for 2021.

Figure (3-28): Estimated base oil production cost for 2021



Note: Variable costs includes fuel, power, water, catalysts and chemicals, and hydrogen. Fixed costs include maintenance costs, labor costs, any local taxes (i.e., land charges/rates)

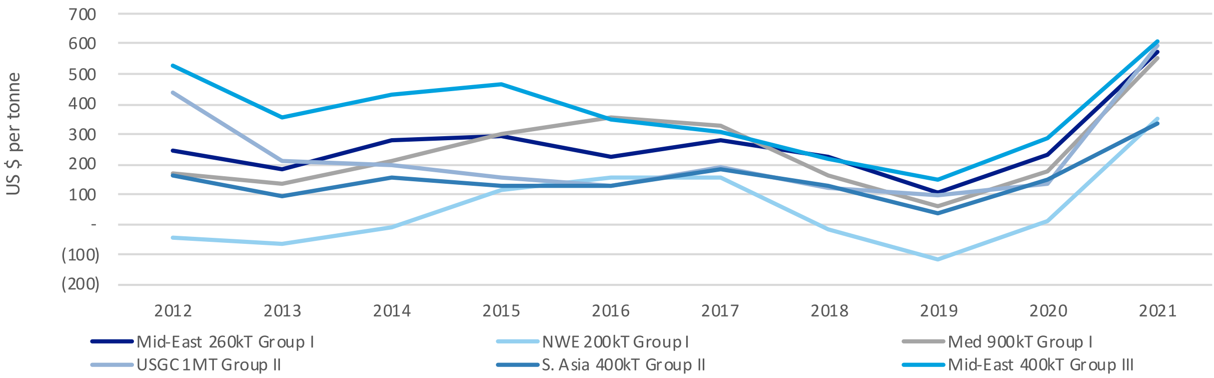
3.8 Base Oil Margins Environment

In 2021, the highest margins were achieved by Group III base oil plants, closely followed by Group II base oil plants and large scale, or location advantaged, Group I base oil plants. Unusually, even small Group I base oil plants in Europe enjoyed good margins. It would normally be expected that highest margins and lowest costs would be observable in large Group II and Group III base oil plants located in the Middle East, followed by large Group II base oil plants in North America. Highest cost and lowest margin plants would normally be observable in small Group I base oil plants, many of which are located in Europe.

Base oil margins in 2021 were particularly high. Base oil prices were relatively high, driven by a shortage of base oils, which in turn was driven by a shortage of base oil feedstock, as main fuel refineries throughput slumped as a result of the COVID-19 pandemic.

Figure shows the estimated net margin per tonne of base oil for different base oil plant sizes and configurations from 2012 to 2021. The highest margins are normally enjoyed by large Group III base oil plant located in the Middle East, followed by Middle Eastern Group I base oil and large USGC Group II base oil plants. The lowest margins are consistently observable in small European Group I base oil plants.

Figure (3-29): Net margins for different base oil plant size



Note: Net margins are estimated based on generic configurations of the plants in regional locations.

Net Margin = Gross Margin minus Fixed Costs minus Variable Costs. The Gross Margin is 'Total Value of Products' produced minus 'Total Value of Feedstock' purchased. These product and feedstock prices are based on international quoted prices adjusted for freight, and do not include any inland premium.

3.9 Luberef's Feedstock and Location Advantages

Luberef benefits from feedstock integration with Saudi Aramco refineries and a locational advantage to supply base oil products to key growth markets.

Luberef's Yanbu and Jeddah base oil plants benefit from the integration with associated Saudi Aramco's refineries that provide a steady supply of consistent quality, straight-run residue (RCO) derived from Arab Light crude oil. Arab Light crude oil is a highly paraffinic crude known as a good quality crude oil to produce base oils.

Luberef is the only producer of base oils in Saudi Arabia. Sales to the domestic market benefit from the local market price premium, which is an import parity price, accounting for the alternative supply cost into the country (freight plus duties) if the Luberef production was not there.

For exports of Group I and Group II base oil, and future exports of Group III base oil, to Western markets, the location of Luberef plants in Jeddah and Yanbu on the Red Sea provides an advantage over other suppliers. The plants are ideally situated for the export of Group I base oil to East Africa as well, which will be one of the last end markets for Group I base oil. Moreover, Yanbu and Jeddah have a freight advantage over European exports of Group I base oil to India, the UAE, and Asia.

Due to its location, Yanbu has a freight advantage when exporting Group II base oil to Europe compared to other Group II base oil plants in the region. In case of future Group III production, Yanbu's location provides a freight advantage when exporting to Europe and East coast Latin America compared to other Group III base oil suppliers in South Korea or on the East coast of the Arabian Peninsula.

4. Background of the Company and its Business

4.1 Overview of Company and its Activities

Saudi Aramco Base Oil Company – Luberef (the Company) is one of the largest base oils producers in the world and is the only virgin base oils producer in the Kingdom. The Company's products are sold in the Kingdom and in other countries across the MENA region, the Americas and Europe. The Company's customers, which include Petro Lube (previously known as Petromin Corporation), the Arabian Petroleum Supply Company (APSCO), Alhamrani Fuchs Petroleum Saudi Arabia Ltd, Al Jomaih and Shell Lubricating Oil Company Limited, ENOC Lubricants and Grease Manufacturing Plant LLC and Saudi Aramco's Group, utilize the Company's base oils to serve several critical applications within automotive, marine and other industrial sectors.

The Company produces various Group I Base Oils and Group II Base Oils, and also produces various Byproducts such as asphalt, marine heavy fuel oil (MHFO), slack wax, bright stock extract and sulfur, as well as White Products such as ultra-low sulfur diesel (ULSD), naphtha and drilling fluid.

The Company was incorporated in 1976G, and currently has two facilities: one in Jeddah and one in Yanbu. The Jeddah Facility was established in 1977G and has a current annual production capacity of approximately 275 thousand MT of Group I Base Oils. The Yanbu Facility was commissioned in 1997G with an initial production capacity of approximately 300 thousand MT before it completed the Yanbu Growth I Expansion in 2017G, which enabled the Company to produce Group II Base Oils. After reaching full ramp-up in 2021G, the Company's total production capacity reached the current 1.3 million MT of both Group I and Group II Base Oils annually.

The Company is a member of the Aramco Base Oil Alliance, along with S-Oil and Motiva, where each acts as an exclusive marketer in its designated zone. The Company's marketing zone is the Middle East (including Pakistan) and Africa, Motiva's marketing zone is North, Central and South America, and S-Oil's marketing zone is Europe and Asia (excluding Middle East and Pakistan and including India). The Aramco Base Oil Alliance enables the Company to export and import base oil products from other Alliance members. The Company currently procures and resells Group III Base Oils products from the Aramco Base Oil Alliance members, and will be expanding its production in Yanbu to include Group III Base Oils in 2025G.

The Company markets its key products under trademarks licensed by Saudi Aramco. The 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 sold approximately 887 thousand MT, 912 thousand MT, 1,160 thousand MT and 672 thousand MT of base oils in 2019G, 2020G and 2021G and the six-month ended 30 June 2022G, respectively. The Company also sold approximately 4 thousand MT, 53 thousand MT, 67 thousand MT and 36 thousand MT of imported Base Oils for the same periods, respectively. Per data from the Market Consultant, the total paraffinic base oil in-Kingdom demand reached 393 thousand MT in 2021. The Company's total sales for the same period in the Kingdom reached approximately 351 thousand MT.

The Company realized SAR 5,620 million, SAR 4,394 million, SAR 8,847 million and SAR 6,083 million in revenue in 2019G, 2020G and 2021G and the six-month ended 30 June 2022G, respectively. The Company's EBITDA reached SAR 246 million, 458 million, 2,096 million and 1,128 million for the same periods, respectively.

4.2 Vision, Mission and Strategy

4.2.1 The Company's Vision

The Company's vision is to be a leading supplier of premium base oils and specialty products in key end-markets.

4.2.2 The Company's Mission Statement

The Company strives to achieve excellence in the production of base oils and specialty products.

4.2.3 The Company's Strategy

The Company's strategy aims to reinforce its competitive position in base oil and specialty products markets.

4.2.3.1 Growth in key markets with high demand

The Company aims to grow sales in key end markets with attractive demand outlooks. The Company's products are sold in several key regional and international end markets, including base oil products which are critical in applications across the automotive, marine, and industrial sectors, amongst others. In 2021G, the Company sold approximately 1.2 million MT of base oils (including Group III Base Oils sales), with 29.6% of volumes sold in the KSA, 38.5% in the MENA region excluding KSA, 19.9% in India, and 12.0% in other markets.

Per data from the Market Consultant, global demand for Group II and Group III Base Oils is expected to grow at a CAGR of 3.5% and 4.8% between 2022G and 2030G, respectively. In the Middle East, demand for Group II and III Base Oils is expected to grow at a CAGR of 4.4% and 5.9% between 2022G and 2030G, and in Saudi Arabia at a CAGR of 2.2% and 5.9% between 2022G and 2030G, respectively. Furthermore, the Company achieved growth in base oil volumes at a CAGR of 22% from 2017G to 2022G, despite global demand for paraffinic base oil decreasing at a CAGR of 1% over this period per Market Consultant data. For further details about expected growth, please refer to Section (3.5.1) "**Global Base Oil Demand**". The Company's sales and marketing activities are supported by the Aramco Base Oil Alliance and international distribution and logistics network it uses, thereby allowing it to reach customers across its key end-markets.

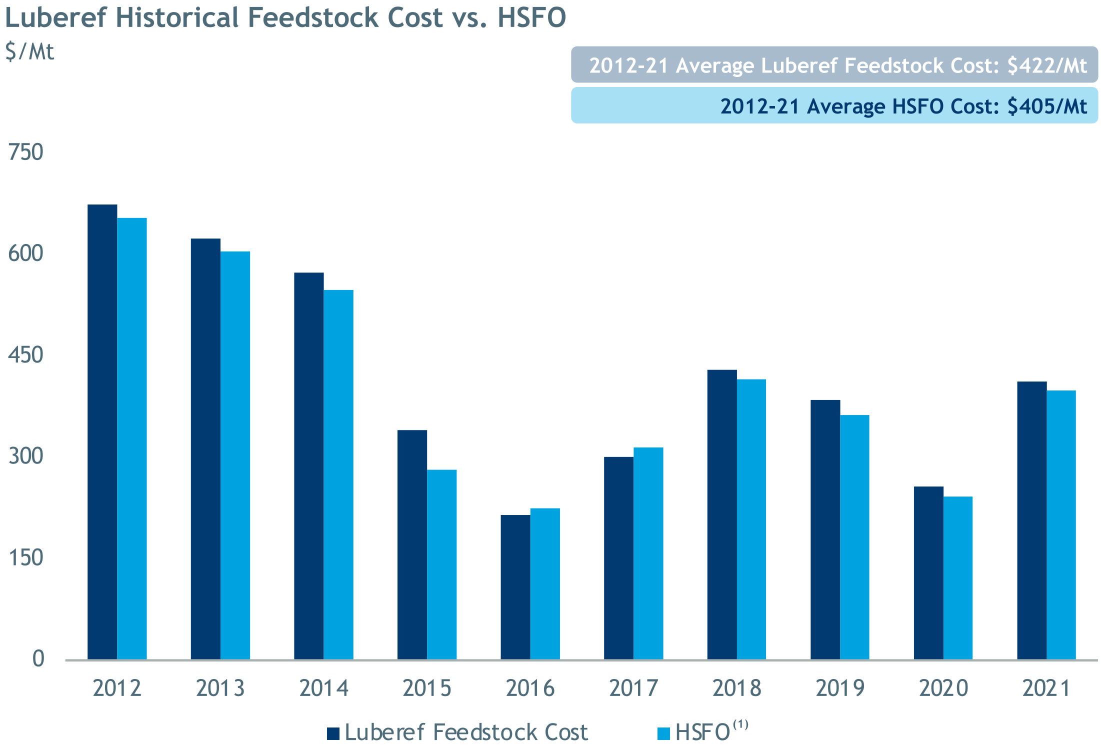
4.2.3.2 Utilize advantaged cost and value chain positions

The Company believes it has advantaged positions in the value chain in feedstock, in its assets and operations, and in its customer relationships.

The Company is supplied with RCO under long term agreements. The Company considers this feedstock advantageous for use in producing base oils, and RCO is typically sold to the Company at a price comparable to high sulfur fuel oil, with high sulfur fuel oil market prices being on average lower than Brent in 2021G. The Company believes its feedstock security enables its facilities to operate at a high utilization rate, leading to cost efficiency, and that this feedstock supply also provides a competitive advantage over base oil producers that rely on their internal refinery operations to provide feedstock for their base oil production. The reliance by competitors on their internal refinery operations may lead to lower levels of feedstock supply for their base oil production.

The Company's historic feedstock prices was close to the high sulfur fuel oil (HSFO) market prices, as shown in the graph below, with average delta of approximately 4% over the last 10 years. For further details on HFSO prices, please refer to Section (3.6) "**Base Oil Prices**".

Figure (4-1): The Company's Historical Feedstock Cost v. HSFO



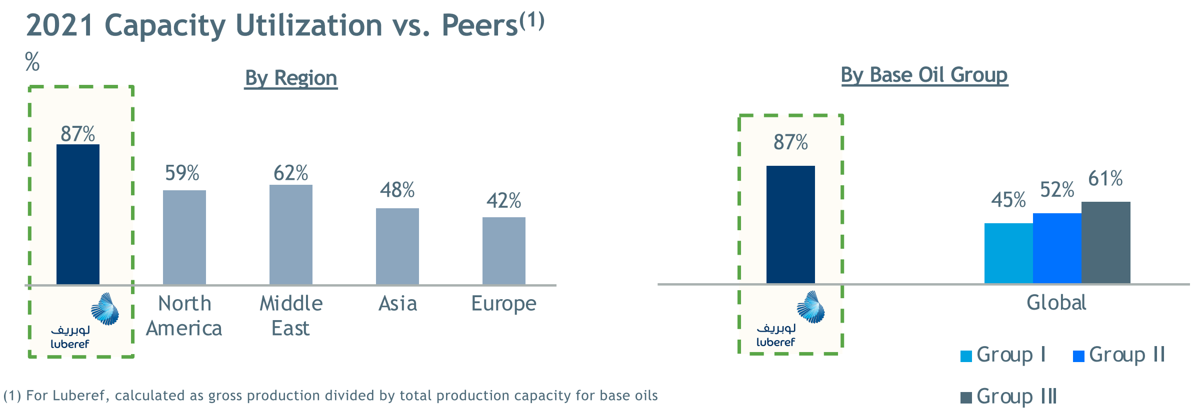
(1) Average of 3.5% fuel oil (IFO 180) and 3.5% fuel oil (IFO 380, Singapore benchmark). Converted to Mt at $1/bbl = $6.35/Mt

Source: the Company and Market Consultant for HSFO prices

Per data from the Market Consultant, the Company's unit production cost, excluding feedstock, is over 60% lower than the average of base oil competitors. The Company's base oil unit production cost, excluding feedstock, was approximately USD 119 / MT in 2021G. Base oil producers average, weighted by capacity, in 2021G calculated at approximately $310/MT per data from the Market Consultant. This cost position is driven by the Company's asset scale, high utilization and availability, with mechanical availability for the Company of 99.7% in 2021G, as well as low energy costs for its production assets located in the Kingdom. For further details about this, please refer to Section (3.7) "**Base Oil Manufacturing Costs**". The Company's facilities are located in the Kingdom, a key base oils market, and in proximity to other key base oil markets including the UAE and India. The strategically advantaged location of the Company's facilities in Yanbu and Jeddah leads to lower shipping costs and faster access to customers.

The Company's capacity utilization for 2021G reached approximately 87%, which can be considered high compared to peers as shown in the Figure below. For more details about capacity utilization of peers by region and base oil group, please refer to Figure (3-17) and Figure (3-18) in Section (3.5.1) "**Global Base Oil Demand**".

Figure (4-2): The Company's Capacity Utilization v. Peers



Source: the Company and Market Consultant for market data

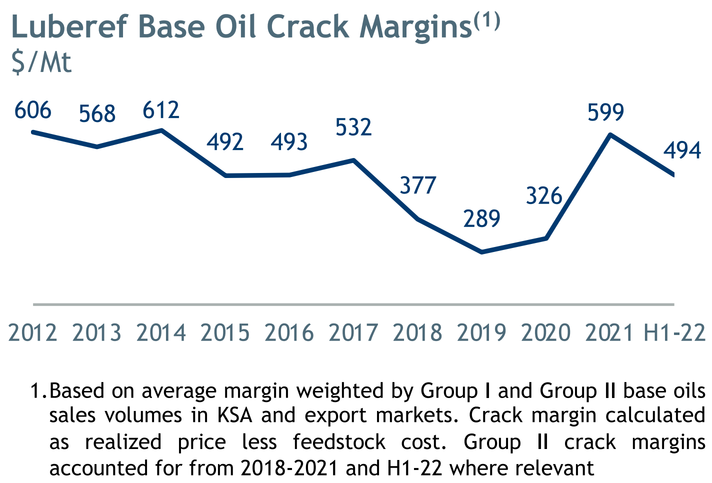
The Company has multi-decade relationships with leading lubricant customers. Petro Lube (previously known as Petromin Corporation) has been a customer of the Company for over 40 years, with similar relationships with the Arabian Petroleum Supply Company (APSCO) for over 40 years, Al Jomaih and Shell Lubricating Oil Company Limited and Alhamrani Fuchs Petroleum Saudi Arabia Ltd for over 30 years, TotalEnergies Supply MS and Total Marketing Middle East (combined) for around 20 years and ENOC Lubricants and Grease Manufacturing Plant LLC for over 11 years. In addition, per the latest available data from the Market Consultant, the Aramco Base Oil Alliance manufactured one in every eight barrels of base oil globally in 2021G. For further details about this, please refer to Section (3) "**Market and Industry Data**". This Alliance between the Company, Motiva and S-Oil allows joint marketing of base oils globally, as well as import and resale of Group III Base Oils into the Kingdom.

4.2.3.3 Focus on high-margin and specialty products

The Company is focused on converting low value RCO into high-margin, high value base oils. The Company generates premium base oil crack margins, both domestically and on exports. From 2012G to 2021G, the Company outperformed the Market Consultant's industry base oil crack margin benchmark on average by approximately USD 120 per ton as it achieved a base oil crack margin average during that period of USD 489/MT (based on average margin weighted by the Company's Group I and Group II Base Oils sales volumes in the Kingdom and export markets, for comparison purposes). For further details about Market Consultant's industry benchmark, please refer to Section (3.8) "**Base Oil Margins Environment**". Further, the Company Byproducts crack margins averaged approximately USD 5/MT across 2019G, 2020G and 2021G, and reached USD 18/MT in 2021G and USD 47/MT for the first half of 2022G.

The figure below shows the Company's base oils crack margins (calculated as revenues less freight (where applicable for exports) minus feedstock cost).

Figure (4-3): The Company's Base Oil Crack Margins



Source: the Company

4.2.3.4 Maintain operational excellence and financial discipline

The Company strives to maintain operational excellence and financial discipline, and is committed to providing a safe and healthy workplace by fostering a culture of zero harm, and aims to implement international safety standards to minimize potential risks to people, assets, and the environment. The Company seeks to regularly train its employees to implement safety practices and had a Total Recordable Incident Rate (TRIR) of 0.0 in 2021G. The Company's health and safety management system focuses on continuous improvement and adoption of international best practice frameworks and learning. The Company also maintains financial discipline and has low gearing of 15% as at 31 December 2021G, maintains low levels of capital expenditures and follows rigorous processes for allocating capital to growth projects.

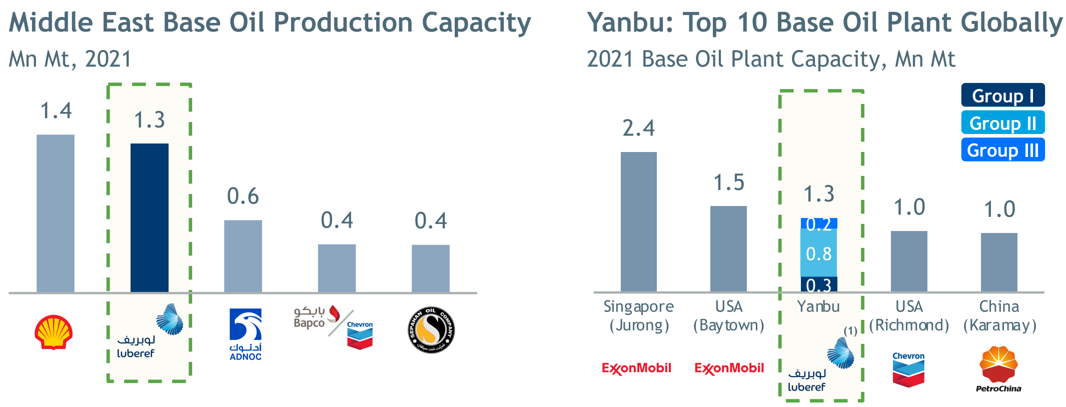
4.2.4 Competitive Strengths

4.2.4.1 The Company is a highly specialized, standalone base oil producer with global scale assets and a unique position in the Middle East

The Company is a pure play base oil producer with facilities optimized for base oil production. Typically, and based on data from the Market Consultant, other base oil producers are part of a larger refinery, where base oil production represents approximately 1% of total refined product slate (calculated as 2021G total paraffinic base oil production divided by 2021G total refined products supply). For further details about this, please refer to Sections (3.3) "**Liquids and Refined Products Supply-Demand Balance**" and (3.5.1) "**Global Base Oil Demand**".

The Company's base oil production capacity of approximately 1.3 million MT per annum positions it as the second largest producer by capacity in the Middle East in 2021G per data from the Market Consultant, and it is the only virgin base oil producer in the Kingdom. For further details about this, please refer to Figure (3-21) in Section (3.5.2) "**Middle East Base Oil Demand, Production**". The Company believes its production assets have competitive scale globally, with the Yanbu Facility base oil production capacity expected to increase to approximately 1.3 million MT per annum in 2025G, following the Yanbu Growth II Expansion. In 2025G, it is expected that the production capacity would be 270 thousand MT of Group I, 815 thousand MT for Group II and 175 thousand MT for Group III (with Group III expected to increase further in 2027G onwards). The figures below show the Company's production capacity compared to producers in the Middle East and the Yanbu Facility capacity compared to global producers, as well as the Yanbu Facility capacity growth.

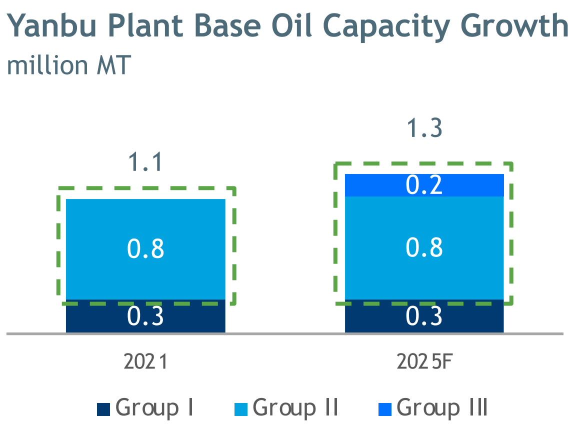
Figure (4-4): The Company's Base Oil Production Capacity



(1) Expected 2025 production capacity, following the Growth II Project start-up in 2025. Includes 270k Mt for Group I, 815k Mt for Group II, and 175k Mt Group III

Source: Market Consultant and the Company for Company data

Figure (4-5): The Yanbu Facility Capacity Growth



Source: the Company

The Company is deeply integrated within the Saudi Aramco's system and supplies critical products in the Kingdom, with a network of global marketing assets in key logistical hubs, including the Kingdom and the UAE, supporting the Company's sales and distribution activities. Per data from the Market Consultant, the total paraffinic base oil in-Kingdom demand reached 393 thousand MT in 2021G. For further details about this, please refer to Section (3.5.3) "**Kingdom of Saudi Arabia Base Oil Demand, Production**". The Company's total sales for the same period reached approximately 351 thousand MT. Furthermore, 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 other Alliance members, S-Oil and Motiva, to benefit from demand in other markets. For more information about the Aramco Base Oil Alliance members, please refer to Section (4.5.4) "**Aramco Base Oil Alliance**".

4.2.4.2 The Company has advantaged value chain positions, operational cost leadership, strategically located production assets, and long-standing relationships with key customers

The Company believes it has advantaged value chain positions in feedstock supply, assets and operations, and customer relationships.

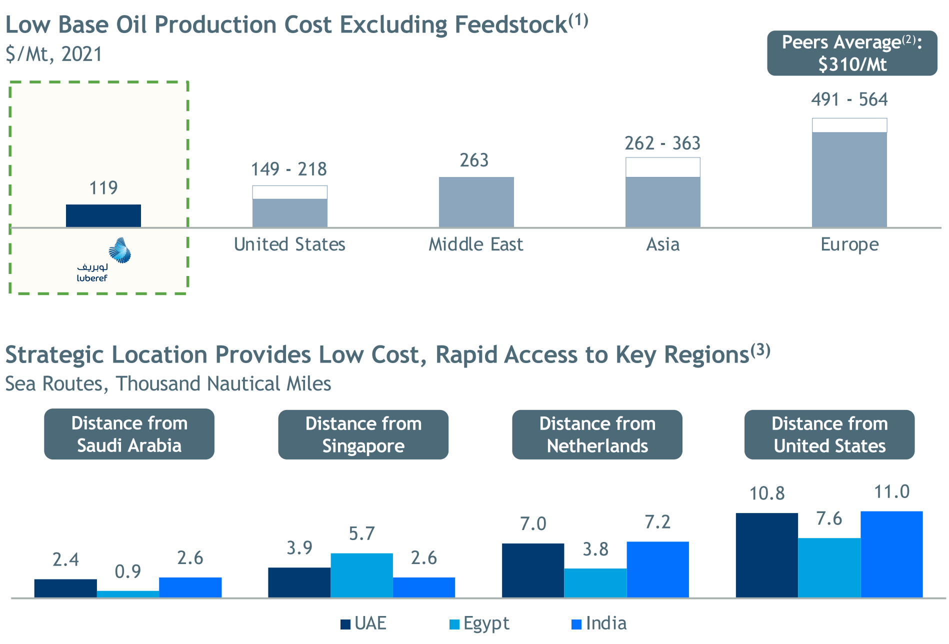
The Company has long-term agreements with Saudi Aramco for the provision of its feedstock. The Company believes the RCO it uses has an optimal composition for use in producing base oils, and its market price is typically lower per barrel than Brent due to its high sulfur content.

The Company believes this advantaged feedstock position and reliability of supply enables high plant utilization and base oil production, which allow the Company to operate efficiently and meet market demand in a more competitive way than other base oil producers who are reliant on their internal refinery operations to provide base oil feedstock. The feedstock volumes provided to the Company by Saudi Aramco are expected to cover requirements of the Yanbu Growth II Expansion, with production planned to start in 2025G. For more information about the Yanbu Growth II Expansion and the risks associated with it, please refer to Section (4.5.3.1) "**Yanbu Growth II Expansion**" and Section (2.1.3) "**Risks relating to the Company's strategy, growth and new projects and inability to achieve its objectives and goals, including the Yanbu Growth II Expansion project**".

The Company's base oil unit production cost, excluding feedstock, was approximately USD 119 / MT in 2021G, over 60% lower than the average for other base oil producers per data provided by the Market Consultant. For further details about base oil producers average, which was weighted by capacity, please refer to Figure (3-28) in Section (3.7) "**Base Oil Manufacturing Costs**". Furthermore, the Company believes that the reliability and quality of the Company's base oil supply allowed it to build deep, multi-decade relationships with globally renowned base oil customers, demonstrating its embedded position in the base oil market.

The below figure shows the advantaged value chain of the Company:

Figure (4-6): The Company's Cost and Asset Distance from Key Regions



Source: IHS Markit for market data

Notes:

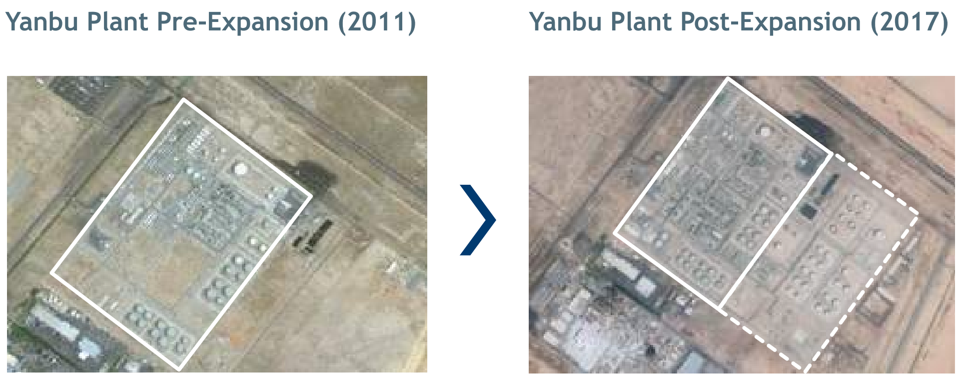
1. Includes plant variable and fixed costs and excludes head office and feedstock costs. Peer data based on a 260k Mt plant in Middle East, a 500k Mt Group I plant and a 1,000k Mt Group II plant in the US, a 200k Mt Group I plant and a 900k Mt Group I plant in Europe, two Group I 260k Mt plants and two 400k Mt Group II plants in Asia
2. Peers average reflects base oil production cost (excluding feedstock) weighted by capacity
3. Distances between Yanbu Commercial Port and Jeddah Islamic for Saudi Arabia (weighted by 2021 Luberef base oil sales volumes), Port of Singapore for Singapore, Port of Rotterdam for Netherlands, Port of Ras Al Khaimah for UAE, Port of Corpus Christi for United States, Port of Alexandria for Egypt and Port of Mumbai for India

Source: Company for Company data

4.2.4.3 The Company has a track record of value-added growth with attractive opportunities to capture projected market growth in key end-markets

The Company has grown its base oil production capacity and sales volumes, with the most recent Yanbu Growth I Expansion (which started commercial production in 2018G and with 2021G being the first fully ramped-up year), allowing the Company to introduce Group II Base Oils production capacity into Saudi Arabia to cater for domestic and regional demand. For more information about the Yanbu Growth I Expansion, please refer to Section (4.5) “**Overview of the Company’s Facilities and Projects**”. The Yanbu Growth I Expansion involved an investment of USD 1.5 billion, including approximately USD 100 million of working capital. This expansion increased the Company’s production capacity by 710 thousand MT, and the ramp up resulted in approximately a 50% increase in Group II Base Oil sales volumes in 2021G versus 2020G. The below is a figure of the Growth I Expansion and selected items from the main package:

Figure (4-7): Growth I Expansion Project



Main Package	New hydrocracker (23kbbl/day)	New de-waxing unit (18kbbl/day)	New hydrogen production (9.2k m³/h) and recovery (9.8k m³/h)
Revamp Package	PDA unit to increase capacity (6.3 to 12.5 kbbl/d)	VDU unit to increase capacity (26.0 to 40.0 kbbl/d)	Extension of control room

Source: the Company

Per data from the Market Consultant, global demand for Group II and III Base Oils is expected to grow at a CAGR of 3.5% and 4.8% between 2022G and 2030G. In the Middle East, demand for Group II and III Base Oils is expected to grow at a CAGR of 4.4% and 5.9% between 2022G and 2030G, and in Saudi Arabia, demand for Group II and III Base Oils is expected to grow at a CAGR of 2.2% and 5.9% between 2022G and 2030G, respectively. According to the Market Consultant, outlook is further supported by strong macro fundamentals in Saudi Arabia and the broader Middle East region, with real GDP CAGR expected from 2021G to 2030G of approximately 2.5% and approximately 3.3%, respectively. For further details about expected growth, please refer to Sections (3.5) “**Base Oil Supply and Demand**” and (3.2) “**Economic Growth**”.

The Company intends to continue to benefit from this structural growth, and to leverage its advantaged positions across the value chain. As an example, the Yanbu Growth II Expansion is expected to add additional Group II Base Oil production capacity, and introduce Group III Base Oils production capacity into Saudi Arabia. The production of the aforementioned products is planned to start in 2025G. Additionally, the Company’s relationship with Saudi Aramco and its asset portfolio present additional opportunities for further growth, with demand for Group II and III Base Oils globally expected to increase by approximately 5 million MT between 2022G and 2030G as per data from the Market Consultant. For further details about this, please refer to Figure (3-14) in Section (3.5.1) “**Global Base Oil Demand**”.

4.2.4.4 The Company's high-margins, high cash conversion and high returns underpin a robust financial framework and allow for shareholder distributions

In 2021G, the Company generated SAR 8,847 million (equivalent to USD 2,359 million) in revenues and EBITDA of SAR 2,096 million (equivalent to USD 559 million), while achieving a base oil crack margin of USD 599 per ton. The Company delivered cash conversion of 83% and a ROACE of 31% during this period. The Company benefitted from a strong margin environment in 2021G, with high base oil crack margins as feedstock cost remained stable while product prices increased. The Company believes the increase was attributed to high demand met with tight supply in the base oil market as some base oil producers struggled to increase their production due to lack of base oil feedstock from their internal refinery operations. The Company also benefited from an increase in the Company's Group II Base Oils sales volumes following full ramp up of the Yanbu Growth I Expansion.

The Company operates with a robust financial framework that focuses on three key elements: capital structure, capital investment 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 the gearing of 15% as at 31 December 2021G. The Company believes it has low maintenance capex, given its well invested asset base, preventative maintenance programs, the recently completed and ramped up expansions, and a rigorous capital allocation process for growth projects, which underpin robust financial profile which the Company believes is beneficial to ROACE.

4.2.4.5 The Company has a strong commitment to environmental and social performance and a robust governance framework

The Company has a goal to foster environmental excellence, and aims to make further improvements. The Company recently delivered a 40% flaring reduction in 2021G vs. 2020G, as well as an approximately 45% CO_2 emission reduction in 2021G vs. 2016G (based on CO_2 generated per valuable product produced i.e., base oils, naphtha, ULSD, and drilling fluid). The Company is also exploring new opportunities and collaborations for green hydrogen opportunities and ways of reducing sulfur content of its fuel oil and base oils. The Company collaborated with KAUST to target up to 85% reduction in sulfur content of its fuel oil and base oils. For further details about the project with KAUST, please refer to Section (4.7) "**Research and Development**".

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 TRIR of 0.0, which reflects its efforts for employee safety. The Company supports various initiatives in its local communities aimed at improving the quality of life, promoting entrepreneurship, and facilitating education for families and individuals.

From a governance perspective, the Company has an experienced Board of Directors, with defined corporate governance policies aligned with the applicable governance regulations. The Company maintains an arms-length relationship with Saudi Aramco, with key feedstock purchases and product sales conducted on an arm's length basis. For more information about Related Party transactions, please refer to Section (12.7) "**Related Party Transactions**".

4.2.4.6 The Company's experienced management team has decades of expertise across the value chain and is committed to foster operational excellence and innovation

The Company 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. For more information about the management team and their experience, please refer to Section (5.3.7) "**Senior Executives**".

4.3 The Company's History and Group Chart

Saudi Aramco Base Oil Company – Luberef is a joint stock company registered under commercial registration number (4030010447) dated 03/09/1396H (corresponding to 29/08/1976G) and converted from a limited liability company to a joint stock company pursuant to resolution number (1173) dated 20/01/1444H (corresponding to 18/08/2022G) issued by the Ministry of Commerce. The Company's headquarters pursuant to its commercial registration certificate is 7168 Al Minaa, 3072 Petromin Dist., P.O. box 5518, Postal Code 22411, Jeddah, Kingdom of Saudi Arabia. The Company's current share capital is (SAR 1,687,500,000) fully paid divided into (168,750,000) ordinary shares with (SAR 10) nominal value each, and is 70% owned by Saudi Aramco and 30% by Jadwa.

This section provides details about the Company's corporate history, shareholding, Subsidiary and other information.

4.3.1 Corporate History

4.3.1.1 The Company's Incorporation (1976G)

The Company was incorporated as a limited liability company pursuant to its original articles of association which were signed on 21/06/1396H (19/06/1976G) and registered with the commercial registration in Jeddah under number (4030010447) on 03/09/1396H (29/08/1976G). The Company was incorporated under the name Petromin Lubricating Oil Refining Company with a fully paid cash share capital of (SAR 26,260,000) divided into (2,626) shares each with nominal value of (SAR 10,000). The Company was established by Petromin, owning 70%, and Mobil, owning 30% of the Company's share capital.

The following table illustrates the Company's ownership structure at incorporation.

Table (4-1): Company's Ownership Structure at Incorporation

#	Shareholder	Total shares	Nominal value of the share (SAR)	Total nominal value of the shares (SAR)	Ownership percentage
1	Petromin	1,837	10,000	18,370,000	70%
2	Mobil	789	10,000	7,890,000	30%
Total		**2,626**	**-**	**26,260,000**	**100%**

Source: the Company

4.3.1.2 Increase in the Company's Capital (1987G)

On 07/09/1407H (corresponding to 05/05/1987G), the Shareholders resolved to increase the Company's share capital from (SAR 26,260,000) to (SAR 105,000,000) divided into (10,500) shares each with a nominal value of (SAR 10,000) by way of proportional cash contribution by each Shareholder.

The following table illustrates the Company's ownership structure following the aforementioned increase in the Company's share capital.

Table (4-2): Company's Ownership Structure at 07/09/1407H (05/05/1987G)

#	Shareholder	Total shares	Nominal value of the share (SAR)	Total nominal value of the shares (SAR)	Ownership percentage
1	Petromin	7,350	10,000	73,500,000	70%
2	Mobil	3,150	10,000	31,500,000	30%
Total		**10,500**	**-**	**105,000,000**	**100%**

Source: the Company

4.3.1.3 Increase in the Company's Capital (1994G)

On 15/02/1415H (corresponding to 23/07/1994G), the Shareholders resolved to increase the Company's share capital from (SAR 105,000,000) divided into (10,500) shares each with a nominal value of (SAR 10,000) to (SAR 441,000,000) divided into (44,100) shares each with a nominal value of (SAR 10,000), by way of transferring (SAR 336,000,000) from the accumulated profits account.

The following table illustrates the Company's ownership structure following the aforementioned increase in the Company's share capital.

Table (4-3): Company's Ownership Structure at 15/02/1415H (23/07/1994G)

#	Shareholder	Total shares	Nominal value of the share (SAR)	Total nominal value of the shares (SAR)	Ownership percentage
1	Petromin	30,870	10,000	308,700,000	70%
2	Mobil	13,230	10,000	132,300,000	30%
Total		**44,100**	**-**	**441,000,000**	**100%**

Source: the Company

4.3.1.4 Change in the Company's Ownership Structure (1996G)

On 22/02/1417H (corresponding to 08/07/1996G), Council of Ministers resolution no. (29) was issued, which transferred Petromin's shares in the Company to Saudi Aramco. Therefore, Saudi Aramco became a shareholder in the Company owning 70% of the share capital, with the remaining 30% continuing to be held by Mobil.

The following table illustrates the Company's ownership structure following the aforementioned transfer of the Company's shares.

Table (4-4): Company's Ownership Structure at 22/02/1417H (08/07/1996G)

#	Shareholder	Total shares	Nominal value of the share (SAR)	Total nominal value of the shares (SAR)	Ownership percentage
1	Saudi Aramco	30,870	10,000	308,700,000	70%
2	Mobil	13,230	10,000	132,300,000	30%
Total		**44,100**	**-**	**441,000,000**	**100%**

Source: the Company

4.3.1.5 Change in the Company's Name (1998G)

On 16/02/1419H (corresponding to 20/06/1998G), the Company's shareholders resolved to change the Company's name to Saudi Aramco Lubricating Oil Refining Company (Luberef).

4.3.1.6 Change in the Company's Ownership Structure (2007G)

On 21/11/1428H (corresponding to 01/12/2007G), Mobil sold its stake in the Company, which amounted to (13,230) shares, representing 30% of the Company's share capital, to Jadwa, and the Company became owned by Saudi Aramco 70% and Jadwa 30%.

The following table illustrates the Company's ownership structure following the aforementioned transfer of the Company's shares.

Table (4-5): Company's Ownership Structure at 21/11/1428H (01/12/2007G)

#	Shareholder	Total shares	Nominal value of the share (SAR)	Total nominal value of the shares (SAR)	Ownership percentage
1	Saudi Aramco	30,870	10,000	308,700,000	70%
2	Jadwa	13,230	10,000	132,300,000	30%
Total		**44,100**	**-**	**441,000,000**	**100%**

Source: the Company

4.3.1.7 Change in the Company's Name (2013G)

On 25/03/1434H (corresponding to 06/02/2013G), the Company's shareholders resolved to change the Company's name to Saudi Aramco Base Oil Company – Luberef, which is the Company's current name.

4.3.1.8 Increase in the Company's Share Capital and Conversion into a Joint Stock Company (2022G)

On 01/12/1443H (corresponding to 30/06/2022G), the Shareholders resolved to convert the Company from a limited liability company to a joint stock company and to increase the Company's share capital from (SAR 441,000,000) divided into (44,100) shares each with a nominal value of (SAR 10,000) to (SAR 1,687,500,000) fully paid divided into (168,750,000) ordinary shares with (SAR 10) nominal value each, by way of capitalizing (SAR 1,246,500,000) of retained earnings.

On 20/01/1444H (corresponding to 18/08/2022G), the Ministry of Commerce issued resolution number (1173) announcing the conversion of the Company from a limited liability company to a joint stock company with a fully paid share capital of (SAR 1,687,500,000) divided into (168,750,000) ordinary shares with (SAR 10) nominal value each.

The following table illustrates the Company's ownership structure following the aforementioned increase in the Company's share capital and conversion of the Company into a joint stock company.

Table (4-6): Company's Ownership Structure at 20/01/1444H (18/08/2022G)

#	Shareholder	Total shares	Nominal value of the share (SAR)	Total nominal value of the shares (SAR)	Ownership percentage
1	Saudi Aramco	118,125,000	10	1,181,250,000	70%
2	Jadwa	50,625,000	10	506,250,000	30%
Total		**168,750,000**	**-**	**1,687,500,000**	**100%**

Source: the Company

4.3.2 Summary of Key Events

The key events in the Company's history from incorporation until today are summarized in the table below:

Table (4-7): Key Historical Events

Year	Event
1976G	The Company was incorporated as a limited liability company under the name of (Petromin Lubricating Oil Refining Company) between Petromin (70%) and Mobil (30%)
1977G	The Jeddah Facility was commissioned with a production capacity of approximately 180 thousand MT of Group I Base Oils
1983G	The production capacity at the Jeddah Facility increased to be approximately 220 thousand MT
1991G	The production capacity at the Jeddah Facility increased to be approximately 240 thousand MT
1996G	Petromin's stake in the Company (70%) was transferred to Saudi Aramco
1997G	The Yanbu Facility was commissioned with a production capacity of approximately 300 thousand MT, and the facility was also used to synergise the Jeddah Facility increasing its production capacity to approximately 260 thousand MT. This increased the Company's total production capacity to approximately 560 thousand MT of Group I Base Oils
2007G	Jadwa bought Mobil's 30% stake in the Company
2013G	The Company further improved its synergy between the Yanbu Facility and Jeddah Facility, resulting in increasing the Jeddah Facility's production capacity to be approximately 275 thousand MT, increasing the Company's total production capacity to approximately 575 thousand MT of Group I Base Oils
2014G	The Company incorporated Luberef FZE in the UAE
2017G	The Yanbu Growth I Expansion was completed, and the Company started producing Group II Base Oils
2019G	Formation of the Aramco Base Oil Alliance and adoption of the Saudi Aramco trademarks
2021G	The Company signed an agreement with Saudi Aramco for additional RCO, which along with transformation project initiatives increased the Company's production capacity by approximately 90 thousand MT
2021G	The Company connected into the Yanbu hydrogen network and the Company was authorized to sell hydrogen, which enhanced reliability and provides opportunity for future sales
2021G	The Yanbu Facility reached its maximum production capacity and, together with and transformation initiatives, resulted in a record year in terms of production and income
2022G	Two loading arms for the Company were commissioned in Saudi Aramco's Yanbu port, which enhanced the Company's capacity to export
2022G	The Company converted from a limited liability company to a joint stock company

Source: the Company

4.3.3 Subsidiaries

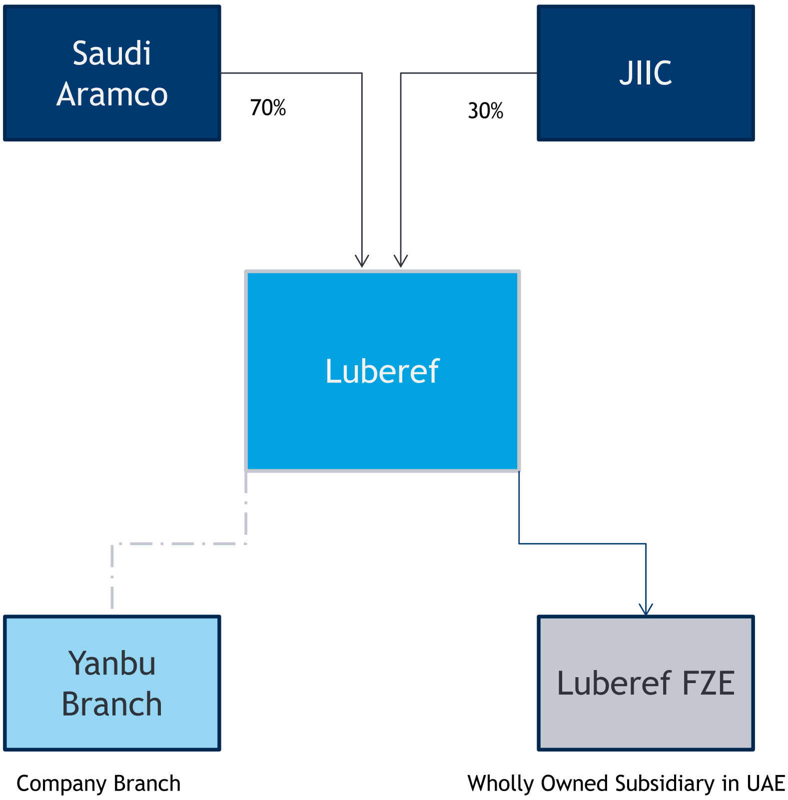
The Company has one wholly owned subsidiary, Saudi Aramco Base Oil Company – Luberef FZE (“**Luberef FZE**”). Luberef FZE was incorporated on 26/03/1435H (corresponding to 27/01/2014G) as a free zone establishment in the Hamriyah Free Zone in the United Arab Emirates and is registered under registration number (12689) with the Hamriyah Free Zone Authority’s commercial register and is located in E-LOB office number E-18F-28, P.O. Box 53331, Hamriyah Free Zone, Sharjah, United Arab Emirates.

Luberef FZE’s activities as per its commercial license are to import, export and trade in petroleum products, chemicals, diesel, lubricants and base oils. Luberef FZE does not currently conduct any material activity or own any material assets, and primarily facilitates the import and storage activities that the Company conducts in the Hamriyah Free Zone.

4.3.4 Group Structure

The following figure shows the ownership and group structure of the Company before the Offering:

Figure (4-8): Ownership and Group Structure before the Offering



Source: the Company

4.3.5 The Company's Ownership Structure before and after the Offering

The Company's current capital is (SAR 1,687,500,000), fully paid, and divided into (168,750,000) ordinary shares with (SAR 10) nominal value each. The following table sets out the Company's ownership structure before and after the Offering, showing direct Substantial Shareholders in the Company as of the date of this Prospectus:

Table (4-8): Direct Ownership Structure of the Company Before and After the Offering

#	Shareholder	Pre- Offering			Post- Offering		
		Number of Shares	Nominal Value (SAR)	Direct Ownership (%)	Number of Shares	Nominal Value (SAR)	Direct Ownership (%)
1	Saudi Aramco	118,125,000	1,181,250,000	70%	118,125,000	1,181,250,000	70%
2	Jadwa	50,625,000	506,250,000	30%	-	-	-
3	Treasury shares*	-	-	-	580,000	5,800,000	0.3437037%
4	Public	-	-	-	50,045,000	500,450,000	29.6562963%
Total		**168,750,000**	**1,687,500,000**	**100%**	**168,750,000**	**1,687,500,000**	**100%**

* Concurrently with the closing of the Offering, the Company will purchase the treasury shares from Jadwa. For more details, please review Section (5.9.1) "**Employees Shares**".

Source: The Company

The following table sets out persons and entities who indirectly own 5% or more of the Company's shares, through their legal ownership in the two Substantial Shareholders:

Table (4-9): Indirect Substantial Shareholders in the Company

#	Entity	Pre- Offering		Post- Offering	
		Number of Shares	Indirect Ownership (%)	Number of Shares	Indirect Ownership %
1	The Government	111,261,938	65.93%	111,261,938	65.93%
2	Zamil Group Holding Company	18,322,706	10.86%(1)	-	-
3	Jadwa Investment Company	15,187,500	9.00%(2)	-	-
4	Mohammad Ibrahim AlSubeaei & Sons Investment Company (MASIC)	12,087,731	7.16%(3)	-	-
5	Abdullah Ibrahim AlSubeaei Investment Company (AISC)	10,772,494	6.38%(4)	-	-

Source: Shareholders

(1) This consists of 10.20% ownership through JIIC (as Zamil Group Holding Company owns 34.00% in JIIC which in turn owns 30.00% of the Company), and 0.66% ownership through Jadwa Investment Company (as Zamil Group Holding Company owns 7.31% in Jadwa Investment Company, which owns 30.00% in JIIC which in turn owns 30.00% of the Company).

(2) This consists of 9.00% ownership through JIIC (as Jadwa Investment Company owns 30.00% in JIIC which in turn owns 30.00% of the Company).

(3) This consists of 5.40% ownership through JIIC (as MASIC owns 18.00% in JIIC which in turn owns 30.00% of the Company), and 1.76% ownership through Jadwa Investment Company (as MASIC owns 19.59% in Jadwa Investment Company, which owns 30.00% in JIIC which in turn owns 30.00% of the Company).

(4) This consists of 5.40% ownership through JIIC (as AISC owns 18.00% in JIIC which in turn owns 30.00% of the Company), and 0.98% ownership through Jadwa Investment Company (as AISC owns 10.93% in Jadwa Investment Company, which owns 30.00% in JIIC which in turn owns 30.00% of the Company).

Note: All numbers are rounded to the nearest second decimal point.

In addition to the above, JIIC sold the beneficial ownership interest it has in 14.58% of the Company's shares to Jadwa Co-Investment Fund (Saudi Lube Oil), a private equity fund. For more details about the fund and its ownership, please refer to Section (4.3.6) "**Jadwa Co-Investment Fund (Saudi Lube Oil)**".

Other than the above, there is no person that owns directly or indirectly 5% or more of the Company's shares. The following is a description of the direct Substantial Shareholders of the Company.

4.3.5.1 Saudi Aramco

Saudi Arabian Oil Company is a public joint stock company by virtue of Royal Decree number (M/8) dated 04/04/1409H (corresponding to 13/11/1988G) and Council of Ministers Resolution number (180) dated 01/04/1439H (corresponding to 19/12/2017G), registered in the city of Dhahran, the Kingdom under commercial registration number (2052101150) dated 11/07/1439H (corresponding to 28/03/2018G) (Saudi Aramco). The current share capital of Saudi Aramco is (75,000,000,000) Saudi Riyals, consisting of (220,000,000,000) ordinary shares with no par value. The main objective of Saudi Aramco as per its Bylaws is to engage in any activities relating to the energy industry, including hydrocarbons, chemicals and other associated and complementary industries, or any other activity, in or outside the Kingdom.

The following table illustrates the ownership structure of Saudi Aramco as of the date of this Prospectus.

Table (4-10): Saudi Aramco's Ownership Structure

Shareholder	Shares	Nominal Value**	Share Capital (SAR)	Percentage
Government	207,218,000,000	-	70,642,500,000	94.19%
Others*	11,982,000,000	-	4,357,500,000	5.81%
Total	**220,000,000,000**	**-**	**75,000,000,000**	**100%**

Source: Saudi Aramco

* Includes shares owned by any person, including treasury, except those owned directly by the Government.

** Saudi Aramco's shares have no nominal/par value.

Source of information in this section: Saudi Aramco

4.3.5.2 Jadwa Industrial Investment Company

Jadwa Industrial Investment Company ("**Jadwa**" or "**JIIC**") is a limited liability company registered under commercial registration number (1010237679) dated 20/08/1428H (corresponding to 02/09/2007G) with its headquarters in Riyadh, the Kingdom. The current share capital of Jadwa Industrial Investment Company is (500,000) Saudi Riyals, consisting of (50,000) shares each having a nominal value of (10) Saudi Riyals, and it was established for the sole purpose of holding the Company's shares, and its activities as per its articles of association is to set up industrial projects, operate lubricants facilities and the management thereof.

The following table illustrates the ownership structure of Jadwa Industrial Investment Company as of the date of this Prospectus.

Table (4-11): Jadwa Industrial Investment Company's Ownership Structure

Shareholder	Shares	Nominal Value	Total Nominal Value	Percentage
Zamil Group Holding Company	17,000	10	170,000	34%
Jadwa Investment Company	15,000	10	150,000	30%
Mohammad Ibrahim AlSubeaei & Sons Investment Company (MASIC)	9,000	10	90,000	18%
Abdullah Ibrahim AlSubeaei Investment Company (AISC)	9,000	10	90,000	18%
Total	**50,000**	**-**	**500,000**	**100%**

Source: Jadwa

Source of information in this section: Jadwa

4.3.6 Jadwa Co-Investment Fund (Saudi Lube Oil)

Jadwa Co-Investment Fund (Saudi Lube Oil) is a close-ended private fund established pursuant to the CMA regulations, and owns economic benefit in 14.58% of the Company's shares. The fund purchased this economic benefit in the Company's shares from JIIC on 21/12/1428H (corresponding to 30/12/2007G) by way of a sale and purchase agreement. Jadwa Co-Investment Fund (Saudi Lube Oil) was established to own this economic benefit. The fund will cease to own any economic benefit in the Company's shares after the Offering.

The fund is managed by Jadwa Investment Company, which is also a shareholder in JIIC (please see Section (4.3.5.2) "**Jadwa Industrial Investment Company**" above) and also a unitholder in the fund and owns 11.8% of its units.

The fund has only a right to the economic benefit in the Company's shares (including dividends and any sale proceeds). The fund has no voting or representation rights, neither at the JIIC level nor at the Company level. None of the unitholders beneficially own, through the fund, 5% or more of the Company's shares.

Under the sale and purchase agreement between JIIC and the fund, in the event of a public offering and listing of the Shares which the fund has economic benefit in, the fund has the option to receive such Shares (subject to any restrictions imposed by the CMA), or if sold, the net proceeds. All of JIIC's Shares will be sold in the Offering or to the Company as part of the share scheme program.

Source of information in this section: Jadwa

4.3.7 Assets and Investments Outside of the Kingdom

The Company has one wholly owned subsidiary, Luberef FZE, which is located outside of the Kingdom and does not conduct any material activities nor own any material assets. The Company also leases a tank storage facility located in the Hamriyah Free Zone in the UAE, which the Company uses to store products before distribution. The Company does not consider the value of the inventory kept at this storage facility material.

The Company also sells its products outside of the Kingdom, as detailed in Section (4.4) "**Overview of the Company's Products**" below.

4.3.8 Other Investments

Other than Luberef FZE, the Company does not own any shares in any company.

4.4 Overview of the Company's Products

4.4.1 Products Overview

Base oils have different physical and chemical properties. Factors such as viscosity and thermal stability (amongst others) determine the level of quality of each base oil.

Base oil products typically have two specific identifiers in their name to help identify the product's grade and group. The grade is defined by the number stated in the product name, which is a reference to the product's viscosity. The base oil groups are based on the technical specification of the base oils and where they fall within the American Petroleum Institute (API) definition. Generally, there are five different groups that base oils can be divided into depending on their characteristics. The below table shows the three base oil groups the Company is producing or selling, their corresponding trademarks and properties.

Table (4-12): Products Overview and Properties

Group	Trademark	Key Properties	Products
Group I	aramcoDURA™	Good viscosity index	aramcoDURA 150
			aramcoDURA 500
			aramcoDURA BS 150
Group II	aramcoPRIMA™	Good viscosity index, low sulfur	aramcoPRIMA 70
			aramcoPRIMA 110
			aramcoPRIMA 230
			aramcoPRIMA 500
Group III	aramcoULTRA™	High viscosity index, low sulfur	aramcoULTRA 2*
			aramcoULTRA 4*
			aramcoULTRA 6*
			aramcoULTRA 8*

* Not currently produced by the Company.

Source: the Company

Please refer to Section (3) "**Market and Industry Data**" for more details about the base oils industry and industrial use of base oils.

The Company produces various Group I Base Oils and Group II Base Oils products. The Company also procures and resells Group III Base Oils products from other Aramco Base Oil Alliance members. The Company will be expanding its production in Yanbu to include Group III Base Oils products as part of the Yanbu Growth II Expansion project, which is planned to be completed in 2025G.

In addition, the Company also produces and sells Byproducts such as asphalt, MHFO, slack wax, bright stock extract and sulfur and White Products such as ULSD, naphtha and drilling fluid. The Company sells the majority of its Byproducts to Saudi Aramco and its Affiliates. The Company's marketing efforts, therefore, are focused on the sales and distribution of the base oils which offer an attractive margin to the Company.

4.4.1.1 Group I and Group II Base Oil

The Company produces three grades of Group I Base Oil, namely aramcoDURA 150, aramcoDURA 500 and aramcoDURA BS 150. The Jeddah Facility produces aramcoDURA 150 and aramcoDURA 500, and the Yanbu Facility produces aramcoDURA BS 150. These products are mainly sold in the following end markets: the Kingdom, India, the UAE, Singapore and Africa.

The Company produces four grades of Group II Base Oil, namely aramcoPRIMA 70, aramcoPRIMA 110, aramcoPRIMA 230 and aramcoPRIMA 500 at the Yanbu Facility. These products are mainly sold in the following end markets: the Kingdom, India, the UAE and Africa.

The table below shows production volumes by group for the financial years ended 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G.

Table (4-13): Base oils production for the financial years ended 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G

#	Product	31-Dec-2019 (MT)	31-Dec-2020 (MT)	31-Dec-2021 (MT)	30-Jun-2022 (MT)
1	Group I Base Oils	362,437	398,820	412,455	214,559
2	Group II Base Oils	513,337	491,318	760,675	401,218

Source: the Company

Further, the below table shows the Company's sales of base oil per product for 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G.

Table (4-14): Group I and Group II Base Oils sales for products for the financial years ended 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G

#	Product	31-Dec-2019 (thousand MT)	31-Dec-2020 (thousand MT)	31-Dec-2021 (thousand MT)	30-Jun-2022 (thousand MT)
Group I Products					
1	aramcoDURA 150	74	75	89	45
2	aramcoDURA 500	167	179	170	91
3	aramcoDURA BS 150	120	148	145	98
Total		**362**	**402**	**403**	**234**
Group II Products					
4	aramcoPRIMA 70	149	152	234	107
5	aramcoPRIMA 110	106	107	154	89
6	aramcoPRIMA 230	137	127	195	118
7	aramcoPRIMA 500*	132	124	174	124
Total		**524**	**510**	**757**	**438**

Source: the Company

* Includes imported base oil (grade N 600).

4.4.1.2 Group III Base Oil

The Company does not currently produce Group III Base Oils. The Company procures Group III Base Oils from S-Oil, an Aramco Base Oil Alliance member, and markets these products in the Kingdom and in other countries in the MENA region.

The table below shows the Company's sales volumes of imported base oils, majority of which is Group III Base Oils products, for the financial years ended 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G.

Table (4-15): Imported base oils sales for the financial years ended 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G

#	Product	31-Dec-2019 (MT)	31-Dec-2020 (MT)	31-Dec-2021 (MT)	30-Jun-2022 (MT)
1	Base Oils alliance trade*	4,103	53,151	42,071	24,600
2	Base Oils sales by the Company**	0	0	24,558	11,117

* Alliance trades means the sales made by Aramco Base Oil Alliance members (S-Oil and Motiva) in the Company's zone.

** Excluding the Alliance trades.

Source: the Company

As part of the Yanbu Growth II Expansion, the Company plans to expand and upgrade the Yanbu Facility's production to include production of Group III Base Oils starting from 2025G. For further details about the Yanbu Growth II Expansion, please refer to Section (4.5.3.1) "**Yanbu Growth II Expansion**".

4.4.1.3 Byproducts

The Byproducts produced by the Company include asphalt, marine heavy fuel oil (MHFO), slack wax, bright stock extract and sulfur, as well as White Products such as ultra-low sulfur diesel (ULSD), naphtha and drilling fluid.

The table below shows production volumes for White Products and other Byproducts for the financial years ended 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G.

Table (4-16): Byproducts Production for the financial years ended 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G

#	Byproducts	31-Dec-2019 (MT)	31-Dec-2020 (MT)	31-Dec-2021 (MT)	30-Jun-2022 (MT)
1	White Products	305,350	298,931	438,293	196,459
2	Other Byproducts	2,020,222	1,986,872	2,112,808	1,113,288

Source: the Company

4.5 Overview of the Company's Facilities and Projects

4.5.1 Company's Facilities

The Company currently operates two base oil production facilities, the Yanbu Facility and the Jeddah Facility, both strategically located on the west coast of the Kingdom. The below table shows details of the two facilities, including their production capacity.

Table (4-17): Company Facilities, Details and Production Capacity

	Commis-sioning	Current Production Capacity (MT/year)		Actual Production (MT)*							
				31-Dec-2019		31-Dec-2020		31-Dec-2021		30-Jun-2022	
		Base Oil	Byprod-ucts**	Base Oil	Byprod-ucts**	Base Oil	Byprod-ucts**	Base Oil	Byprod-ucts**	Base Oil	Byprod-ucts**
Yanbu Facility	1997G	1,070,000	1,600,000	635,933	1,303,182	638,049	1,217,867	912,839	1,522,507	488,563	809,391
Jeddah Facility	1977G	275,000	1,050,000	239,842	1,022,391	252,088	1,067,936	260,292	1,028,594	127,214	500,356

* Based on current operating products slate.

** Byproducts volumes include White Products.

Source: the Company

4.5.1.1 The Yanbu Facility

The Yanbu Facility currently produces Group I (aramcoDURA BS 150) and Group II Base Oils, as main products, and ULSD, naphtha, drilling fluids, MHFO, asphalt, bright stock extract and sulflur as Byproducts.

The Yanbu Facility was commissioned in 1997G to produce high quality Group I Base Oils at a production capacity of approximately 300 thousand MT per year. The site was producing aramcoDURA 150, aramcoDURA 500 and aramcoDURA BS 150 until November 2017G.

The Yanbu Growth I Expansion was completed at the end of 2017G and enabled the site to produce Group II Base Oils including aramcoPRIMA 70, aramcoPRIMA 110, aramcoPRIMA 230 and aramcoPRIMA 500 as well as aramcoDURA BS 150 as main products, and ULSD, naphtha, drilling fluids, MHFO, asphalt, bright stock extract and sulflur as Byproducts. After the commissioning of the Yanbu Growth I Expansion, the Yanbu Facility production capacity reached approximately 1 million MT, including the introduction of 710 thousand MT Group II Base Oils production capacity. This brought the Company's total base oils production capacity (in both facilities) to approximately 1.255 million MT per year by the end of 2017G.

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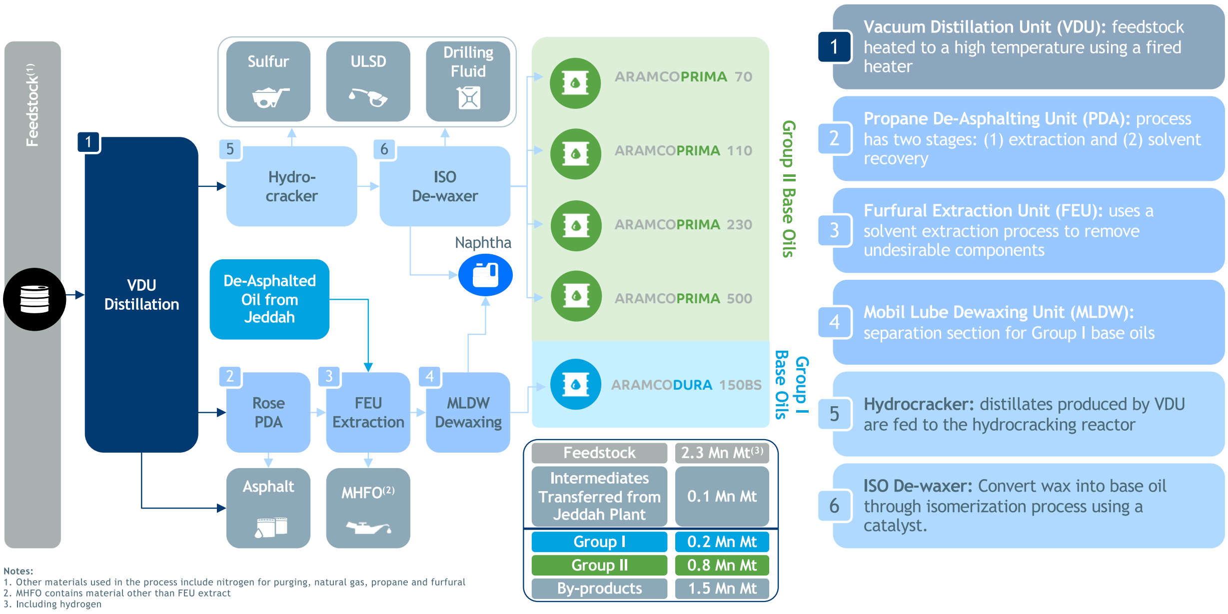
During 2021G, the Yanbu Facility production capacity reached approximately 1.07 million MT after the increase of the capacity of certain units, and the Company's total base oils production capacity in both the Yanbu and Jeddah facilities reached approximately 1.345 million MT per year.

The Company plans to undergo the Yanbu Growth II Expansion project, which is planned to be completed in 2025G. For more information, please refer to Section (4.5.3.1) "**Yanbu Growth II Expansion**" below.

The below figure shows the different units and production processes in the Yanbu Facility:

Figure (4-9): The Yanbu Facility's Units and Process



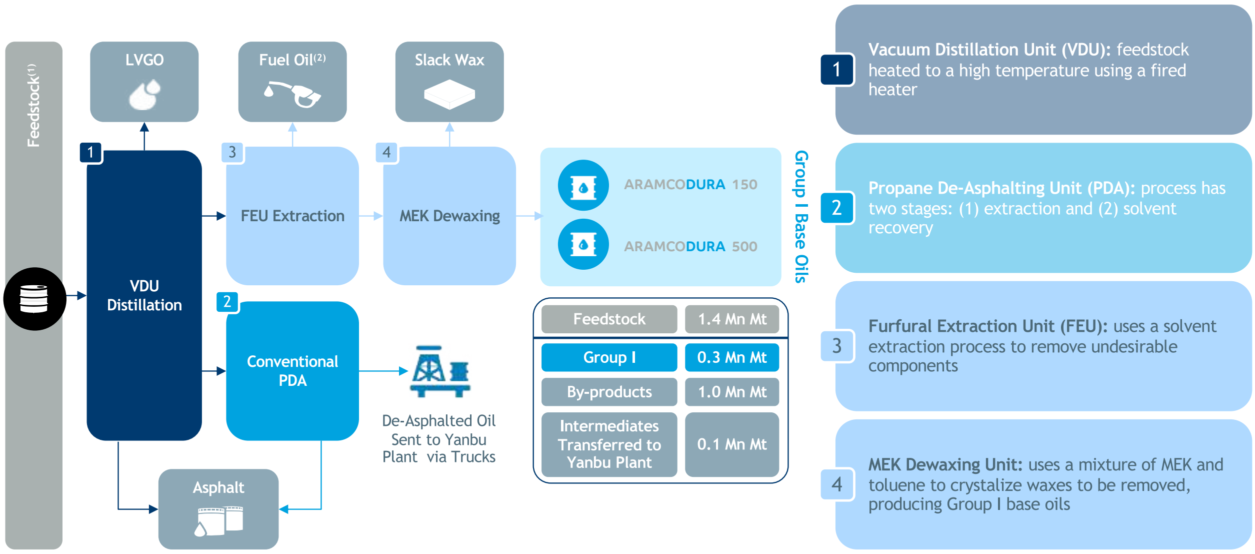
Notes:
1. Other materials used in the process include nitrogen for purging, natural gas, propane and furfural
2. MHFO contains material other than FEU extract
3. Including hydrogen

Source: the Company

4.5.1.2 The Jeddah Facility

The Jeddah Facility was originally commissioned in 1977G to produce aramcoDURA 150 and aramcoDURA 500 Group I Base Oils. The Jeddah Facility has undergone a number of de-bottlenecking projects and has synergized its operations with the Yanbu Facility which led to an increase in its annual production capacity from approximately 180 thousand MT to the current 275 thousand MT. The below figure shows the different units and production processes in the Jeddah Facility:

Figure (4-10): The Jeddah Facility's Units and Process

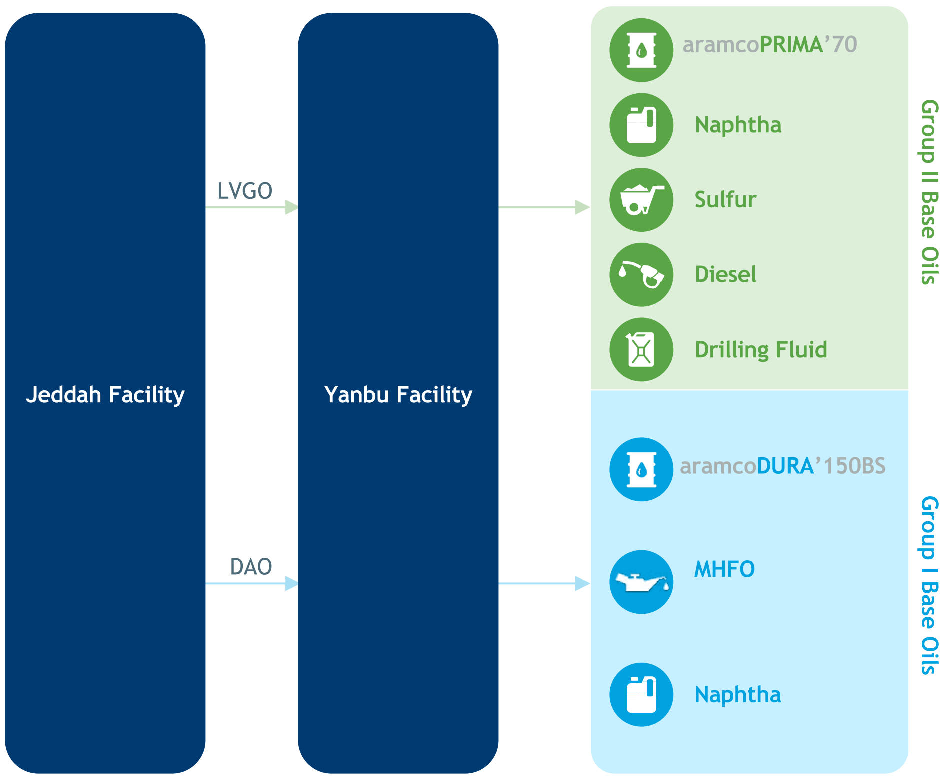


Notes:
1. Other materials used in the process include nitrogen for purging, propane, furfural, MEK and toluene
2. Fuel oil contains material other than FEU extract

Source: the Company

The Jeddah Facility has active operational synergies in place with the Yanbu Facility, including for example DAO which is produced at the Jeddah Facility and sent to the Yanbu Facility for the production of aramcoDURA BS 150, and certain volumes of light vacuum gas oil (LVGO) which are transferred to the Yanbu Facility for the production of aramcoPRIMA 70, ULSD and drilling fluids. The below figure simplifies the synergies between the two facilities:

Figure (4-11): The Operational Synergy Between Jeddah Facility and Yanbu Facility



Source: the Company

As per the Company's business plan, approved by the Board, the Jeddah Facility will close in mid 2026G when the current land lease expires. The Company expects the feedstock currently supplied to the Jeddah Facility to be reallocated to the Yanbu Facility upon closure of the Jeddah Facility, and for interim feedstock supply to be arranged for the Yanbu Growth II Expansion prior to the closure of the Jeddah Facility and the reallocation of the Jeddah Facility's feedstock to Yanbu. The Company may reconsider this in the future if the land lease is extended and other feedstock arrangements are made available.

For more details about the risks associated with the Jeddah Facility closure, please refer to Section (2.1.2) "**Risks relating to the Jeddah Facility closure and reliance on one facility in the future**". For further details about the Yanbu Growth II Expansion at the Yanbu Facility, please refer to Section (4.5.3.1) "**Yanbu Growth II Expansion**".

4.5.2 Feedstock and Raw Material

The main feedstock used for both the Yanbu Facility and the Jeddah Facility is RCO and is supplied by Saudi Aramco through long term supply agreements. The Company's RCO is sourced from Arab light crude, which the Company believes is an advantaged feed for the Company to produce paraffinic base oils due to its specifications (high paraffinic content) and low price (due to its high sulfur content). The feedstock is delivered at the Yanbu Facility through pipelines, while at the Jeddah Facility is shipped from Saudi Aramco's Yanbu refinery to Saudi Aramco's terminal in Jeddah and then through connected pipelines from Saudi Aramco's terminal to the Jeddah Facility.

The Company receives up to 45,000 BPCD of RCO in the Yanbu Facility and up to 24,500 BPCD of RCO in the Jeddah Facility based on feedstock supply agreements. The Jeddah Feedstock Agreement is effective as of the Company's incorporation for a term of 50 years, automatically renewable for additional periods each for 50 years and the main Yanbu Feedstock Agreement is effective from 24/03/1440H (02/12/2018G) for a term of 20 years. For further details about the contractual arrangements, please refer to Section (12.6.1) "**Key Feedstock and Supply Agreements**".

The Company also receives natural gas from Saudi Aramco, which is mainly used for the production of hydrogen used for the Group II Base Oils production at the Yanbu Facility and as main fuel for gas stream. The Company currently has a total natural gas allocation from the MOE of 34.0 MMSCFD and receives such amount from Saudi Aramco. The Company does not receive nor use natural gas at the Jeddah Facility.

4.5.3 Future Projects

The Company is undergoing and assessing a number of projects to further optimize its performance and to expand its business and activities. These projects are summarized below.

4.5.3.1 Yanbu Growth II Expansion

The Yanbu Growth II Expansion aims to expand existing units at the Yanbu Facility to their maximum production capacity potential and introduce the production of Group III Base Oils to the Company's current base oils slate. The project targets to increase the Yanbu Facility base oil production capacity to approximately 1.3 million MT per annum in 2025G (270 thousand of Group I, 815 thousand for Group II and 175 thousand for Group III). The expansion will allow flexibility for additional Group II and Group III Base Oils based on market demand by the expected ability to switch between Group II and Group III Base Oils production, and the Yanbu Facility is expected to have the capability to produce up to 670 thousand MT of Group III Base Oils with no Group II production or 1,120 thousand MT of Group II Base Oils with no Group III Base Oils production.

The project scope includes:

- Expanding the VDU to achieve a total production capacity of 65 MBD.
- Expanding and upgrading the HCU from 26 MBD to achieve a total production capacity of 35 MBD and produce Group III Base Oils.
- Expanding and further optimizing the iso de-waxing unit from 19 MBD to achieve a total production capacity of 29 MBD.
- Install required logistics for product storage and sales to both domestic and export customers.

The Board approved the final investment decision (FID) in relation to the Yanbu Growth II Expansion in July 2022G, and it is planned to start operation in 2025G. The Company expects the investment to range from USD 150 - 200 million, and to be incurred between 2022G and 2024G with the largest portions incurred in 2023G and 2024G.

4.5.3.2 Business Transformation Initiative

The Company is currently in the implementation phase of a business transformation program which was initiated in 2021G in line with Saudi Aramco's transformation initiative for its joint ventures. The program is focused on seven pillars including procurement, commercial excellence, operations, maintenance and turnaround, engineering, capital efficiency and manpower. Work is in progress on initiatives related to the following:

- Increase capacity of major units, leading to higher base oils production.
- Generate additional value through synergies with Saudi Aramco's system.
- Reduce operational expenditure by investigating alternative options of procurement and efficiency of activities.

The business transformation initiative includes Saudi Aramco Downstream Business Transformation Project, which includes a number of initiatives to synergise opportunities with Saudi Aramco and its Affiliates.

As part of the transformation initiative, the Company has successfully executed the following:

- Increased VDU capacity from 40.0 MBD to 45.0 MBD at the Yanbu Facility in 2021G, with further increase achieved during the first half of 2022G to 46.0 MBD.
- Upgraded HCU catalyst to increased unit capacity from 23.0 MBD to 26.0 MBD at the Yanbu Facility in 2021G.
- Increased the isomerize dewaxing unit capacity from 18.0 MBD to 19.0 MBD at the Yanbu Facility in 2021G.

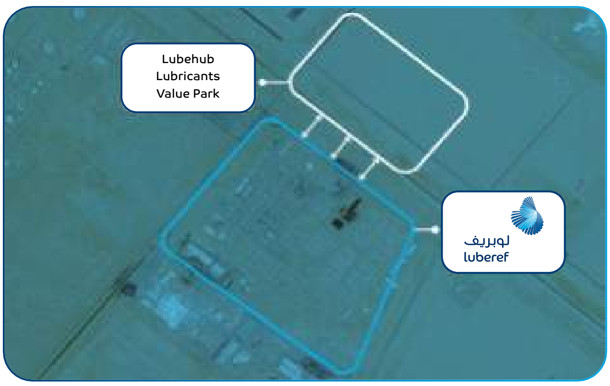
The transformation project still has a number of initiatives under evaluation during 2022G. The main initiatives include:

- De-bottleneck the VDU in the Yanbu Facility to increase the capacity to 50.0 MBD.
- De-bottleneck the VDU in the Jeddah Facility to increase the capacity to 26.0 MBD.
- De-bottleneck the PDA in the Yanbu Facility from 12.5 MBD to increase the capacity to 15.0 MBD.
- De-bottleneck the PDA in the Jeddah Facility from 6.0 MBD to increase the capacity to 7.0 MBD.

4.5.3.3 LubeHUB

LubeHUB is an industrial park strategically located in Yanbu adjacent to the Yanbu Facility, and lies on the path of the maritime Silk Road. LubeHUB will provide access to the Company's base oils and Byproducts as feedstock for investors who want to build their manufacturing facilities in LubeHUB and utilize this feedstock to produce speciality products such as transformer oil, rubber process oil and metal working fluids. LubeHUB aims to attract demand for the Yanbu Facility's products at attractive margins, all while localizing the production of speciality products to meet the domestic and nearby marketplace demand. The below figure shows the proximity of LubeHUB to the Company's Yanbu Facility:

Figure (4-12): LubeHUB Location



Source: the Company

The LubeHUB project is being discussed with various stakeholders, including RCJY, MISA and MOE. The land on which LubeHUB will be located has been developed by RCJY and the infrastructure culvert is built for supply pipeline layout. The Company will be providing feedstock on a long-term basis, providing services to the investors and is evaluating the utilization of LubeHUB as a potential opportunity to expand to speciality products.

The Company entered into a number of non-binding MOUs with potential investors, including Saudi Arabian entities and other international companies. Those investors plan to set up their manufacturing facilities in LubeHUB utilizing the Company's products as feedstock or otherwise using the Company's technical and operational support.

For more details about the risks associated with LubeHUB, please refer to Section (2.1.3) "**Risks relating to the Company's strategy, growth and new projects and inability to achieve its objectives and goals, including the Yanbu Growth II Expansion project**".

4.5.4 Aramco Base Oil Alliance

In 2019G, Saudi Aramco and its three key base oils producers' affiliates, the Company, Motiva and S-Oil, formalized an initiative to align, enhance and grow production and marketing activities and leverage synergies in Saudi Aramco's base oils business by creating the Aramco Base Oil Alliance. Please refer to Section (4.7) "**Research and Development**" for more details about the research and development cooperation.

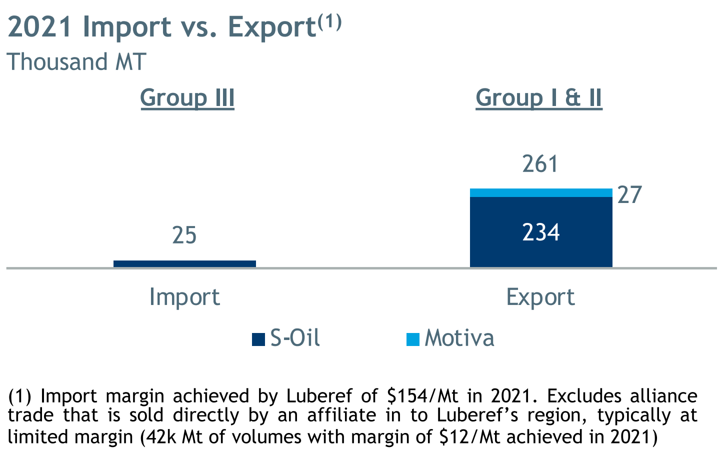
The Aramco Base Oil Alliance members agreed to standardize formulations and streamline marketing and sales of all Group I, Group II and Group III Base Oils under Saudi Aramco's brands - aramcoDURA, aramcoPRIMA and aramcoULTRA. Each member became an exclusive marketer of these products in their respective designated zones as follows:

- Luberef Zone – Middle East (including Pakistan) and Africa;
- Motiva Zone – North America, Central America and South America; and
- S-Oil Zone – Europe and Asia (excluding Middle East and Pakistan, and including India).

For more details about the Alliance Framework Agreement and the Master Sales Agreement and the risks associated with the Aramco Base Oil Alliance, please review Sections (12.6.6) "**The Aramco Base Oil Alliance agreements**" and (2.1.22) "**Risks relating to the Aramco Base Oil Alliance**".

The Company sells Group I and Group II Base Oils in S-Oil and Motiva designated zones through S-Oil and Motiva's marketing expertise and channels. The Company benefits from the storage facilities both Motiva and S-Oil have in their respective zones. The Company sells Group III Base Oils produced by S-Oil in the Kingdom and the MENA region. The below graph shows the 2021G import and export through the Alliance.

Figure (4-13): 2021 Import and Export through the Aramco Base Oil Alliance



Source: the Company

4.6 Sales

The Company's products are sold in the Kingdom, other countries in the MENA region and globally (whether directly, through the Aramco Base Oil Alliance members or distributors). Further details about domestic and international sales are outlined below.

4.6.1 Domestic Sales

The below table shows sales in the Kingdom by product, as well as the percentage of such sales of the overall sales of the Company for the financial years ended 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G.

Table (4-18): Company Sales in the Kingdom for the financial years ended 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G

#	Product	31-Dec-2019		31-Dec-2020		31-Dec-2021		30-Jun-2022	
		Volume (MT)	Percentage of overall sales	Volume (MT)	Percentage of overall sales	Volume (MT)	Percentage of overall sales	Volume (MT)	Percentage of overall sales
1	Base Oil*	301,555	34%	315,918	34.6%	350,516	29.6%	210,074	30.7%
2	Byproducts	2,312,161	99.9%	2,271,589	99.9%	2,515,982	99.1%	1,293,859	99.2%

* Including the Company's Group III Base Oils sales, and excluding alliance trades (i.e., sales made by Aramco Base Oil Alliance members in the Company's designated zone).

Source: the Company

4.6.2 International Sales

The Company sells base oil products to customers in different countries globally.

The Company sells directly in five countries, being the UAE, Egypt, Jordan, Oman and Pakistan, and sells indirectly through distributors, in South Africa, Tanzania and Sudan. The Company sells in four countries through S-Oil, being: France, India, Singapore and Turkey, and sells in the Americas through Motiva.

The below table shows the international sales of base oils and Byproducts as well as the percentage of such sales of the overall sales of the Company for the financial years ended 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G.

Table (4-19): Company Sales outside the Kingdom for the financial years ended 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G (Per Product)

#	Product	31-Dec-2019		31-Dec-2020		31-Dec-2021		30-Jun-2022	
		Volume (MT)	Percentage of overall sales	Volume (MT)	Percentage of overall sales	Volume (MT)	Percentage of overall sales	Volume (MT)	Percentage of overall sales
1	Base Oil*	585,309	66%	596,371	65.4%	834,052	70.4%	473,137	69.3%
2	Byproducts	1,895	0.1%	3,189	0.1%	23,569	0.9%	10,558	0.8%

* Including Group III Base Oils sales.

Source: the Company

Further, the below table shows the sales of base oils to each country/region as well as the percentage of such sales of the overall sales of the Company for 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G.

Table (4-20): Company Base Oil Sales outside the Kingdom for 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G (Per Country or Region)

#	Country or region	31-Dec-2019		31-Dec-2020		31-Dec-2021		30-Jun-2022	
		Volume (MT)	Percentage of overall sales	Volume (MT)	Percentage of overall sales	Volume (MT)	Percentage of overall sales	Volume (MT)	Percentage of overall sales
1	MENA*	220,370	24.8%	276,711	30.3%	455,781	38.5%	267,194	39.1%
2	India	287,142	32.4%	111,195	12.2%	236,195	19.9%	139,591	20.4%
3	Others**	77,797	8.8%	208,465	22.9%	142,076	12.0%	66,351	9.7%

* Excluding KSA.

** Includes mainly the Americas, Brazil, Pakistan, Sudan, Cyprus, Turkey, Singapore and Tanzania.

Source: the Company

4.6.3 Customers

The Company sells base oils to major international oil companies, national oil companies and regional players in the Kingdom and across the globe. The Company maintains strong multi-decade relationships with various customers. The following tables show the top customers concentration based on base oil sales for each of the financial years ended 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G.

Table (4-21): Top customers concentration for the financial years ended 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G

#	Customers	31-Dec-2019		31-Dec-2020		31-Dec-2021		30-Jun-2022	
		Volume (MT)	% overall sales	Volume (MT)	% overall sales	Volume (MT)	% overall sales	Volume (MT)	% overall sales
1	Top 10 customers	488,074	55.0%	507,246	55.6%	593,831	50.1%	294,013	43.0%
2	Remaining customers	398,790	45.0%	405,043	44.4%	590,737	49.9%	389,198	57.0%

Note: The figures are excluding alliance trades.

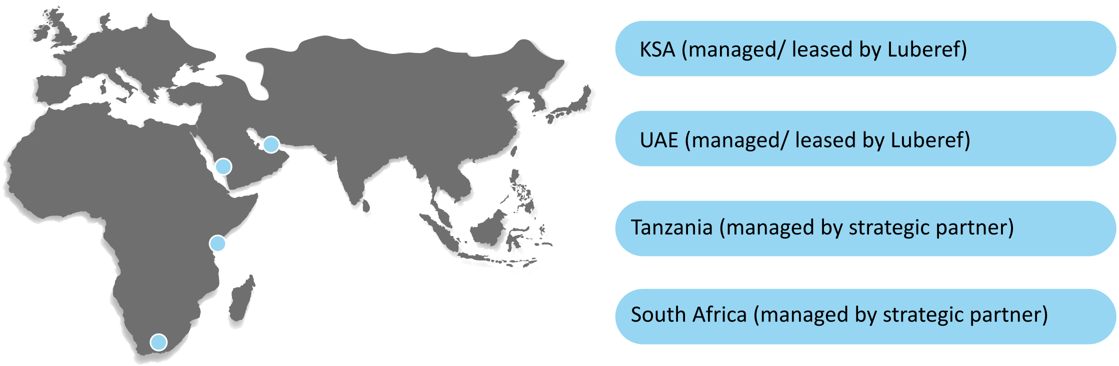
Source: the Company

4.6.4 Logistics

Logistics are an important aspect of the Company's business. The Company's logistics network support both its domestic and international sales. The Company has two storage facilities, one in the Yanbu Facility and one in the Jeddah Facility, and leases a storage facility in Yanbu to store imported Group III Base Oil and another in the Hamriyah Free Zone, the UAE. For more information about the Company's leased properties, please refer to Section (12.8.2) "**Real Estate Rented by the Company and the Subsidiary**".

The Company's products that are sold domestically are delivered by pipeline and trucks, the majority of which are arranged by domestic customers. The Company's products that are sold to international customers outside the UAE are delivered by ship in ISO tanks and flexi bags, and by trucks in the UAE and Oman. The Company also sells to strategic customers by ship in bulk, and those customers utilize their own local storage facilities in Tanzania and South Africa to optimize additional sales and distribution to end customers domestically.

Figure (4-14): Overview of Key Logistic Points



Source: the Company

4.7 Research and Development

The Company engages in research and development activities to ensure its products meet base oils specifications for existing industrial applications and to drive innovation in collaboration with customers, original equipment manufacturers (OEMs) and additive companies.

The Company and other Aramco Base Oil Alliance members coordinate and contribute to research and development efforts related to Aramco branded base oils sold by Alliance members throughout the world.

Base Oils Applications

The Company's research and development activities seek to increase customers' acceptance and differentiate the Company's products by focusing on the following:

Formulations and Approvals – Developing formulations of finished products and obtaining approvals are required to ensure the Company's products meet specifications for use in certain applications. The additive formulation and OEM approval process is time consuming and can vary from six-months to three to four years depending on the complexity of the tests that must be performed, and operating conditions evaluated. The approvals and certifications obtained by the Company support customer acceptance of its base oils, product differentiation and potential pricing premiums for certified products.

Aramco Base Oil Alliance Cooperation – The Company, along with other Aramco Base Oil Alliance members, have been working together to further expand acceptance of their Group II Base Oils and have successfully developed a common slate of Group II aramcoPRIMA products that are interchangeable among the Aramco Base Oil Alliance members. In addition, the Base Oil Alliance members continue to cooperate with additive companies to develop additional formulations and obtain approvals for aramcoPRIMA base oils products, which helps build the confidence and trust of blenders to use Alliance products across the globe.

The Aramco Base Oil Alliance members, together with certain additive companies, have developed 15 product formulations that use aramcoPRIMA Group II Base Oils, and these 15 formulations have obtained 99 OEM approvals, including approvals from well-known automobile manufacturers.

Future Formulations and Approvals for Group III – The Company is developing a Group III formulation strategy that aims to support sales and meet demand for the Group III Base Oils products that the Company intends to produce upon the completion of the Yanbu Growth II Expansion in 2025G.

Desulfurization Technology Initiative

The Company and KAUST are collaborating in the development and testing of a new technology to remove sulfur from fuel oil without the use of hydrogen. KAUST has formed a subsidiary, whose tradename is uODS, which is the trademark name for this ultrasonic oxidative de-sulfurization technology, to pursue commercialization of the technology.

Fuel oil samples from the Company have been tested at lab scale, and have shown an 85% reduction in the sulfur content of the fuel oil samples. Following the successful pilot scale testing, an MOU was signed by the Company and uODS to explore additional applications for this technology.

The next phase of this project currently underway includes the commissioning of an industrial scale pilot unit in the Jeddah Facility that will be operated for multiple weeks to produce sufficient quantities of low sulfur fuel oil in order to operate the facility for a single day, during which the site emissions will be measured to validate the environmental impact of this technology.

As part of the further development arrangement highlighted in the MOU, the Company has collaborated with uODS to consider utilizing the technology in additional applications, including intermediate base oils production streams. Initial testing produced positive results and further testing will be conducted utilizing laboratory scale units to allow a detailed evaluation of the application and its economic feasibility.

4.8 Environmental, Social and Governance (ESG)

The Company hopes to create an effective environmental, social, and governance (ESG) framework and the below outlines some of the Company’s policies and initiatives which aim to achieve that.

4.8.1 Environment, Health and Safety

An enterprise-wide, organizationally-driven focus on the environment, health and safety supports the Company’s goal of protecting its workforce, preventing property losses and avoiding business interruptions, while adapting to market and operating conditions. This involves Company standards that focus on a continuous improvement approach commonly used throughout the industry. Additionally, the Company’s robust standards reflect low risk tolerance with rigorously applied operational safety procedures. This is complemented by procedures for crisis management and business continuity designed to provide operational resilience and to respond to internal or external incidents by restoring operations in an orderly manner.

The Company has an environmental policy in place outlining environmental goals, actions and a performance and monitoring and measurement framework. The Company’s environmental position also relies on its relationship with Saudi Aramco. The Company is in the process of developing a strategy, which has not yet been finalized, that aims to target 2050G as the year to achieve net zero emissions.

In 2011G, supported by DuPont Sustainable Solutions (DSS) assessment of the Company’s plants, the Company implemented a Safety Management System (SMS) with emphasis placed on safe operations of the Company. This can be seen in the “**Safety First**” approach demonstrated by the management and employees, which has resulted in a TRIR of 0.0 for the years 2020G, 2021G and the first half of 2022G, and TRIR of 0.16, 0.04 and 0.06 for the years 2017G, 2018G and 2019G, respectively.

For more information about the risks associated with environmental compliance, please refer to Section (2.1.16) “**Risks relating to environment protection regulations and health and safety related violations and penalties**”.

The Company is continuously developing a sustainability framework focused on the environment and the health and safety of its employees and the community. The Company’s initiatives include tracking performance to minimize emissions and flaring. Total flaring and energy efficiency are key components of the Company’s environmental index KPI, which is part of the Company’s corporate KPIs.

Total flaring targets are reviewed and set annually based on technical feasibility and historical performance of the relevant facility. The Company recently delivered a 40% flaring reduction in 2021G vs. 2020G, as well as an approximately 45% CO_2 emission reduction in 2021G vs. 2016G (based on CO_2 generated from fuel consumption generated per valuable product produced which includes base oils, naphtha, ULSD, and drilling fluid). The Company is also exploring new opportunities and collaborations for green hydrogen opportunities and ways of reducing sulfur content. The Company collaborated with KAUST to target up to 85% reduction in sulfur content of its fuel oil and base oils.

As part of the Company's sustainability efforts, the Company strives to meet industry standards and is certified for the ISO 14001:2015 Environmental Management Systems and ISO 50001:2018 Standard for Energy Management Systems. The testing laboratories at both the Yanbu Facility and the Jeddah Facility are accredited by the American Association for Laboratory Accreditation (A2LA) for technical compliance in chemical testing (ISO/IEC 17025:2017).

4.8.2 Social Responsibility, Community and Employment

The Company has incentive and training programs to promote the morale of its employees and to create a motivating workplace and to retain talent. For example, the Company has a home ownership program for its Saudi employees enabling them to own suitable housing units and has a second program assisting employees in saving and investment.

The Company takes pride in its workforce. As of the end of 2021G, the Company had 609 employees, 27% are younger than 30 years, 56% between the ages 30 to 50 and 17% over 50 years. The Company has 33% of its employee in administration (including sales and marketing, corporate audit, legal and other administrative functions) and 67% in plant operations. Within the plants' operations, 22% are in engineering and 78% in manufacturing.

The Company believes in the development of local communities. In accordance with such belief, the Company initiated a number of social and community initiatives with the main focus of promoting entrepreneurship, supporting housing needs, and facilitating education. Such initiatives included the Tamkeen program for people with a disability, which included initiatives such as the Eskan program, where the Company supported in providing fifteen houses in Yanbu for low-income people with a disability; adaptive sports program, to support access to sports facilities; work customization program and summer training programs, which supported the talent development for persons with disabilities and included a six-week summer program for twenty participants.

The Company also supports the local community's education, health and safety. The Company had an initiative in Ramadan to provide Eid clothing for families in need in Jeddah and supported the Government's efforts in combating COVID-19 by donating SAR 5 million to the Health Waqf Fund and by assisting local authorities and schools to facilitate education during the COVID-19 pandemic.

The Company's contribution to the community goes beyond these initiatives. The Company recognizes the importance of the Kingdom's Vision 2030 that emphasizes having sustainability at the heart of everything the Kingdom does.

In addition, LubeHUB aims to localize the production of finished lubricants by utilizing the Company's products as feed and to increase foreign investment in the Kingdom. The opportunities offered to investors include investments in finished lubricants, specialty oils, and lubricant additives which supports the Kingdom's economy and the investment landscape.

4.8.3 Governance

The Company is committed to the principles of good corporate governance and adheres to standards of corporate governance that are in line with market practice. The current Board is composed of six members with diverse backgrounds, and includes two independent members as per the Corporate Governance Regulations, one of whom is a female director. The Board's diverse backgrounds and experiences play an important role in the Company's governance as it cultivates a wide range of opinions and views in the boardroom to facilitate productive and enhanced decision-making process.

Please refer to Section (5.3) "**Board of Directors**" for more details about the Company's Board and Senior Executives, and the Company's corporate governance policies and systems.

The Company and its employees strive to operate the business to the highest ethical standards and practices. The Company's Professional Conduct Policy guides its business, providing a framework for ethical conduct and integrity throughout the operation of the business. The Company encourages and expects employees to directly report suspected violations of the company's Code of Conduct through appropriate channels.

4.9 Awards and Recognition

The Company received a number of awards and recognitions, the most recent of which is summarized as follows:

Table (4-22): Awards and Recognitions

Award	Year Received	Awarding Authority
Most Improved in Energy Intensity	2021G	P&CEO, Saudi Aramco
Best in Health, Safety and Environment Performance	2021G	P&CEO, Saudi Aramco
Most Improved in Maintenance and Reliability Excellence Award	2022G	P&CEO, Saudi Aramco

Source: the Company

4.10 Business Continuity

The Directors confirm that there has been no interruption in the Company's business which had or could have a material impact in the Company's financial position within the past twelve months.

4.11 Employees

4.11.1 The Company

The following table illustrates the details about the Company's employees divided by the function and Saudization level:

Table (4-23): The Company's Employees as at 31 December 2019G, 2020G and 2021G and the six-month period ended 30 June 2022G

#	Department	31-Dec-19			31-Dec-20			31-Dec-21			30-Jun-22		
		Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
1	P&CEO Office	24	4	28	21	6	27	23	6	29	20	6	26
2	Admin Department	175	6	181	150	7	157	147	7	154	140	7	147
3	Manufacturing	235	76	311	252	76	328	249	68	317	243	69	312
4	Engineering & Projects	72	16	88	76	16	92	78	15	93	73	14	87
5	Corporate Audit	1	1	2	1	1	2	1	1	2	1	1	2
6	Sales & Marketing	10	1	11	10	1	11	10	1	11	10	1	11
7	Corporate Legal	2	1	3	2	1	3	2	1	3	2	1	3
Total		**519**	**105**	**624**	**512**	**108**	**620**	**510**	**99**	**609**	**489**	**99**	**588**

Source: Company

4.11.2 Luberef FZE

The following table illustrates an overview of Luberef FZE's employees.

Table (4-24): Luberef FZE's Employees as at 31 December 2019G, 2020G and 2021G and the six-month period ended 30 June 2022G

Division*	31-Dec-19			31-Dec-20			31-Dec-21			30-Jun-22		
	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
Luberef FZE	1	0	1	1	0	1	1	0	1	1	0	1

Source: Company

* Luberef FZE does not have separate divisions/functions.

4.11.3 Saudization Requirements and Nitaqat

The Company, similar to other companies in the Kingdom, is subject to Saudization requirements. Saudization is a Government policy encouraging companies to hire more Saudi nationals, and the percentage of Saudi nationals employed is calculated for each Company under the Nitaqat system. The Nitaqat system places the Company, based on its Saudization level, in different zones/classifications, the highest of which is platinum.

The following table illustrates the compliance level of the Company with the Saudization requirements and the Company's classification in Nitaqat program as of 30 June 2022G. Luberef FZE is not subject to Saudization requirement or Nitaqat classification given it is not a Saudi Arabian company.

Table (4-25): The Company's Classification in Nitaqat as of 30 June 2022G

Classification	Saudization Percentage	Nitaqat Classification
Mines, Energy and their Services	83.32%	Platinum

Source: Company

4.12 Material Business Changes

Other than the Jeddah Facility closure described in Section (4.5.1.2) "**The Jeddah Facility**" and the future projects described in Section (4.5.3) "**Future Project**", no material change in the nature of the Company's business is contemplated.

5. Organizational Structure of the Company

5.1 Ownership Structure of the Company

The Company's current capital is (SAR 1,687,500,000) fully paid divided into (168,750,000) ordinary shares with (SAR 10) nominal value each. The Company currently has two shareholders, Saudi Aramco and Jadwa. The following table sets out the Company's ownership structure before and after the Offering:

Table (5-1): Direct Ownership Structure of the Company Before and After the Offering

#	Shareholders	Pre-Offering			Post-Offering		
		Number of Shares	Nominal Value (SAR)	Direct Ownership (%)	Number of Shares	Nominal Value (SAR)	Direct Ownership (%)
1	Saudi Aramco	118,125,000	1,181,250,000	70%	118,125,000	1,181,250,000	70%
2	Jadwa	50,625,000	506,250,000	30%	-	-	-
3	Treasury shares*	-	-	-	580,000	5,800,000	0.3437037%
4	Public	-	-	-	50,045,000	500,450,000	29.6562963%
Total		**168,750,000**	**1,687,500,000**	**100%**	**168,750,000**	**1,687,500,000**	**100%**

* Concurrently with the closing of the Offering, the Company will purchase the treasury shares from Jadwa. For more details, please review Section (5.9.1) "**Employees Shares**".

Source: The Company

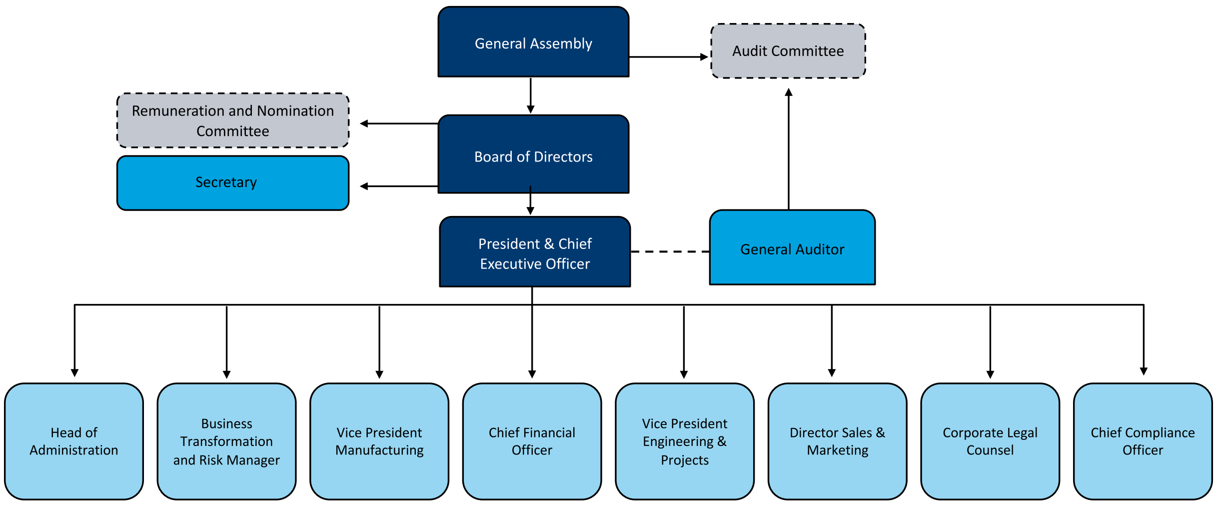
Please refer to Section (4.3) "**The Company's History and Group Chart**" for more information about the ownership structure of the Company.

5.2 Organizational Structure

The Company's organizational structure consists of the Board, Senior Executives, Audit Committee, and the Remuneration and Nomination Committee. The Board assumes the ultimate responsibility for the general direction and supervision of the Company and the Senior Executives.

The following chart shows the Company's organizational structure, including the Board, committees and the functions of the Senior Executives:

Figure (5-1): The Company's Organizational Structure



Source: The Company

5.3 Board of Directors

5.3.1 Formation of the Board

The Company is currently managed by a Board consisting of six (6) Directors who were appointed by the Conversion Assembly of shareholders on 16/01/1444H (corresponding to 14/08/2022G), for a period of five (5) years. The subsequent appointments to the Board after the end of the current Board's term will be by the General Assembly by way of cumulative voting, for periods not exceeding three (3) years each. The General Assembly may re-elect Directors for consecutive periods, and each Shareholder may nominate themselves or one or more persons for membership on the Board, within the limits of their ownership percentage in the capital. The Board appoints a Chairperson and a Vice Chairperson from among its members. The Chairperson must be a Saudi Aramco nominee as per the Bylaws, for so long as Saudi Aramco remains a majority shareholder.

In accordance with the Company's Bylaws, and subject to the powers reserved for the General Assembly, the Board shall have the broadest powers to manage the Company to achieve its objectives. For more information about the powers of the Board, please refer to Section (5.3.2) "**Responsibilities of the Board of Directors**" of this Prospectus.

The following table sets out the names and relevant details of the Directors as of the date of this Prospectus:

Table (5-2): Company's Board of Directors

#	Name	Nationality	Position	Capacity	Age	Date of Appointment	Direct Ownership		Indirect Ownership*	
							Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
1	Ibrahim Qassim K. Al Buainain	Saudi	Chairperson	Non-independent, non-executive	55	16/01/1444H (14/08/2022G)	N/A	N/A	0.00000002% (1)	0.00000002% (1)
2	Abdulatif Saleh A. AlShami	Saudi	Vice Chairperson	Non-independent, non-executive	60	16/01/1444H (14/08/2022G)	N/A	N/A	0.00000005%(2)	0.00000005%(2)
3	Andrew Steven Katz	Singaporean	Director	Non-independent, non-executive	53	16/01/1444H (14/08/2022G)	N/A	N/A	N/A	N/A
4	Mohammed Faiz S. AlAhmari	Saudi	Director	Non-independent, non-executive	56	16/01/1444H (14/08/2022G)	N/A	N/A	0.00000003%(3)	0 00000003%(3)
5	Khalid Dawood Y. Alfaddagh	Saudi	Director	Independent, non-executive	67	16/01/1444H (14/08/2022G)	N/A	N/A	N/A	N/A
6	Nabelah Mohammad M. Al Tunisi	Saudi	Director	Independent, non-executive	63	16/01/1444H (14/08/2022G)	N/A	N/A	N/A	N/A

Source: The Company

* The Shares owned by the Directors indirectly in the Company through their ownership in companies that own Shares, or the Shares owned directly in the Company by the Relatives of the Directors.

(1) Ibrahim Al Buainain owns 4,835 shares in Saudi Aramco, which in turn owns 70% of the Company before and after the Offering.

(2) Abdulatif Alshami owns 16,921 shares in Saudi Aramco, which in turn owns 70% of the Company before and after the Offering.

(3) Mohammed AlAhmari owns 8,000 shares in Saudi Aramco, which in turn owns 70% of the Company before and after the Offering.

The Secretary of the Board is Aasem S. Jamjoom, who was appointed to this position by the Board on 01/02/1444H (corresponding to 28/08/2022G). The Secretary of the Board does not own any shares in the Company, directly or indirectly.

5.3.2 Responsibilities of the Board of Directors

The responsibilities of the Board of Directors, the Chairperson, and the Secretary of the Board include the following:

5.3.2.1 Board of Directors

Without prejudice to the powers of the General Assembly, the Board of Directors has the broadest powers and authorities to manage the Company and its affairs and carry out all actions and deeds to achieve the Company's objectives, subject to any restrictions imposed by the provisions of the Companies Law or the Bylaws.

The Board may delegate any of the Board's powers - within the limits of its authorities - to one (1) or more of the Board members, managers, officers, employees, or third parties to take any action or conduct or perform specific work or actions on behalf of the Company, and revoke such delegation in part or in whole, as well as grant the delegate the right to delegate others.

In performing its duties, the Board may undertake, without limitation, the following:

1- Representing the Company in its relations with the others and governmental and private bodies, including the Ministry of Commerce, Ministry of Investment, Zakat, Tax, and Customs Authority, Capital Market Authority, the Saudi Exchange, notary public, and before the courts, Sharia Courts, judicial committees, arbitral courts and committees and all other committees and before the labour offices, police departments, chambers of commerce and industry, public and private committees, and all institutions inside or outside of the Kingdom and all other governmental and private bodies.

2- Doing everything related to claims and courts, including - but not limited to - delegating third parties to follow up, plead and defend the Company, filing a claim, litigating and defending, case hearing and pleading, acknowledge, deny, settle, waive, requesting, denying and objecting to oath, present witnesses and evidences and impeach them, responding to, requesting the disqualification of and amending testimonies, filing forgery claims, deny scripts, seals and signatures, request travel ban and lift it, request attachment and execution, request arbitration, appoint experts and arbitrators, challenge expert and arbitrator reports, return and replace judgments, accept judgments or demand their implementation, negation or object to them, and request appealing or seeking reconsideration, requesting rehabilitation, receiving judgment papers, receiving and paying amounts to and from courts and arbitration bodies, and attending hearings in all cases before government and private bodies and before all levels of all courts, judicial bodies, commercial departments, labour offices, higher and primary committees, and the Committee for the Resolution of Securities Disputes and commercial paper dispute settlement offices, banking dispute settlement committees, customs committees, tax committees and Commercial fraud and all other judicial committees, and the Anti-Corruption Authority, the Public Prosecution, and other bodies.

3- Do all that is necessary in relation to the companies established or owned by the Company - including but not limited to - agreeing to establish, purchase, manage, operate, terminate, liquidate, finance, secure, guarantee and participate in any type of company, institution, fund or branch, with others or alone, in any proportion, whether inside or outside the Kingdom of Saudi Arabia, determining the tasks and budgets of branches and companies, determining the amounts and values of the shares in which the Company will participate, increasing or decreasing the capital of those companies, or withdrawing the Company from the companies that it participates in, selling, buying, mortgaging, assigning and disposing of the Company's shares in other companies, receiving the value, converting the entities of those companies, whether to a joint stock company, a limited liability company or others, and signing the articles of association of these companies and all their amendments and appendices before the notary public or any other governmental bodies or their cancellation, and the signing of any documents, contracts or other decisions issued by the Company in its capacity as a partner or a shareholder in those companies and related to those companies, including contracts of purchase, sale, mortgage, redemption, assignment or disposal of shares, shares, minutes of general meetings, permits, requests, notices, powers of attorney, resolutions, lease contracts or any other papers that may be necessary, required or appropriate to do so, and the appointment of directors and members of these boards of directors and company representatives in the assemblies of their partners or shareholders, attend and vote - on behalf of the Company - in partners' meetings, including the ordinary and extraordinary constituent and general assemblies, and take and vote on all decisions, including but not limited to approving the offering of these companies to the public or offering debt instruments through them, or merging them with each other or with other companies, or liquidating them, or modifying the objects of those companies.

4- Dispose in any manner the Company's assets, property, and real estate, built or not, and its money, stocks, shares in other companies, and other movable or immovable assets, and this disposal includes emptying land and buildings, selling, buying, investing, mortgaging, releasing mortgage and endorsing instruments by merging, sorting, gifting, paying the price and receiving the price, transferring, the right to seizure, and signing before a notary public or any other government body to that effect.

5- Contracting and committing in the name of and on behalf of the Company, entering into tenders, investing in shares, portfolios and bonds, signing all kinds of contracts, documents and papers including memoranda of understanding, and carrying out all acts and actions including negotiation, contracting, commitment, engagement, conciliation, assignment, rescission, signature and delivery and amending, replacing and adding to any contracts and obligations with others that would achieve the company's purposes, including - but not limited to - licensing contracts, marketing, future purchase, contracts of purchase, sale, lease, rental, agencies, franchises, insurance contracts, indemnifications and guarantees, all in the form, terms and amounts that the Board deems appropriate in accordance with to its absolute discretion.

6- Representing the Company in its relations with other companies, banks, commercial banks, money houses, all government finance funds and institutions of various names and specializations, financial institutions of all kinds and other lenders, opening, managing, operating and closing bank accounts of any type and in any country and conducting all transactions on these accounts in relation to the company's activity, including withdrawing from it, depositing in it, transferring from it, receiving and disbursing company funds, claiming its rights, signing any documents or contracts related to that, and obtaining loans and other facilities and loans of all kinds for any period and with a value not exceeding USD 1 billion annually, from funds, government financing institutions and commercial banks financial houses, credit companies, and any other credit agency, issuing guarantees and guarantees in favour of any party when the Board sees - according to its absolute discretion - that this serves the interest of the Company, signing, issuing and accepting checks, bills of exchange, order bonds and other commercial papers, and entering into financial leasing operations, financial derivatives operations, treasury operations, financial hedging and hedging against currency price changes, granting credits, and carrying out all transactions to conclude all agreements and banking transactions, all in the form and terms that the Board deems appropriate according to the Board's absolute discretion.

7- Approving the Company's business plan, annual capital budget and operational plans.

8- Endorsing the financial position, financial statements and annual budget of the company.

9- Approval of the company's internal, financial, administrative and technical policies, as well as the policies relating to its employees.

10- Appointing and dismissing the Company's president and chief executive officer, his deputies and other executive officials who report to them and other employees, and determining their authority, responsibilities, and remuneration.

11- Determining the authority, responsibilities and compensation of the managing director (if appointed).

12- Forming and appointing committees of all kinds (except for the Audit Committee), determining their powers, appointing their members from among its members or others, dismissing them, and determining their compensation.

13- Appointing the Company's employees, agents and consultants, on the terms it deems appropriate, dismissing them, defining their powers and duties, promoting or transferring them, disbursing the necessary allowances to them, determining their salaries and bonuses, paying their salaries and compensations, requesting visas, recruiting employees and workers from abroad, issuing residency permits and work permits, and transferring, terminating and waiving guarantees.

14- Sign and attest all licenses, records, certificates, necessary authorizations, forms and documents, receive and deliver them in the name and on behalf of the Company, register signatures and seals with the Chamber of Commerce, and issue, renew and amend certificates and licenses for the Company.

15- Doing all things necessary in relation to commercial records and chambers of commerce, including but not limited to: follow up with registers' department, issue and renew registers, reserve commercial names, register and renew the registration with the Chamber of Commerce, sign all documents before Chamber of Commerce, manage registers, amend registers, add activities, open branch registers and cancel registers.

16- Registration of trademarks and other intellectual property rights in the name of the Company inside and outside the Kingdom.

17- Determining the cases in which a member of the Board of Directors is considered to have a direct or indirect interest in the business and contracts made for the Company's account.

18- Determining the cases in which a member of the Board of Directors is considered to be involved in a business that would compete with the Company or a segment of its activities.

19- Enter into a management agreement with Saudi Aramco for the provision of managerial, technical, professional, and other services to the Company in connection with its activities and management.

20- As per Article 4.2 of Saudi Aramco's bylaws, provide Saudi Aramco with any information or documents requested from time to time in accordance with Article 40 of these bylaws.

21- Exercising any of the above powers inside or outside the Kingdom, and with respect to the Company or any of its subsidiaries.

5.3.2.2 Chairperson

The Chairperson has the following authorities and responsibilities:

1- Invite the Board to convene and chair meetings. The Chairperson must convene the Board if requested to do so by two (2) or more Directors.

2- Represent the Company before third parties, inside or outside the Kingdom, including but not limited to, appearing before courts of law and arbitration bodies, ministries, departments, government agencies, companies, courts, judicial and quasi-judicial committees, labour committees or courts of all degrees and categories, the public prosecution, notary public and notaries licensed by the Ministry of Justice, and the Chambers of Commerce. To that end, the Chairperson has the right to sign, plead, defend, file lawsuits, conclude settle, assign, waive, discharge, deny, acknowledge, and request an oath, receive judgments, request revocation of judgments, appeal, and seek reconsideration and execution of judgments. The Chairperson has the right to delegate another person for this purpose, as well as grant the delegate the right to delegate others.

3- Do all that is necessary in relation to the companies established or owned by the Company - including but not limited to - agreeing to establish, purchase, manage, operate, terminate, liquidate, finance, guarantee, guarantee and participate in any type of company, institution, fund or branch with others or alone, in any proportion, whether inside or outside the Kingdom of Saudi Arabia, determining the tasks and budgets of branches and companies, determining the amounts and values of the shares in which the Company will participate, increasing or decreasing the capital of those companies, or withdrawing the Company from the companies in which it participates, selling, buying, mortgaging, redeeming, assigning and disposing of the Company's shares in other companies, receiving the value, converting the entities of those companies, whether to a joint-stock company or a limited liability company or others, and signing the articles of association of these companies and all their amendments and appendices before the notary public or any other government agencies or their cancellation, and the signing of any documents, contracts or other decisions issued by the Company in its capacity as a partner or a shareholder in those companies and related to those companies, including contracts of purchase, sale, mortgage, redemption, assignment or disposal in shares, minutes of general meetings, permits, requests, notices, powers of attorney, resolutions, lease contracts or any other papers which may be necessary, required or appropriate to do so, and to appoint directors and members of such boards of directors and company representatives in the assemblies of their partners or shareholders and to attend and vote, on behalf of the Company, in partners' and shareholders meetings, including the ordinary and extraordinary constituent and general assemblies, or to amend the objects of those companies.

4- Contracting and committing in the name of and on behalf of the Company, entering into tenders, investing in shares, portfolios and bonds, signing all types of contracts, records and documents including memoranda of understanding, and carrying out all acts and actions including negotiation, contracting, commitment, engagement, conciliation, assignment, termination, signature and delivery and amending, replacing and adding to any contracts and obligations with others that would achieve the Company's purposes, including - but not limited to - licensing contracts, marketing, future purchase, purchase, sale, lease, rental, agencies, concession, insurance contracts, compensation contracts and guarantees, all in the form, terms and amounts that the Board deems appropriate at its sole discretion.

5- Representing the Company in its relations with companies, banks, commercial banks, money houses, all government funds and institutions of various names and specializations, financial institutions of all kinds and other lenders, opening, managing, operating and closing bank accounts of any type and in any country and conducting all transactions on these accounts with respect to the Company's activity, including withdrawing from it, depositing with it, transferring from it, receiving and disbursing the Company's money, claiming its rights, signing any documents or contracts related to that, and obtaining loans and other facilities and loans of all kinds for any period and with a value not exceeding USD 1 billion annually, from funds, government financing institutions, banks, commercial, and financial houses, credit companies and any other credit body, issuing guarantees and guarantees in favor of any party whatsoever when the Board deems - according to its absolute discretion - that this serves the interest of the Company, signing, issuing and accepting checks, bills of exchange, order bonds and other commercial papers, and entering into financial leasing operations financial derivatives operations, treasury operations, financial hedging and hedging against currency price changes, granting credits, and carrying out all transactions necessary for the conclusion of all agreements and banking transactions, all in the form and terms that he deems appropriate according to his absolute discretion.

5.3.2.3 Secretary of the Board

The Secretary of the Board's authorities and responsibilities include the following:

1- Documenting the Board meetings and preparing minutes therefor.
2- Retaining the reports submitted to the Board and the reports prepared by it.
3- Providing the Board members with the agenda of the Board meeting and related worksheets, documents and information and any additional information, related to the topics included in the agenda items, requested by any Board member.
4- Ensuring that the Board members comply with the procedures approved by the Board.
5- Notifying the Board members of the dates of the Board's meetings within sufficient time prior to the date specified for the meeting.
6- Presenting the draft minutes to the Board members to provide their opinions on them before signing the same.
7- Ensuring that the Board members receive, fully and promptly, a copy of the minutes of the Board's meetings as well as the information and documents related to the Company.
8- Coordinating among the Board members.
9- Regulating the disclosure register of the Board and executive management as per Article (92) of the Corporate Governance Regulations.
10- Providing assistance and advice to the Board members.

5.3.3 Summary of Biographies of the Directors and Secretary

An overview of the experience, qualifications and current and previous positions of each Director and the Secretary of the Board is provided below.

Table (5-3-1): Summary Biography of Ibrahim Qassim K. Al Buainain

Name	Ibrahim Qassim K. Al Buainain
Age	55
Nationality	Saudi
Position	Chairperson
Capacity	Non-independent, non-executive
Date of Appointment	16/01/1444H (14/08/2022G)
Academic Qualifications	• Master's degree in Innovation and Global Leadership from the Massachusetts Institute of Technology, Cambridge, USA, 2014G. • Master's degree in Global Management from the University of Phoenix, Tempe, Arizona, USA, 2007G. • Bachelor's degree in Mechanical Engineering from King Fahad University of Petroleum and Minerals, Dhahran, Saudi Arabia, 1989G.

Other Current Positions	• Since 2016G, a board member in Aramco Trading Company, a limited liability company, operating in oil and gas. • Since 2018G, chairman of Aramco Trading Singapore Pte. Ltd., a limited liability company operating in oil and gas. • Since 2019G, chairman of Aramco Trading Fujairah FZE, a private corporation with share capital operating in oil and gas. • Since 2019G, chairman of Aramco Trading Limited (London), a UAE limited liability company operating in oil and gas. • Since 2019G, chairman of Rabigh Refining & Petrochemical Company (Petro Rabigh), a listed joint stock company operating in petrochemicals. • Since 2016G, director in National Shipping Company of Saudi Arabia, a listed joint stock company operating in marine transport. • Since 2019G, a director in National Chemicals Carriers Company of Saudi Arabia, a limited liability company operating in marine transport. • Since 2019G, a board member in Petredec, a private limited liability company operating in oil and gas services. • Since 2022G, chairman of Aramco Services Company, private stock corporation, operating in oil and gas services. • Since 2022G, chairman of Saudi Aramco Asia Company, Ltd., a limited liability company operating in oil and gas services. • Since 2022G, chairman of Saudi Petroleum International, Inc., a private stock corporation operating in oil and gas services. • Since 2022G, chairman of Saudi Petroleum Overseas, Ltd., a private limited company operating in oil and gas services. • Since 2022G, vice president of sales, trading and supply planning, in Saudi Aramco, a listed joint stock company operating in the energy sector.
Selected Previous Positions	• From 2019G to 2022G, a director in Hyundai Oil, a closed joint stock company operating in oil and gas. • From 2016G to 2022G, chief executive officer at Aramco Trading Company, a limited liability company operating in oil and gas. • From 2014G to 2015G, chief executive officer at Saudi Aramco Asia Company, Ltd. , a limited liability company operating in oil and gas. • From 2011G to 2013G, chief executive officer at Saudi Aramco Energy Venture Company, a limited liability company operating in oil and gas.

Table (5-3-2): Summary Biography of Abdulatif Saleh A. AlShami

Name	Abdulatif Saleh A. AlShami
Age	60 years
Nationality	Saudi
Position	Vice Chairperson of the Board
Capacity	Non-independent, non-executive
Date of Appointment	16/01/1444H (14/08/2022G)
Academic Qualifications	• Master's degree in human resource development from the University of Minnesota, USA, 2007G. • Bachelor of science in electrical engineering from the University of North Carolina, USA, 1992G.
Other Current Positions	• Since 2021G, a board director at the Company. • Since 2017G, a Yanbu refinery Manager at Saudi Aramco, a listed joint stock company operating in the energy sector.

Selected Previous Positions	• From 2017G to 2021G, a member of the board of directors on Saudi Aramco Mobil Refinery Company, a limited liability company operating in the refinery sector. • In 2016G, Yanbu NGL Fractionation Plant manager at Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2014G to 2015G, technical support and planning manager at Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2014G to 2015G, Hawiyah NGL plant manager at Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2011G to 2013G, Uthmaniyah gas plant at Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2009G to 2010G, Berri gas plant at Jubail at Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2007G to 2008G, heading grass root karan gas mega projects head, at Saudi Aramco, a listed joint stock company operating in the energy sector.

Table (5-3-3): Summary Biography of Andrew Steven Katz

Name	Andrew Steven Katz
Age	53
Nationality	Singaporean
Position	Board Director
Capacity	Non-independent, non-executive
Date of Appointment	16/01/1444H (14/08/2022G)
Academic Qualifications	• Master's in business administration in finance and operations research from New York University Stern School of Business, USA, 1995G. • Bachelor of engineering from Stevens Institute of Technology, USA, 1990G.
Other Current Positions	• Since 2021G, head of downstream business development in Saudi Aramco, a listed joint stock company operating in the energy sector.
Selected Previous Positions	• From 2019G to 2021G, the manager of the capital markets and financial department at Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2018G to 2019G, the manager of the transaction execution department for the SABIC acquisition at Saudi Aramco, a listed joint stock company operating in the energy sector. • In 2018G, the manager of the transaction and portfolio management department at Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2017G to 2018G, the manager of the downstream transaction services department at Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2015G to 2016G, the manager of the chemical business strategy and development department at Saudi Aramco, a listed joint stock company operating in the energy sector. • In 2015G, a board director at TSRC Corporation, a Taiwan based listed joint stock company, operating in manufacturing and selling synthetic rubber products. • From 2005G to 2014G, the managing director and global head of refining and chemicals at Standard Chartered a limited liability company operating in the banking sector.

Table (5-3-4): Summary Biography of Khalid Dawood Y. Alfaddagh

Name	Khalid Dawood Y. Alfaddagh
Age	67 years
Nationality	Saudi
Position	Board Director
Capacity	Independent, non-executive
Date of Appointment	16/01/1444H (14/08/2022G)
Academic Qualifications	• Executive Program in leadership and strategy from Harvard Business School, USA, 2000G. • PhD in mechanical engineering from the Imperial College, London University, UK, 1983G. • Master's Degree in mechanical engineering from the University of Manchester, UK, 1979G. • Bachelor of Science in mechanical engineering from the University of Technology Baghdad, Iraq, 1976G.
Other Current Positions	• Since 2018G, an advisory board member and chairman audit and risk committee at Eastern Health Cluster, a government entity operating in the medical care sector. • Since 2018G, a board member and chair of the audit and risk committee at Vision International Investment Company (Vision Invest), a closed joint stock company operating as a holding company in the industrial development sector. • Since 2019G, a member of the risk committee at the Public Investment Fund (PIF), a sovereign wealth fund operating in investments in the Kingdom. • Since 2019G, a member of the audit committee at the Saudi Pharmaceutical Industries and Medical Appliances Corporation (SIPMACO), a listed joint stock company operating in the pharmaceuticals sector. • Since 2021G, a member of the risk committee at the General Organization of Social Insurance (GOSI), a social insurance and retirement government fund. • Since 2022G, a member of the audit committee of Banque Saudi Fransi, a listed joint stock company operating in the banking sector.
Selected Previous Positions	• From 2016G to 2019G, a member of the audit committee at Saudi Telecom Company (STC), a listed joint stock company operating in the telecom sector. • From 2017G to 2022G, the chairman of the risk and compliance committee at ACWA Power Company, a listed joint stock company operating in energy and water. • From 2017G to 2022G, a member of the audit committee at the Saudi Basic Industries Corporation (SABIC), a listed joint stock company operating in the chemicals sector. • Since 2019G to 2022G, a chairman of the risk committee at Bupa Arabia for Cooperative Insurance Company, a listed joint stock company operating in health insurance. • From 2017G to 2019G, the chairman of the audit committee of Saudi District Cooling Company, a closed joint stock company operating in district cooling sector. • From 2010G to 2015G, General Auditor in Saudi Aramco, a listed joint stock company operating in the energy sector. • From 1983G to 2015G, various positions in oil and refinery operations, project management and quality control, strategic planning, internal audit and fraud investigation in Saudi Aramco, a listed joint stock company operating in the energy sector.

Table (5-3-5) Summary Biography of Nabelah Mohammed M. AlTunisi

Name	Nabelah Mohammed M. AlTunisi
Age	63 years
Nationality	Saudi
Position	Board Director
Capacity	Independent, non-executive
Date of Appointment	16/01/1444H (14/08/2022G)
Academic Qualifications	• Executive Business Program from Stanford University, USA, 2006G. • Master of Science in electrical engineering from Oregon State University, USA, 1982G. • Bachelor of Science in electrical engineering from the University of Portland, USA, 1980G.
Other Current Positions	• Since 2020G, an independent board member at Saudi Arabian Mining Company (Maaden), a listed joint stock company operating in the mining sector. • Since 2019G, a trustee at Dar Al-Hakma University a private university operating in the education sector. • Since 2019G, an executive director of programs at a government entity operating in project management.
Selected Previous Positions	• From 2018G to 2021G, a board member on the Saudi Council of Engineers board, a scientific vocational council. • From 2018G to 2019G, an executive director at NEOM, a closed joint stock company operating in the development sector. • From 2015G to 2018G, a chief engineer at Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2012G to 2016G, a board member at Saudi Aramco Total Refining and Petrochemical Company (SATORP), a limited liability company operating in refining and petrochemicals. • From 2012G to 2015G, a general manager responsible for oil and gas projects at Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2010G to 2012G, a manager of materials planning and system department at Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2009G to 2010G, a technology service department head at Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2006G to 2009G, a director of FEED for SADARA project at Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2006G to 2008G, a board member at the Petron Corporation a closed joint stock company located in the Philippines operating in the petroleum sector. • From 2002G to 2006G, a manager of the project management office at Saudi Aramco, a listed joint stock company operating in the energy sector. • From 1999G to 2002G, a technology division head of the process control system department at Saudi Aramco, a listed joint stock company operating in the energy sector. • From 1996G to 1999G, facilities planning department at Saudi Aramco. • From 1984G to 1996G, engineering project management division at Saudi Aramco, a listed joint stock company operating in the energy sector. • From 1982G to 1984G, an engineer in several department at Saudi Aramco, a listed joint stock company operating in the energy.

Table (5-3-6): Summary Biography of Mohammed Faiz S. AlAhmari

Name	Mohammaed Faiz S. AlAhmari
Age	56
Nationality	Saudi
Position	Board Director
Capacity	Non-independent, non-executive
Date of Appointment	16/01/1444H (14/08/2022G)
Academic Qualifications	• Master’s degree in accounting from the University of Denver, USA,1999G. • Bachelor’s degree in industrial management - accounting from King Fahad University of Petroleum and Minerals, KSA,1988G.
Other Current Positions	• Since 2021G, manager of downstream finance and planning at the Saudi Aramco, a listed joint stock company operating in the energy sector.
Selected Previous Positions	• From 2011G to 2016G, a non-executive board member in Saudi Aramco Jubail Refinery, a limited liability company operating in the oil and gas sector. • From 2017G to 2021G, a manager of affiliates support and financial consulting at Saudi Aramco, a listed joint stock company operating in the oil and gas sector. • From 2017G to 2021G, a board member in Saudi Aramco Entrepreneurship Investment Ltd (Wa’ed), a limited liability company operating in the investment sector. • From 2017G to 2021G, the vice president of finance at Vela Company, a limited liability company operating in maritime sector. • From 2019G to 2020G, a leader of the finance team of SABIC’s acquisition at Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2015G to 2020G, a board member in Saudi Aramco Power Company, a limited liability company operating in the power sector. • From 2015G to 2017G, an administrator financial reporting and tax compliance at Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2005G to 2015G, an administrator planning and budgeting at Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2008G to 2009G, an administrator cash management – treasury at Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2004G to 2008G, an administrator of project division at Saudi Aramco, a listed joint stock company operating in the energy sector.

Table (5-3-7): Summary Biography of Aasem S. Jamjoom

Name	Aasem S. Jamjoom
Position	Board Secretary
CV	Please refer to Table (5-9-6) for more details about Aasem S. Jamjoom’s current and past positions.

5.3.4 Company Committees

The Company has an Audit Committee, which was formed by the General Assembly and a Remuneration and Nomination Committee established by the Board of Directors.

5.3.4.1 Audit Committee

5.3.4.1.1 Composition of the Audit Committee

The Audit Committee is composed of three (3) members, who were appointed pursuant to a resolution of the General Assembly on 09/02/1444H (corresponding to 05/09/2022G). The following table sets out the names and details of the members of the Audit Committee members.

Table (5-4): Members of the Audit Committee

#	Name	Position	Capacity
1	Khalid Al Faddagh	Chairperson	Independent, non-executive
2	Mohammed Al Ahmari	Member	Non-independent, non-executive
3	Abdulatif Al Shami	Member	Non-independent, non-executive

Source: The Company

5.3.4.1.2 Responsibilities of the Audit Committee

The Company adopted an Audit Committee charter that sets out the Audit Committee's role, responsibilities, and powers, which was approved by a resolution of the General Assembly on 09/02/1444H (corresponding to 05/09/2022G). The Audit Committee's responsibilities include the following:

1- Financial Reporting

a- Reviewing the Company's interim and annual financial statements before presenting them to the Board and providing its opinion and recommendation thereon to the Board, to ensure their integrity, fairness and transparency.

b- Providing a technical opinion, upon the request of the Board, on whether the Board report and the Company's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model, and strategy, and whether they have been prepared in accordance with the regulatory requirements for preparing and presenting them.

c- Analyzing any important or non-familiar issues in the financial statements, and making recommendations thereon, if necessary.

d- Investigating the matters raised by the Company's chief financial officer (or whoever assumes such role), the compliance officer, or the external auditor.

e- Examining the accounting estimates in respect of significant matters that are contained in the financial reports.

f- Examining the financial and accounting policies adopted by the Company and making recommendations thereon to the Board.

g- Reviewing the adequacy and effectiveness of the Company's internal controls, financial and financial risk management systems, including any significant deficiencies or material weaknesses in the design or operation of, and any material changes in, the Company's internal controls over financial reporting and financial risk management systems and any special audit steps adopted in light of any material control deficiencies, and any fraud involving management or other employees with a significant role in such internal controls.

2- Internal Audit

a- Supervising and monitoring the performance of the internal audit function, to ensure the availability of the necessary resources and verifying its effectiveness in carrying out its duties and responsibilities.

b- Examining and reviewing the Company's internal and financial control systems and risk management system.

c- Analysing and reviewing internal audit's regular reports and the results of any special investigations, and following up on the implementation of corrective actions pertaining to the issues indicated.

d- Providing a recommendation to the Board on appointing the manager of the internal audit function or the internal auditor and his/her remuneration.

e- Enable Saudi Aramco to perform any audit or review of the Company, and facilitate its work and the work of its employees and advisors.

f- Review and approve the internal audit charter at least annually.

g- Ensure that the internal audit activity has a quality assurance and improvement program, and an external quality assurance review every five years, and that the results of these periodic assessments are presented to the Committee for its review.

h- Oversight of management's implementation, compliance with and facilitation of the implementation of the Management Agreement and the Technical Services Agreement with Saudi Aramco, and any similar agreements that may be entered into from time to time. For further details about the these agreements, please refer to Sections (12.6.10) "**Management Agreement**" and Section (12.6.3.2) "**Technical Services Agreement**".

i- The audit committee will hold a private session with the manager of the internal audit function or the internal auditor at least annually, as well as following their resignation or dismissal, without the presence of management personnel.

3- External Auditor

a- Recommending to the Board the appointment or dismissal of external auditors and determining their fees, after assessing their performance, independence, scope of work, and terms of engagement.

b- Verifying the independence of the external auditor and their objectivity, fairness, and effectiveness in the light of the relevant regulations and standards.

c- Reviewing the external auditor's plan and work to ensure that they do not provide any technical or administrative work that are beyond its scope of work, and provides its opinion thereon.

d- Responding to queries of the external auditor and providing the auditor with the support necessary to perform its duties.

e- Examining the external auditor's reports and its observations on the financial statements, and following up on the actions taken in this respect.

f- The audit committee will collaborate with senior management and the manager of the internal audit function or the internal auditor to establish a work plan to ensure that the responsibilities of the audit committee are scheduled and will be carried out.

g- The audit committee will hold a private session with the external auditor at least annually, as well as following their resignation or dismissal, without the presence of management personnel.

4- Compliance

a- Reviewing reports from regulators on the Company's compliance with regulatory requirements, and ensuring that necessary actions in their respect are taken.
b- Ensuring that the Company complies with relevant laws, regulations, policies, and instructions.
c- Reviewing related parties' transactions and providing its opinion thereon to the Board.
d- Reviewing the Company's overall antifraud programs and controls and ensuring that appropriate action is taken against known perpetrators of fraud.
e- Reporting and recommending to the Board the actions to be taken in matters that the Committee deems necessary.
f- Reviewing the policies, procedures, and practices established by the governing body to monitor conformance with its code of conduct and ethical policies by all managers and staff of the Company.
g- Reviewing the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's and regulators' investigations, and following up of any instances of non-compliance.
h- Obtaining regular updates from management and legal counsel regarding compliance matters.
i- To obtain reasonable assurance with respect to the Company's values and ethics practices, the audit committee will:
  i. Review and assess the policies, procedures, and practices established by the governing body to monitor conformance with its code of conduct and ethical policies by all managers and staff of the Company.
  ii. Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct and identify and deal with any legal or ethical violations.

5- Whistleblowing

a- Establishing appropriate procedures for the Company's employees to report violations of the Company's internal control systems, including the systems relating to financial statement preparation, and ensuring that the whistle-blowers' rights are not prejudiced, and elevate such procedures for the Board for approval.

6- Risk Management

a- Reviewing major risks identified by management, and associated response plans.
b- Monitoring development of the Company's risk management framework and risk performance.
c- Monitoring the Company's ability to continue as a going concern.
d- Ensuring the availability of adequate resources that shall be required for risk management and business continuity management.
e- Reviewing the organizational structure/governance of risk management and making recommendations to the Board for approval of the same.
f- Reviewing with the Company's senior management any risks that might hinder the company objectives.

5.3.4.1.3 Summary Biographies of the Members of the Audit Committee

Below is a brief overview of the biographies of the members of the Audit Committee:

Table (5-5-1): Summary Biography of Khalid Al Faddagh

Name	Khalid Al Faddagh
Position	Chairperson of the Audit Committee
CV	Please refer to Table (5-3-4) for more details about Khalid's qualification, current and past positions.

Table (5-5-2): Summary Biography of Mohammed Al Ahmari

Name	Mohammed Al Ahmari
Position	Member of the Audit Committee
CV	Please refer to Table (5-3-6) for more details about Mohammed's qualification, current and past positions.

Table (5-5-3): Summary Biography of Abdulatif Al Shami

Name	Abdulatif Al Shami
Position	Member of the Audit Committee
CV	Please refer to Table (5-3-2) for more details about Abdulatif's qualification, current and past positions.

5.3.4.2 Remuneration and Nomination Committee

5.3.4.2.1 Composition of the Remuneration and Nomination Committee

The Remuneration and Nomination Committee is composed of three (3) members, who were appointed pursuant to a resolution of the Board of Directors on 11/02/1444H (corresponding to 07/09/2022G). The following table sets out the names and details of the members of the Remuneration and Nomination Committee members.

Table (5-6): Members of the Remuneration and Nomination Committee

#	Name	Position	Capacity
1	Nabelah Al Tunisi	Chairperson	Independent, non-executive
2	Abdulatif Al Shami	Member	Non-independent, non-executive
3	Andrew S. Katz	Member	Non-independent, non-executive

Source: The Company

5.3.4.2.2 Responsibilities of the Remuneration and Nomination Committee

The Company adopted a Remuneration and Nomination Committee charter that sets out the Remuneration and Nomination Committee's role, responsibilities, and powers, which was approved by a resolution of the Company's General Assembly on 09/02/1444H (corresponding to 05/09/2022G). The Remuneration and Nomination Committee's responsibilities include the following:

1- Remuneration

a- Developing the Company's remunerations policy of Board members, Board committee members and senior executives and providing recommendations thereon to the Board for approval by the general assembly.

b- Reviewing the remuneration policy periodically to, among other items, ensure consistency with any changes in relevant legislation and regulations, the Company's strategic objectives, and the skills and qualifications required; and recommending proposed changes to the Board.

c- Recommending to the Board the remuneration of the members of the Board, Board committees and senior executives in accordance with the approved remuneration policy.

d- Specifying and clarifying the relation between the paid remuneration and the adopted remuneration policy, and highlighting any material deviation from that policy.

2- Board of Directors

a- Developing the board membership policy, and recommending the policy to the Board for approval by the general assembly.

b- Recommending to the Board nominees for Board membership according to the approved Board membership policy. Elevating the names of nominees put forward by Saudi Aramco, immediately,), for so long as Saudi Aramco remains a shareholder (directly or through an affiliate) except if the nomination materially violates the approved Board membership policy.

c- Conducting an annual review of the required skills and expertise for the Board membership and updating, if needed, a description of the required capabilities and qualifications.

d- Examining the size and composition of the Board and recommending, if deemed appropriate, possible changes.

e- Establishing, if not addressed in existing policies or charters, procedures to address vacancies of the Board and Board committees and making recommendations to the Board thereon.

f- Providing recommendations to the Board on performance measures to evaluate the Board's activities, members, and Board committees.

g- Evaluating the Board and the Board's committees against the performance measures and reporting to the Board on the results of the evaluation and, where deemed appropriate by the Committee, proposing improvements in line with the Company's interest.

3- Board Members

a- Determining the amount of time that the Board member shall allocate for performing Board duties.

b- Verifying, annually, the independence of the independent directors and absence of conflict of interest in case the member is also a member of the Board of another company; upon consultation with Saudi Aramco in accordance with the Management Agreement. For further details about the agreement, please refer to Section (12.6.10) "**Management Agreement**".

c- Developing job descriptions of executive, non-executive, and independent directors.

d- Recommending to the Board the re-nomination or dismissal of Board and committee members.

4- Orientation Program to New Board Members

a- Recommending to the Board an orientation program for new Board members, addressing, among other items, the Company's activity, nature of its business, and its financial and legal aspects.

5- Senior Executives

a- Recommending to the Board appropriate policies and standards for the appointment of senior executives and identifying the required capabilities and skills; and reviewing such policies and standards regularly to ensure their consistency with changes in the Company's strategic objectives and the required skills and qualifications to achieve them.

b- Developing job descriptions for senior executives, reviewing the Company's organizational structure, and making recommendations to the Board on possible changes.

c- Developing succession planning processes for senior executive positions and making recommendations to the Board thereon.

d- Conducting an annual review of the skills and expertise required from the Senior Executives.

e- Oversight of management's implementation, compliance with and facilitation of the implementation of the Management Agreement with Saudi Aramco. For further details about the agreement, please refer to Section (12.6.10) "**Management Agreement**".

5.3.4.2.3 Summary Biographies of the Members of the Remuneration and Nomination Committee

Below is a brief overview of the biographies of the members of the Remuneration and Nomination Committee:

Table (5-7-1): Summary Biography of Nabelah Mohammed M. AlTunisi

Name	Nabelah Mohammed M. AlTunisi
Position	Chairperson of the Remuneration and Nomination Committee
CV	Please refer to Table (5-3-5) for more details about Nabelah's qualification, current and past positions.

Table (5-7-2): Summary Biography of Abdulatif Al Shami

Name	Abdullatif Al Shami
Position	Member of the Remuneration and Nomination Committee
CV	Please refer to Table (5-3-2) for more details about Abdulatif's qualification, current and past positions.

Table (5-7-3): Summary Biography of Andrew S. Katz

Name	Andrew S. Katz
Position	Member of the Remuneration and Nomination Committee
CV	Please refer to Table (5-3-3) for more details about Andrew's qualification, current and past positions.

5.3.5 Employment Contracts with Directors

The Company does not have any current or contemplated employment contracts with any Director.

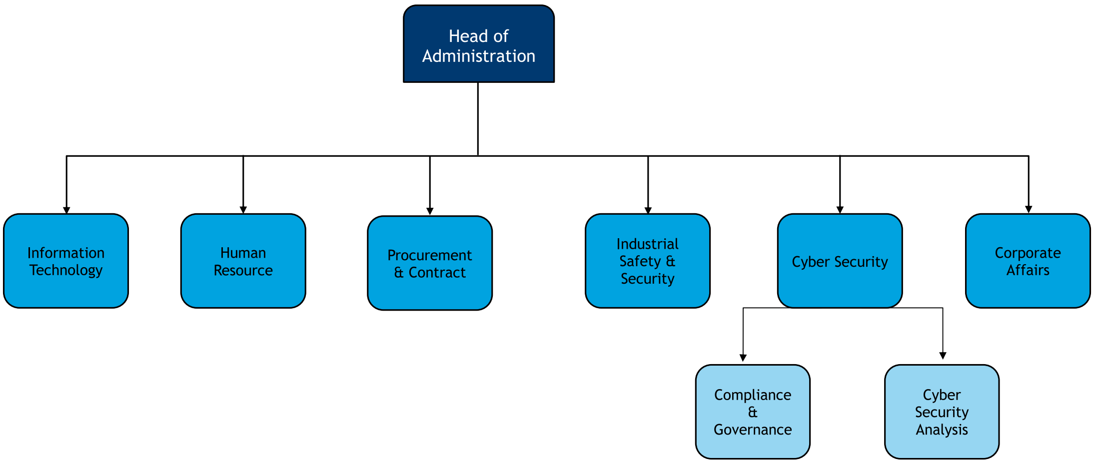
5.3.6 Senior Management

The Company's organizational structure was designed to accommodate the Company's business and activities. The below is a description of the main departments in the Company and the functions of the Senior Executives.

5.3.6.1 Administration

The administration department is structured as follows:

Figure (5-2): Administration Department's Structure



Source: the Company

The main responsibilities and role of human resources include all activities starting from manpower planning till employee leaves the Company. Accordingly, the role of human resources consists of talent acquisition, development, retention, compensation evaluation and control of human resources in the Company.

The main responsibilities of information technology include managing the Company's hardware and software, IT support, networks and support, administrating enterprise systems and IT strategic planning.

The main role of procurement and contracts is to serve the Company's needs and requirements and manage purchase orders from the proposal stage and until signing the contract.

The main role of industrial security is to act as the focal point to coordinate and implement all industrial security reports (monthly and periodically), implement Government's directives in relation to industrial security and run drills and tests relating to security.

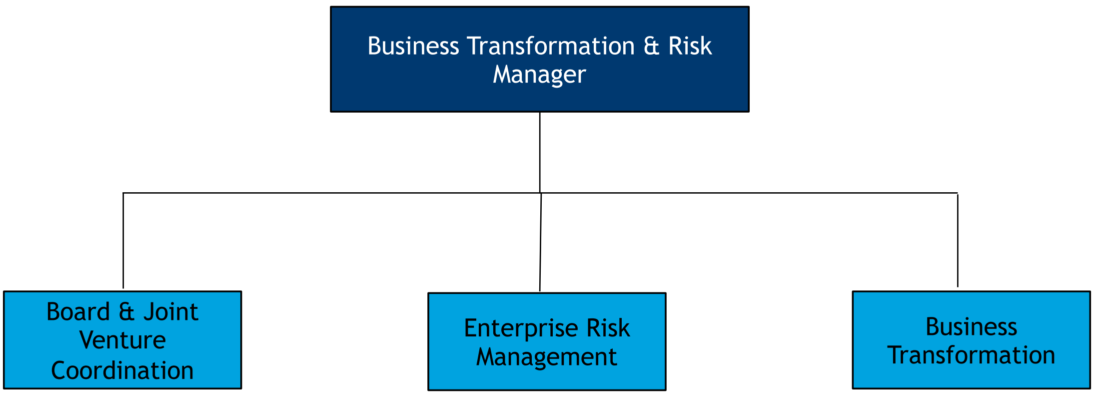
The main role of cybersecurity is to improve the Company's cybersecurity maturity level by establishing and implementing the industry standards, governance processes, policies, and procedures of cybersecurity in aim of achieving a robust, proactive, and reliable business operations, in alignment with best practices and regulatory requirements.

Corporate affairs assist the Company in internal and external matters. It covers all supported services, public relations, government works, events, and media. It is also responsible for providing the support and help to all employees and the Company to keep the quality of the Company performance up to the expected level.

5.3.6.2 Business Transformation and Risk Management

The major responsibilities and activities of the business transformation and risk management department include preparing management reports, budgets, strategic plans and performance report and elevating them to the senior management.

Figure (5-3): Business Transformation and Risk Management Department's Structure

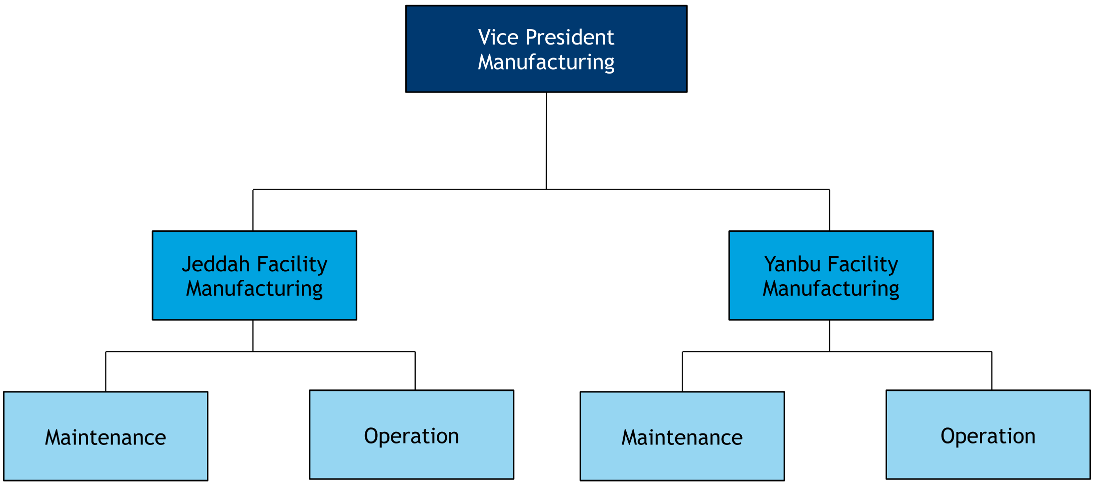


Source: the Company

5.3.6.3 Manufacturing

The manufacturing department is structured as follows:

Figure (5-4): Manufacturing Department's Structure



Source: the Company

The manufacturing department is responsible of receiving feedstock and processing it into finished products and is at the center of the Company's business lines, it is consisted of operational and maintenance functions, having two operations departments (one at each site) and two maintenance departments (one at each site).

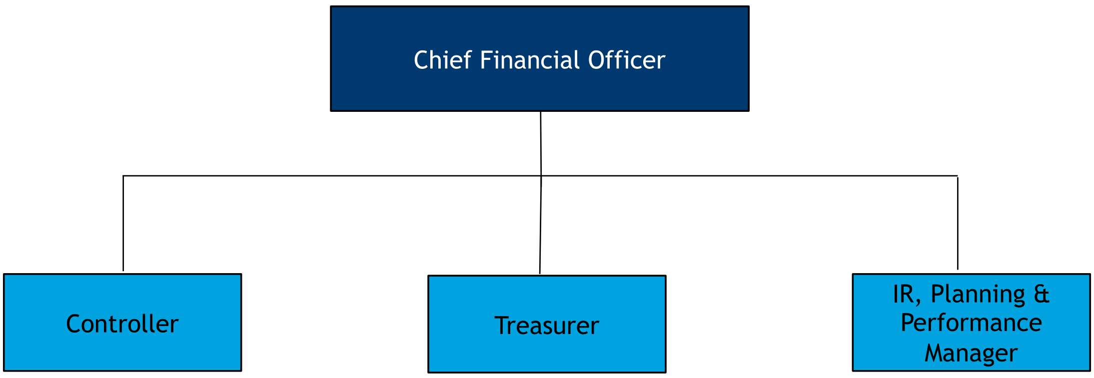
The main role of the operations department is to run the facility safely and steadily, maintaining the production and quality of the product following instruction from production planning and process engineering.

The maintenance department is responsible for assuring the availability and reliability of all facility's assets such as rotating equipment, instrumentation, electric motors, substations, piping, static equipment, civil structures, etc.

5.3.6.4 Finance

The finance department is structured as follows, which has other sub-functions and positions:

Figure (5-5): Finance Department's Structure



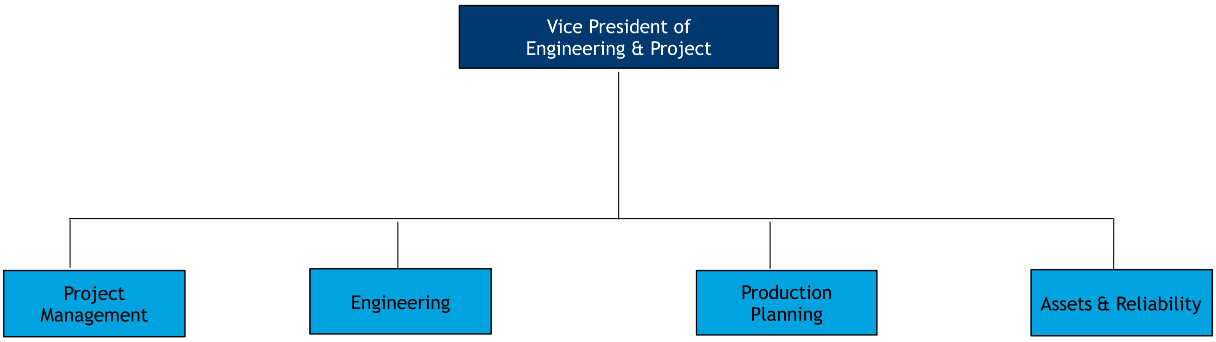
Source: the Company

The finance department has various personnel that oversee the financial performance of the Company, including accounting, treasury, disbursement and payroll, sales billing and accounts receivable management. The CFO supervises the controller, treasurer and the investor relation, planning and performance manager.

5.3.6.5 Engineering and Projects

The engineering and projects department is structured as follows, which has other sub-functions and positions:

Figure (5-6): Engineering and Projects Department's Structure



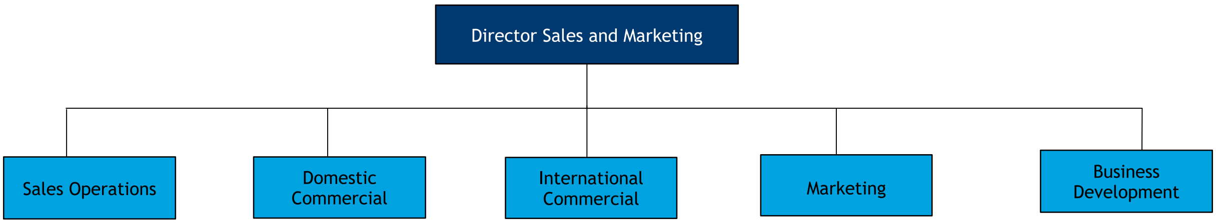
Source: the Company

The engineering and projects department consists of four units: project management, engineering, production planning and assets' reliability. Their roles vary, and include daily operation instructions, performance review, inspection and projects support for facilities turnaround, product quality check and other operational and management reporting.

5.3.6.6 Sales and Marketing

The engineering and projects department is structured as follows, which has other sub-functions and positions:

Figure (5-7): The Company's Sales and Marketing Department's Structure



Source: the Company

The major responsibilities and activities of the sales and marketing department include sales to customers and demand planning, market development and analysis, export logistics, marketing and sales planning, management of products pricing, marketing communication and product branding and market intelligence.

5.3.6.7 Corporate Legal and Compliance

The Company has a legal department. The primary role of the legal department is to provide legal advice to the CEO. The legal department is vested with responsibility for the legal affairs, legal sufficiency, contract relations, litigation and disputes of the Company. The Company has recently established a new compliance department, which the Company is currently in the process of staffing. The compliance department will be responsible for compliance with all applicable laws, rules, regulations and consistency with the expectations of regulators.

5.3.6.8 General Audit

The general audit department consists of the general auditor and other auditors. The general auditor reports directly to the Audit Committee, but works with the executive team as well. The role of internal audit encompasses the examination and evaluation of the adequacy and effectiveness of the Company's governance, risk management, internal controls and processes as well as analyzing the Company's performance in line with the Company's goal and objectives.

5.3.7 Senior Executives

The Company has a Senior Executive team, equipped with the necessary expertise and skills to manage the Company under the direction and supervision of the Board of Directors. The CEO manages the Company's day-to-day business in accordance with the Bylaws, the Board's directions, and the internal policies.

The following table shows the details of the Company's Senior Executives and their ownership and interest in the Company's shares.

Table (5-8): The Company's Senior Executives

#	Name	Nationality	Position	Age	Date of Appointment in Position	Direct Ownership		Indirect Ownership*	
						Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
1	Tareq A. AlNuaim	Saudi	CEO	50	16/04/1440H (23/12/2018G)	N/A	N/A	0.000000039%(1)	0.000000039%(1)
2	Mohammed A. Alnafea	Saudi	Chief Financial Officer	41	26/04/1443H (01/12/2021G)	N/A	N/A	N/A	N/A
3	Waleed M. Murad	Saudi	Director of Sales & Marketing	52	08/09/1441H (01/05/2020G)	N/A	N/A	N/A	N/A
4	Fahad A. Al Therwi	Saudi	Vice President of Engineering & Projects	54	17/12/1440H (18/08/2019G)	N/A	N/A	0.000000018%(2)	0.000000018%(2)
5	Ibrahim A. Al Faqeeh	Saudi	Vice President of Manufacturing	56	14/10/1433H (01/09/2012G)	N/A	N/A	N/A	N/A
6	Saeed A. Badghaish	Saudi	Head of Administration	59	24/02/1443H (01/10/2021G)	N/A	N/A	N/A	N/A
7	Aasem S. Jamjoom	Saudi	Board Secretary and Business Transformation & Risk Manager	56	15/01/1442H (03/09/2020G)	N/A	N/A	N/A	N/A
8	Abdulrahman H. Alaseeri	Saudi	General Auditor	37	26/08/1442H (08/04/2021G)	N/A	N/A	N/A	N/A
9	Hassan Z. Khan	Pakistani	Corporate Legal Counsel, and acting Chief Compliance Officer	35	16/04/1442H (01/12/2020G) **	N/A	N/A	N/A	N/A

Source: The Company

* The Shares owned by the Senior Executive indirectly in the Company through (i) their ownership in companies that own Shares in the Company; or (ii) Shares owned directly in the Company by the Relatives of the Directors.

** The appointment for the acting Chief Compliance Officer position was on 19/02/1444H (15/09/2022G).

(1) Tariq A. Al Nuaim owns (12,338) Saudi Aramco's shares, which in turn owns 70% of the Company before and after the Offering

(2) Fahad A. Al Therwi owns (5,600) Saudi Aramco's shares, which in turn owns 70% of the Company before and after the Offering.

5.3.8 Summary of Biographies of the Senior Executives

An overview of the experience, qualifications and current and previous positions of each Senior Executives is provided below.

Table (5-9-1): Summary Biography of Tareq A. Al Nuaim

Name	Tareq A. AlNuaim
Age	50 years
Nationality	Saudi
Position	CEO
Date of Appointment	16/04/1440H (23/12/2018G)
Academic Qualifications	• Executive training program in business administration from Harvard University, USA, 2020G. • Master's degree in engineering from Massachusetts Institute of Technology (MIT), USA, 2000G. • Master's in business administration from King Fahad University of Petroleum and Minerals, KSA, 1997G. • Bachelor's degree in engineering from Colorado School of Mines, USA, 1994G.
Other Current Positions	• The CEO of the Company, since 23/12/2018G.
Selected Previous Positions	• From 2017G to 2018G, the manager of planning and performance management in Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2014G to 2017G, the vice president of engineering and projects in Rabigh Refining and Petrochemical Company, a listed joint stock company operating in the petrochemicals sector. • From 2011G to 2014G, strategic transformation officer in Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2009G to 2011G, a project manager at Rabigh 2 Project in Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2008G to 2009G, assistant to the vice president of engineering services in Saudi Aramco, a listed joint stock company operating in the energy sector.

Table (5-9-2): Summary Biography of Mohammed A. Alnafea

Name	Mohammed A. Alnafea
Age	41
Nationality	Saudi
Position	Chief Financial Officer
Date of Appointment	26/04/1443H (01/12/2021G)
Academic Qualifications	• Executive education certificate in finance and strategy from London Business School, UK, 2021G. • Master's in business administration from Missouri State University, USA, 2008G. • Bachelor degree in accounting from Imam Mohammad bin Saud Islamic University, the Kingdom, 2004G.
Other Current Positions	N/A
Selected Previous Positions	• From 2020G to 2021G, the head of the general ledger accounting division at Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2019G to 2020G, the head of the planning and forecasting division at Saudi Aramco, a listed joint stock company operating in the energy sector.

Table (5-9-3): Summary Biography of Waleed M. Murad

Name	Waleed M. Murad
Age	52
Nationality	Saudi
Position	Director of Sales & Marketing
Date of Appointment	01/05/2020G
Academic Qualifications	• Master's degree in construction engineering management from King Fahad University of Petroleum and Minerals, the Kingdom, 2001G. • Bachelor's degree in mechanical engineering from King Fahad University of Petroleum and Minerals, the Kingdom, 1993G.
Other Current Positions	• Since 2021G, a national base oils and lubricants committee member in the council for Saudi chambers of commerce and industry, a government entity operating in the commerce sector. • Since 2020G, a Saudi Aramco base oils steering committee member in Saudi Aramco, a listed joint stock company operating in the energy sector.
Selected Previous Positions	• From 2019G to 2020G, head of the Aramco Base Oil Alliance in Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2015G to 2019G, head of Aramco base oils strategy execution team in Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2013G to 2015G, head of Aramco Affiliate division in Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2012G to 2013G, Aramco trading affiliate manager in Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2011G to 2012G, Luberef affiliate manager in Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2009G to 2011G, Rabigh project II development project in Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2008G to 2009G, Petro Rabigh affiliate manager in Saudi Aramco, a listed joint stock company operating in the energy sector. • In 2007G, Riyadh refinery facility coordinator in Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2003G to 2006G, business development coordinator in Saudi Aramco, a listed joint stock company operating in the energy sector. • From 2001G to 2003G, strategy and balanced score card execution coordinator in Saudi Aramco, a listed joint stock company operating in the energy sector. • From 1999G to 2001G, quality coordinator in Saudi Aramco, a listed joint stock company operating in the energy sector. • From 1993G to 1999G, fleet manager in Saudi Aramco, a listed joint stock company operating in the energy sector.

Table (5-9-4): Summary Biography of Ibrahim A. Al Faqeeh

Name	Ibrahim A. Al Faqeeh
Age	56
Nationality	Saudi
Position	Vice President of Manufacturing
Date of Appointment	14/10/1433H (01/09/2012G)
Academic Qualifications	• Executive Education in M&A and corporate strategy program from INSEAD Business School, Fontainebleau, France, 2018G. • Executive Education, senior executive program certificate from London Business School, London, United Kingdom, 2014G. • Master's degree in mechanical engineering from King Abdulaziz University, the Kingdom, 1995G. • Bachelor's degree in chemical engineering from King Abdulaziz University, the Kingdom, 1989G.
Other Current Positions	• Since 2018G, a partner in Safety Dimensions Engineering Consultant, operating in engineering consultancy and safety consultancy. • Since 2021G, a partner in Aman&Asas Contracting Company, a limited liability company, operating in installations and maintenance of gas line residential.
Selected Previous Positions	• From 2012G to 2019G, the vice president of manufacturing, engineering, and project at the Company. • From 2013G to 2018G, the expansion project asset executive at the Company. • From 2008G to 2012G, the project manager expansion project scope definition Pre-FEED Phase. • From 2003G to 2008G, the manager of the Yanbu refiner at the Company • From 2001G to 2002G, the production planning manager at the Company. • From 1996G to 1999G, the technical manager of the Yanbu refinery at the Company.

Table (5-9-5): Summary Biography of Saeed A. Badghaish

Name	Saeed A. Badghaish
Age	57
Nationality	Saudi
Position	Head of Administration
Date of Appointment	24/02/1443H (01/10/2021G)
Academic Qualifications	• Master's degree in production engineering from King Fahad University of Petroleum and Minerals, the Kingdom, 1994G. • Bachelor's degree in chemical engineering from King Abdulaziz University, the Kingdom, 1987G.
Other Current Positions	N/A
Selected Previous Positions	From 2009G to 2021G, refinery manager at the Company.

Table (5-9-6): Summary Biography of Aasem Sami M. Jamjoom

Name	Aasem Sami M. Jamjoom
Age	56
Nationality	Saudi
Position	Board Secretary and Business Transformation & Risk Manager
Date of Appointment	15/01/1442H (03/09/2020G)
Academic Qualifications	• Master's in business administration from the University of Business and Technology, the Kingdom, 2013G. • Bachelor's degree in chemical engineering from King Fahad University of Petroleum and Minerals, the Kingdom, 1990G.
Other Current Positions	• Since 2020G, Manager of Corporate Planning ERM at the Company. • Since 2020G, a company secretary at the Company. • Since 2020G, board audit committee secretary at the Company. • Since 2020G, board compensation committee secretary at the Company.
Selected Previous Positions	• From 2008G to 2020G, a business planning supervisor – corporate planning department at the Company. • From 2007G to 2007G, a turnaround planning superintendent Yanbu – Maintenance department at the Company. • From 2005G to 2007G, a turnaround planning superintendent Jeddah – Maintenance department at the Company. • From 2004G to 2005G, an operations superintendent – operation department at the Company. • From 1996G to 2004G, maintenance planning supervisor – maintenance department at the Company. • From 1991G to 1996G, process engineer – central at the Company. • From 1990G to 1991G, production engineer in Petrokemya Arabian Petrochemical Company, a limited liability company operating in the petrochemical sector.

Table (5-9-7): Summary Biography of Fahad AtuatAllah H. Al Therwi

Name	Fahad AtuatAllah H. Al Therwi
Age	54
Nationality	Saudi
Position	Vice President of Engineering & Projects
Date of Appointment	17/12/1440H (18/08/2019G)
Academic Qualifications	• Bachelor's degree in chemical engineering from King Fahad University of Petroleum and Minerals, the Kingdom, 1993G.
Other Current Positions	N/A
Selected Previous Positions	• From 2016G to 2019G, the operations division head in Jazan refinery at Saudi Aramco, a listed joint stock company operating in the energy sector.

Table (5-9-8): Summary Biography of Abdulrahman Hussein Saeed Alaseeri

Name	Abdulrahman Hussein Saeed Alaseeri
Age	37
Nationality	Saudi
Position	General Auditor
Date of Appointment	26/08/1442H (08/04/2021G)
Academic Qualifications	• Certified Fraud Examiner in Anti-Fraud, from The Association of Certified Fraud Examiners, 2021G. • Bachelor's degree of science in accounting, from King Fahd University of Petroleum and Minerals, the Kingdom, 2009G.
Other Current Positions	N/A
Selected Previous Positions	• From 2020G to 2021G, a supervisor of revenue account receivables section at the Company. • From 2019G to 2020G, secretary of the credit committee at the Company. • From 2018G to 2019G, assistant supervisor for general ledger at the Company. • From 2017G to 2019G, a member of the claim review committee at the Company. • From 2017G to 2018G, a senior accountant – treasury section at the Company. • In 2014G, 2015G and 2018G, a member of the bid committee at the Company. • From 2013G to 2016G, accounting and finance representative – Luberef expansion program at the Company. • From 2013G to 2016G, a business administrator for Luberef expansion program control function at the Company. • In 2012G, a cost engineer at the Company. • From 2010G to 2012G, Accounting and finance representative – Luberef expansion project feed phase at the Company. • From 2009G to 2010G, an auditor at Deloitte Touche Tohmatsu, a partnership, operating in auditing. • In 2008G, an Associate Auditor at PwC, a partnership, operating in auditing.

Table (5-9-9): Summary Biography of Hassan Zeb Khan

Name	Hassan Zeb Khan
Age	35
Nationality	Pakistani
Position	Corporate Legal Counsel, and acting Chief Compliance Officer
Date of Appointment	16/04/1442H (01/12/2020G)*
Academic Qualifications	• Bar Admission from Khyber Pakhtunkhwa Bar Council, Pakistan, 2014G. • Postgraduate Diploma in Law from University of Oxford and Oxford Brookes University, United Kingdom, 2012G. • Bachelor's degree in law (Hons)from University of Wales, United Kingdom, 2011G.
Other Current Positions	• Since 2020G, a member of the Company's credit committee. • Since 2017G, a member of several claim review teams at the Company.
Selected Previous Positions	• From 2015G to 2020G, a legal advisor at the Company. • From 2017G to 2018G, a member of the special audit committee at the Company. • From 2012G to 2015G, a joint venture and regulatory affairs officer at Oil and Gas Development Company Ltd (OGDCL), Pakistan, a listed public company operating in the oil and gas sector.

* The appointment for the acting Chief Compliance Officer position was on 19/02/1444H (15/09/2022G).

5.3.9 Employment Contracts with Senior Executives

The following table shows a summary of the employment contracts between the Company and the Senior Executives.

Table (5-10): Summary of Employment with Senior Executives

#	Name	Position	Date of Contract	Term of Contract
1	Tareq A. Al Nuaim*	CEO	17/05/1440H (21/12/2021G)	2 years
2	Mohammed A. Alnafea*	Chief Financial Officer	26/4/1443H (01/12/2021G)	3 years
3	Waleed M. Murad*	Director of Sales & Marketing	01/07/1443H (01/04/2022G)	3 years
4	Fahad Al Therwi*	Vice President of Engineering and Projects	20/1/1444H (18/08/2022G)	1 year
5	Ibrahim A. Al Faqeeh	Vice President of Manufacturing	01/11/1415H (01/04/1995G)	Automatically renewed until the employee turns 60. The Company and the employee have the right to extend the contract until the age of 65.
6	Saeed A. Badghaish	Head of Administration	01/07/1407H (01/03/1987G)	Indefinite
7	Aasem S. Jamjoom	Board Secretary and Business Transformation & Risk Manager	06/07/1411H (21/01/1991G)	Automatically renewed until the employee turns 60. The Company and the employee have the right to extend the contract until the age of 65.
8	Abdulrahman H. Alaseeri	General Auditor	14/03/1431H (28/02/2010G)	Automatically renewed until the employee turns 60.
9	Hassan Z. Khan	Corporate Legal Counsel, and acting Chief Compliance Officer	15/03/1438H (14/12/2016G)	1 year renewable at the sole discretion of the Company.

Source: The Company

* The Senior Executive is not employed by the Company. He is employed by Saudi Aramco and seconded to the Company pursuant to the technical services agreement between the Company and Saudi Aramco. The shown contract dates is the date of the latest assignment extension letter. For more details about the technical services agreement pursuant to which some of the Senior Executives were seconded to the Company, please refer to Section (12.6.3.2) "**Technical Services Agreement**", and for more details about the risks associated with the secondment arrangement, please refer to Section (2.1.23) "**Risks relating to reliance on senior management and Senior Executives and potential conflict of interest**"

5.4 Declarations by Directors, Senior Executives and Board's Secretary

As of the date of the Prospectus, each of the Directors, Senior Executives and the Secretary of the Board declares that:

1- he/she has not, at any time, been declared bankrupt nor was personally involved in a bankruptcy procedure; and

2- there has been no declaration, within the last five years, of the insolvency of any company in which he/she held an administrative or supervisory position.

5.5 Remuneration of Directors and Senior Executives

The remuneration of the Directors and all benefits they receive shall be set pursuant to the Company's Bylaws and in accordance with the official decisions and instructions issued by the competent authorities in this regard and in accordance with the provisions of the Companies Law and its implementing regulations and the Corporate Governance Regulations. The Board's report to the General Assembly shall include a comprehensive statement of all remuneration, expense allowances and other benefits received by the Board Directors during the financial year. It shall also include a statement of amounts paid to the Directors as employees or managers or amounts paid to them for technical, administrative or advisory works, if any. In addition, the report shall include a statement of the number of Board meetings as well as the number of meetings attended by each Director from the date of the last meeting of the General Assembly.

The following table shows the total remuneration and in-kind benefits granted by the Company during the previous three financial years to the five (5) members of Senior Executives who received the highest remuneration and compensation from the Company, including the CEO and CFO.

Table (5-11): Remuneration (in SAR) of Directors and Senior Executives During the Financial Years 2019G, 2020G, and 2021G

	FY 2019	FY 2020	FY 2021
Board members	None*	None*	None*
5 Senior Executives (including the CEO and CFO)**	6,942,976***	7,565,491	7,093,577

* The Company did not pay any remuneration to the Board members during the previous three financial years as the Directors were appointed by the Shareholders. Based on information provided by the Shareholders, the Shareholders did not remunerate the Directors, in their capacities as such, during the previous three financial years.

** The remuneration of the Senior Executives seconded from Saudi Aramco was calculated based on the amount paid by the Company to Saudi Aramco for the secondment arrangement, and the Company does not pay any other remuneration for the seconded Senior Executives. For more information on the service agreement pursuant to which certain Senior Executives are seconded to the Company, please refer to section (12.6.3.2) "**Technical Services Agreement**".

*** One of the positions calculated, the Vice President for Engineering, was only created in the third quarter of the year.

Source: The Company

5.6 Conflict of Interests

Neither the Company's Bylaws nor any of the internal regulations and policies grant any powers enabling a Director to vote on a contract or business in which he/she directly or indirectly has an interest. Pursuant to Article 71 of the Companies Law, a member of the Board of Directors may not have a direct or indirect interest in the contracts and business of the Company without the permission of the General Assembly. Additionally, Article 72 of the Companies Law prohibits Directors from engaging in any activity that competes with the Company or any segment of its activities unless a General Assembly approval is obtained.

Pursuant to the aforementioned provisions, a member of the Board must disclose and notify the Board of Directors of any personal interest he/she may have in the transactions or contracts to be entered into by the Company or if he/she is competing with the Company. The Chairperson of the Board of Directors is subsequently obliged to notify the General Assembly of the transactions and/or contracts in which a Director has a personal interest, provided that such notification shall be accompanied by a special report from the Company's auditor. A conflicted member of the Board of Directors may not vote on any resolution approving the entry into the transaction and/or contract in which he or she has a direct or indirect interest. Additionally, the Chairperson of the Board of Directors is obliged to notify the General Assembly of the competing businesses a Board member is engaged in. A Board member engaging in any activity that competes with, or may compete with, the Company may not vote on any resolution approving such interest whether in the Board or General Assembly meeting. The regulatory framework for conflict of interests may be changed in the future based on the amendment of existing laws and regulations or the introduction of new ones.

The Company has developed a clear written policy to address conflicts of interest and dealings with Related Parties, which accounts for the nature of its size and operations and its internal organization, and to ensure that there is a clear mechanism to identify conflict of interest and competing interest cases and set out the cases in which the General Assembly approval will be sought. Such policy sets out a stringent process that aims to comply with the general principles under the Companies Law and the other requirements included in the Corporate Governance Regulations and the Regulatory Rules and Procedures relating to Listed Joint Stock Companies. Based on the foregoing, the Directors declare that they will comply with Articles 71 and 72 of the Companies Laws, Articles 44 and 46 of the Corporate Governance Regulations, and the Company's conflict of interest policy.

The Company would continue to update its policies in relation to conflict of interests to keep abreast and comply with changes in the applicable laws and regulations, including the recently issued Companies Law, which removes a number of requirements and allows the General Assembly to further delegate its power to approve interest and competition. For more information about the risks relating to the new Companies Law, please see section (2.2.9) "**Risks relating to the new Companies Law and its application**".

5.7 Conflict of Interests of the Directors, Secretary, and Senior Executives, Competition of Directors and Related Party Transactions

Each of the Directors, Senior Executives and the Secretary of the Board declare that:

- Neither he/she, nor his/her Relatives, have any interest in any contract or arrangement in effect or to be concluded by the Company and its Subsidiary.
- He/she is not currently engaged in any business or activity that competes with the Company.
- Neither he/she, nor any of his/her Relatives, directly or indirectly hold shares or debt instruments or have interest of any kind in the Company or its Subsidiary or any interest in any matters that may have an impact on the Company's operations, except what has been disclosed in Table (1) and except the interest in Saudi Aramco's shares allocated to Directors who work at Saudi Aramco under its employee share scheme but which is not currently owned and which the entitlement to requires the satisfaction of a number of conditions not currently satisfied.

Please refer to Section (12.7) "**Related Party Transactions**" for more details about Related Party transactions the Company is currently party to.

5.8 Corporate Governance

5.8.1 Overview

The Company has developed a governance system in accordance with the Corporate Governance Regulations issued by the CMA. The Corporate Governance Regulations prescribe the rules and standards for the management of the Company in order to ensure that the Company's corporate governance standards are in line with best practices enshrining the rights of shareholders and stakeholders. The provisions of the Corporate Governance Regulations are mandatory, except for those provisions referred to as guiding provisions

The Corporate Governance Regulations regulate the various relationships between the Board, Senior Executives, Shareholders and other stakeholders, by establishing rules and procedures to facilitate decision making processes with the objective of protecting the rights of Shareholders and other stakeholders and promoting the values of credibility, fairness, competitiveness and transparency. They further ensure that the Board acts in the best interests of the Shareholders and presents a clear and fair view of the financial condition of the Company and the results of its operations. The Corporate Governance Regulations will apply to the Company from the date of Listing.

5.8.2 Key Corporate Governance Requirements

The key corporate governance requirements that the Company complies with are set out in the Corporate Governance Regulations. These cover the following broad areas:

1- General shareholder rights (Articles 4 to 9);
2- Rights relating to General Assembly Meetings (Articles 10 to 15);
3- The Board of Directors: formation, responsibilities, competencies, procedures and training (Articles 16 to 41);
4- Conflicts of interest (Articles 42 to 49);
5- Company committees (Articles 50 to 72); and
6- Internal controls, external auditors, company reports and policies, and various other matters (Articles 73 to 98).

5.8.3 Corporate Governance Manual and Internal Policies

The Company's governance system comprises of the following charters and internal policies related to the Company's governance:

1- Audit Committee Charter, which was approved by a resolution of the Company's general assembly on 09/02/1444H (corresponding to 05/09/2022G);
2- Remuneration and Nomination Committee Charter, which was approved by a resolution of the Company's general assembly on 09/02/1444H (corresponding to 05/09/2022G);
3- Competition Standards, which were approved by a resolution of the Company's general assembly on 09/02/1444H (corresponding to 05/09/2022G);
4- Remuneration Policy, which was approved by a resolution of the Company's general assembly on 09/02/1444H (corresponding to 05/09/2022G);
5- Board Membership Policy, which was approved by a resolution of the Company's general assembly on 09/02/1444H (corresponding to 05/09/2022G);
6- Professional Conduct Policy, which was approved by a resolution of the Board on 04/02/1444H (corresponding to 31/08/2022G);
7- Disclosure Policy and Procedures, which was approved by a resolution of the Board on 04/02/1444H (corresponding to 31/08/2022G);
8- Dividend Policy, which was approved by a resolution of the Board on 04/02/1444H (corresponding to 31/08/2022G);
9- Board Policy Procedures, which was approved by a resolution of the Board on 04/02/1444H (corresponding to 31/08/2022G);
10- Conflict of Interest Policy, which was approved by a resolution of the Board on 04/02/1444H (corresponding to 31/08/2022G);
11- General Assembly Procedures, which was approved by a resolution of the Board on 04/02/1444H (corresponding to 31/08/2022G);
12- Reporting Violations/ Whistleblowing Policy, which was approved by a resolution of the Board on 04/02/1444H (corresponding to 31/08/2022G); and
13- Stakeholder Management Policy, which was approved by a resolution of the Board on 04/02/1444H (corresponding to 31/08/2022G).

5.8.4 Corporate Governance Compliance

As at the date of this Prospectus, the Board of Directors declares that the Company is compliant in all material respects with the mandatory provisions of the Corporate Governance Regulations. Furthermore, the Board of Directors declare that the Company will comply with the mandatory provisions of the Corporate Governance Regulations in relation to disclosures, notifications, and filings to the CMA, the Saudi Exchange, and/or the public that will apply to the Company after Listing, including but not limited to:

- Article (14)(c) which provides that the shareholders shall be allowed through the Company's website and the Saudi Exchange's website to obtain the information related to the items of the General Assembly's agenda, and to obtain the information related to the items of the General Assembly's agenda, particularly the reports of the Board of Directors and the external auditor, the financial statements and the Audit Committee's report.
- Article (15)(d) in relation to providing the CMA with a copy of the minutes of the General Assembly meeting.
- Article (15)(e) which provides that the Company shall announce to the public and inform the CMA and the Saudi Exchange of the results of a General Assembly meeting immediately following its conclusion.
- Article (19)(b) which provides that upon the termination of the membership of a Board member, the Company shall promptly notify the CMA and the Saudi Exchange and shall specify the reasons for such termination.
- Article 90 in relation to the items to be covered under the Board report.
- Article 91(b) in relation to publishing the Audit Committee's report on the Saudi Exchange's website.

5.9 Employees

5.9.1 Employees Shares

The Company has established an employees' share ownership plan to provide additional incentives to employees whose contribution is essential to the growth and success of the Company, to attract and retain qualified individuals and to further align the interests of such employees with shareholders of the Company. The Company's extraordinary general assembly approved the plan on 09/02/1444H (corresponding to 05/09/2022G) and delegated the Board to set the provisions and details of the plan in accordance with the applicable regulations.

Concurrently with the closing of the Offering, the Selling Shareholder will sell (580,000) Shares (representing 0.3437037% of the Company's share capital) at Offer Price, with total value of SAR [•], to the Company for use under the plan.

5.9.2 Other Arrangements

Other than the employee share program described above, the Company does not have any other arrangements involving the employees in the capital of the Company.

6. Management Discussion and Analysis of Financial Condition and Results of Operations

6.1 Introduction

The Company's Management Discussion and Analysis section provides an analytical review of the Company's results of operations and financial position during the years ended 31 December 2019G, 2020G, and 2021G and the six-month periods ended 30 June 2021G and 2022G. This section should be read in conjunction with the information presented under the heading "**Summary of Financial Information and Key Performance Indicators (KPIs)**", the Financial Statements of the Company for the financial years ended 31 December 2019G, 2020G, and 2021G and the special purpose financial statements for the six-month period ended 30 June 2022G which have been prepared by the Company in accordance with International Financial Reporting Standards ("**IFRS**") endorsed in the Kingdom and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("**SOCPA**") and have been audited by PricewaterhouseCoopers Certified Public Accountants (the "**Auditor**"), as set out in their audit reports. The audit report on the special purpose financial statements for the six-month period ended 30 June 2022G contains an emphasis of matter paragraph drawing attention to notes 3.7 and 32 to the special purpose financial statements which describe the amendments made to the previously issued financial statements for the years ended 31 December 2019G, 2020G and 2021G.

The Auditor confirm its independence from the Company as stated in the Auditor's Report included elsewhere in this Prospectus. PricewaterhouseCoopers have given and, as at the date of this Prospectus, have not withdrawn their written consent to the reference in the Prospectus to their role as the auditor of the Company for the financial years ended 31 December 2019G, 2020G, and 2021G, and the six-month periods ended 30 June 2021G and 30 June 2022G.

The aforementioned financial statements are an integral part of this Prospectus which should be read in conjunction with these statements and their supplementary explanations. These financial statements can be reviewed in Section (19) "**Financial Statements and Independent Auditor's Report**" of this Prospectus.

All amounts in this section have been rounded to the nearest million riyals unless otherwise stated, and numbers and percentages are rounded to the nearest decimal. As such, the sum of the numbers may differ from those stated in the tables. Accordingly, all annual percentages, indicators, expenses, and the compound annual growth rates (CAGRs) are based on the rounded figures.

The financial information for the financial years ended 31 December 2019G, 2020G and 2021G have, except as disclosed in Section (6.5) "**Restatement of Financial Information of the Company**" of this Prospectus and unless otherwise indicated, been derived from the Company's audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, respectively. The financial information for the six-month periods ended 30 June 2021G and 30 June 2022G has, unless otherwise indicated, been derived from the Company's audited special purpose financial statements for the six-month period ended 30 June 2022G.

Certain comparative financial information for the financial year ended 31 December 2019G have been reclassified to conform to the presentation adopted in the audited financial statements for the financial year ended 31 December 2020G, and hence differ from the financial information included in the audited financial statements for the financial year ended 31 December 2019G. There was no impact on profit or loss for the financial year ended 31 December 2019G or total equity as a result of such reclassifications, which has been explained in this Section and Section 6.5 "**Restatement of Financial Information of the Company**".

This section might include hypothetical statements related to the Company's future forecasts, based on the management's plans and prospects with regard to the Company's growth, results of operations, and financial position as well as related risks and uncertainties. The Company's actual results could differ materially from those anticipated as a result of numerous factors, risks, and future events, including those discussed in this section of the Prospectus or elsewhere, particularly Section 2 "**Risk Factors**" of this Prospectus.

Restatement relating to the annual audited financial statements

The Company has agreements with Saudi Aramco to purchase feedstock for the Company's Jeddah and Yanbu production facilities and to supply of certain by-products back to Saudi Aramco after the feedstock has been processed and base oil extracted for sale to its other customers. The Company determined during the six-month period ended 30 June 2022G to account for these transactions with Saudi Aramco separately as purchases of feedstock from, and sales of by-products to, Saudi Aramco, instead of provision of processing services. This is on the basis of the Company's ability to control, obtaining substantial economic benefit and decision making relating to feedstock used and mix of the products produced which are substantially different from the feedstock purchased. These transactions with Saudi Aramco were previously recorded on a net basis with the sales proceeds of the by-products recorded against the feedstock purchases.

This change does not have any impact on the statement of financial position, statement of changes in equity and statement of cash flows as of and for the years then ended.

Please refer to Section 6.5 "**Restatement of Financial Information of the Company**" of this Prospectus for the financial impact of this restatement.

6.2 Key Factors Affecting the Company's Operations

The following is a discussion of the most significant factors that have affected or are expected to affect the Company's financial position and results of operations. These factors are based on the information currently available to the Company and may not represent all the factors that may have an impact on the Company's business.

Company's strategy, growth and new projects and inability to achieve its objectives and goals, including the Yanbu Growth II Expansion project

The Company's ability to increase its revenues and profitability depends on the effective implementation of its business plans and the successful achievement of its strategy. The Company's ability to successfully implement the Company's strategy depends on a variety of factors, including its ability to identify acceptable opportunities, develop new market opportunities, arrange financing, if necessary, and comply with regulations. As the Company pursues such growth opportunities, the Company may incur or assume unanticipated liabilities, losses or costs.

In particular, the Company aims to continue expanding its business by undertaking new projects, including the Yanbu Growth II Expansion project, the business transformation initiatives, LubeHUB and others. For further details about these projects, please refer to Section (4.5.3) "**Future Projects**".

The Yanbu Growth II Expansion project is planned to be completed in 2025G, prior to the potential closure of the Jeddah Facility, and it aims to allow the Company to start producing Group III Base Oils and to produce additional quantities of Group II Base Oils. For further details about the risks relating to the Jeddah closure, please refer to Section (2.1.2) "**Risks relating to the Jeddah Facility closure and reliance on one facility in the future**". Reducing the production of certain Group I Base Oils products and the commencement of the production of Group III Base Oils is a significant strategic decision by the Company. The success of this strategic decision could be impacted by several factors, many of which are beyond the Company's control. These factors include the political and economic conditions in the Kingdom and globally, securing the additional feedstock needed for the Yanbu Growth II Expansion project, changes in the laws and regulations, changes in the markets' conditions, the entry of new competitors into the market, changes in the market's demand for Group III Base Oils or such demand not meeting the Company's expectation, increased Group I Base Oils demand, and other factors described in this Prospectus. If these factors materialize, the Company may not succeed and realize the profits expected based on the relevant feasibility studies or projections, or any profit at all.

In addition, the Company intends to establish LubeHUB, which is an industrial park for specialty products. The success of LubeHUB depends on a variety of factors, many of which are outside the Company's control. For example, the ability of the Company to establish LubeHUB largely depends on the parties that the Company contracts with to set up the project, such as development companies, contractors, engineering offices and other advisors and service providers. LubeHUB's success also depends on other stakeholders involved, mainly the RCJY, the MOE and MISA, and their performance of the roles in the project, and the type of investments attracted and the receptiveness of targeted investors to join LubeHUB and continue to be part of LubeHUB. The Company will be expending investment into building infrastructure for LubeHUB, and the Company may not realize returns that equal or exceed such expenditure.

Furthermore, the ability of the Company to complete its planned projects – including the Yanbu Growth II Expansion, the business transformation initiatives and LubeHUB – on time, budget and with the required quality also largely depends on the parties that the Company contracts with for the purpose of setting up projects, such as regulators, suppliers, contractors, engineering offices and other advisors and service providers. If these parties do not comply with their obligations in accordance with the concluded contracts, this may affect the Company's ability to complete its projects at the specified schedule or budget and with the required quality.

If the Company is unable to successfully complete new projects, including the Yanbu Growth II Expansion, the business transformation initiatives and LubeHUB, or if these new projects are not profitable, this will adversely affect the Company's business, results of operations, financial position and future prospects and inhibit the Company's growth.

Feedstock supply, quantity and quality

The Company's operations, business and success are dependent on receiving RCO, the main feedstock of the Company which is supplied exclusively by Saudi Aramco. Any shortage of RCO supply, or any difference in quality, will materially and adversely impact the Company's production capabilities and products.

The ability of the Company to obtain RCO from Saudi Aramco is subject to a number of factors including but not limited to, Government action, the issuance or promulgation of laws, rules and orders resulting in an impact on the supply to the Company, changes in economic conditions and policies in the Kingdom that affects the RCO supply, interruptions in RCO production and delivery including interruptions caused by human errors, terrorist attacks, acts of God, or otherwise, and any factor affecting the business, operations or supply chain of Saudi Aramco and other factors. The quality of the RCO is also impacted by various factors, including the integrity of the supply and delivery chain and the availability of RCO of the required quality. The materialization of any of these risks could impact the feedstock supplied to the Company, which will have a material adverse effect on the Company's planned production operations and performance and sales commitments.

The Company has two key feedstock agreements with Saudi Aramco. The feedstock supply agreement for the Jeddah Facility is effective from the Company's incorporation for a term of 50 years (ending in 2026G), and is automatically renewable for additional periods of 50 years each, except if terminated by either of the parties serving a written notice at least six months prior to the expiration date. The Yanbu Facility feedstock supply agreement is valid until 2038G but may be terminated by either party by serving a 1-year notice during the initial term, or by a six month notice during any renewal period.

If either of the agreements expire or terminate pursuant to their respective terms, and the Company was not able to enter into new feedstock agreements with Saudi Aramco under commercially acceptable terms, the Company may not be able to secure all or any of its feedstock supply needs. Furthermore, the terms of either agreement could change upon its renewal after expiry or termination. If either of the feedstock agreements with Saudi Aramco is terminated or expired, or the terms are revised, the Company may not be able to obtain RCO feedstock on suitable commercial terms or at all. For more details about the termination mechanism of each agreement, please refer to Section (12.6) "**Material Agreements**".

If any of the above factors materializes, it could have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

Changes in crack margins

The Company's business success, financial performance and profitability are impacted by the difference between the prices of base oil and the prices of feedstock, known as the crack margin.

Feedstock prices are affected by many factors that are beyond the Company's control, including but not limited to, global supply and demand, international oil prices, market expectations of future supply and demand, global political conditions, decisions of production levels by OPEC member states and oil producers, regional geopolitical conditions and other market variables including availability and overall economic conditions.

In addition, the prices at which the Company is able to sell its base oils are also volatile, and prices have fluctuated considerably in recent years and may continue to do so in the future. Base oils prices may change as a result of many factors which are outside of the Company's control including demand for base oils, global production and storage capacity, changes in applicable regulations, weather and seasonality, international armed conflict, terrorism, general economic conditions, pandemics, competition from alternative material, pricing decisions of competitors, changes in the cost and availability of logistic services and the demand on lubricants and other finished products. For example, the recent events in Russia and Ukraine have caused shortage in the supply of base oils and therefore resulted in higher crack margins. These margins might narrow in the future when the supply disruption is resolved.

The Company's crack margins will be affected by any fluctuation and increase in the price of feedstock which is not offset by the same increase in the price of the base oil the Company sells. The Company's crack margins are also impacted by any decrease in the prices of base oils that is not offset by lower feedstock prices. The Company does not hedge prices for its feedstock (e.g., through feedstock or base oil derivative contracts), which increases the risk of volatility in prices having an impact on the Company's crack margins.

Global crack margins for base oils have been volatile in recent years and may continue to be so in the future. The Company's historic base oil crack margins were USD 289 per MT, USD 326 per MT, USD 599 per MT and USD 494 per MT for the financial years ended 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G, respectively. For further details about the Company's crack margins, please refer to Section (6.7.1) "**Statement of comprehensive income of the Company**".

If any of the above occurs and the Company's crack margins decrease, this will materially and negatively impact the Company's financial position, cash flows and future prospects.

Customer concentration, attraction of new customers and retention of existing customers

The Company's revenues from its top ten (10) largest customers for base oils reached about SAR 1,324.3 million representing 23.6% of the gross revenue, SAR 1,302.7 million representing 29.7%, SAR 2,490.9 million representing 28.2% and SAR 1,375.6 million representing 22.6% as at 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G, respectively. The Company relies heavily on Saudi Aramco's Group as a customer, mainly for Byproducts. The sale to Saudi Aramco's Group for Byproducts represented 98.6%, 98.5%, 96.8% and 96.4% of the Company's total Byproducts sales as at 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G, respectively. The Company's revenues rely on such key customers, and the Company expects that it will continue to rely on its relations with them and on the renewal of the sales agreements with them.

The customers agreements generally include a provision allowing for termination for convenience, with notice periods ranging from 90 days to one year. For more details about these contracts, please refer to Section (12.6.7) "**Sales Agreements to Customers**". Some markets of the Company are characterized by a small number of major customers. A payment default of a major customer or customers in consolidated markets using their power to exert pressure on the Company's prices and margins may have an adverse effect on the Company's business, results of operations, cash flows and financial condition.

To the extent that any of these key customers terminate or significantly reduce their volume of business with the Company in the future, and such volumes are not offset by new customers, the Company may not be able to achieve its target sales. The loss of any key customer may be outside the Company's control, and could include their unwillingness to do business, changes in their strategy, their assessment of the products supplied being below agreed quality standards, interruption in their business or their own financial and operational position. Such loss of key customers, when not offset by new customers, which could have a material adverse effect on the Company's business, results of operations, financial position and future prospects.

Jeddah Facility closure and reliance on one facility in the future

As per the Company's business plan, approved by the Board, the Jeddah Facility will close in 2026G. For more details about the Jeddah Facility closure, please refer to Section (4.5.1.2) "**Jeddah Facility**". The Jeddah Facility's closure may include a full shutdown of its operations and its demolition or mothballing if agreed upon with the lessor, Saudi Aramco.

The Company currently books the Jeddah Facility at historical cost less accumulated depreciation and has provisioned a decommissioning cost of SAR 38.75 million as of 30 June 2022G. However, if decommissioned, the Company may incur additional costs to the amount it has provisioned.

Under the Environment Law and its implementing regulations, any person causing environmental deterioration of a site is obligated to rectify such deterioration. The demolition of a facility such as the Jeddah Facility might cause an environmental impact and damage to the environment of the site. If that occurs, the Company could be liable to rectify such impact or damage. This is in addition to other unexpected liabilities and costs that could arise as a result of the Jeddah Facility closure. The Company cannot adequately estimate or predict such costs, which may significantly exceed the decommissioning provision made by the Company.

The demolition of a facility such as the Jeddah Facility imposes several other risks, including the risk of the Company's inability to supplement its business and production in the Yanbu Facility to cover for the loss of production from the Jeddah Facility. The base oil production from the Jeddah Facility represented 27.4%, 28.3%, 22.2% and 20.7% of the Company's total production for the financial years ended 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G, respectively. The Jeddah Facility also has a 31,540 cubic meters storage capacity of finished products (compared to Yanbu Facility's storage capacity for finished goods of 278,180 cubic meters), which the Company would lose access to upon the Jeddah Facility closure and therefore the Company's total storage capacity will decrease.

After the expected Jeddah Facility closure, the Company's production will be concentrated in one facility, the Yanbu Facility, as opposed to two facilities. The Yanbu Facility, even with the implementation of the Yanbu Growth II Expansion project, might not fully off-set production volumes currently being produced from the Jeddah Facility or provide the same storage capacity. The closure of the Jeddah Facility puts the Company's operations and business in significant reliance on one facility, the Yanbu Facility. Therefore, any interruption or incident that occurs to this facility (including the various risks described in this Prospectus) will have a significantly higher impact than if the Company had additional facilities and could materially and significantly affect the Company's business.

If any of the above factors materializes, it could have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

Leases and not owning the lands on which the Company's facilities are located

The lands on which the Jeddah Facility and the Yanbu Facility are located are leased and not owned by the Company. The Company also leases two storage facilities, one in Yanbu and one in the UAE.

The land on which the Jeddah Facility is located is leased pursuant to a Utilities Sales Agreement between Saudi Aramco and the Company, and the land on which the Yanbu Facility is located is leased pursuant to an Industrial Land Lease between RCJY and the Company. For further details regarding leases, please refer to Section (12.6.5) "**Real Estate and Assets Lease Agreements and Utilities Agreements**". The Utilities Sales Agreement leasing the Jeddah Facility land expires in 2026G, and the Industrial Land Lease Agreement leasing the Yanbu Facility land expires in 2024G, both without automatic renewal provisions.

For the Jeddah Facility, Saudi Aramco has the right to increase the rent at its sole discretion with three months' notice. As such, the Company may incur additional unplanned cost in the future until the lease expiry. As to the Yanbu Facility, the lease expires in 2024G. If the agreement is not renewed upon its expiry, the Company will have no right to access the Yanbu Facility. The Company may be unable to renew the lease or renew the lease on similar or better terms, and as such might lose access to the land, be required to cease its operations at the Yanbu Facility, not be able to find an alternative facility or may incur significant cost to do so, and will be required to surrender the lands free from facilities (i.e., incur demolition costs, land rehabilitation cost and other costs, which it has not provisioned for). Furthermore, the Industrial Land Lease Agreement has been amended in 2017G to increase the rent and to grant RCJY the right to increase the rent every five years in line with the Consumer Prices Index (CPI). As such, the rent might increase in the future and the Company may incur additional unplanned cost. Both the Jeddah Facility and the Yanbu Facility leases provide that the premises shall only be used in connection with the operation of the facility and cannot be used for any other purposes without the prior written approval of Saudi Aramco or RCJY, respectively, which may restrict the Company should it wish to use the lands for other purposes.

The Company leases two storage facilities. The Company leases a storage facility in Hamriyah Free Zone which the Company uses to store its products before distribution in UAE and abroad. This lease expires on 31 December 2022G without automatic renewal. The second leased storage facility is located in Yanbu, and the lease expires on 31 December 2022G but is automatically renewable unless a party gives a non-renewal notice. If the lessors of these storage facilities terminate the relevant leases pursuant to their respective terms or the leases expire without renewal or are renewed on less favorable terms, this will affect the Company's access to the leased tanks and its capacity to store products, which might eventually affect the volume of sales. For more details about the two leases storage facilities, please refer to Section (12.8.2) "**Real Estate Rented by the Company and the Subsidiary**".

Any of the above risks materializing, especially in relation to the Jeddah Facility and the Yanbu Facility given that the Company's business is contained in them, will have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

For more information, refer to Section 2 "**Risk Factors**" of this Prospectus.

6.3 Directors' Declarations on the Financial Statements

The Directors declare that the financial information presented in this section (except as disclosed in Section 6.5 "**Restatement of Financial Information of the Company**" of this Prospectus) is derived without material change and is presented consistent with the audited financial statements for the financial years ended 31 December 2019G, 2020G, and 2021G and the audited special purpose financial statements for the six-month period ended 30 June 2022G. In addition, certain financial information presented in this section has been extracted from management information. The audited financial statements for the financial years ended 31 December 2019G, 2020G, and 2021G and the special purpose financial statements for the six-month period ended 30 June 2022G were prepared by the Company in accordance with IFRS that are endorsed in the Kingdom and other standards and pronouncements issued by SOCPA, and have been audited by the Auditors, as set out in their audit reports. The audit report on the special purpose financial statements for the six-month period ended 30 June 2022G contains an emphasis of matter paragraph drawing attention to notes 3.7 and 32 to the special purpose financial statements which describe the amendments made to the previously issued financial statements for the years ended 31 December 2019G, 2020G and 2021G.

The Directors also declare that the Company has sufficient working capital for the next twelve months following the date of this Prospectus.

The Directors declare that there has been no material change in the financial or business position of the Company during the three financial years immediately preceding the date of filing the application for registration and offering of the securities subject to this Prospectus and during the period from the end of the period covered in the independent auditors' report to the date of this Prospectus, except as described in this section or any other section of this Prospectus, particularly the factors set forth in Section 2 "**Risk Factors**" of this Prospectus.

The Directors declare that all material facts related to the Company and its financial performance have been disclosed in this Prospectus, and that there is no other information, documents, or facts the omission of which would make any statement herein misleading.

The Directors declare that the Company does not have any properties, including contractual financial securities or other assets, the value of which are subject to fluctuations or are difficult to ascertain, which significantly affects the evaluation of the financial position.

The Directors and Senior Executives confirm that the Company did not provide any commissions, discounts, brokerage fees or any other non-cash compensation in connection with the issuance or offering of any securities within the three years immediately preceding the date the application for admission and offering of the securities subject to this Prospectus was submitted.

The Directors declare that the Company does not have any loans or other liabilities, whether covered by a personal guarantee or non-personal guarantee or covered by a mortgage, including bank account overdrafts, nor guaranteed liabilities, liabilities under acceptance, acceptance credits, or any hire purchase commitments, except as disclosed in Section 12 "**Legal Information**", Section 2 "**Risk Factors**", and Section 6 "**Management Discussion and Analysis of Financial Conditions and Results of Operations**" of this Prospectus.

The Directors declare that there is no contemplated material change to the nature of the Company's business other than the Jeddah Facility closure described in Section 4.5.1.2 "**Jeddah Facility**" and the future projects described in Section 4.5.3 "**Future Projects**".

The Directors declare that the Company's operations have not been discontinued in such a way as to affect or have significantly affected the financial position in the last twelve months.

The Directors declare that, based on information provided by the Shareholders, none of the Company's shares are under option as at the date of this Prospectus except as disclosed in Section 4.3.6 "**Jadwa Co-Investment Fund (Saudi Lube Oil)**". The Directors declare that the Company has provided comprehensive details in this section of any contingencies and has calculated and recognized a provision for the liabilities set out in the Management's Discussion and Analysis of Financial Position and Results of Operations.

The Directors declare that the properties of the Company are not subject to any mortgages, rights, or encumbrances as at the date of this Prospectus.

The Directors declare that the Company has presented comprehensive details in this section of all fixed assets and investments, including contractual securities and other assets whose value is volatile or difficult to estimate.

The Directors declare that the Company does not hold existing or approved but unissued debt instruments, term loans, or secured or unsecured mortgages, except as disclosed in Section 12 "**Legal Information**" of this Prospectus. The Company issued six promissory notes in favor of Riyad Bank relating to the existing Murabaha Facility agreement, financing cost and credit facilities agreement; the Company has two financing arrangements (please see Section (12.6.9) "**Financing**" of this Prospectus). In addition, the Company has real estate properties mortgaged in its favor as part of the Home Ownership Program.

Except as disclosed in this Prospectus, neither the Directors nor any of their relatives have any shares or interest of any kind in the issuer.

The Directors acknowledge that the Company has no information about any seasonal factors or economic cycles related to its business activity and that may have an impact on the Company's business and financial position, except those disclosed in Section 2 "**Risk Factors**" of this Prospectus.

The Directors acknowledge that the Company has no information about any governmental, economic, financial, monetary, or political policies, or any other factors that have affected or could materially affect (directly or indirectly) the Company's operations except the information disclosed in Section 2 "**Risk Factors**" of this Prospectus.

The Directors acknowledge that the Company has provided comprehensive details in this section of any potential liabilities, has calculated, and recorded a provision for the obligations contained in the management's discussion and analysis of the financial position and results of operations. For more information, kindly refer to Section 2 "**Risk Factors**" and Section 6 "**Management Discussion and Analysis of Financial Conditions and Results of Operations**" of this Prospectus.

The Directors acknowledge that the Company has not experienced any changes in the capital during the past three years directly before the date of submission of the registration application and offering of securities subject to this Prospectus, except as disclosed in Section 6.8.3 "**Total Equity**" and Section 4.3 "**Corporate History**" of this Prospectus.

The above declarations are made by the Board of Directors in addition to any other declarations expressly set out in this Prospectus.

6.4 Summary of Significant Accounting Policies

New standards and amendments applicable from 1 January 2022G

Certain amendments to existing standards became applicable for the current reporting period. The amendments did not have an impact on the special purpose financial statements of the Company and accordingly the Company did not have to change its accounting policies or make any retrospective adjustments.

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark (IBOR) reform – Phase 2

IBOR reform represents the reform and replacement of interest rate benchmarks by global regulators. The Company has certain contracts, primarily referenced to USD London Interbank Offer Rates ("**USD LIBOR**") and Saudi Interbank Offer Rates (SIBOR). For USD LIBOR, the most applicable tenor (6-month USD LIBOR) for the Company is expected to cease to be published on 30 June 2023G.

The amendments provide temporary reliefs which address the financial reporting effects when an IBOR is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the financial statements of the Company as at the reporting date. The Company intends to use the practical expedients in future periods when they become applicable.

The Company is currently analyzing the exposure to IBOR benchmarks and evaluating the potential impact of the transition. As per the initial transition plan, all contracts and agreements that are based on USD LIBOR and are expiring at the cessation dates, will be renegotiated with counterparties to reflect the alternative benchmarks.

The following table contains details of all financial instruments of the Company which are based on USD LIBOR as at 31 December 2021G:

Financial instruments (SARm):

Non-derivative financial instruments	562.5
Derivative financial instruments	6.3

Amendment to IFRS 16, 'Leases', COVID 19 - Related rent concessions

The amendment provides the lessees with option to account for rent concessions in the same way as they would if there were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; and
- there is no substantive change to other terms and conditions of the lease.

The amendment was intended to apply until 30 June 2021G, but as the impact of the COVID-19 pandemic is continuing, the IASB extended the period of application of the practical expedient to 30 June 2022G. However, the Company has not received COVID-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Standards, interpretations, and amendments issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022G reporting period and have not been early adopted by the Company. These standards, interpretations and amendments issued relevant to the Company, but are not yet effective are disclosed within the special purpose financial statements for the period ended 30 June 2022G contained in Section 19 "**Financial Statements and Independent Auditor's Report**".

Critical accounting estimates and judgements

The preparation of the financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future period.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changes estimates affect both current and future periods.

The key assumption concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year include:

Depreciation of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgement based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance plan; and (c) the technical or commercial obsolescence arising from changes in market conditions.

The management periodically reviews the estimated useful lives, residual values and the depreciation method to ensure that depreciation are consistent with the expected pattern of economic benefit of the assets. The Company's assets, classified within property, plant and equipment, are depreciated on a straight-line basis over their economic useful lives.

As at 30 June 2022G, if the estimated useful life of the property, plant and equipment increased or decreased by 10%, with all other variables held constant, total comprehensive income for the period ended would have been SAR 13.3 million lower or SAR 18.1 million higher (six-month period ended 30 June 2021G: SAR 14.2 million lower or SAR 17.8 million higher), respectively.

Right-of-use assets and lease liabilities

For some lease contracts that contain extension options, the Company has applied a judgement to determine the lease term and has considered the extension period in determining the lease term, where the Company has sole discretion to extend the lease term and is reasonably certain to exercise such extension options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

The lease liabilities are measured at the discounted value of lease payments, using incremental borrowing rate as the interest rate implicit in the lease cannot be readily determined, which is generally the case for leases in the Company. Incremental borrowing rate is the rate that Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

To determine the incremental borrowing rate, the Company uses recent third-party financing offers received by the Company as a starting point, adjusted to reflect changes in financing conditions.

At 30 June 2022G, if the incremental borrowing rate used to determine discounted present value of lease liabilities increased or decreased by 200 basis points (bps), with all other variables held constant, the total comprehensive income for the period ended would have been SAR 0.03 million lower and SAR 0.14 million higher (six-month period ended 30 June 2021G: SAR 0.01 million lower or SAR 0.23 million higher), respectively.

Provision for inventory obsolescence

The Company determines its allowance for inventory obsolescence based upon historical experience, current condition, and current and future expectations with respect to its use. The estimate of the Company's allowance for inventory obsolescence could change from period to period, which could be due to assessment of the future usage of inventory.

At 30 June 2022G, if the provision for inventory obsolescence increased/decreased by 10%, with all other variables held constant, the total comprehensive income for the period ended would have been SAR 1.5 million lower/higher (year ended 31 December 2021G: SAR 1.5 million lower/higher).

Employee benefit obligations

The cost of post-employment defined benefits is the present value of the related obligation, as 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, withdrawal before normal retirement age, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. With respect to determining the appropriate discount rate, yield, and duration of high-quality bonds obligation, as designated by an internationally acknowledged rating agency, are extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

6.4.1 Impairment of non-financial assets

Management assesses the impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that could trigger an impairment review include evidence from internal and external sources related to the changes in technological, market, economic or legal environment in which the entity operates, changes in market interest rates and economic performance of the assets.

Expected Credit Loss (ECL) measurement on financial assets

Measurement of ECL is a significant estimate that involves the determination of the methodology, models, and data inputs. The Company used supportable forward-looking information for measurement of ECL. The components that have a major impact on credit loss allowance are probability of default ("**PD**") and loss given default ("**LGD**"), as well as models of macro-economic scenarios. The Company regularly reviews and validates the models and inputs of the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

At 30 June 2022G, if the allowance for ECL increased/decreased by 10%, with all other variables held constant, total comprehensive income for the period ended would have been SAR 1.2 million lower/higher (year ended 31 December 2021G: SAR 0.54 million lower/higher).

Foreign currencies

A- Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the respective entity operates (the "**functional currency**"). The financial statements are presented in Saudi Riyals, which is also the Company's functional currency.

B- Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising in settlement or translation of monetary items are recognized in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The special purpose financial statement includes the financial statements of the Company's branch in Hamriyah Free Zone Authority, United Arab Emirates (UAE). The reporting period of the Company's branch is the same as that of the Company i.e. 31 December. The Company's branch transactions are principally in United Arab Emirates Dirhams and United States Dollars

Current vs non-current classification

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies all other assets as non-current. A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Property, plant, and equipment

Initial recognition

Property, plant, and equipment is recognized as an asset when, and only when, it is probable that the future economic benefits that are associated with the property, plant and equipment will flow to the Company, and the cost of the asset can be measured reliably. Property, plant, and equipment is recognized and measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognized as a provision).

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item and such parts have a useful life different from other parts, the Company recognizes such parts as individual assets and depreciates them accordingly.

Major spare parts qualify for recognition as property, plant, and equipment when the Company expects to use them for more than one year. Transfers are made to relevant operating assets categories and when such items are available for use.

Planned turnaround costs are deferred and depreciated over the period until the date of the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged date of planned turnaround, the previously undepreciated deferred costs are immediately expensed, and the new turnaround costs are depreciated over the period likely to benefit from such costs.

Subsequent measurement

The Company adopts the cost model to measure the entire class of property, plant, and equipment. After recognition as an asset, an item of property, plant and equipment is carried as its cost less any accumulated depreciation and impairment losses, if any.

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation

Useful lives are determined by management based on the expected usage of the asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated on a straight-line basis over the below useful lives and is recognized in the statement of comprehensive income:

Category	Useful life - years
Manufacturing plants	10 - 50
Building and leasehold improvements	20 - 30
Furniture and fixtures	4 - 10
Other machinery and equipment	2 - 15
Motor vehicles	4

The Company has a policy to depreciate facility turnaround costs over five years.

De-recognition

Property, plant, and equipment is derecognized when it has been disposed or no future economic benefits are expected to arise from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income at the time the item is derecognized.

Capital work-in-progress (CWIP)

Assets in the course of construction or development are capitalized in the CWIP within property, plant, and equipment. The asset under construction or development is transferred to the appropriate category in property, plant, and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of CWIP comprises its purchase price, construction / development cost and any other cost directly attributable to the construction or acquisition of an item intended by management.

CWIP is measured at cost less any recognized impairment. CWIP is not depreciated. Depreciation only commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset category.

Borrowing costs

Borrowing costs directly attributable to the acquisition and or construction of property, plant and equipment assets that necessarily take a substantial period of time to prepare for their intended use and a proportionate share of general borrowings are capitalized to the cost of those property, plant, and equipment. All other borrowing costs are expensed as incurred and recognized in finance costs.

Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and restoration costs.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Depreciation of right-of-use assets

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Subsequent measurement

Right-of-use assets

The Company adopts the cost model to measure right of use assets. After recognition as an asset, right-of-use assets are carried at its initial recognition amounts less any accumulated depreciation and impairment losses, if any.

Lease liabilities

The lease liability is measured as follows:

- Increasing the carrying amount to reflect interest on the lease liability;
- Reducing the carrying amount to reflect the lease payments made; and
- Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Where the Company is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets, consisting of computer software and licenses, are recorded at cost, net of accumulated amortization and impairment losses, if any. Intangible assets are amortized on a straight-line basis over 3 to 15 years.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation / amortization and are instead tested annually for impairment. Assets subject to depreciation / amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash generating unit).

Non-financial assets that have been fully or partially impaired are reviewed for possible reversal of all or part of the impairment loss at the end of each reporting period. The amount of any reversal is restricted to the carrying value of the relevant assets if the original impairment had not occurred (i.e., after taking into normal depreciation had no impairment occurred).

The impairment loss is allocated to reduce the carrying amount of the assets of the cash generating unit (group of units) in pro rata on the basis of the carrying amount of each asset in the unit (group of units). These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognized.

6.4.2 Trade receivables

Trade receivables are amounts due from customers for goods sold performed in the ordinary course of business. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write-down of inventories to net realizable value and all losses of inventories shall be recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, shall be recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Financial instruments

Classification of financial assets

The Company classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL); and
- Amortized cost.

These classifications are on the basis of business model of the Company for managing the financial assets, and contractual cash flow characteristics.

The Company measures financial asset at amortized cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will be recorded in statement of comprehensive income.

Initial measurement

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of comprehensive income. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount.

Classification of financial liabilities

The Company designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed, and its performance is evaluated on a fair value basis.

All other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset so that the net amount reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Reclassifications

Financial assets are reclassified when the Company changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short-term or long-term. Financial liabilities are not reclassified.

Subsequent measurement

Subsequent measurement of financial assets is as follows:

Debt instruments

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in statement of comprehensive income and presented in other income / (expenses). Impairment losses are presented as separate line item in the statement of comprehensive income.

FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in statement of comprehensive income and presented as fair value gain / (loss) on financial instruments measured at fair value through profit or loss in the statement of comprehensive income in the period in which it arises.

De-recognition

The Company derecognizes a financial asset when, and only when the contractual rights to the cash flows from financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset.

Financial liabilities are derecognized when the obligations specified in the contract is discharged, cancelled or expires. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability.

The Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognized in profit or loss as the modification gain or loss within other income and expenses.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Impairment of financial assets

The Company assesses the expected credit losses associated with its financial assets carried at amortized cost using expected credit losses model. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Short-term deposits

Short-term deposits include placements with banks and other short-term highly liquid investments with original maturities of more than three-month but not more than twelve months from the purchase date.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash in hand, bank balances and deposits with original maturities of three months or less, if any.

Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Dividends distribution

Dividend distribution to Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by Company's shareholders.

Statutory reserve

In accordance with the Regulation of Companies in the Kingdom of Saudi Arabia and the Company's Articles of Association, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals at least 30% of the share capital.

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in statement of comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Post-employment obligation

The Company operates post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia after the retirement of employee. End-of-service payments are based on employees' final salaries and allowances and their cumulative years of service. The Company also provides full medical coverage to Saudi employees and their spouses provided they have completed minimum 25 years of service with the Company and their age is minimum 55 years or the employee reaches the age of 60.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in the statement of the comprehensive income while unwinding of the liability at discount rates used are recorded as interest cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income and transferred to retained earnings in the period in which they occur.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are also recognized immediately in the statement of comprehensive income as past service costs.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat and tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognized as interest expense. The expense relating to a provision is presented in the statement of the comprehensive income, net of reimbursements.

Decommissioning cost

Provision for decommissioning obligation is recognized when the Company has a liability for restoration work or land rehabilitation. The extent of decommissioning required, and the associated costs are dependent on the requirements of current laws and regulations.

Costs included in the provision includes all decommissioning obligations expected to occur over the life of the asset. The provision for decommissioning is discounted to its present value and capitalized as part of the asset under property, plant and equipment and then depreciated as an expense over the expected life of that asset.

Adjustments to the estimated amount and timing of future decommissioning cash flows are a normal occurrence in light of the significant judgments and estimates involved. Such adjustments are recorded as an increase in liability and a corresponding increase in the related asset. Factors influencing those adjustments include:

- developments in technology;
- regulatory requirements and environmental management strategies;
- changes in the estimated extent and costs of anticipated activities, including the effects of inflation; and
- changes in economic sustainability.

Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using effective interest rate.

Zakat and income tax

The Company is subject to zakat and income tax in accordance with the regulations of the Zakat, Tax and Customs Authority (the "**ZATCA**"). Provision for zakat is accrued and charged to the statement of comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Revenue recognition

Revenue is recognized upon the satisfaction of performance obligations, which occurs when control transfers to the customer under contracts for sale of goods. Control of the products is determined to be transferred to the customer when the title of lubricating oil and related products passes to the customer, which typically takes place when product is physically transferred into a vessel, pipe or other delivery mechanism. The Company has contracts with customers in which supply of the lubricating oil blending stocks and/or related by-products is the only performance obligation. The Company recognized revenue at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods and revenue from freight and services to Saudi Aramco over a period of time, when the services are rendered.

The Company has concluded that it is the principal in all of its revenue arrangements since it has the primary obligation in all the revenue arrangements, has pricing latitude, and controls the goods before these are transferred to the customer.

Key accounting judgement - Revenue recognition

The Company has agreements with Saudi Aramco to purchase feedstock for the Company's Jeddah and Yanbu refineries and to supply certain by-products back to Saudi Aramco after the feedstock has been processed and base oil extracted for sale to its other customers. The Company accounts for these transactions separately as purchases of feedstock from, and sales of by-products to, Saudi Aramco, instead of provision of processing services. This is on the basis of the Company's ability to control, obtaining substantial economic benefit and decision making relating to feedstock used and mix of the products produced which are substantially different from the feedstock purchased.

Expenses

Selling and marketing expenses are those arising from the Company's efforts underlying the marketing, selling and distribution functions. All other expenses, excluding cost of sales and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of sales and selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

Financial income

Financial income is measured using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset.

6.5 Restatement of Financial Information

The following section set out below should be read together with the audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G.

6.5.1 Restatement of Financial Information of the Company

The following presents the reconciliation of the restated figures with the reported figures for the financial years ended 31 December 2019G, 2020G and 2021G:

Table (6-1): Reconciliation of restatement of financial information of the Company:

Currency: SARm	2019G (Reported)	Adjustments	2019G (Restated)
Statement of comprehensive income			
Sales	3,937.4	1,683.0	5,620.4
Cost of sales	(3,731.1)	(1,683.0)	(5,414.1)
Gross profit	**206.3**	**-**	**206.3**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G.

Table (6-2): Reconciliation of restatement of financial information of the Company:

Currency: SARm	2020G (Reported)	Adjustments	2020G (Restated)
Statement of comprehensive income			
Sales	3,187.5	1,206.0	4,393.5
Cost of sales	(2,772.6)	(1,206.0)	(3,978.6)
Gross profit	**414.9**	**-**	**414.9**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G.

Table (6-3): Reconciliation of restatement of financial information of the Company:

Currency: SARm	2021G (Reported)	Adjustments	2021G (Restated)
Statement of comprehensive income			
Sales	6,760.4	2,086.3	8,846.7
Cost of sales	(4,718.6)	(2,086.3)	(6,804.9)
Gross profit	**2,041.8**	**-**	**2,041.8**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G.

6.6 Summary of Financial Information and Key Performance Indicators (KPIs)

The selected financial information and key performance indicators (KPIs) of the Company set out below should be read together with the audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G.

6.6.1 Summary of Financial Information of the Company

The following table presents the summary of financial information of the Company for the financial years ended 31 December 2019G, 2020G and 2021G.

Table (6-4): Summary of financial information of the Company:

Currency: SARm	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Statement of comprehensive income					
Sales (1)	5,620.4	4,393.5	8,846.7	(21.8%)	101.4%
Cost of sales 0	(5,414.1)	(3,978.6)	(6,804.9)	(26.5%)	71.0%
Gross profit	206.3	414.9	2,041.8	101.1%	392.1%
Selling and distribution expenses	(93.6)	(97.8)	(116.6)	4.5%	19.2%
General and administrative expenses	(181.2)	(177.5)	(176.9)	(2.0%)	(0.3%)
Other income / (expenses)	19.3	20.6	(6.0)	6.7%	(129.1%)
Fair value (loss) / gain on derivative financial instruments measured at fair value through profit or loss	(3) (8.4)	(11.2)	13.3	33.3%	(218.8%)
Operating (loss) / profit	**(3) (57.6)**	**149.0**	**1,755.6**	**(358.7%)**	**1,078.3%**
Finance income (investment returns)	19.2	4.5	5.6	(76.6%)	24.4%
Finance cost	(3) (99.6)	(71.6)	(69.9)	(28.1%)	(2.4%)
(Loss) / profit before zakat and income tax	**(137.9)**	**81.9**	**1,691.4**	**(159.4%)**	**1,965.2%**
Zakat and income tax	(2.7)	(0.9)	(188.9)	(66.7%)	20,888.9%
(Loss) / profit for the year	**(140.6)**	**81.1**	**1,502.5**	**(157.7%)**	**1,752.7%**
Add:					
Zakat and income tax	2.7	0.9	188.9	(66.7%)	20,888.9%
Net finance cost	80.4	67.1	64.3	(16.5%)	(4.2%)
Depreciation and amortization	303.9	309.1	340.2	1.7%	10.1%
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	**246.4**	**458.2**	**2,095.9**	**86.0%**	**357.4%**
Other comprehensive income					
Item that will not be reclassified to profit or loss:					
Remeasurement gain / (loss) on defined employee benefit obligations	34.0	33.6	(37.3)	(1.2%)	(211.0%)
Deferred tax relating to remeasurement loss	-	-	5.3	-	100.0%
Total comprehensive income / (loss) for year	**(106.6)**	**114.7**	**1,470.5**	**(207.6%)**	**1,182.0%**

Currency: SARm	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Summary of the statement of financial position					
Total equity	3,596.9	3,711.6	4,244.5	3.2%	14.4%
Total non-current assets	5,663.4	5,518.7	5,255.9	(2.6%)	(4.8%)
Total current assets	1,491.6	1,793.7	3,108.4	20.3%	73.3%
Total assets	**7,155.1**	**7,312.4**	**8,364.3**	**2.2%**	**14.4%**
Total non-current liabilities	1,783.1	1,550.2	2,626.0	(13.1%)	69.4%
Total current liabilities	1,775.1	2,050.6	1,493.8	15.5%	(27.2%)
Total liabilities	**3,558.2**	**3,600.8**	**4,119.8**	**1.2%**	**14.4%**
Total liabilities and equity	**7,155.1**	**7,312.4**	**8,364.3**	**2.2%**	**14.4%**
Summary of the statement of cash-flows					
Net cash from operating activities	(4) 21.5	(5) 311.3	1,814.6	1347.9%	482.9%
Net cash (used in) / from investing activities	(4) (314.0)	11.3	(221.6)	(103.6%)	(2,061.1%)
Net cash (used in) / from financing activities	(447.3)	(5) 171.2	(916.4)	(138.3%)	(635.3%)
Cash and cash equivalents at beginning of year	918.9	179.0	672.9	(80.5%)	275.9%
Cash and cash equivalents at end of year	**179.0**	**672.9**	**1,349.5**	**275.9%**	**100.5%**
KPIs					
Base oil sales volume (MT'000) (including Alliance trade and direct import sales)	891.0	965.4	1,226.6	74.4	261.2
Alliance trade and direct import sales volume (MT'000)	4.1	53.2	66.6	49.1	13.4
Luberef-produced gross base oil crack margin (net of rebates and freight) (SAR/MT)	1,083.2	1,222.4	2,247.7	12.9%	83.9%
Gross profit margin	3.7%	9.4%	23.1%	5.7 ppt	13.7 ppt
Operating profit margin	(1.0%)	3.4%	19.8%	4.4 ppt	16.4 ppt
EBITDA margin	4.4%	10.4%	23.7%	6.0 ppt	13.3 ppt
Net profit margin	(2.5%)	1.8%	17.0%	4.3 ppt	15.2 ppt
Return on average capital employed (ROACE) (2)	(1.2%)	2.9%	30.7%	4.1 ppt	27.9 ppt
Current ratio	0.8	0.9	2.1	12.5%	133.3%
Total assets to total liabilities	2.0	2.0	2.0	-	-
Days sales outstanding (DSO)	25	36	36	44.0%	-
Days inventory outstanding (DIO)	40	50	38	25.0%	(24.0%)
Days payable outstanding (DPO)	64	82	58	28.1%	(29.3%)
Cash conversion cycle (CCC)	1	4	16	300.0%	300.0%

(1) For more information, refer to Note 3.7 and Note 32 of the special purpose financial statements for the six-month period ended 30 June 2022G, which clarifies revenue recognition, its basis and the impact resulting from the restatement of the Company's financial statements for the years ended on 31 December 2019G, 2020G and 2021G.

(2) ROACE for the financial years ended 31 December 2019G, 2020G and 2021G is calculated as [net operating profit after tax / (average net financial debt for current and prior financial year + average book value of equity for current and prior financial year)].

(3) The numbers for the financial year ended 31 December 2019G were reclassified from Finance cost to Fair value loss on derivative financial instruments in line with the revised classification in the audited financial statements for the financial year ended 31 December 2020G.

(4) The numbers for the financial year ended 31 December 2019G were reclassified from cash from investing activities to cash from operating activities in line with the revised classification in the audited financial statements for the financial year ended 31 December 2020G.

(5) The numbers for the financial year ended 31 December 2020G were reclassified from cash from operating activities to cash from financing activities in line with the revised classification in the audited financial statements for the financial year ended 31 December 2021G.

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G and Company information

6.7 Result of Operations of the Company

6.7.1 Statement of comprehensive income of the Company

The following presents the Company's statements of comprehensive income for the financial years ended 31 December 2019G, 2020G and 2021G:

Table (6-5): Statement of comprehensive income for the financial years ended 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Statement of comprehensive income					
Sales [1]	5,620.4	4,393.5	8,846.7	(21.8%)	101.4%
Cost of sales [1]	(5,414.1)	(3,978.6)	(6,804.9)	(26.5%)	71.0%
Gross profit	**206.3**	**414.9**	**2,041.8**	**101.1%**	**392.1%**
Selling and distribution expenses	(93.6)	(97.8)	(116.6)	4.5%	19.2%
General and administrative expenses	(181.2)	(177.5)	(176.9)	(2.0%)	(0.3%)
Other income / (expenses)	19.3	20.6	(6.0)	6.7%	(129.1%)
Fair value gain / (loss) on derivative financial instruments measured at fair value through profit or loss	[2] (8.4)	(11.2)	13.3	33.3%	(218.8%)
Net profit / (loss) from operations	**[2] (57.6)**	**149.0**	**1,755.6**	**(358.7%)**	**1,078.3%**
Finance income (investment returns)	19.2	4.5	5.6	(76.6%)	24.4%
Finance cost	[2] (99.6)	(71.6)	(69.9)	(28.1%)	(2.4%)
Net profit / (loss) before zakat and income tax for the year	**(137.9)**	**81.9**	**1,691.4**	**(159.4%)**	**1,965.2%**
Zakat and income tax	(2.7)	(0.9)	(188.9)	(66.7%)	20,888.9%
Profit / (loss) for the year	**(140.6)**	**81.1**	**1,502.5**	**(157.7%)**	**1,752.7%**
Add:					
Zakat and income tax	2.7	0.9	188.9	(66.7%)	20,888.9%
Net finance cost	80.4	67.1	64.3	(16.5%)	(4.2%)
Depreciation and amortization	303.9	309.1	340.2	1.7%	10.1%
EBITDA	**246.4**	**458.2**	**2,095.9**	**86.0%**	**357.4%**
Other comprehensive income					
Item that will not be reclassified to profit or loss:					
Remeasurement gain on defined employee benefit obligations	34.0	33.6	(37.3)	(1.2%)	(211.0%)
Deferred tax relating to remeasurement loss	-	-	5.3	-	100.0%
Total comprehensive income / (loss) for year	**(106.6)**	**114.7**	**1,470.5**	**(207.6%)**	**1,182.0%**
KPIs					
Luberef-produced gross base oil crack margin (net of rebates and freight) (SAR/MT)	1,083.2	1,222.4	2,247.7	12.9%	83.9%
Gross profit margin	3.7%	9.4%	23.1%	5.7 ppt	13.7 ppt
Operating profit margin	(1.0%)	3.4%	19.8%	4.4 ppt	16.4 ppt
EBITDA margin	4.4%	10.4%	23.7%	6.0 ppt	13.3 ppt

Currency: SARm	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Net profit margin	(2.5%)	1.8%	17.0%	4.3 ppt	15.2 ppt

(1) For more information, refer to Note 3.7 and Note 32 of the special purpose financial statements for the six-month period ended 30 June 2022G, which clarifies revenue recognition, its basis and the impact resulting from the restatement of the Company's financial statements for the years ended on 31 December 2019G, 2020G and 2021G.

(2) The numbers for the financial year ended 31 December 2019G were reclassified from Finance cost to Fair value loss on derivative financial instruments in line with the revised classification in the audited financial statements for the financial year ended 31 December 2020G.

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G and Company information

The following table compares the Company's key performance indicators and operational metrics for the years ended 31 December 2019G, 2020G and 2021G.

Table (6-6): Key performance indicators and operational metrics for the financial years ended 31 December 2019G, 2020G and 2021G of the Company:

Key performance indicators (KPIs)	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Cost of materials (SARm) (1)	4,861.6	3,412.4	6,182.0	(1,449.2)	2,769.6
Contribution (SARm) (2)	758.9	981.2	2,664.7	222.3	1,683.5
Contribution margin (2)	13.5%	22.3%	30.1%	8.8 ppt	7.8 ppt
Gross feedstock costs (excluding Alliance trade and direct import sales) (SAR/MT)	1,444.8	965.0	1,548.0	(479.8)	583.0
Luberef-produced base oil production cost excluding feedstock and depreciation and amortization (excluding Alliance trade and direct import sales) (SAR/MT) (3)	544.5	541.9	447.9	(2.6)	(94.0)
Nameplate VDU capacity (MBD)	64.5	64.5	69.5	-	5.0
Base oil production volume (MT'000)	875.8	890.1	1,173.1	14.3	283.0
White product production volume (MT'000)	305.4	298.9	438.3	(6.5)	139.4
By-product production volume (MT'000)	2,020.2	1,986.9	2,112.8	(33.3)	125.9
Total gross production volume (MT'000)	3,201.3	3,175.9	3,724.2	(25.4)	548.3
Alliance trade and direct import sales volume (MT'000)	4.1	53.2	66.6	49.1	13.4
Base oil sales volume (MT'000) (including Alliance trade and direct import sales)	891.0	965.4	1,226.6	74.4	261.2
White product sales volume (MT'000)	309.2	297.4	428.8	(11.8)	131.4
By-product sales volume (MT'000)	2,004.8	1,975.8	2,110.7	(29.0)	134.9
Total gross sales volume (MT'000)	3,205.0	3,238.6	3,766.1	33.6	527.5
Average selling price of base oils (including Alliance trade and direct import sales) (SAR/MT)	2,617.5	2,258.7	3,866.8	(358.8)	1,608.1
Average selling price of base oils (excluding Alliance trade and direct import sales) (SAR/MT)	2,617.0	2,267.6	3,876.8	(349.4)	1,609.2

Key performance indicators (KPIs)	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Average selling price of white products (SAR/MT)	2,008.6	1,333.0	2,120.2	(675.6)	787.2
Average selling price of by-products (SAR/MT)	1,330.2	919.3	1,513.5	(410.9)	594.2
Average selling price (SAR/MT)	1,753.6	1,356.6	2,349.0	(397.0)	992.4
Luberef-produced gross base oil crack margin (net of rebates and freight) (SAR/MT) (4)	1,083.2	1,222.4	2,247.7	139.2	1,025.3
Capacity utilization (5)	69.7%	70.9%	87.2%	1.2 ppt	16.3 ppt

(1) For more information, refer to Note 3.7 and Note 32 of the special purpose financial statements for the six-month period ended 30 June 2022G, which clarifies revenue recognition, its basis and the impact resulting from the restatement of the Company's financial statements for the years ended on 31 December 2019G, 2020G and 2021G.

(2) Contribution is calculated as (revenue – cost of materials). Contribution margin is calculated as [(revenue – cost of materials) / revenue].

(3) Luberef-produced base oil production cost is calculated as [((fuel + direct variable costs (excluding feedstock) + production facility fixed costs (excluding depreciation and amortization)) / Luberef-produced base oil sales volume excluding Alliance trade and direct import sales], as per Company reports.

(4) Sales revenue in the financial statements includes freight for export sales which is then deducted as part of the operating expenses (under selling and distribution expenses). Luberef-produced base oil crack margin is however calculated as revenue less freight (where applicable for exports), net of feedstock cost, as no margin is made on freight.

(5) Utilization is calculated as dividing the Company's total production by the total nameplate capacity.

Source: Company information

Sales

Sales revenue comprises of the sale of base oil and by-products and contributed 53.6% and 46.4% of the total sales revenue in 2021G respectively. Base oil sales are made up of (i) Group I and Group II base oils produced by the Company and (ii) base oils which are imported through the Aramco Base Oil Alliance. By-products sales (which have a minimal contribution to the Company's profits as a result of their low crack margin) mainly comprise of (i) by-products (mainly Asphalt), and (ii) white products (mainly Ultra Low Sulfur Diesel and Naphtha). Base oils are sold to third party customers, while by-products are mainly returned to Saudi Aramco and affiliates.

Sales revenue generated from base oil and by-products decreased by 21.8% from SAR 5,620.4 million in 2019G to SAR 4,393.5 million in 2020G mainly because of the decline in product prices on the back of reduced global demand for base oil products following the outbreak of the COVID-19 pandemic. This resulted in lower overall average selling prices per unit (including Alliance trade and direct import sales) from SAR 1,754 per metric ton in 2019G to SAR 1,357 per metric ton in 2020G (decreasing by 22.6%). In parallel, the decline in sales price was partially offset by the increase in volumes of base oil products (increasing by 8.4%), from 891 thousand metric tons in 2019G to 965 thousand metric tons in 2020G.

In 2021G, the Company achieved significantly higher sales revenue at SAR 8,846.7 million, increasing by 101.4% from SAR 4,393.5 million in 2020G. Key factors that drove this increase include:

1- Higher production largely driven by:
   a- Achieving full ramp-up of the Yanbu Growth I expansion project;
   b- Various capacity enhancement initiatives including upgrading the catalyst used for the Yanbu Growth I expansion project; and
   c- Additional feedstock secured from Saudi Aramco in July 2021G (5 thousand barrels per day (MBD)).
2- Favorable market conditions and Company's marketing capabilities enhancement:
   a- Global demand recovery, which helped achieve higher volumes of base oils sold (27.1% increase, from 965 thousand metric tons in 2020G to 1,227 thousand metric tons in 2021G); by-products volumes sold also increased from 2,273 thousand metric tons in 2020G to 2,539 thousand metric tons in 2021G;
   b- Supply side tightness caused by lower production from other base oil producers, allowing the Company to capture higher base oil average selling prices; and
   c- Increase in imports and resale of base oils into the Kingdom to serve growing demand.

Cost of sales

Cost of sales decreased by 26.5% from SAR 5,414.1 million in 2019G to SAR 3,978.6 million in 2020G, mainly because of the decline in cost of materials (i.e., cost of feedstock) from SAR 4,861.6 million in 2019G to SAR 3,412.4 million in 2020G as a result of feedstock price decreased by 33.2% from SAR 1,445 per metric ton in 2019G to SAR 965 per metric ton in 2020G despite an increase in feedstock consumption.

In 2021G, feedstock prices increased by 60.4% in line with an increase in the global crude oil prices. The cost of feedstock was also impacted by the higher volumes of feedstock consumed (mainly coming from the ramp-up of the Yanbu Growth I expansion project and incremental feedstock secured from Aramco), this led the cost of sales to reach an amount of SAR 6,804.9 million in 2021G (increasing by 71.0% year-over-year).

Gross profit

Gross profit, which is mainly driven by the profit from base oil products, amounted to SAR 206.3 million in 2019G. In 2019G, the Company's base oil crack margin (defined as the weighted average product prices minus weighted average feedstock cost, net of freight costs and excluding Alliance trade and direct import sales) was SAR 1,083 per metric ton.

In 2020G, the feedstock prices decreased at a faster rate (from SAR 1,445 per metric ton in 2019G to SAR 965 per metric ton in 2020G, declining by 33.2%), as a result of COVID-19 impact on the petroleum market, as compared to the base oil product prices (which decreased by 13.7%). This had a positive impact on the Company's base oil crack margin (excluding Alliance trade and direct import sales), which increased by 12.9% to achieve SAR 1,222 per metric ton in 2020G. Gross profit for that year increased by 101.1% to achieve SAR 414.9 million.

In 2021G, gross profit further increased by 392.1% to SAR 2,041.8 million. In addition of benefitting from the increase in volumes (with the full ramp-up of the Yanbu Growth I expansion project and the 5 MBD of additional feedstock secured from Saudi Aramco in July 2021G resulting in an increased utilization rate), the increase in gross profit was also driven by a favorable base oil environment which experienced high prices following the recovery in demand post-COVID-19 pandemic and shortage in supply from competitors. Feedstock costs, however, increased at a slower (from SAR 965 per metric ton in 2020G to SAR 1,548 per metric ton in 2021G, increasing by 60.4%). As a result, the Company achieved crack margins (excluding Alliance trade and direct import sales) of SAR 2,248 per metric ton that year (which increased by 83.9% year-over-year).

Selling and distribution expenses

Selling and distribution expenses includes freight expenses, tank rents, demurrage charges and other expenses. Freight expenses relate to the cost of shipping to export customers under cost and freight incoterms, where freight charges are typically billed to the customers and factored in the export selling prices.

Selling and distribution expenses increased by 4.5% from SAR 93.6 million in 2019G to SAR 97.8 million in 2020G mainly driven by the increase in demurrage charges by 210.3% from SAR 2.9 million in 2019G to SAR 9.0 million in 2020G on account of the recognition of current and historical charges relating to 2018G, 2019G and 2020G (of which SAR 3.7 million related to 2018G and 2019G) drove up the selling and distribution expenses. Demurrage charges during 2020G were mainly related to penalties imposed by three ports (two in KSA and one in UAE) as ship processing was prioritized for food supplies. This increase was partially offset by the 7.2% decrease in freight expenses from SAR 78.9 million in 2019G to SAR 73.2 million in 2020G, largely on the back of optimization activities such as bulk cargoes, long-term contracts with ship owners, and improved planning of export shipments, resulting in lower unit freight costs.

The further increase in selling and distribution expenses by 19.2% from SAR 97.8 million in 2020G to SAR 116.6 million in 2021G was largely due to a 28.6% increase in freight expenses from SAR 73.2 million in 2020G to SAR 94.1 million in 2021G on account of the 39.9% increase in export base oil sales volumes (excluding Aramco Base Oil Alliance trade sales) during the year. This increase in freight expenses was partially offset by the subsequent decrease in demurrage charges by 56.7% (from SAR 9.0 million in 2020G to SAR 3.9 million in 2021G). These demurrage charges declined in 2021G as the Company had progressively settled old outstanding demurrage charges related to prior years during 2020G.

Despite the increase in export volumes sold in 2021G (from 650 thousand metric tons in 2020G to 876 thousand metric tons in 2021G), the Company managed to work with ship owners and brokers during the year to secure lower spot freight cost compared to prior years.

General and administrative expenses

General and administrative expenses largely consist of employee-related costs, consultancy charges (i.e., contract services) and other administrative expenses.

General and administrative expenses decreased by 2.0% from SAR 181.2 million in 2019G to SAR 177.5 million in 2020G mainly due to the 27.6% decrease in consultancy charges during the year (as these are ad-hoc by nature).

The further decrease in general and administrative expenses of 0.3% to SAR 176.9 million in 2021G was driven by a decline in employee related costs from SAR 125.8 million in 2020G to SAR 116.9 million in 2021G; this was partially offset by the 45.7% increase in other expenses from SAR 17.3 million in 2020G to SAR 25.2 million in 2021G largely due to higher materials transportation / storage expenses and bad debt expenses (resulting from an increase in the Company's provision for bad debts on account of the increase in trade receivables) during the year.

Other income / (expenses)

Other income / (expenses) increased by 6.7% from SAR 19.3 million in 2019G to SAR 20.6 million in 2020G due to one-off gains on de-recognition of The Royal Commission for Jubail and Yanbu pipeline corridors lease in the amount of SAR 4.4 million, partially offset by the decrease in other miscellaneous income (land rent accrual reversal) by SAR 3.6 million.

Other income / (expenses) subsequently decreased from SAR 20.6 million to SAR (6.0) million in 2021G mainly driven by (i) no gains from derecognition of any leases in 2021G as this was a non-recurring cost during 2020G and (ii) decreases in miscellaneous income by SAR 23.9 million as a result of the nonrecurrence of reversal of certain accruals in 2020G. This decrease was partially offset by an increase in gains on sale of property, plant and equipment amounting to SAR 2.1 million.

Miscellaneous income mainly consisted of reversal of accruals and scrap payments representing scrap materials.

Fair value loss on derivative financial instruments

The derivative financial instruments (DFI) measured at fair value through profit or loss arrangement has not been designated as hedging arrangements since its inception. The Company relies on the counterparty for the valuation of these derivatives. The Company's DFI represented interest rate swaps given this revenue is not part of the Company's core business.

The valuation techniques applied by the counterparty include the use of forward pricing standard models using the present value of the estimated future cash flows based on observable yield curves.

Finance income (investment returns)

Finance income (investment returns) decreased by 76.6% from SAR 19.2 million in 2019G to SAR 4.5 million in 2020G mainly due to the decrease in interest income from time deposits and short-term deposits. This decrease was primarily driven by reduced interest rates and lower levels of deposits made during the year.

Finance income (investment returns) subsequently increased by 24.4% to SAR 5.6 million in 2021G driven by an increase in interest income from time deposits in the amount of SAR 2.7 million. This increase was partially offset by a decrease in income from short-term deposits.

Finance cost

Finance cost decreased by 28.1% from SAR 99.6 million in 2019G to SAR 71.6 million in 2020G mainly driven by decreases in finance costs relating to the Company's (i) Islamic borrowing facilities (Murabaha) by SAR 8.6 million and (ii) Public Investment Fund loan by SAR 19.0 million.

Finance cost further decreased by 2.4% to SAR 69.9 million in 2021G driven by a decrease in the finance cost relating to the PIF loan as a result of the restructuring of the loan in August 2021G. The decrease was partially offset by an increase in finance costs from the Company's Murabaha facility, mainly driven by the related upfront and agency fee expense (amounting to SAR 16.9 million).

Zakat and income tax

Zakat and income tax charges decreased from SAR 2.7 million in 2019G to SAR 0.9 million in 2020G driven by the lower zakat charged during the year due to (i) lower additions to borrowings and (ii) other miscellaneous additions to the zakat base.

Zakat and income tax charges subsequently increased to SAR 188.9 million in 2021G due to (i) income tax expenses of SAR 130.2 million and (ii) deferred tax charges of SAR 60.1 million. This increase was partially offset by zakat reversals amounting to SAR 1.4 million.

Profit / (loss) for the year

The transition from losses of SAR (140.6) million in 2019G to profits of SAR 81.1 million in 2020G, despite an environment of lower base oil prices following the emergence of the COVID-19 pandemic which impacted the demand of base oil products, was largely due to the feedstock prices decreasing at a faster pace (which declined by 33.2%) than the base oil prices (which decreased by 13.7%).

In 2021G, the Company's profit significantly jumped to SAR 1,502.5 million benefitting from the increase of base oil product prices on the back of global demand recovery and supply tightness from competitors. Additionally, the Company achieved a 27.1% increase in base oil volumes sold following the ramp-up of the Yanbu Growth I expansion project accompanied, supported by stronger distribution capabilities and a wider geographic reach that allowed the Company to take advantage of the favorable market conditions.

Sales

The following table compares the Company's sales for the financial years ended 31 December 2019G, 2020G and 2021G.

Table (6-7): Sales breakdown for the financial years ended 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Base oil	2,332.1	2,180.6	4,743.1	(6.5%)	117.5%
By-products	3,288.3	2,212.9	4,103.6	(32.7%)	85.4%
Total sales [(1)]	**5,620.4**	**4,393.5**	**8,846.7**	**(21.8%)**	**101.4%**
As a % of sales					
Base oil	41.5%	49.6%	53.6%	8.1 ppt	4.0 ppt
By-products	58.5%	50.4%	46.4%	(8.1) ppt	(4.0) ppt
Sales volumes (MT'000)					
Base oil	891.0	965.4	1,226.6	8.4%	27.1%
By-products	2,314.1	2,273.2	2,539.4	(1.8%)	11.7%
Average selling price (SAR/MT)					
Base oil	2,617.5	2,258.7	3,866.8	(13.7%)	71.2%
By-products	1,421.0	973.5	1,616.0	(31.5%)	66.0%

(1) For more information, refer to Note 3.7 and Note 32 of the special purpose financial statements for the six-month period ended 30 June 2022G, which clarifies revenue recognition, its basis and the impact resulting from the restatement of the Company's financial statements for the years ended on 31 December 2019G, 2020G and 2021G.

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G and Company information

Base oil

Base oil sales revenues are made up of Group I and Group II base oils produced by the Company, as well as base oils that are imported from the Aramco Base Oil Alliance. Group I base oils are produced based on conventional base oil processes, where selling prices are based on European base oil market prices. Group II base oils are manufactured through hydrocracking, using a more advanced process than that for Group I base oils, where selling prices are primarily based on Asian base oil market prices. The Company's selling prices are indexed to a benchmark of base oil prices plus a premium historically achieved on top of the benchmark price.

During 2019G, the Company's base oil products sales volumes were 891 thousand metric tons. During 2019G, the Company had a turnaround at the Yanbu facility and continued to experience technical issues that prevented the Company from achieving full ramp-up of the Growth I expansion project.

Base oil sales revenue – which remains intimately linked to the base oil supply and demand market dynamics as this impact prices – decreased by 6.5% from SAR 2,332.1 million in 2019G to SAR 2,180.6 million in 2020G. This was driven by a decline in global demand for base oil products during the COVID-19 pandemic, resulting in lower base oil prices (which decreased by 13.7% year-over-year in average selling prices, from SAR 2,617 per metric ton in 2019G to SAR 2,259 per metric ton in 2020G). The impact on revenue from this low-price environment was however slightly offset by a marginal increase in base oil volumes sold (increasing by 8.4%, from 891 thousand metric tons in 2019G to 965 thousand metric tons in 2020G).

In 2021G, base oil sales revenue increased by 117.5% to SAR 4,743.1 million. This was largely driven by (i) the increase in base oil volumes sold to 1,227 thousand metric tons (increasing by 27.1%) as the Growth I expansion project achieved full ramp up of operations during the year, coupled with high overall operational availability compared to the prior year which experienced various unplanned shutdowns, and (ii) the increase in average selling prices during the year (increasing by 71.2%) to SAR 3,867 per metric ton, following the Company's efforts (enhancement of distribution and marketing capabilities) to capitalize on supply market tightness coming from sustained lower run rates of base oil production operations globally (mainly from Group I base oils producers in Europe), and strong domestic and global demand recovery.

The Company also undertook various production enhancement initiatives in 2021G, which resulted in increased production. These include (i) an increase in the Yanbu Vacuum Distillation Unit (VDU) capacity from 40 MBD to 45 MBD (during the month of July), (ii) an increase in the hydrocracker capacity from 23 MBD to 26 MBD (during the first quarter of the year), and (iii) an improvement in the base oil yields allowed by the upgrade of the hydrocracker and iso-dewaxer catalysts.

By-products

By-products, as their name suggest, are secondary products derived from the production of base oil. By-products are either (i) returned to Saudi Aramco at cost of feedstock purchases (fuel oil and asphalt in the case of the Jeddah facility and Marine Heavy Fuel Oil (MHFO) at the Yanbu facility), (ii) sold to Saudi Aramco group companies, or (iii) sold to local and international customers.

By-products revenue comprised of (i) by-products (mainly Asphalt), and (ii) white products (mainly Ultra Low Sulphur Diesel and Naphtha), contributing to an average 80.3% and 19.7%, respectively, to total by-product revenue across 2019G and 2021G. The Company also holds Asphalt, MHFO, Ultra Low Sulfur Diesel and Naphtha agreements with Saudi Aramco.

By-products sales revenue decreased by 32.7% from SAR 3,288.3 million in 2019G to SAR 2,212.9 million in 2020G, largely due to (i) the downward impact of average selling prices (decreasing by 31.5% from SAR 1,421 per metric ton in 2019G to SAR 974 per metric ton in 2020G) of both by-products and white products (as average selling prices for by-products are tightly linked to crude oil prices, which decreased in 2020G on account of the negative impact of COVID-19 on global and domestic by-products demand) and (ii) reduced production of by-products after the unplanned shutdown of the Yanbu facility's Hydrogen Manufacturing Unit in April 2020G and May 2020G which impacted the Company's ability to produce both base oil and by-products for sale during the year.

By-products sales revenue subsequently increased by 85.4% to SAR 4,103.6 million in 2021G primarily due to (i) the increase in the segment's average selling prices from SAR 974 in 2020G to SAR 1,616 per metric ton (as by-products prices move with feed prices). This increase was driven by the recovery of crude oil, Fuel oil, Ultra Low Sulfur Diesel and Asphalt prices from the lows of the COVID-19 pandemic in 2020G and (ii) the increase in the Yanbu facility's production levels after the Company achieved full ramp up of the Growth I operations in 2021G and reported improved operational availability during the year due to the Company's efforts to rectify technical issues experienced in 2019G and 2020G.

In 2021G, the Yanbu facility's by-products production volumes increased by 24.2% mainly due to the Company operating with high operational availability, as well as signing a 5 MBD feedstock agreement (in July 2021G) that increased the Company's feedstock supply from Saudi Aramco, allowing the Company to further increase its production.

Cost of sales

The following table compares the Company's cost of sales for the financial years ended 31 December 2019G, 2020G and 2021G.

Table (6-8): Cost of sales breakdown for the financial years ended 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Cost of materials (1)	4,861.6	3,412.4	6,182.0	(29.8%)	81.2%
Depreciation on property, plant, and equipment	287.3	295.8	329.1	3.0%	11.3%
Employee related costs	184.7	177.8	187.0	(3.7%)	5.2%
Depreciation on right-of-use assets	7.4	7.9	5.8	6.8%	(26.6%)
Amortization of intangible assets	0.9	1.0	0.9	11.1%	(10.0%)
Other	72.2	83.7	100.1	15.9%	19.6%
Total cost of sales	**5,414.1**	**3,978.6**	**6,804.9**	**(26.5%)**	**71.0%**

(1) For more information, refer to Note 3.7 and Note 32 of the special purpose financial statements for the six-month period ended 30 June 2022G, which clarifies revenue recognition, its basis and the impact resulting from the restatement of the Company's financial statements for the years ended on 31 December 2019G, 2020G and 2021G.

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G and Company information

Cost of sales represent costs mainly associated with the processing of crude oil as feedstock to produce base oils and by-products. The main contributors to cost of sales included cost of materials (i.e., cost of feedstock), depreciation on property, plant and equipment and employee-related costs, which contributed to 90.8%, 4.8%, and 2.7%, respectively, of total cost of sales in 2021G.

Cost of materials

Cost of feedstock mainly comprised of (i) feedstock and imported finished goods, (ii) consumption costs (namely Fuel oil, Sales Gas, utilities, and other refined products used during the production cycle) and (iii) cost of production (mainly by-products, distillates and base oils). Feedstock is supplied by Saudi Aramco.

The 29.8% decrease in cost of feedstock from SAR 4,861.6 million in 2019G to SAR 3,412.4 million in 2020G was primarily due to the 33.2% decrease in feedstock purchase price per metric ton sold (including imported base oil costs) from SAR 1,445 per metric ton in 2019G to SAR 965 per metric ton in 2020G which was driven by the decrease in crude oil pricing.

Cost of feedstock subsequently increased by 81.2% to SAR 6,182.0 million in 2021G, mainly as a result of (i) the 16.3% increase in gross sales volumes from 3,239 thousand metric tons in 2020G to 3,766 thousand metric tons in 2021G and (ii) the 62.2% increase in feedstock purchase price per metric ton sold (including imported base oil costs) to SAR 1,565 per metric ton in 2021G driven by the increase in crude oil pricing. Cost of feedstock represented 90.8%% of total cost of sales in 2021G and consist of raw materials costs.

Depreciation on property, plant, and equipment

Depreciation on property, plant, and equipment is related to the depreciation of manufacturing plants and other assets associated with the Company's two plants.

Depreciation expenses remained relatively stable between 2019G and 2020G at SAR 287.3 million and SAR 295.8 million, respectively.

Subsequently, depreciation on property, plant and equipment increased by 11.3% to SAR 329.1 million in 2021G, mainly driven by the (i) increase in the depreciation charge after the replacement of catalysts were conducted during 2021G and (ii) the completion of capital work in progress projects (mainly Yanbu facility's expansion projects), which were transferred to the Company's fixed assets.

Employee related costs

Employee related costs account for 2.7% of total cost of sales in 2021G and represent staff expenses related to production of base oil and by-products. These costs mainly included in (i) salaries and benefits and (ii) other employee expenses.

Refer to the "**Employee related costs**" section within the Management Discussion and Analysis for further details regarding staff expenses.

Other

Other costs represented 1.5% of total cost of sales in 2021G and consisted of (i) maintenance costs (64.3% of total other costs), (ii) consultancy charges (18.7% of total other costs), (iii) insurance (10.7% of total other costs), (iv) materials and consumables (2.4% of total other costs) and (v) miscellaneous costs (3.9% of total other costs).

Other costs increased by 15.9% from SAR 72.2 million in 2019G to SAR 83.7 million in 2020G, mainly due to the increase in consultancy charges (from SAR 9.1 million in 2019G to SAR 15.0 million in 2020G) representing consultancy services mainly related to inspection activities.

The further increase in other costs by 19.6% to SAR 100.1 million in 2021G was primarily driven by the 21.3% increase in maintenance costs from SAR 53.1 million in 2020G to SAR 64.4 million in 2021G. The completion of Yanbu facility's expansion of production in 2021G explained the increase in (i) testing and inspection costs (from SAR 2.7 million in 2020G to SAR 7.7 million in 2021G) and (ii) shutdown maintenance costs (from SAR 3.7 million in 2020G to SAR 8.4 million in 2021G) during the year which were primarily due to increase in the scope of maintenance during Q1 2021G to rectify remaining technical issues that were identified in 2020G.

Employee related costs

The Company operates with eleven primary functions (such as Operations, Human Resources, etc.) that are allocated to cost of sales and general and administrative expenses, segregated based on the nature of costs.

The following table compares the Company's employee related costs for the financial years ended 31 December 2019G, 2020G and 2021G.

Table (6-9): Employee related costs for the financial years ended 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Salaries and benefits	189.9	204.1	207.7	7.5%	1.8%
Employee expenses	64.4	60.7	54.3	(5.7%)	(10.5%)
Outsourced manpower (non-Luberef)	27.7	22.5	19.5	(18.8%)	(13.3%)
End of service	19.4	15.6	16.3	(19.6%)	4.5%
Training and development	8.2	0.7	6.2	(91.5%)	785.7%
Total employee related costs	**309.6**	**303.6**	**304.0**	**(1.9%)**	**0.1%**

Source: Company information

Salaries and benefits

Salaries and benefits represented 68.3% of total employee related costs in 2021G and mainly include (i) base salaries, (ii) housing, transportation, shift, vacation, and security allowances, (iii) bonuses (including Ramadan bonuses for Saudi staff), (iv) overtime and (v) other personnel related costs.

Salaries and benefits increased by 7.5% from SAR 189.9 million in 2019G to SAR 204.1 million in 2020G mainly due to the higher bonus expenses in 2020G as compared to 2019G, as well as an increase in overtime expense due to the additional time spent by employees at the Yanbu facility related to teething issues at the facility due to the Growth I expansion project.

Salaries and benefits further increased by 1.8% to SAR 207.7 million in 2021G, primarily driven by the additional increase in total staff bonus to SAR 25.5 million during the year (excluding Ramadan bonus) as a result of a special bonus distributed to the employees considering the operational and financial performance in 2021G.

Employee expenses

Employee expenses represented 17.9% of total employee-related costs in 2021G, and mainly include (i) medical and insurance expenses, (ii) General Organization for Social Insurance (GOSI) costs and (iii) other expenses.

Employee expenses decreased by 5.7% from SAR 64.4 million in 2019G to SAR 60.7 million in 2020G, largely due to the decrease in post-retirement health care benefits current service costs from SAR 9.8 million in 2019G to SAR 7.5 million in 2020G as a result of a decrease in the actuarial assumption rate for post-retirement health care benefits from 7.25% in 2019G to 5.35% in 2020G.

Employee expenses subsequently decreased by 10.5% to SAR 54.3 million in 2021G mainly driven by (i) a decrease in subsidies for home loan repayments of SAR 1.2 million and (ii) a decrease in time value recognition of employee loans amounting to SAR 2.1 million and (iii) end of service actuarial gains of SAR 2.6 million (which were offset from employee expenses during the year).

Outsourced manpower (non-Luberef)

Outsourced manpower (i.e., non-Luberef manpower) is related to contracted manpower, representing a master service agreement with approximately 11 to 12 companies for the period of 1 July 2019G to 30 June 2022G.

In addition, outsourced manpower also includes secondees from Saudi Aramco for key positions within the Company.

These expenses decreased from SAR 27.7 million in 2019G to SAR 22.5 million in 2020G and further to SAR 19.5 million in 2021G, mainly driven by reduced outsourced manpower requirements during these years.

End of service

End of service expenses represented 5.4% of total employee related costs and related to the Company's gratuity expenses. End of service expenses decreased from SAR 19.4 million in 2019G to SAR 15.6 million in 2020G and subsequently increased to SAR 16.3 million in 2021G. These expenses were mainly driven by the Company's headcount, and the retirement of various senior employees in 2020G and 2021G.

Gross profit

Profitability is inherently linked to (i) the base oil crack margins (defined as base oil products prices minus costs of feedstock), and (ii) the availability of products (due to smooth operations).

Historically, the contribution to the Company's gross profit from by-products (including white products), given the secondary nature of these products, was minimal.

Additionally, Jeddah by-products returns and MHFO at Yanbu to Saudi Aramco are sold at the Company's related feedstock cost, and thus do not impact the gross margin. As a result, the Company's gross margin performance is largely correlated to the base oil crack margins.

In 2020G, gross profit increased by 101.1% year-over-year, from SAR 206.3 million in 2019G to SAR 414.9 million. This increase was largely driven by the increase in crack margin by 12.9% from SAR 1,083 per metric ton in 2019G to SAR 1,222 per metric ton in 2020G. Despite the environment of lower base oil prices in 2020G with the COVID-19 pandemic, the Company benefitted from the relatively faster decrease of feedstock costs (decreasing by 33.2%) from SAR 1,445 per metric ton in 2019G to SAR 965 per metric ton in 2020G, due to a decline in global demand in petroleum markets on account of lockdown restrictions, compared to the decrease in base oil products average prices by 13.7%(from SAR 2,617 per metric ton in 2019G to SAR 2,259 per metric ton in 2020G). On the volume side, the Company benefitted from an increase of 8.4% in base oil products volumes sold, from 891 thousand metric tons in 2019G to 965 thousand metric tons in 2020G.

In 2021G, gross profit increased by 392.1% to SAR 2,041.8 million in 2021G following the favorable market conditions and full ramp up of the Growth I expansion project (market conditions included high base oil prices supported on the back of recovery of demand for base oil products and shortage in supply from competitors). This led to a higher level of base oil average selling prices in 2021G (which increased by 71.2%, from SAR 2,259 per metric ton in 2020G to SAR 3,867 per metric ton in 2021G), while feedstock only increased by 60.4% (from SAR 965 per metric ton in 2020G to SAR 1,548 per metric ton in 2021G), driving up the Company's realized crack margins. Volumes of base oil products sold, which increased by 27.1% from 965 thousand metric tons in 2020G to 1,227 thousand metric tons in 2021G, also contributed to the increase in gross profits in that year.

Selling and distribution expenses

The following table compares the Company's selling and distribution expenses for the financial years ended 31 December 2019G, 2020G and 2021G.

Table (6-10): Selling and distribution expenses breakdown for the financial years ended 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Freight expenses	78.9	73.2	94.1	(7.2%)	28.6%
Tank rents	6.8	9.1	8.0	33.8%	(12.1%)
Demurrage charges	2.9	9.0	3.9	210.3%	(56.7%)
Others	5.0	6.5	10.6	30.0%	63.1%
Total selling and distribution expenses	**93.6**	**97.8**	**116.6**	**4.5%**	**19.2%**
As a percentage of expenses					
Freight expenses	84.3%	74.8%	80.7%	(9.5) ppt	5.9 ppt
Tank rents	7.3%	9.3%	6.9%	2.0 ppt	(2.4) ppt
Demurrage charges	3.1%	9.2%	3.3%	6.1 ppt	(5.9) ppt
Others	5.3%	6.7%	9.1%	1.4 ppt	2.4 ppt
Total selling and distribution expenses	**100.0%**	**100.0%**	**100.0%**	**-**	**-**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

Selling and distribution expenses mainly comprise of expenses incurred to sell / market the Company's products to end customers (i.e., freight expenses).

Despite the increase in export volumes sold in 2021G, the Company managed to work with ship owners and brokers during the year to secure lower spot freight cost compared to prior years. These efforts resulted in a decrease in selling and distribution expenses as a percentage of sales revenue from 2.2% in 2020G to 1.3% in 2021G.

Freight expenses

Freight expenses represented 80.7% of total sales and distribution expenses in 2021G and relate to the cost of shipping to export customers under Cost and Freight incoterms, where freight charges are typically billed to the customers and factored in the export selling prices.

Freight expenses decreased by 7.2% from SAR 78.9 million in 2019G to SAR 73.2 million in 2020G, despite an increase in the base oil export sales volumes in 2020G, largely driven by the Company's logistics optimization activities such as bulk cargoes, long-term contracts with ship owners, and improved planning of export shipments, leading to lower unit freight cost.

The subsequent increase in freight expenses by 28.6% to SAR 94.1 million in 2021G was primarily the result of (i) the 39.9% increase in the Company's total export base oil sales volume (excl. Aramco Base Oil Alliance sales) during the year, made possible by the Company's increased production output and enhanced geographical footprint and (ii) the general recovery of the global market.

Others

Other selling and distribution expenses represented 9.1% of total selling and distribution expenses in 2021G and mainly related to (i) export pipeline fees and (ii) customer clearance and registrations costs. Export pipeline fees represented fees paid to Saudi Aramco for use of the related party's pipelines to distribute base oils to from the Jeddah and Yanbu production facilities (geared towards export sales). Pipeline fees are not fixed and are based on usage; at the Jeddah and Yanbu production facilities, contractual fees are SAR 2 per metric ton, and USD 0.2 per barrel, respectively.

Others increased by 30.0% from SAR 5.0 million in 2019G to SAR 6.5 million in 2020G, mainly due to the increase in export pipeline fees (from SAR 3.1 million in 2019G to SAR 3.7 million in 2020G).

The further 63.1% increase to SAR 10.6 million in 2021G was largely attributed to (i) the additional increase in export pipeline fees to SAR 4.4 million on account of the approximate 39.9% increase in total export base oil volume sold and (ii) the Company's registration, evaluation, authorization, and restriction of chemicals (REACH) costs during the year.

General and administrative expenses

The following table compares the Company's general and administrative expenses for the financial years ended 31 December 2019G, 2020G and 2021G.

Table (6-11): General and administrative expenses breakdown for the financial years ended 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Employee related costs	124.9	125.8	116.9	0.7%	(7.1%)
Consultancy charges	24.3	17.6	22.6	(27.6%)	28.4%
Telephone and postage	0.9	2.8	4.5	211.1%	60.7%
Amortization of intangible assets	5.2	1.9	2.0	(63.5%)	5.3%
Insurance	0.9	1.2	1.7	33.3%	41.7%
Depreciation on right-of-use assets	2.3	1.4	1.4	(39.1%)	-
Business travel	2.5	1.0	1.2	(60.0%)	20.0%
Depreciation on property, plant, and equipment	0.8	1.0	0.9	25.0%	(10.0%)
Donations	0.2	5.3	0.5	2,550.0%	(90.6%)
Rent	1.3	2.0	-	53.8%	(100.0%)
Board of Directors' expenses	0.2	0.2	-	-	(100.0%)
Others	17.7	17.3	25.2	(2.3%)	45.7%
Total general and administrative expenses	**181.2**	**177.5**	**176.9**	**(2.0%)**	**(0.3%)**

Currency: SARm	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
As a percentage of expenses					
Employee related costs	68.9%	70.9%	66.1%	2.0 ppt	(4.8) ppt
Consultancy charges	13.4%	9.9%	12.8%	(3.5) ppt	2.9 ppt
Telephone and postage	0.5%	1.6%	2.5%	1.1 ppt	(0.9) ppt
Amortization of intangible assets	2.9%	1.1%	1.1%	(1.8) ppt	-
Insurance	0.5%	0.7%	1.0%	0.2 ppt	0.3 ppt
Depreciation on right-of-use assets	1.3%	0.8%	0.8%	(0.5) ppt	-
Business travel	1.4%	0.6%	0.7%	(0.8) ppt	0.1 ppt
Depreciation on property, plant, and equipment	0.4%	0.6%	0.5%	0.2 ppt	(0.1) ppt
Donations	0.1%	3.0%	0.3%	2.9 ppt	(2.7) ppt
Rent	0.7%	1.1%	-	0.4 ppt	N/A
Board of Directors' expenses	0.1%	0.1%	-	-	N/A
Others	9.8%	9.7%	14.2%	(0.1) ppt	4.5 ppt
Total general and administrative expenses	**100.0%**	**100.0%**	**100.0%**	**-**	**-**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

General and administrative expenses mainly comprise of employee-related costs, consultancy charges and other expenses.

Employee related costs

Employee related costs account for 66.1% of total general and administrative expenses in 2021G and are allocated to general and administrative expenses, based on function and nature of cost.

Refer to the previously presented "**Employee related costs**" section within the Management Discussion and Analysis for further details regarding staff expenses.

Consultancy charges

Consultancy charges (i.e., contract services) represent 12.8% of total general and administrative expenses in 2021G, and mainly comprised of IT sustainability fees (SAR 6.0 million) and consultancy services (SAR 5.4 million), which represented one-off advisory services (i.e., market studies, automation / digitization, and software updates implementation) and could not usually be compared year-to-year.

The 27.6% decrease in consultancy services from SAR 24.3 million in 2019G to SAR 17.6 million in 2020G was primarily due to the decrease in consultancy services expenses as a result of reduced consultancy activities during COVID-19.

The subsequent increase in consultancy charges by 28.4% to SAR 22.6 million in 2021G was related to the Performance Management Review Project (PMR360), which represented the Company's integration and automation of its ERP system as well as the Business Transformation Project that was initiated during the year.

Others

Other expenses represented 14.2% of total general and administrative expenses in 2021G, and mainly comprise (i) materials transfer and clearing accounts, (ii) doubtful debts expense, (iii) maintenance expenses in relation to vehicles, (iv) materials and consumables relating to administrative staff (such as stationery and safety precautions) and (v) other costs (such as catering expenses).

Other expenses remained broadly stable between 2019G and 2020G at SAR 17.7 million and SAR 17.3 million, respectively.

These expenses subsequently increased to SAR 25.2 million in 2021G, largely as a result of the increase in doubtful debts expense from SAR 0.3 million in 2020G to SAR 4.8 million in 2021G. The Company's bad debts policy is based on the Expected Credit Loss (ECL) model. While no bad debt expense was incurred in 2019G (as 96.1% of the Company's trade receivables were current, and minimal expense was booked in 2020G), the increase in 2021G was due to (i) the increase in the Company's current trade receivables balance and (ii) the increase in the provision calculation on current and 1-90 days aged receivables from 0.1% in 2020G to 0.5% in 2021G, based on the increase in the Company's trade receivables balance (resulting from the increase in revenue during the year, as well as the settlement of various customer invoices in January 2022G that were due in December 2021G) that increased the 1-90 days aging bucket.

Other income / (expenses)

The following table compares the Company's other income / (expenses) for the financial years ended 31 December 2019G, 2020G and 2021G.

Table (6-12): Other income / (expenses) breakdown for the financial years ended 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Gain on sale of assets	-	-	2.1	-	100.0%
Foreign currency gains	0.1	0.6	0.2	500.0%	(66.7%)
Gain on derecognition of lease	-	4.4	-	100.0%	(100.0%)
Others	19.2	15.6	(8.3)	(18.8%)	(153.2%)
Total other income / (expenses)	**19.3**	**20.6**	**(6.0)**	**6.7%**	**(129.1%)**

Source: Company information

Net other income / (expenses) mainly consisted of gain on sale of assets and miscellaneous expenses (representing various accrual reversals and revenue adjustments for 2017G, 2018G and 2019G).

Other income / (expenses) increased from SAR 19.3 million in 2019G to SAR 20.6 million in 2020G due to one-off gains from derecognition of The Royal Commission for Jubail and Yanbu corridors lease of SAR 4.4 million, partially offset by a decrease in other miscellaneous income by SAR 3.6 million.

Other income / (expenses) subsequently decreased to SAR (6.0) million in 2021G mainly driven by (i) no gains from derecognition of any leases in 2021G and (ii) a decrease in other miscellaneous income by SAR 23.9 million mainly on account of reduced accrual reversals during 2021G. This decrease was partially offset by an increase in gains on sale of property, plant and equipment amounting to SAR 2.1 million.

Fair value gain / (loss) on derivative financial instruments measured at fair value through profit or loss

The following table compares the Company's fair value gain / loss on derivative financial instruments measured at fair value through profit or loss for the financial years ended 31 December 2019G, 2020G and 2021G.

Table (6-13): Fair value gain / (loss) on derivative financial instruments measured at fair value through profit or loss breakdown for the financial years ended 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Fair value gain / (loss) on derivative financial instruments measured at fair value through profit or loss	(1) (8.4)	(11.2)	13.3	33.3%	(218.8%)
Total fair value gain / (loss) on derivative financial instruments measured at fair value through profit or loss	(1) (8.4)	(11.2)	13.3	33.3%	(218.8%)

(1) The numbers for the financial year ended 31 December 2019G were reclassified from Finance cost to Fair value loss on derivative financial instruments in line with the revised classification in the audited financial statements for the financial year ended 31 December 2020G.

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

The Company's derivative financial instruments represented interest rate swaps, amounting to a negative fair value (FV) of SAR 6.3 million at 31 December 2021G. The Company relies on the counterparty for the valuation of these derivatives, which are measured at FV through profit or loss.

The valuation techniques applied by the counterparty include the use of forward pricing standard models using the present value of the estimated future cash flows based on observable yield curves.

Finance income (investment returns)

The following table compares the Company's finance income (investment returns) for the financial years ended 31 December 2019G, 2020G and 2021G.

Table (6-14): Finance income (investment returns) for the financial years ended 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Interest income from time deposits	12.9	0.9	3.6	(93.0%)	300.0%
Income from short-term deposits	4.8	2.4	1.0	(50.0%)	(58.3%)
Finance income on unwinding of loans	1.5	1.2	1.0	(20.0%)	(16.7%)
Total finance income (investment returns)	**19.2**	**4.5**	**5.6**	**(76.6%)**	**24.4%**

Source: Company information

The Company's finance income (investment returns) included (i) interest income from time deposits, (ii) income from short-term deposits and (iii) finance income on unwinding of loans, contributing to 64.3%, 17.9%, and 17.9% respectively in 2021G.

Income from short-term deposits represented income from the Company's employee gratuity fund, which was classified under cash and cash equivalents at 31 December 2020G, as this deposit had a maturity of three months at 31 December 2020G.

Total finance income (investment returns) decreased from SAR 19.2 million in 2019G to SAR 4.5 million in 2020G mainly due to the decrease in (i) interest income from time deposits by 12.0 SAR million and (ii) income from short-term deposits by SAR 2.4 million.

The decrease in finance income (investment returns) in 2020G was primarily driven by reduced interest rates and lower levels of deposits made during the year.

Total finance income (investment returns) subsequently increased to SAR 5.6 million in 2021G, driven by an increase in interest income from time deposits in the amount of SAR 2.7 million. This increase was partially offset by decreases in income from short-term deposits in the amount of SAR 1.4 million.

Finance cost

The following table compares the Company's finance cost for the financial years ended 31 December 2019G, 2020G and 2021G.

Table (6-15): Finance cost for the financial years ended 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Murabaha (Islamic)	52.2	43.6	54.9	(16.5%)	25.9%
PIF loan (conventional)	41.2	22.2	9.0	(46.1%)	(59.5%)
Interest on lease liabilities	5.5	5.2	5.3	(5.5%)	1.9%
Unwinding of decommissioning provision	0.7	0.6	0.7	(14.3%)	16.7%
Total finance cost	**(1) 99.6**	**71.6**	**69.9**	**(28.1%)**	**(2.4%)**

(1) The numbers for the financial year ended 31 December 2019G were reclassified from Finance cost to Fair value loss on derivative financial instruments in line with the revised classification in the audited financial statements for the financial year ended 31 December 2020G.

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

Finance cost comprised mainly of expenses incurred in relation to the Company's Murabaha facilities (which include a new Murabaha facility put in place during 2021G as well as Murabaha facilities with Riyad Bank prior to 31 December 2021G) and its loan from the PIF, which were all subject to bi-annual payments. Finance costs relating to the Murabaha facilities and to the PIF loan contributed 78.5% and 12.9%of total finance costs in 2021G, respectively.

Finance cost decreased from SAR 99.6 million in 2019G to SAR 71.6 million in 2020G mainly driven by decreases in finance costs relating to (i) the Company's Murabaha (Islamic) facilities by SAR 8.6 million and (ii) its PIF loan by SAR 19.0 million.

The decrease in finance costs related to the Murabaha facilities between 2019G and 2020G was driven by (i) repayment of the Riyad Bank Murabaha facilities in 2019G, which reduced the notional loan amount in 2020G and (ii) a decrease in interest rates after 2019G.

Both the Riyad Bank Murabaha and PIF loans were restructured during 2021G; as such, the Company settled all principal and interest payments for both the PIF and Riyad Bank loans during the year.

Finance cost further decreased to SAR 69.9 million in 2021G mainly driven by the refinancing of both the PIF loan and the Murabaha facilities at comparatively lower interest rates. The decrease in finance costs was partially offset by the increase in finance costs on account of the Company's upfront agency fee expenses amounting to SAR 16.9 million related to the newly obtained Murabaha facility from Riyad Bank.

Zakat and income tax

The following table compares the Company's zakat and income tax charge for the financial years ended 31 December 2019G, 2020G and 2021G.

Table (6-16): Zakat and income tax charge for the financial years ended 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Zakat charge / (reversal)	2.7	0.9	(1.4)	(66.7%)	(255.6%)
Income tax expense	-	-	130.2	-	100.0%
Deferred tax charge	-	-	60.1	-	100.0%
Total zakat and income tax charges	**2.7**	**0.9**	**188.9**	**(66.7%)**	**20,888.9%**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

The Company is subject to zakat with respect to Jadwa's shareholding and income tax with respect to Saudi Aramco's shareholding and the shares held by Jadwa's non-GCC shareholder. Provisions for zakat and income tax are accrued and charged to the statement of comprehensive income.

During 31 December 2017G, pursuant to the Income Tax Law, all shares in the Kingdom-resident companies held directly or indirectly by Saudi Aramco are subject to Saudi Arabian income tax, rather than to Zakat. Accordingly, income tax has been recognized for Saudi Aramco owned interest in the Company.

In 2020G, the shareholders signed an agreement that they shall bear the economic burden of any zakat and income tax required under applicable law.

Zakat and income tax charges decreased from SAR 2.7 million in 2019G to SAR 0.9 million in 2020G driven by the lower zakat base during the year.

Zakat and income tax charges subsequently increased to SAR 188.9 million in 2021G due to (i) income tax expenses in the amount to SAR 130.2 million driven by the higher profits achieved by the Company and (ii) deferred tax charges of SAR 60.1 million. This increase was partially offset by zakat reversals of SAR 1.4 million.

Zakat charge / (reversal)

Zakat is payable at 2.58% of the approximate zakat base (excluding adjusted net income for the year) and at 2.5% of the adjusted net income for the year.

The zakat charge decreased from SAR 2.7 million in 2019G to SAR 0.9 million in 2020G due to the lower zakat base which decreased from SAR 366.6 million in 2019G to SAR (453.7) million in 2020G.

In 2021G, the Company recorded a negative zakat charge in the amount of SAR 1.4 million, driven by prior year reversals amounting to SAR 13.9 million offset by the SAR 12.5 million zakat charge for the year.

Income tax expense

Income tax liability is calculated at 20% of the adjusted net income attributable to the Saudi Aramco and Jadwa foreign shareholders.

Income tax expense increased from nil in 2019G and 2020G to SAR 130.2 million in 2021G driven by the higher net profits achieved by the Company.

Deferred tax charge

Deferred tax charges increased from nil in 2019G and 2020G to SAR 60.1 million in 2021G driven by differences in the accounting and tax base for property, plant, and equipment of SAR (287.2) million. This increase was partially offset by the effect of provisions, leases and losses carried forward amounting to SAR 48.6 million, SAR 1.6 million and SAR 176.9 million, respectively.

6.7.2 Statement of Financial Position of the Company

The following table presents the Company's statement of financial position as at 31 December 2019G, 2020G and 2021G.

Table (6-17): Statement of financial position as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Property, plant, and equipment	5,506.2	5,371.8	5,122.4	(2.4%)	(4.6%)
Right-of-use assets	110.1	108.8	101.6	(1.2%)	(6.6%)
Intangible assets	20.7	20.3	17.4	(1.9%)	(14.3%)
Employees' home ownership receivables	7.4	4.6	2.6	(37.8%)	(43.5%)
Loans to employees	19.1	13.2	11.9	(30.9%)	(9.8%)
Total non-current assets	**5,663.5**	**5,518.7**	**5,255.9**	**(2.6%)**	**(4.8%)**
Inventories	594.3	543.8	710.1	(8.5%)	30.6%
Trade receivables	390.4	438.8	862.7	12.4%	96.6%
Prepayments and other assets	160.5	138.2	40.4	(13.9%)	(70.8%)
Short-term deposits	167.4	-	145.7	(100.0%)	100.0%
Cash and cash equivalents	179.0	672.9	1,349.5	275.9%	100.5%
Total current assets	**1,491.6**	**1,793.7**	**3,108.4**	**20.3%**	**73.3%**
Total assets	**7,155.1**	**7,312.4**	**8,364.3**	**2.2%**	**14.4%**
Share capital	441.0	441.0	441.0	-	-
Statutory reserve	220.5	220.5	220.5	-	-
Retained earnings	2,935.4	3,050.1	3,583.0	3.9%	17.5%
Total equity	**3,596.9**	**3,711.6**	**4,244.5**	**3.2%**	**14.4%**
Long-term borrowings	1,330.3	1,120.8	2,103.8	(15.7%)	87.7%
Lease liabilities	101.9	98.1	107.5	(3.7%)	9.6%
Employee benefit obligations	314.3	293.1	321.7	(6.7%)	9.8%
Deferred tax liabilities	-	-	54.8	-	100.0%
Other non-current liabilities	36.6	38.2	38.2	4.4%	-
Total non-current liabilities	**1,783.1**	**1,550.2**	**2,626.0**	**(13.1%)**	**69.4%**
Trade payables	949.2	889.4	1,086.6	(6.3%)	22.2%
Accrued expenses and other liabilities	202.1	85.5	105.1	(57.7%)	22.9%
Current portion of long-term borrowings	583.8	1,033.3	146.3	77.0%	(85.8%)
Lease liabilities	10.6	19.6	5.3	84.9%	(73.0%)
Zakat and income tax payable	29.4	22.8	150.5	(22.4%)	560.1%
Total current liabilities	**1,775.1**	**2,050.6**	**1,493.8**	**15.5%**	**(27.2%)**
Total liabilities	**3,558.2**	**3,600.8**	**4,119.8**	**1.2%**	**14.4%**
Total liabilities and equity	**7,155.1**	**7,312.4**	**8,364.3**	**2.2%**	**14.4%**
Days sales outstanding (DSO)	25	36	36	44.0%	-

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Days inventory outstanding (DIO)	40	50	38	25.0%	(24.0%)
Days payable outstanding (DPO)	64	82	58	28.1%	(29.3%)
Cash conversion cycle (CCC) (days)	1	4	16	300.0%	300.0%
Return on capital employed (ROACE)	(1.2%)	2.9%	30.7%	4.0 ppt	27.9 ppt
Current ratio	0.8	0.9	2.1	12.5%	133.3%
Total assets to total liabilities	2.0	2.0	2.0	-	-

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G and Company information

Non-current assets

The following table presents the Company's non-current assets as at 31 December 2019G, 2020G and 2021G.

Table (6-18): Non-current assets as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Property, plant, and equipment	5,506.2	5,371.8	5,122.4	(2.4%)	(4.6%)
Right-of-use assets	110.1	108.8	101.6	(1.2%)	(6.6%)
Intangible assets	20.7	20.3	17.4	(1.9%)	(14.3%)
Employees' home ownership receivables	7.4	4.6	2.6	(37.8%)	(43.5%)
Loans to employees	19.1	13.2	11.9	(30.9%)	(9.8%)
Total non-current assets	**5,663.5**	**5,518.7**	**5,255.9**	**(2.6%)**	**(4.8%)**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

At 31 December 2021G, total non-current assets mainly comprised of property, plant and equipment and right-of-use assets, which contributed to 97.5% and 1.9% of total non-current assets, respectively.

Non-current assets decreased from SAR 5,663.5 million at 31 December 2019G to SAR 5,518.7 million at 31 December 2020G mainly due to decreases in (i) property, plant in equipment by SAR 134.4 million driven by to the annual depreciation charge for the year, partially offset by various fixed asset additions, (ii) employee's home ownership receivables and (iii) loans to employees driven by deductions relating to settlements by employees.

Non-current assets further decreased to SAR 5,255.9 million at 31 December 2021G primarily driven by the annual depreciation charges of property, plant and equipment, right-of-use assets, and intangible assets.

Property, plant, and equipment

The following table compares the Company's property, plant, and equipment as at 31 December 2019G, 2020G and 2021G.

Table (6-19): Property, plant, and equipment as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Cost:					
At 1 January	7,855.2	8,272.9	8,435.0	5.3%	2.0%
Additions during the year	417.7	162.5	80.8	(61.1%)	(50.3%)
Disposals	-	(0.3)	(4.2)	100.0%	1300.0%
At 31 December	8,272.9	8,435.1	8,511.6	2.0%	0.9%
Accumulated depreciation					
At 1 January	2,478.7	2,766.7	3,063.3	11.6%	10.7%
Depreciation charge for the year	288.0	296.8	330.0	3.1%	11.2%
Disposals	-	(0.2)	(4.1)	100.0%	1950.0%
At 31 December	2,766.7	3,063.3	3,389.2	10.7%	10.6%
Carrying amount of property, plant, and equipment	**5,506.2**	**5,371.8**	**5,122.4**	**(2.4%)**	**(4.6%)**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

The Company's property, plant and equipment net book value mainly comprised of (i) the Company's manufacturing plants in Jeddah and Yanbu, (ii) capital work in progress which mainly included a Hydrogen Manufacturing Unit Revamp Project and Sales Gas Line Project at Yanbu facility and (iii) building and leasehold improvements, which contributed to 94.4%, 3.6% and 1.1% of total property, plant, and equipment, respectively, at 31 December 2021G.

The majority of the Company's property, plant and equipment related to the Yanbu facility which contributed to 96.3% of total property, plant, and equipment at 31 December 2021G (80.2% of the net book value of property, plant and equipment was related to the manufacturing plant in Yanbu).

The net book value of property, plant and equipment decreased from SAR 5,506.2 million at 31 December 2019G to SAR 5,371.8 million at 31 December 2020G due to the annual depreciation charge of SAR 296.8 million, partially offset by additions to capital work in progress amounting to SAR 162.5 million, largely related to the Hydrogen Manufacturing Unit Project and Sales Gas Line Project at Yanbu facility.

Property, plant, and equipment further decreased to SAR 5,122.4 million at 31 December 2021G driven by (i) the depreciation charge for the year of SAR 330.0 million and (ii) disposals to motor vehicles in the amount of SAR 4.2 million. This decrease was partially offset by additions related to the continued development and improvement of the Jeddah and Yanbu production facilities in the amount of SAR 80.8 million.

Manufacturing plants

Manufacturing plants represented the Jeddah and Yanbu production facilities (including deferred facility turnaround costs for the Yanbu and Jeddah production facilities, and capitalized borrowing costs related to the Yanbu facility expansion that was completed in 2017G).

Manufacturing plants net book value increased from SAR 4,736.0 million at 31 December 2019G to SAR 5,074.2 million at 31 December 2020G primarily driven by the transfer of the remaining capex from the completed expansion projects at Yanbu in 2017G amounting to SAR 620.4 million from capital work in progress to manufacturing plants. This increase was partially offset by depreciation charges for the year in the amount of SAR 282.2 million.

Manufacturing plants net book value subsequently decreased to SAR 4,834.9 million at 31 December 2021G due to annual depreciation charges amounting to SAR 315.8 million. This decrease was partially offset by transfers from capital work in progress in the amount of SAR 76.5 million.

Buildings and leasehold improvements

The net book value of buildings and leasehold improvements remained relatively stable between 31 December 2019G and 31 December 2020G at SAR 63.6 million and SAR 61.7 million, respectively. The movement in buildings and leasehold improvements consisted of annual depreciation charges of SAR 5.9 million offset by transfers from capital work in progress in the amount of SAR 4.1 million.

Buildings and leasehold improvements further decreased to SAR 56.1 million at 31 December 2021G driven by the depreciation charge for the year in the amount of SAR 6.0 million.

Other machinery and equipment

The net book value of other machinery and equipment decreased from SAR 47.7 million at 31 December 2019G to SAR 42.3 million at 31 December 2020G due to the depreciation charges for the year.

The net book value of other machinery and equipment subsequently increased to SAR 46.0 million at 31 December 2021G driven by transfers from capital work in progress of SAR 11.4 million, partially offset by the annual depreciation charge of SAR 7.8 million.

Capital work in progress

As part of sustaining capex, capital work in progress mainly comprised of turnaround, development and enhancement work for the Company's headquarters and production facilities in Jeddah and Yanbu, such as the Hydrogen Manufacturing Unit Revamp Project and Sales Gas Line Project at Yanbu facility.

At 31 December 2021G, 96.7% of the Company's work in progress related to Yanbu facility projects.

Capital work in progress decreased from SAR 657.1 million at 31 December 2019G to SAR 192.0 million at 31 December 2020G mainly driven by transfers to the manufacturing plants category of property, plant, and equipment in the amount of SAR 620.4 million. This decrease was partially offset by additions of SAR 162.5 million which were largely related to the Hydrogen Manufacturing Unit Revamp Project and Sales Gas Line Project at Yanbu facility.

Capital work in progress subsequently decreased to SAR 184.5 million at 31 December 2021G due to further transfers to manufacturing plants in the amount of SAR 76.5 million, partially offset by additions in the amount of SAR 80.8 million related to the continued development and improvement of the Jeddah and Yanbu production facilities.

Right-of-use assets

The following table compares the Company's right-of-use assets as at 31 December 2019G, 2020G and 2021G.

Table (6-20): Right-of-use assets as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Lands	98.7	96.7	92.4	(2.0%)	(4.4%)
Pipelines and catalyst	11.5	7.9	5.9	(31.3%)	(25.3%)
Motor vehicles	-	4.2	3.3	100.0%	(21.4%)
Total right-of-use assets	**110.2**	**108.8**	**101.6**	**(1.3%)**	**(6.6%)**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

Right-of-use assets mainly comprised leased land, pipelines and catalysts and motor vehicles, contributing to 90.9%, 5.8% and 3.2%, respectively, to the Company's total right-of-use assets balance at 31 December 2021G.

Right-of-use assets are depreciated on a straight-line basis over the following useful lives by asset category: (i) land: 30 years, (ii) pipelines and catalyst: 27 years and (iii) motor vehicles: 5 years.

At 31 December 2021G, the Company did not have any lease contracts classified as right-of-use assets that are variable in nature. Some leases contain extension options exercisable by the Company before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The Company assesses at lease commencement, whether it is reasonably certain to exercise the option. The Company does not provide residual value guarantees in relation to any of its leases.

Right-of-use assets decreased from SAR 110.2 million at 31 December 2019G to SAR 108.8 million at 31 December 2020G due to (i) the annual depreciation charge of SAR 9.3 million and (ii) lease terminations amounting to SAR 10.5 million. This decrease was partially offset by additions to lands and motor vehicles with a total amount for SAR 18.5 million.

In July 2020G, the Company decided to initiate the leasing of motor vehicles (rather than holding direct ownership of these vehicles) as part of the Company's cost saving initiatives.

Right-of-use assets further decreased to SAR 101.6 million at 31 December 2021G, solely due to the annual depreciation charges of the leased assets which amounted to SAR 7.2 million.

Lands

The Company holds two leases relating to land:

1- Yanbu facility: on 3 December 1994G, the Company secured the land on which the Yanbu facility is situated from The Royal Commission for Jubail and Yanbu. This lease is expected to expire on 3 December 2024G. At 31 December 2021G, this right-of-use asset amounted to SAR 77.8 million; and
2- Jeddah facility: on 1 July 1996G, the Company entered into a lease agreement (superseding the original agreement dated 19 June 1976G) with Saudi Aramco in relation to the land on which the Jeddah facility operates. The lease is expected to expire on 1 July 2026G. At 31 December 2021G, this right-of-use asset amounted to SAR 1.5 million.

The following table compares the Company's lease liabilities as at 31 December 2019G, 2020G and 2021G.

Table (6-21): Lease liabilities as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Current	10.6	19.6	5.3	84.9%	(73.0%)
Non-current	101.9	98.1	107.5	(3.7%)	9.6%
Total lease liabilities	**112.5**	**117.7**	**112.8**	**4.6%**	**(4.2%)**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

Lease liabilities (including current and non-current portions) mainly related to the right-of-use asset leases from Saudi Aramco and The Royal Commission for Jubail and Yanbu.

At 31 December 2021G, these leases liabilities mainly represented (i) land on which the production facilities are built (SAR 87.2 million, or 77.3% of total lease liabilities), (ii) the land corridor area leased by The Royal Commission for Jubail and Yanbu where the pipelines which connect the Yanbu facility to Saudi Aramco are located (SAR 14.5 million, or 12.9% of total lease liabilities) and (iii) pipelines connecting Jeddah to Saudi Aramco for the transfer of feedstock and by-products returns (SAR 7.7 million, or 6.8% of total lease liabilities).

At 31 December 2021G, potential future cash outflows of SAR 109.7 million (undiscounted) have been included in the lease liabilities due to the fact that it is reasonably certain that the leases will be extended.

Intangible assets

The following table compares the Company's intangible assets as at 31 December 2019G, 2020G and 2021G.

Table (6-22): Intangible assets as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Cost:					
At 1 January	26.5	30.2	32.8	14.0%	8.6%
Additions during the year	3.8	2.6	-	(31.6%)	(100.0%)
At 31 December	**30.3**	**32.8**	**32.8**	**8.3%**	**-**
Accumulated depreciation					
At 1 January	3.5	9.6	12.5	174.3%	30.2%
Amortization charge for the year	6.1	2.9	2.9	(52.5%)	-
At 31 December	**9.6**	**12.5**	**15.4**	**30.2%**	**23.2%**
Carrying amount of intangible assets	**20.7**	**20.3**	**17.4**	**(1.9%)**	**(14.3%)**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

The Company's intangible assets mainly related to SAP software and related development costs (contributing to an average of 85.6% of total intangible assets between 2019G and 2021G).

Intangible assets with definite useful lives are generally amortized on a straight-line basis over a useful life period of 3 to 15 years, where the amortization period method is reviewed at end of each financial year.

Intangible assets remained relatively stable between 31 December 2019G and 31 December 2020G at SAR 20.7 million and SAR 20.3 million, respectively.

Intangible assets subsequently decreased by SAR 2.9 million at 31 December 2021G due to annual amortization charges.

Employees' home ownership receivables

The following table compares the Company's employees' home ownership receivables as at 31 December 2019G, 2020G and 2021G.

Table (6-23): Employees' home ownership receivables as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Employees' home ownership receivables	9.3	6.6	4.7	(29.0%)	(28.8%)
Less: current portion	(1.9)	(2.0)	(2.1)	5.3%	5.0%
Total employees' home ownership receivables	**7.4**	**4.6**	**2.6**	**(37.8%)**	**(43.5%)**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

The Company had a Home Ownership Program that offered eligible Saudi employees home ownership opportunities. During 2010G, the Company constructed and sold 133 residential houses for outright sale to the eligible employees. Houses were sold and the receivable was recorded against such sales, which does not bear any finance charges and is expected to be collected over a period of 15 years.

The decrease in employees' home ownership receivables between 31 December 2019G and 31 December 2021G was due to the settlement of amounts due from employees.

Loans to employees

The following table compares the Company's loans to employees as at 31 December 2019G, 2020G and 2021G.

Table (6-24): Loans to employees as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Home loans to employees	22.1	16.9	16.9	(23.5%)	-
Other loans to employees	2.7	2.8	2.3	3.7%	(17.9%)
Less: current portion	(5.7)	(6.6)	(7.3)	15.8%	10.6%
Total loans to employees	**19.1**	**13.1**	**11.9**	**(31.4%)**	**(9.2%)**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

Loans to employees mainly comprised of home loans to employees which contributed to 88.0% of total loans to employees at 31 December 2021G.

Home loans to employees

Home loans to employees decreased from SAR 22.1 million at 31 December 2019G to SAR 16.9 million at 31 December 2020G mainly driven by deductions (including settlements with retired employees) during the year amounting to SAR 6.9 million. The decrease was partially offset by (i) new loans disbursed during the year amounting to SAR 1.4 million and (ii) finance income (investment returns) amounting to SAR 1.1 million.

Home loans to employees remained stable at SAR 16.9 million between 31 December 2020G and 31 December 2021G. Deductions during the year amounted to SAR 2.8 million and were offset by new loans disbursed during the year in the amount of SAR 2.7 million.

Current assets

The following table presents the Company's current assets as at 31 December 2019G, 2020G and 2021G.

Table (6-25): Current assets as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Inventories	594.3	543.8	710.1	(8.5%)	30.6%
Trade receivables	390.4	438.8	862.7	12.4%	96.6%
Prepayments and other assets	160.5	138.2	40.4	(13.9%)	(70.8%)
Short-term deposits	167.4	-	145.7	(100.0%)	100.0%
Cash and cash equivalents	179.0	672.9	1,349.5	275.9%	100.5%
Total current assets	**1,491.6**	**1,793.7**	**3,108.4**	**20.3%**	**73.3%**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

Total current assets mainly comprised of inventories, trade receivables and cash and cash equivalents which contributed 22.8%, 27.8% and 43.4%, respectively, of the total current assets balance at 31 December 2021G.

Current assets increased from SAR 1,491.6 million at 31 December 2019G to SAR 1,793.7 million at 31 December 2020G mainly driven by (i) increases in trade receivable balances from related parties and (ii) increases in cash and cash equivalents. These increases were partially offset by decreases in (i) inventory categories (excluding finished goods) in addition to an increase in the provision for slow moving items and (ii) advanced taxes and prepaid housing allowances recorded under prepayments and other assets.

Total current assets further increased to SAR 3,108.4 million at 31 December 2021G largely due to increases in (i) all inventory categories, (ii) trade receivables from third parties and related parties and (iii) cash and cash equivalents.

During 2020G, short-term deposits were reclassified to cash and cash equivalents (time deposits), as the deposit had a maturity of three months as at 31 December 2020G. This reclassification was subsequently reversed in 2021G.

Inventories

The following table compares the Company's inventories as at 31 December 2019G, 2020G and 2021G.

Table (6-26): Inventories as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Finished goods	249.6	173.5	293.3	(30.5%)	69.0%
Production in progress	190.3	215.1	215.5	13.0%	0.2%
Raw materials	76.7	79.0	117.4	3.0%	48.6%
Spare parts and consumables materials	87.9	89.1	98.4	1.4%	10.4%
Less: allowance for slow moving items	(10.2)	(12.9)	(14.5)	26.5%	12.4%
Total inventories	**594.3**	**543.8**	**710.1**	**(8.5%)**	**30.6%**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

At 31 December 2021G, inventories mainly comprised of finished goods, production in progress, raw materials and spare parts and consumables, contributing to an 41.3%, 30.3%, 16.5% and 13.9%, respectively, to the total inventories balance.

The Company's allowance for slow-moving inventory is calculated by providing for 20% of the value of any spare parts balances aged three to five years and 30% of the value of any spare parts balances aged more than five years.

Inventories decreased from SAR 594.3 million at 31 December 2019G to SAR 543.8 million at 31 December 2020G mainly on account of the decrease in the finished goods balance by SAR 76.1 million largely due to the price drop in the Company's products during 2020G. This decrease was partially offset by the increase in the production in progress balance by SAR 24.8 million, largely driven by the increases in Waxy, Distillates and Raffinates by SAR 16.9 million, SAR 6.9 million and SAR 6.1 million, respectively, which were offset by the decreases in MHFO and Naphtha by SAR 7.2 million and SAR 3.7 million. The inventory volumes of production in progress increased from 148 thousand metric tons at 31 December 2019G to 168 thousand metric tons at 31 December 2020G.

Inventories subsequently increased to SAR 710.1 million at 31 December 2021G largely driven by the increase in (i) finished goods by SAR 119.8 million and (ii) raw materials by SAR 38.4 million. This increase was mainly driven by the (i) increase in base oil prices and feedstock prices in 2021G as the Company increased procurement to meet rising global demand and (ii) increase in volumes of Group I, Group II, and imported finished goods in inventory at 31 December 2021G.

Trade receivables

The following table compares the Company's trade receivables as at 31 December 2019G, 2020G and 2021G.

Table (6-27): Trade receivables as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Trade receivables	220.2	219.5	455.0	(0.3%)	107.3%
Related parties	170.4	219.8	413.0	29.0%	87.9%
Allowance for doubtful account	(0.2)	(0.5)	(5.4)	150.0%	980.0%
Total trade receivables	**390.4**	**438.8**	**862.6**	**12.4%**	**96.6%**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

Trade receivables are non-derivative financial assets carried at amortized cost and generally offer 30-day credit terms to third party customers, while related parties are generally between 30 to 90 days. The carrying value may not be affected by changes in the credit risk of the counterparties. It is not the Company's practice to obtain collateral over third party receivables, therefore, they are unsecured.

At 31 December 2021G, trade receivables comprised of net third party receivables (52.1%), and related party receivables (47.9%).

Between 31 December 2019G and 31 December 2021G, an average of 94.6% of the Company's total gross receivables were current in nature (i.e., not past due). Due to the short-term nature of trade receivables, their carrying amounts are considered to be approximately equal to their fair value.

The majority of the Company's trade receivables are concentrated in the Kingdom of Saudi Arabia. At 31 December 2021G, the five largest customers accounted for 55% of the outstanding trade receivable balance.

The allowance for doubtful debts is only applied to third party trade receivables, using the ECL method to calculate the provision amount based on ageing. The Company writes-off financial assets, in whole, or in part, when they have exhausted all practical recovery efforts and have concluded there is no reasonable expectation of recovery.

The increase in total trade receivables from SAR 390.4 million at 31 December 2019G to SAR 438.8 million at 31 December 202G and SAR 862.6 million at 31 December 2021G was mainly influenced by (i) the Company's higher base oil sales (ii) the increase in average selling prices due to strong global demand and supply side tightness in the base oil market during 2021G, and (iii) the increase global crude oil prices which pushed average by-products selling prices higher.

Prepayments and other assets

The following table compares the Company's prepayments and other assets as at 31 December 2019G, 2020G and 2021G.

Table (6-28): Prepayments and other receivables breakdown as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Net Value Added Tax (VAT) receivables	68.4	108.5	16.8	58.6%	(84.5%)
Loans to employees (current portion)	5.7	6.6	7.3	15.8%	10.6%
Prepaid insurance	3.3	4.6	5.1	39.4%	10.9%
Advances to suppliers	11.7	10.8	3.1	(7.7%)	(71.3%)
Employees' home ownership receivables (current portion)	1.9	2.0	2.1	5.3%	5.0%
Interest receivable – time deposits	1.0	0.3	0.4	(70.0%)	33.3%
Advance tax	48.6	-	-	(100.0%)	-
Prepaid housing allowance	13.5	-	-	(100.0%)	-
Others	6.4	5.5	5.7	(14.1%)	3.6%
Total prepayments and other assets	**160.5**	**138.3**	**40.5**	**(13.8%)**	**(70.7%)**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

Prepayments and other assets mainly comprised net VAT receivables, current portion of loans to employees, prepaid insurance, and advances to supplier, contributing to 41.5%, 18.0%, 12.6% and 7.7%, respectively, to total prepayments and other assets at 31 December 2021G.

Prepayments and other assets decreased from SAR 160.5 million at 31 December 2019G to SAR 138.3 million at 31 December 2020G mainly driven by the decline in advance tax by SAR 48.6 million and prepaid housing allowances by SAR 13.5 million.

Prepayments and other assets further decreased to SAR 40.5 million at 31 December 2021G mainly driven by the decrease in net VAT receivables by SAR 91.7 million and advances to suppliers by SAR 7.7 million.

Loans to employees (current portion), employees' home ownership receivables (current portion), interest receivables and other receivables are generally settled within 12 months from the reporting date. Hence, their carrying amount is considered to be equal to their fair value.

Short-term deposits

The following table compares the Company's short-term deposits as at 31 December 2019G, 2020G and 2021G.

Table (6-29): Short-term deposits as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Employee gratuity fund	167.4	-	145.7	(100.0%)	100.0%
Total short-term deposits	**167.4**	**-**	**145.7**	**(100.0%)**	**100.0%**

Source: Company information

Short-term deposits represented the Company's cash placements with banks in relation to its employee gratuity fund and is restricted in nature, as it relates to a term deposit to fund employees' gratuities.

The decline in this balance from SAR 167.4 million at 31 December 2019G to nil at 31 December 2020G was attributed to the reclassification of this balance to time deposits within cash and cash equivalents as this deposit had a maturity of three months at 31 December 2020G. This reclassification was subsequently reversed during 2021G back to the short-term deposits account.

Cash and cash equivalents

The following table compares the Company's cash and cash equivalents as at 31 December 2019G, 2020G and 2021G.

Table (6-30): Cash and cash equivalents breakdown as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Cash in hand	0.3	0.3	0.3	-	-
Cash at banks	62.5	25.5	29.3	(59.2%)	14.9%
Time deposits	116.3	647.1	1,319.9	456.4%	104.0%
Total cash and cash equivalents	**179.1**	**672.9**	**1,349.5**	**275.7%**	**100.5%**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

Cash and cash equivalents mainly comprised time deposits and cash at banks, contributing to 97.8% and 2.2% of the total cash balance at 31 December 2021G, respectively.

Movements in the Company's cash and cash equivalents balance between 31 December 2019G and 31 December 2020G was mainly driven by the changes in time deposits driven by the Company's higher operating cash flows on account of improved performance between 2019G and 2021G.

Refer to section 6.6.4 "**Cashflow Statement of the Company**" within the Management Discussion and Analysis for further details regarding the movements in cash balances.

Cash at banks

At 31 December 2021G, the Company's cash at bank mainly related to (i) a SAR account at Bank Al Jazira amounting to SAR 19.3 million (ii) USD and SAR accounts at SNB with a total amount of SAR 4.7 million, and (iii) USD and SAR accounts at SAMBA with a total amount of SAR 3.6 million.

Cash at banks decreased from SAR 62.5 million at 31 December 2019G to SAR 25.5 million at 31 December 2020G mainly driven by SAR 11.9 million, SAR 11.7 million and SAR 2.8 million decreases in the Company's accounts with SAMBA, Bank Al Jazira and Riyad Bank, respectively. This was largely attributed to time deposits made at the end of 2020G.

Cash at banks balance remained relatively stable between 31 December 2020G and 31 December 2021G.

Time deposits

At 31 December 2021G, the Company had 18 time deposits with a total value of SAR 1,319.9 million. These are expected to mature by January 2022G. Additionally, the balance included a time deposit held in relation to the Company's thrift plan amounting to SAR 15.7 million at 31 December 2021G.

The increase in time deposits at 31 December 2020G by SAR 530.8 million was primarily attributed to (i) additional time deposit placements amounting to SAR 352.9 million during the year and (ii) the reclassification of short-term deposits (representing the Company's employee gratuity fund) to time deposits, as this deposit had a maturity of three months as at 31 December 2020G.

Time deposits further increased to SAR 1,319.9 million at 31 December 2021G mainly due to new time deposit placements at the end of the year amounting to SAR 835.8 million, on account of increases in operating cash flows due to improved performance during the year. This increase was partially offset by the Company reclassification of the employee gratuity fund to short-term deposits at 31 December 2021G.

Non-current liabilities

The following table presents the Company's non-current liabilities as at 31 December 2019G, 2020G and 2021G.

Table (6-31): Non-current liabilities as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Long-term borrowings	1,330.3	1,120.8	2,103.8	(15.7%)	87.7%
Lease liabilities	101.9	98.1	107.5	(3.7%)	9.6%
Employee benefit obligations	314.3	293.1	321.7	(6.7%)	9.8%
Deferred tax liabilities	-	-	54.8	-	100.0%
Other non-current liabilities	36.6	38.2	38.2	4.4%	-
Total non-current liabilities	**1,783.1**	**1,550.2**	**2,626.0**	**(13.1%)**	**69.4%**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

Total non-current liabilities mainly comprised of long-term borrowings, lease liabilities and employee benefit obligations which contributed to 80.1%, 4.1% and 12.3%, respectively, of the total non-current liabilities balance at 31 December 2021G.

Non-current liabilities decreased from SAR 1,783.1 million at 31 December 2019G to SAR 1,550.2 million at 31 December 2020G mainly driven by decreases in (i) long-term borrowings due to reclassification of the long-term balances to current portion of borrowings and (ii) employees' post-retirement health care benefits recorded under the employee benefit obligations account.

Non-current liabilities subsequently increased to SAR 2,626.0 million at 31 December 2021G due to (i) an increase in long-term borrowings due to the restructuring of the Company's long-term borrowing facilities entered into during the year, (ii) an increase in employees' post-retirement health care benefits and (iii) an increase in deferred tax liabilities.

Long-term borrowings

The following table compares the Company's long-term borrowings as at 31 December 2019G, 2020G and 2021G.

Table (6-32): Long-term borrowings as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Islamic banking facilities (Murabaha)	1,085.5	1,325.5	2,250.0	22.1%	69.7%
Public Investment Fund (PIF)	828.6	828.6	-	-	(100.0%)
Total borrowings	**1,914.1**	**2,154.1**	**2,250.0**	**12.5%**	**(4.5%)**
Less: current portion of long-term borrowings	(583.8)	(1,033.2)	(146.3)	77.0%	(85.8%)
Total long-term borrowings	**1,330.3**	**1,120.9**	**2,103.7**	**(15.7%)**	**87.7%**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

At 31 December 2019G and 31 December 2020G, the Company's borrowings included Murabaha facilities obtained mainly from Riyad Bank (consisted of three Murabaha facilities) and a single term loan from the PIF. At 31 December 2021G, the Company's borrowings consisted of a new Murabaha facility with a total value of SAR 2,250.0 million in order to repay previous borrowings, as part of the restructuring of the Company's long-term loans in August 2021G, with reduced annual principal payments, an extended repayment schedule term and more favorable margins. This comprised of (i) Facility A (a syndicated Murabaha agreement with a facility amount of SAR 1,687.5 million, with five local banks) and (ii) Facility B (a Murabaha loan with a facility amount of USD 150.0 million, equivalent to SAR 562.5 million, with Riyad Bank). The reduced annual principal payments contributed to an improvement in the Company's cash flow profile.

None of the Company's loans are secured against any of the Company's assets. Furthermore, at 31 December 2021G, the Company was not in breach of any of the financial covenants associated with the loans.

The Company's total borrowings increased from SAR 1,914.1 million at 31 December 2019G to SAR 2,154.1 million at 31 December 2020G, mainly on account of the additional drawdown from the Company's Riyad Bank Murabaha facility to finance the settlement of contractor balances, and to partially fund the Company's Hydrogen Revamp Project. No repayments were made during 2020G, due to the fact that PIF and Riyad Bank approved the deferral of the instalments that were due in 2020G to 2021G in relation to their respective facilities. In 2020G, the Company applied and received approval to defer the remaining repayment of their existing borrowings related to Riyad Bank (on a pro-rata basis over the remaining period of the loan) and the PIF (to June 2021G and December 2021G).

Total borrowings further increased to SAR 2,250.0 million at 31 December 2021G driven by the increase in borrowings resulting from the newly obtained Murabaha facility. This increase was offset by the restructuring of all existing facilities, where the Company used their new Murabaha facility to fully repay their existing debt in 2021G.

Islamic banking facilities (Murabaha)

The Company's Riyad Bank Murabaha facilities were obtained to (i) fund the construction of the Yanbu Expansion Project (amounting to SAR 2,137.5 million) and (ii) draw additional funds to finance the settlement of contractor balances and partially fund the Company's Hydrogen Revamp Project (amounting to SAR 337.5 million).

In August 2021G, the Company entered into a new Murabaha agreement, with a total amount of SAR 2,250.0 million. This comprised of (i) Facility A (a syndicated Murabaha agreement with a facility amount of SAR 1,687.5 million, with five local banks (Al Rajhi Banking and Investment Corporation, The Saudi National Bank, Saudi British Bank, Banque Saudi Fransi and Bank Al Jazira) and (ii) Facility B (a Murabaha loan with a facility amount of USD 150.0 million, equivalent to SAR 562.5 million, with Riyad Bank). The purpose of these facilities was to restructure the Company's long-term borrowings by extending the tenor of the original debt facilities and reducing annual principal payments compared to the original structure. The proceeds from this restructuring were used to fund (i) the settlement of the PIF and Riyad Bank loans and (ii) the settlement of the Hydrogen Revamp Project and contractor balances. The principal repayments for this loan have begun on 30 June 2022G and will continue on an unequal, semi-annual basis until 30 June 2029G.

Public Investment Fund (PIF)

The PIF loan was obtained on 18 August 2014G, with a principal amount of SAR 1,546.5 million, as additional funding for the Yanbu Expansion Project.

The Company fully settled all outstanding balances owed to PIF during August 2021G.

Long-term borrowings repayment schedule

The following table compares the Company's repayment schedule of long-term borrowings as at 31 December 2019G, 2020G and 2021G.

Table (6-33): Repayment schedule of long-term borrowings as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
2020G	583.8	-	-	(100.0%)	-
2021G	628.0	1,033.2	-	64.5%	(100.0%)
2022G	579.2	810.2	146.3	39.9%	(81.9%)
2023G	123.1	198.1	163.1	60.9%	(17.7%)
2024G	-	75.0	196.9	100.0%	162.5%
2025G	-	37.6	225.0	100.0%	498.4%
2026G	-	-	258.7	-	100.0%
2027G	-	-	270.0	-	100.0%
2028G	-	-	315.0	-	100.0%
2029G	-	-	675.0	-	100.0%
Total long-term borrowings	**1,914.1**	**2,154.1**	**2,250.0**	**12.5%**	**4.5%**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

The following two tables present the Company's key terms of borrowing agreements as at 31 December 2019G, 2020G and 2021G.

Table (6-34-A): Key terms of settled borrowing agreements of the Company for the financial years ended 31 December 2019G, 2020G and 2021G (which were settled in August 2021G):

Borrowings	Riyad bank 1	Riyad bank 2	Riyad bank 3	Public Investment Fund (PIF)
Facility amount	SAR 1,012.5 million	SAR 1,125.0 million	SAR 337.5 million	SAR 1,546.5 million
Currency	SAR	USD	USD	USD
Date obtained	13 February 2013G	13 February 2013G	28 April 2019G	18 August 2014G
Interest rate	SIBOR + 0.85%	LIBOR + 1.40%	LIBOR + 1.00%	LIBOR + 1.50%
Final settlement	31 August 2021G	31 August 2021G	31 August 2021G	30 August 2021G
Payment terms	Unequal semi-annual payments	Unequal semi-annual payments	Unequal semi-annual payments	Unequal semi-annual payments
Security	None	None	None	None

Source: Company information

Table (6-34-B): Key terms of active borrowing agreements of the Company for the financial year 31 December 2021G (which were obtained in August 2021G):

Borrowings	Murabaha Syndicate (Facility A)	Murabaha (Facility B)
Facility amount	SAR 1,687.5 million	SAR 562.5 million
Currency	SAR	USD
Date obtained	19 August 2021G	19 August 2021G
Interest rate	(i) Signing date to Year 3: 0.75% per annum + SIBOR (ii) Year 3 to Year 5.5: 0.9% per annum + SIBOR (iii) Year 5.5 to maturity: 1.05% per annum + SIBOR	(i) Signing date to Year 3: 1% per annum + LIBOR (ii) Year 3 to Year 5.5: 1.25% per annum + LIBOR (iii) Year 5.5 to maturity: 1.50% per annum + LIBOR
Maturity	30 June 2029G	30 June 2029G
Payment terms	Unequal semi-annual payments	Unequal semi-annual payments
Security	None	None

Source: Company information

Employee benefit obligations

The following table compares the Company's employee benefit obligations as at 31 December 2019G, 2020G and 2021G.

Table (6-35): Employee benefit obligations as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Employees' end of service benefits	173.6	171.0	154.8	(1.5%)	(9.5%)
Employees' post-retirement health care benefit	140.7	122.2	166.8	(13.1%)	36.5%
Total employee benefit obligations	**314.3**	**293.2**	**321.6**	**(6.7%)**	**9.7%**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

The Company's employee benefit obligations balances at 31 December 2020G and 31 December 2021G were calculated by a certified external actuary.

Employee benefit obligations decreased from SAR 314.3 million at 31 December 2019G to SAR 293.2 million at 31 December 2020G due to (i) a decrease in employees' end of service benefits by SAR 2.6 million and (ii) a decrease in employees' post-retirement health care benefits by SAR 18.5 million.

Employee benefit obligations subsequently increased to SAR 321.6 million at 31 December 2021G driven by an increase in employees' post-retirement health care benefits in the amount of SAR 44.6 million. This increase was partially offset by a decrease in end of service benefits by SAR 16.2 million.

Employees' end of service benefits

The Company has an employment defined benefit plan. The benefits are required by Saudi Labor Law and are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of the Kingdom of Saudi Arabia.

Employees' end of service benefits decreased from SAR 173.6 million at 31 December 2019G to SAR 171.0 million at 31 December 2020G due to end of service benefits paid in the amount of SAR 18.5 million, offset by (i) the current service cost of SAR 10.7 million and (ii) interest costs amounting to SAR 5.2 million.

Employees' end of service benefits further decreased to SAR 154.8 million at 31 December 2021G as a result of the benefits paid to employees during the year which amounted to SAR 32.1 million. This decrease was partially offset by increases in (i) current service costs of SAR 10.8 million and (ii) interest charges amounting to SAR 3.4 million.

Employees' post-retirement health care benefit

Employees' post-retirement health care benefits decreased from SAR 140.7 million at 31 December 2019G to SAR 122.2 million at 31 December 2020G driven by (i) actuarial gains on employee benefit obligations amounting to SAR 33.5 million and (ii) benefits paid during the year of SAR 0.9 million. This decrease was partially offset by (i) current service costs of SAR 8.3 million and (ii) interest costs amounting to SAR 7.6 million.

Subsequently, the balance has increased to SAR 166.8 million in 2021G due to (i) current service costs of SAR 6.3 million, (ii) interest costs amounting to SAR 4.2 million and (iii) an actuarial loss in the amount of SAR 35.6 million. The increase was partially offset by benefits paid during the year in the amount of SAR 1.4 million.

Other non-current liabilities

The following table compares the Company's other non-current liabilities as at 31 December 2019G, 2020G and 2021G.

Table (6-36): Other non-current liabilities as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Provision for decommissioning	30.1	30.7	31.4	2.0%	2.3%
Thrift plan	5.8	6.2	5.5	6.9%	(11.3%)
Chronic Medical Circumstances	0.8	1.3	1.2	62.5%	(7.7%)
Total other non-current liabilities	**36.7**	**38.2**	**38.1**	**4.1%**	**(0.3%)**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

Other non-current liabilities mainly comprised of the Company's provision for decommissioning and thrift plan contributing to 82.2% and 14.4%, respectively, to total other non-current liabilities at 31 December 2021G.

Total other non-current liabilities remained relatively stable between 31 December 2019G, 2020G and 2021G at SAR 36.7 million, SAR 38.2 million and SAR 38.1 million, respectively.

Provision for decommissioning

The Company's provision for decommissioning related to present value obligation of the costs to close, reclaim, and dismantle the Jeddah facility. These obligations are expected to be incurred in the year in which the facility is expected to be closed. As per the Company's business plan, approved by the Board, the Jeddah Facility will close in 2026G.

The initial gross decommissioning liability of SAR 36.2 million was calculated in December 2015G using (i) a decommissioning liability of 4.5% multiplied by (ii) the original total cost of the Jeddah facility (SAR 804.8 million). This liability was discounted at a rate of 2.4% until 2020G. The annual unwinding cost of this provision is SAR 0.7 million. At 30 June 2022G, decommissioning liability in relation to the Jeddah facility amounted to SAR 38.8 million.

Current liabilities

The following table presents the Company's current liabilities as at 31 December 2019G, 2020G and 2021G.

Table (6-37): Current liabilities as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Trade payables	949.2	889.4	1,086.7	(6.3%)	22.2%
Accrued expenses and other liabilities	202.1	85.5	105.1	(57.7%)	22.9%
Current portion of long-term borrowings	583.8	1,033.2	146.3	77.0%	(85.8%)
Lease liabilities	10.6	19.6	5.3	84.9%	(73.0%)
Zakat and income tax payable	29.4	22.8	150.5	(22.4%)	560.1%
Total current liabilities	**1,775.1**	**2,050.5**	**1,493.9**	**15.5%**	**(27.1%)**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

At 31 December 2021G, total current liabilities mainly comprised of trade payables which contributed to 72.7% of the total current liabilities balance.

Current liabilities increased from SAR 1,775.1 million at 31 December 2019G to SAR 2,050.5 million at 31 December 2020G mainly driven by an increase in the current portion of (i) long-term borrowings (mainly due to the deferral of the Company's remaining loan repayments to August 2021G) and (ii) lease liabilities. These increases have been partially offset by (i) decreases in third-party trade payables, accrued expenses, and Yanbu Expansion Project related payables and (ii) a decrease in the zakat payable balance as a result of payments made during the year.

Current liabilities subsequently decreased to SAR 1,493.9 million at 31 December 2020G mainly due to a decrease in the current portion of (i) long-term borrowings (due to the settlement of the Company's previously held loan facilities) and (ii) lease liabilities. The decrease was partially offset by increases in (i) related party trade payables, as a result of increased feedstock prices and volumes consumed during the year, (ii) accrued bonuses, rebates, and discounts and (iii) income tax charges for the year resulting from the higher profit achieved in 2021G.

Trade payables

The following table compares the Company's trade payables as at 31 December 2019G, 2020G and 2021G.

Table (6-38): Trade payables as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Related parties	698.5	729.4	933.3	4.4%	28.0%
Third parties	135.9	49.4	45.4	(63.6%)	(8.1%)
Other payables	114.8	110.7	108.0	(3.6%)	(2.4%)
Total trade payables	**949.2**	**889.5**	**1,086.7**	**(6.3%)**	**22.2%**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

At 31 December 2021G, trade payables comprised related party payables, third party payables and other payables, contributing to 85.9%, 4.2% and 9.9% of total trade payables, respectively.

The Company's typical payment terms at 31 December 2021G varied by category, as follows:

- Feedstock suppliers: the Jeddah facility has 90-day payment terms, while the Yanbu facility has 60-day payment terms (previously 90 days prior to October 2021G).
- Propane, Fuel oil and Sales Gas suppliers have 45-day payment terms; and
- Third party suppliers have an average of 30-day payment terms.

Trade payables decreased from SAR 949.2 million at 31 December 2019G to SAR 889.5 million at 31 December 2020G driven by a decrease in (i) third party payables in the amount of SAR 86.5 million mainly driven by a settlement of outstanding contractor balances related to the Yanbu Expansion Project and (ii) other payables by SAR 4.1 million. The decrease was partially offset by increases in related party payables mainly driven by an increase in payables to Saudi Aramco relating to the purchase of feedstock, materials, and utilities.

Trade payables subsequently increased to SAR 1,086.7 million at 31 December 2021G. The increase was attributed to increases in related party payables during the year primarily driven by (i) additional feedstock procured from Saudi Aramco at Yanbu and (ii) an increase in feedstock prices during 2021G. The increase was partially offset by a decrease in third party payables amounting to SAR 4.0 million.

Other payables

Other payables mainly comprised a goods receipt / invoice receipt clearing account, thrift plan employee contributions and advances from local and export customers which contributed to 61.2%, 28.8% and 8.1%, respectively.

Other payables decreased from SAR 114.8 million at 31 December 2019G to SAR 110.7 million at 31 December 2020G, primarily resulting from the decrease in advances from export customers in the amount of SAR 9.4 million after export customer demands declined in 2020G.

Accrued expenses and other liabilities

The following table compares the Company's accrued expenses and other liabilities as at 31 December 2019G, 2020G and 2021G.

Table (6-39): Accrued expenses and other liabilities as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Accrued bonus	13.0	20.3	38.3	56.2%	88.7%
Accrual for rebates and discounts	28.9	21.0	37.2	(27.3%)	77.1%
Accrued expenses	(1) 23.3	7.3	18.1	(68.7%)	147.9%
Derivative financial instruments measured at fair value through profit or loss	(1) 8.4	19.7	6.3	134.5%	(68.0%)
Project related accruals	123.5	11.8	-	(90.4%)	(100.0%)
Others	5.0	5.5	5.1	10.0%	(7.3%)
Total accrued expenses and other liabilities	**202.1**	**85.5**	**105.0**	**(57.7%)**	**22.8%**

(1) The numbers for the financial year ended 31 December 2019G were reclassified from Accrued Expense to Derivative financial instruments measured at fair value through profit or loss in line with the revised classification in the audited financial statements for the financial year ended 31 December 2020G.

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

At 31 December 2021G, accrued expenses and other liabilities mainly comprised accrued bonus, accrual for rebates and discounts, and accrued expenses, contributing to 36.5%, 35.4%, and 17.2%, respectively, to total accrued expenses and other liabilities.

Accrued expenses and other liabilities decreased from SAR 202.1 million at 31 December 2019G to SAR 85.5 million at 31 December 2020G mainly driven by the decline in (i) project related accruals by SAR 111.7 million, (ii) accruals for rebates and discounts by SAR 7.9 million and (ii) accrued expenses by SAR 16.0 million. The decrease was partially offset by increases in accrued bonuses and derivative financial instruments measured at fair value through profit or loss.

Accrued expenses and other liabilities subsequently increased to SAR 105.0 million at 31 December 2021G mainly driven by the increase in (i) accrued bonuses by SAR 18.0 million, (ii) rebates and discounts accruals by SAR 16.2 million and (ii) accrued expenses in the amount of SAR 10.8 million. This increase was partially offset by decreases in derivative financial instruments measured at fair value through profit or loss and Yanbu Expansion Project related costs.

Zakat and income tax payable

The following table compares the Company's zakat and income tax payable movement as at 31 December 2019G, 2020G and 2021G.

Table (6-40): Zakat and income tax payable movement as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	Income tax	Zakat	Total
At 1 January 2019G	0.5	26.2	26.7
Charge for the year	-	2.7	2.7
At 31 December 2019G	0.5	28.9	29.4
Charge for the year	-	0.9	0.9
Payment	-	(7.4)	(7.4)
At 31 December 2020G	0.5	22.3	22.8
Prior year reversal	-	(13.9)	(13.9)
Charge for the year	130.2	12.5	142.7
Payment	-	(1.1)	(1.1)
At 31 December 2021G	**130.7**	**19.8**	**150.5**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

The Company is subject to zakat with respect to Jadwa's shareholding and income tax with respect to Saudi Aramco's shareholding. Provisions for zakat and income tax are accrued and charged to the statement of comprehensive income.

During 31 December 2017G, pursuant to the Income Tax Law, all shares in the Kingdom-resident companies held directly or indirectly by Saudi Aramco are subject to Saudi Arabian income tax, rather than to Zakat. Accordingly, income tax has been recognized for Saudi Aramco owned interest in the Company.

The Company's shareholder, Jadwa, was partially owned by non-resident foreign partner(s) (until Q1 2022Q). Accordingly, during the year ended 31 December 2021G, the Company recognized zakat on Jadwa's resident partners' interest.

Income tax liability is calculated at 20% of the adjusted net income attributable to the Saudi Aramco and Jadwa foreign shareholders.

In 2020G, the shareholders signed an agreement that they shall bear the economic burden of any zakat and income tax required under applicable law.

The Company has filed its zakat and income tax return up to the year ended 31 December 2021G. The Company does not have any open assessment orders with the ZATCA as 30 June 2022G. The zakat and income tax assessments up to 31 December 2016G have been finalized by the ZATCA.

During the year ended 31 December 2021G, the ZATCA issued an assessment related to 2015G amounting to SAR 0.2 million, which was settled during the year.

The decrease in zakat and income tax payable at 31 December 2020G by SAR 6.6 million was mainly due no income tax charged during the year on account of the Company's net loss in 2019G, while the subsequent increase in zakat and income tax payable at 31 December 2021G by SAR 127.7 million was driven by the increase in the Company's net profit between 2020G and 2021G.

Related parties' information

The following table presents the Company's due from related parties' information as at 31 December 2019G, 2020G and 2021G.

Table (6-41-A): Due from related parties as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	Nature of the relationship	Nature of the transaction	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Saudi Aramco	Substantial Shareholder	Sales of other by products and processing fees	91.7	100.7	141.9	9.8%	40.9%
Saudi Aramco Mobil Refinery Company Ltd. (SAMREF)	Affiliate	Sales of by products	78.7	63.7	179.0	(19.1%)	181.0%
S-Oil Corporation	Affiliate	Sale of base oil	-	41.3	70.1	100.0%	69.7%
Motiva Trading LLC	Affiliate	Sale of base oil	-	14.0	21.4	100.0%	52.9%
Aramco Chemicals Company (ACC)	Affiliate	Sale of base oil	-	0.1	0.7	100.0%	600.0%
Total due from related parties			**170.4**	**219.8**	**413.1**	**29.0%**	**87.9%**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

Saudi Aramco

The balances due from Saudi Aramco mainly represented Asphalt and Naphtha that resulted from the manufacturing process at the Yanbu facility, which were sold to Saudi Aramco. The credit terms for these transactions are between 30 to 90 days, depending on the product.

Payments due from Saudi Aramco increased from SAR 91.7 million at 31 December 2019G to SAR 100.7 million at 31 December 2020G mainly due to (i) an adjustment to the Company's Asphalt Handling Fees in the amount of SAR 9.9 million for the years from 2017G to 2020G and (ii) the increase in Asphalt sales value by SAR 5.1 million in 2020G. This increase was partially offset by the decrease in Naphtha sales value by SAR 5.9 million.

Due from Saudi Aramco further increased to SAR 141.9 million at 31 December 2021G largely driven by an increase in by-product sales to Saudi Aramco.

Saudi Aramco Mobil Refinery Company Ltd. (SAMREF)

The transactions with SAMREF represented the sale of MHFO and Ultra Low Sulfur Diesel. These by-products sales have a credit term of 45 days.

Amounts due from SAMREF decreased from SAR 78.7 million at 31 December 2019G to SAR 63.7 million at 31 December 2020G, primarily due to the decline in average selling prices during the year attributed to the decline in crude oil prices during COVID-19.

The balance subsequently increased to SAR 179.0 million at 31 December 2021G mainly driven by the recovery in average selling prices during 2021G.

S-Oil Corporation & Motiva Trading LLC

The balances due from S-Oil Corporation and Motiva Trading LLC represented the sale of base oils as per the contractual agreements with each party. These agreements have outlined credit terms of 30 days.

The increase in transactions during 2020G and 2021G were mainly due to the Company's strategy to increase sales using the Aramco Base Oil Alliance agreement with Motiva and S-Oil to do so. This was the main driver behind the increase in these balances from nil at 31 December 2019G to SAR 55.3 million at 31 December 2020G.

The balances subsequently increased to SAR 91.5 million at 31 December 2021G due to the higher average selling prices and higher volumes sold during the year.

The following table presents the Company's due to related parties' information as at 31 December 2019G, 2020G and 2021G.

Table (6-41-B): Due to related parties as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	Nature of the relationship	Nature of the transaction	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Saudi Aramco	Substantial Shareholder	Purchase of feedstock, materials, utilities, and technical management support services	698.5	722.5	910.6	3.4%	26.0%
S-Oil Corporation	Affiliate	Purchase of base oil	-	6.8	22.6	100.0%	232.4%
Total due to related parties			**698.5**	**729.4**	**933.3**	**4.4%**	**28.0%**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

Saudi Aramco

These transactions mainly comprised payments due in relation to the purchase of feedstock used in the production of the Company's products, as well as utilities, and other technical support services in 2021G relating to O&M services (amounting to SAR 18.0 million).

Due to Saudi Aramco increased from SAR 698.5 million at 31 December 2019G to SAR 722.5 million at 31 December 2020G was mainly due to the increase in (i) feedstock costs relating to the Jeddah facility, amounting to SAR 74.1 million (ii) Jeddah utility accruals, amounting to SAR 31.8 million and (iii) Saudi Aramco loanee costs, amounting to SAR 6.6 million. These increases were partially offset by (i) the netting of Saudi Aramco receivables against Saudi Aramco payables, amounting to SAR 45.1 million and (ii) the decrease in feedstock costs relating to the Yanbu facility, amounting to SAR 35.3 million.

The balance further increased to SAR 910.6 million at 31 December 2021G primarily driven by (i) a higher volume of feedstock purchased from Saudi Aramco in relation to both Jeddah and Yanbu production facilities, (ii) increased feedstock prices during the year (iii) increase in Jeddah utility accruals and (iv) increase in Propane and Sales Gas consumed. These increases were partially offset by the netting of Saudi Aramco receivables against Saudi Aramco payables.

The following table presents the compensation of the Company's key management personnel, as at 31 December 2019G, 2020G and 2021G.

Table (6-42): Transactions with key management personnel as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Short-term employee benefits	36.5	28.7	21.6	(21.4%)	(24.7%)
Total transactions with key management personnel	**36.5**	**28.7**	**21.6**	**(21.4%)**	**(24.7%)**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

6.7.3 Total Equity

The following table presents the Company's total equity as at 31 December 2019G, 2020G and 2021G.

Table (6-43): Total equity as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Share capital	441.0	441.0	441.0	-	-
Statutory reserve	220.5	220.5	220.5	-	-
Retained earnings	2,935.4	3,050.1	3,583.0	3.9%	17.5%
Total equity	**3,596.9**	**3,711.6**	**4,244.5**	**3.2%**	**14.4%**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

Total equity increased from SAR 3,596.9 million at 31 December 2019G to SAR 3,711.6 million at December 2020G and further increased to SAR 4,244.5 million at 31 December 2021G solely driven by the increase in retained earnings year-on-year.

Share capital

At 31 December 2019G, 2020G and 2021G, the Company's share capital of SAR 441.0 million consisted of 44,100 fully paid shares of SAR 10 thousand each. The shareholding pattern of the Company's share capital as at 31 December 2019G, 2020G and 2021G is as follows:

Table (6-44): Share capital as at 31 December 2021G of the Company:

Currency: SARm	Amount	Percentage holding
Saudi Aramco	308.7	70.0%
Jadwa Industrial Investment Company (Jadwa)	132.3	30.0%
Total share capital	**441.0**	**100.0%**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

Statutory reserve

In accordance with the Regulations of Companies' Law in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company should transfer 10% of the net profits for the year to a statutory reserve until such reserve equals at least 30% of its share capital. No transfers are made to the statutory reserve as the reserve has exceeded 30% of the Company's share capital in previous years. This reserve is not available for distribution to shareholders.

Commitments and contingencies

The following table compares the Company's commitments and contingencies as at 31 December 2019G, 2020G and 2021G.

Table (6-45): Commitments and contingencies as at 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Capital commitments	510.0	416.0	293.0	(18.4%)	(29.6%)
Short-term lease commitments	4.3	4.5	10.8	4.7%	140.0%
Letter of guarantees	12.7	11.3	11.3	(11.0%)	-
Letters of credit	-	-	4.9	-	100.0%
Total commitments and contingencies	**527.0**	**431.8**	**320.0**	**(18.1%)**	**(25.9%)**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

6.7.4 Cash flow Statement of the Company

The following table presents the Company's cashflow statement as at 31 December 2019G, 2020G and 2021G.

Table (6-46): Statement of cash flows for the financial years ended 31 December 2019G, 2020G and 2021G of the Company:

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
(loss) / profit before zakat and income tax	(137.9)	81.9	1,691.4	(159.4%)	1,965.2%
Adjustments for:					
Depreciation and amortization	303.9	309.1	340.2	1.7%	10.1%
Finance income (investment returns)	(19.2)	(4.5)	(5.6)	(76.6%)	24.4%
Non-cash employee benefit expenses	2.1	1.0	-	(52.4%)	(100.0%)
Finance cost	(1) 99.6	71.6	69.9	(28.1%)	(2.4%)
Fair value loss / (gain) on derivative financial instruments	(1) 8.4	11.2	(13.3)	33.3%	(218.8%)
Provision for employee benefits obligations	39.0	31.9	24.8	(18.2%)	(22.3%)
Gain on termination of lease contract	-	(4.4)	-	100.0%	(100.0%)
Gain on sale of property and equipment	-	-	(2.1)	-	100.0%
Impairment loss on trade receivables	-	0.3	4.8	100.0%	1,500.0%
Provision for slow moving inventories	0.7	2.7	1.6	285.7%	(40.7%)
Changes in operating assets and liabilities:					
Inventories	69.8	47.8	(167.9)	(31.5%)	(451.3%)
Trade receivables	146.3	(48.6)	(428.7)	(133.2%)	782.1%
Prepayments and other assets	(68.2)	22.5	98.8	(133.0%)	339.1%
Trade payables	(323.2)	(60.4)	198.0	(81.3%)	(427.8%)
Accrued expenses and other liabilities	6.9	(127.8)	32.9	(1,952.2%)	(125.7%)
Cash generated from operating activities	**128.2**	**334.3**	**1,844.8**	**160.8%**	**451.8%**

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Finance income (investment returns) received	19.5	4.0	4.6	(79.5%)	15.0%
Finance cost paid	(101.6)	(2) -	-	(100.0%)	-
Employee benefit obligations paid	(24.7)	(19.4)	(33.5)	(21.5%)	72.7%
Zakat and income tax paid	-	(7.4)	(1.1)	100.0%	(85.1%)
Net cash inflow from operating activities	**21.4**	**(2) 311.5**	**1,814.8**	**1,355.6%**	**482.6%**
Payments for property, plant, and equipment	(307.6)	(162.5)	(80.8)	(47.2%)	(50.3%)
Proceeds from sale of property, plant, and equipment	-	0.1	2.2	100.0%	2,100.0%
Additions to intangible assets	(3.8)	(2.6)	-	(31.6%)	(100.0%)
Payments for short-term deposits	(335.6)	(330.6)	(466.5)	(1.5%)	41.1%
Proceeds from short-term deposits	326.7	497.8	320.8	52.4%	(35.6%)
Repayment of loans by employees	8.4	9.6	4.8	14.3%	(50.0%)
Disbursement of loans to employees	(4.6)	(3.5)	(4.2)	(23.9%)	20.0%
Repayment of employees' home ownership receivables	2.3	2.8	2.1	21.7%	(25.0%)
Net cash generated (outflow) / inflow from investing activities	**(314.2)**	**11.1**	**(221.6)**	**(103.5%)**	**(2,096.4%)**
Proceeds from borrowings	97.5	240.0	2,250.0	146.2%	837.5%
Repayment of borrowings	(536.0)	-	(2,154.3)	(100.0%)	100.0%
Dividends	-	-	(937.5)	-	100.0%
Principle element of lease payments	(8.6)	(2) (2.5)	(4.8)	(70.9%)	92.0%
Finance cost paid	-	(2) (66.2)	(70.0)	100.0%	5.7%
Net cash (outflow) / inflow from financing activities	(447.1)	171.3	(916.6)	(138.3%)	(635.1%)
Net (decrease) / increase in cash and cash equivalents	**(739.9)**	**493.9**	**676.6**	**(166.8%)**	**37.0%**
Cash and cash equivalents at beginning of year	918.9	179.0	672.9	(80.5%)	275.9%
Cash and cash equivalents at end of year	**179.0**	**672.9**	**1,349.5**	**275.9%**	**100.5%**

(1) The numbers for the financial year ended 31 December 2019G were reclassified from Finance cost to Fair value loss on derivative financial instruments in line with the revised classification in the audited financial statements for the financial year ended 31 December 2020G.

(2) The numbers for the financial year ended 31 December 2019G were reclassified from Finance cost paid from operating activities to Finance cost paid on financing activities in line with the revised classification in the audited financial statements for the financial year ended 31 December 2021G.

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

Cash flows from operating activities

The following table compares the Company's cash flows from operating activities as at 31 December 2019G, 2020G and 2021G.

Table (6-47): Cash flows from operating activities for the financial years ended 31 December 2019G, 2020G and 2021G of the Company

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
(loss) / profit before zakat and income tax	(137.9)	81.9	1,691.4	(159.4%)	1,965.2%
Adjustments for:					
Depreciation and amortization	303.9	309.1	340.2	1.7%	10.1%
Finance income (investment returns)	(19.2)	(4.5)	(5.6)	(76.6%)	24.4%
Non-cash employee benefit expenses	2.1	1.0	-	(52.4%)	(100.0%)
Finance cost	(1) 99.6	71.6	69.9	(28.1%)	(2.4%)
Fair value loss / (gain) on derivative financial instruments	(1) 8.4	11.2	(13.3)	33.3%	(218.8%)
Provision for employee benefits obligations	39.0	31.9	24.8	(18.2%)	(22.3%)
Gain on termination of lease contract	-	(4.4)	-	100.0%	(100.0%)
Gain on sale of property and equipment	-	-	(2.1)	-	100.0%
Impairment loss on trade receivables	-	0.3	4.8	100.0%	1,500.0%
Provision for slow moving inventories	0.7	2.7	1.6	285.7%	(40.7%)
Changes in operating assets and liabilities:					
Inventories	69.8	47.8	(167.9)	(31.5%)	(451.3%)
Trade receivables	146.3	(48.6)	(428.7)	(133.2%)	782.1%
Prepayments and other assets	(68.2)	22.5	98.8	(133.0%)	339.1%
Trade payables	(323.2)	(60.4)	198.0	(81.3%)	(427.8%)
Accrued expenses and other liabilities	6.9	(127.8)	32.9	(1,952.2%)	(125.7%)
Cash generated from operating activities	128.2	334.3	1,844.8	160.8%	451.8%
Finance income (investment returns) received	19.5	4.0	4.6	(79.5%)	15.0%
Finance cost paid	(101.6)	(2) -	-	(100.0%)	-
Employee benefit obligations paid	(24.7)	(19.4)	(33.5)	(21.5%)	72.7%
Zakat and income tax paid	-	(7.4)	(1.1)	100.0%	(85.1%)
Net cash inflow from operating activities	**21.4**	**(2) 311.5**	**1,814.8**	**1,355.6%**	**482.6%**

(1) The numbers for the financial year ended 31 December 2019G were reclassified from Finance cost to Fair value loss on derivative financial instruments in line with the revised classification in the audited financial statements for the financial year ended 31 December 2020G.

(2) The numbers for the financial year ended 31 December 2019G were reclassified from Finance cost paid from operating activities to Finance cost paid on financing activities in line with the revised classification in the audited financial statements for the financial year ended 31 December 2021G.

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

Cash flows from operating activities

Cash flows from operating activities increased from SAR 21.4 million in 2019G to SAR 311.5 million in 2020G mainly driven by (i) an increase in net income / (loss) before zakat and income tax from SAR (137.9) million in 2019G to SAR 81.9 million in 2020G, (ii) an increase resulting from the working capital movements in prepayments and other assets and trade payables and (iii) the reclassification of short-term deposits to time deposits within cash and cash equivalents. These increases were partially offset by (i) decreases resulting from the working capital movements in inventories, trade receivables and accrued expenses and other liabilities and (ii) a decrease in finance income (investment returns).

Net cash generated from operating activities subsequently increased to SAR 1,814.8 million in 2021G mainly due to (i) the increase in net profit before zakat and tax by SAR 1,609.5 million during 2021G driven by the recovery of base oil and by-products prices, increased capacity utilization at both Jeddah and Yanbu facilities (resulting in increased availability of products for sale), and the increase in export volumes sold due to the efforts made by the Company to enhance its geographical footprint, supported by the Aramco Base Oil Alliance Agreement, (ii) the increase in the depreciation and amortization charges for the year which were added back to net income and (iii) an increase in the working capital movements of prepayments and other assets, trade payables and accrued expenses and other liabilities. The increase was partially offset by (i) decreases in the fair value loss on derivative financial instruments charged to the statement of comprehensive income, (ii) decreases in the working capital movements of inventories and trade receivables and (iii) an increase in employee benefit obligations paid during 2021G.

The working capital changes between 2019G and 2021G were mainly impacted by changes in the pricing of feedstock supplied by Saudi Aramco, the Company's average selling prices and volumes sold by the Company.

Cash flows from investing activities

The following table compares the Company's cash flows from investing activities as at 31 December 2019G, 2020G and 2021G.

Table (6-48): Cash flows from investing activities for the financial years ended 31 December 2019G, 2020G and 2021G of the Company

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Payments for property, plant, and equipment	(307.6)	(162.5)	(80.8)	(47.2%)	(50.3%)
Proceeds from sale of property, plant, and equipment	-	0.1	2.2	100.0%	2,100.0%
Additions to intangible assets	(3.8)	(2.6)	-	(31.6%)	(100.0%)
Payments for short-term deposits	(335.6)	(330.6)	(466.5)	(1.5%)	41.1%
Proceeds from short-term deposits	326.7	497.8	320.8	52.4%	(35.6%)
Repayment of loans by employees	8.4	9.6	4.8	14.3%	(50.0%)
Disbursement of loans to employees	(4.6)	(3.5)	(4.2)	(23.9%)	20.0%
Repayment of employees' home ownership receivables	2.3	2.8	2.1	21.7%	(25.0%)
Net cash generated (outflow) / inflow from investing activities	**(314.2)**	**11.1**	**(221.6)**	**(103.5%)**	**(2,096.4%)**

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

Cash flows from investing activities

Cash flows from investing activities increased from SAR (314.2) million in 2019G to SAR 11.1 million in 2020G due to (i) a decrease in capital expenditures in the amount of SAR 145.1 million and (ii) the reclassification of the short-term deposits balance to cash and cash equivalents as this deposit had a maturity of three months as at 31 December 2020G.

Cash flows from investing activities subsequently decreased to SAR (221.6) million in 2021G driven by the subsequent reclassification of the employee gratuity fund from cash and cash equivalents to short-term deposits. The decrease was partially offset by decreased payments for property, plant, and equipment.

Cash flows from financing activities

The following table compares the Company's cash flows from financing activities as at 31 December 2019G, 2020G and 2021G.

Table (6-49): Cash flows from financing activities for the financial years ended 31 December 2019G, 2020G and 2021G of the Company

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Proceeds from borrowings	97.5	240.0	2,250.0	146.2%	837.5%
Repayment of borrowings	(536.0)	-	(2,154.3)	(100.0%)	100.0%
Dividends	-	-	(937.5)	-	100.0%
Principle element of lease payments	(8.6)	(1) (2.5)	(4.8)	(70.9%)	92.0%
Finance cost paid	-	(1) (66.2)	(70.0)	100.0%	5.7%
Net cash (outflow) / inflow from financing activities	**(447.1)**	**171.3**	**(916.6)**	**(138.3%)**	**(635.1%)**

(1) The numbers for the financial year ended 31 December 2019G were reclassified from Finance cost paid from operating activities to Finance cost paid on financing activities in line with the revised classification in the audited financial statements for the financial year ended 31 December 2021G.

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G

Cash flows from financing activities

Cash flows from financing activities increased from SAR (447.1) million in 2019G to SAR 171.3 million in 2020G as a result of (i) the increase in proceeds representing drawdowns of SAR 240.0 million from the Riyad Bank USD 90.0 million facility, and (ii) the deferral of debt repayments for Riyad Bank and PIF from 2020G to 2021G. These increases were partially offset by the reclassification of finance costs paid from operating activities to financing activities in 2020G as compared to 2019G.

Cash flows from financing activities subsequently decreased to SAR (916.6) million in 2021G mainly driven by (i) the settlement of the Company's existing borrowings with Riyad Bank and PIF and (ii) the net dividend paid to shareholders in the amount of SAR 937.5 million. The decrease was partially offset by the increase in proceeds from borrowings in relation to the Company's new Murabaha facility, amounting to SAR 2,250.0 million.

6.7.5 Financing structure

The following table presents the capitalization of the Company as derived from its audited financial statements for the financial years ended 31 December 2019G, 2020G, and 2021G, noting that the table should be read in conjunction with the relevant financial statements, including the notes thereto set out in Section (19) "**Financial Statements and Independent Auditor's Report**" of this Prospectus.

Table (6-50): Capitalization and Indebtedness of the Company for the financial years ended 31 December 2019G, 2020G and 2021G

Currency: SARm	31 December 2019G	31 December 2020G	31 December 2021G
Long-term borrowings	1,330.3	1,120.8	2,103.8
Current portion of long-term borrowings	583.8	1,033.2	146.3
Total long-term borrowings	**1,914.1**	**2,154.0**	**2,250.1**
Current portion of lease liabilities	10.6	19.6	5.3
Lease liabilities	101.9	98.1	107.5
Total lease liabilities	**112.5**	**117.7**	**112.8**
Equity			
Share capital	441.0	441.0	441.0
Statutory reserve	220.5	220.5	220.5
Retained earnings	2,935.4	3,050.1	3,583.0
Total equity	**3,596.9**	**3,711.6**	**4,244.5**
Total capitalization (total long-term borrowings and lease liabilities + total equity)	5,623.5	5,983.3	6,607.4
Total long-term borrowings and lease liabilities / total capitalization	36.0%	38.0%	35.8%

Source: Audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G and Company information

Shares under option

On 30 December 2007G, Jadwa, the 30% shareholder of Luberef, sold 14.58% of the economic participation rights in the Company's shares to Jadwa Co-Investment Fund (Saudi Lube Oil), a private equity fund (Fund). Under the terms of the Sale and Purchase Agreement (SPA), the Fund purchased the economic participation rights in 14.58% of the Company's shares.

The Fund has only a right to the economic interest 14.58% of the Company's shares (Shares), including dividends and any sale proceeds. The Fund has no voting or representation rights, neither at the Jadwa level nor at the Company level.

In the event of a public offering and listing of the Shares, the Fund has the option to receive the Shares (subject to any restrictions imposed by the CMA), or if the Shares are sold, the net proceeds.

Table (6-51): Options summary of the Company for the financial year ended 31 December 2021G

Currency: SARm	Amount	Percentage holding		
Saudi Aramco	308.7	70.0%	N/A	N/A
Jadwa Industrial Investment Company (Jadwa)	132.3	30.0%	N/A	N/A
Total share capital	**441.0**	**100.0%**		
Of which a portion of the Jadwa's shares is under option:	**Description of option**	**Consideration of option**	**Duration**	
Jadwa Co-Investment Fund (Saudi Lube Oil)	64.3	14.58%	In the event of a public offering and listing of the Shares, the option to receive the Shares, or if the Shares are sold, the proceed of sale net of cost	Upon termination of the SPA or sale of the Shares under option by Jadwa

Source: Jadwa

6.8 Result of Operations of the Company for the six-month periods ended 30 June 2021G and 30 June 2022G

6.8.1 Statement of comprehensive income of the Company

The following presents the Company's statements of comprehensive income for the six-month periods ended 30 June 2021G and 30 June 2022G:

Table (6-52): Statement of comprehensive income for the six-month periods ended 30 June 2021G and 30 June 2022G:

Currency: SARm	Six-month period ended 30 June 2021G	Six-month period ended 30 June 2022G	Variance (2021G-2022G)
Statement of comprehensive income			
Revenue	4,052.2	6,083.2	50.1%
Cost of revenue	(2,957.9)	(4,983.5)	68.5%
Gross profit	**1,094.3**	**1,099.7**	**0.5%**
Selling and distribution expenses	(49.9)	(45.4)	(9.0%)
General and administrative expenses	(89.8)	(108.3)	20.6%
Other income	1.4	6.6	371.4%
Fair value gain on derivative financial instruments measured at fair value through profit or loss	7.1	6.3	(11.3%)
Operating profit	**963.1**	**958.9**	**(0.4%)**
Finance income (investment returns)	1.8	6.8	277.8%
Finance cost	(26.7)	(25.8)	(3.4%)
Net profit before zakat and income tax for the period	**938.2**	**939.9**	**0.2%**
Zakat and income tax	(115.8)	(199.9)	72.6%
Profit for the period	**822.4**	**740.0**	**(10.0%)**
Add:			
Zakat and income tax	115.8	199.9	72.6%
Net finance cost	24.9	19.0	(23.7%)
Depreciation and amortization	169.7	169.3	(0.2%)
EBITDA	**1,132.8**	**1,128.2**	**(0.4%)**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement (loss) / gain on defined employee benefit obligations	(18.7)	20.2	(208.0%)
Deferred tax relating to re-measurement (loss) / gain	2.6	(2.8)	(207.7%)
	(16.1)	**17.4**	**(208.1%)**
Total comprehensive income for the period	**806.3**	**757.4**	**(6.1%)**
KPIs			
Luberef-produced gross base oil crack margin (net of rebates and freight) (SAR/MT)	2,418.7	1,851.2	(23.5%)
Gross profit margin	27.0%	18.1%	(8.9) ppt
Operating profit margin	23.8%	15.8%	(8.0) ppt
EBITDA margin	28.0%	18.5%	(9.4) ppt
Net profit margin	20.3%	12.2%	(8.1) ppt

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

The following table compares the Company's key performance indicators and operational metrics for the six-month periods ended 30 June 2021G and 30 June 2022G.

Table (6-53): Key performance indicators and operational metrics for the six-month periods ended 30 June 2021G and 30 June 2022G of the Company:

KPI	Six-month period ended 30 June 2021G	Six-month period ended 30 June 2022G	Variance (2021G-2022G)
Cost of materials (SARm)	2,660.3	4,644.2	74.6%
Contribution (SARm) (1)	1,391.9	1,439.0	3.4%
Contribution margin (1)	34.3%	23.7%	(10.6) ppt
Gross feedstock costs (SAR/MT) (excluding imported sales)	1,388.0	2,221.2	60.0%
Nameplate VDU capacity (MBD)	69.5	69.5	-
Base oil production volume (MT'000)	542.3	615.8	13.6%
White product production volume (MT'000)	205.6	196.5	(4.4%)
By-product production volume (MT'000)	997.3	1,113.3	11.6%
Total gross production volume (MT'000)	1,745.1	1,925.5	10.3%
Alliance trade and direct import sales volume (MT'000)	31.7	35.7	12.6%
Base oil sales volume (MT'000) (including Alliance trade and direct import sales volume)	594.6	707.8	19.0%
White product sales volume (MT'000)	200.1	193.4	(3.3%)
By-product sales volume (MT'000)	996.4	1,111.0	11.5%
Total gross sales volume (MT'000)	1,791.1	2,012.2	12.3%
Average selling price of base oils (including Alliance trade and direct import sales) (SAR/MT)	3,858.1	4,185.7	8.5%
Average selling price of base oils (excluding Alliance trade and direct import sales) (SAR/MT)	3,877.8	4,184.3	7.9%
Average selling price of white products (SAR/MT)	1,907.5	3,438.7	80.3%
Average selling price of by-products (SAR/MT)	1,381.4	2,210.1	60.0%
Average selling price (SAR/MT)	2,262.4	3,023.1	33.6%
Luberef-produced gross base oil crack margin (net of rebates and freight) (SAR/MT) (2)	2,418.7	1,851.2	(23.5%)
Capacity utilization (3)	80.6%	91.6%	11.0 ppt

(1) Contribution is calculated as (revenue – cost of materials). Contribution margin is calculated as [(revenue – cost of materials) / revenue].

(2) Sales revenue in the financial statements includes freight for export sales which is then deducted as part of the operating expenses (under selling and distribution expenses). Luberef-produced base oil crack margin is however calculated as revenue less freight (where applicable for exports), net of feedstock cost, as no margin is made on freight.

(3) Utilization for the six-month period ended 30 June 2021G and 2022G is calculated as dividing the Company's total production by the total nameplate capacity (on a pro-rata basis).

Source: Company information

Revenue

Revenue in the six-month period ended 30 June 2022G comprised the sale of base oil and by-products, contributing to 48.7% and 51.3% of revenue, respectively.

Base oil sales are made up of (i) Group I and Group II base oils produced by the Company and (ii) base oils imported from the Alliance. By-product sales mainly comprised of (i) by-products (mainly Asphalt), and (ii) white products (mainly Ultra Low Sulfur Diesel and Naphtha).

Revenue generated from the sale of base oil and by-products increased by 50.1% from SAR 4,052.2 million in the six-month period ended 30 June 2021G to SAR 6,083.2 million in the six-month period ended 30 June 2022G driven by:

1- An increase in the Company's total volumes sold of 221 thousand metric tons (of which 113 thousand metric tons related to base oil sales and 108 thousand metric tons related to total by-products sales) compared to the six-month period ended 30 June 2021G, which was attributed to higher base oil production volumes, partially due to improved operational availability at the Yanbu facility, the additional feedstock the Company secured in H2 2021G, along with the Company's efforts to enhance its geographical footprint following supply side tightness caused by lower output from other base oil producers, particularly those based in Russia. The Company was able to supply tight European base oil markets with the support of the Aramco Base Oil Alliance partners, (mainly via S-Oil); and
2- An increase in the overall average selling prices of SAR 761 per metric ton sold, due to the increase in crude oil prices between the six-month periods ended 30 June 2021G and 30 June 2022G. The disruption in base oil supply also contributed to the increase in international benchmarks for base oil prices.

Cost of revenue

Cost of revenue increased by 68.5% from SAR 2,957.9 million in the six-month period ended 30 June 2021G to SAR 4,983.5 million in the six-month period ended 30 June 2022G, mainly due to an increase in the cost of materials (i.e., cost of feedstock) from SAR 2,660.3 million in the six-month period ended 30 June 2021G to SAR 4,644.2 million in the six-month period ended 30 June 2022G.

The increase in the cost of feedstock was mainly attributed to (i) a 12.3% increase in total base oil and by-products volumes sold, from 1,791 thousand metric tons in the six-month period ended 30 June 2021G to 2,012 thousand metric tons in the six-month period ended 30 June 2022G and (ii) a 64.9% increase in reduced crude oil feedstock prices driven by higher crude oil prices in the six-month period ended 30 June 2022G compared to the six-month period ended 30 June 2021G.

Gross profit

During the six-month period ended 30 June 2021G, the Company-produced base oil crack margin (excluding Alliance trade and direct import sales) was SAR 2,419 per metric ton, and the average feedstock price (net of Alliance and imported base oil costs) was SAR 1,388 per metric ton.

Gross profit increased by 0.5% from SAR 1,094.3 million in the six-month period ended 30 June 2021G to SAR 1,099.7 million in the six-month period ended 30 June 2022G mainly driven by:

1- The increase in base oil volumes sold from 595 thousand metric tons in the six-month period ended 30 June 2021G to 708 thousand metric tons in the six-month period ended 30 June 2022G (a 19.0% increase), which was mainly driven by higher base oil production that was made possible by the additional feedstock the Company secured in July 2021G; this was partially offset by:
2- The 60.0% increase in average feedstock cost during the period from SAR 1,388 per metric ton in the six-month period ended 30 June 2021G to SAR 2,221 per metric ton in the six-month period ended 30 June 2022G, primarily driven by higher global demand after the recovery of global markets after the peak of the COVID-19 pandemic and the ongoing geopolitical tension resulting from the Russian-Ukraine conflict.

The Company achieved crack margins (excluding Alliance trade and direct import sales) of SAR 1,851 per metric ton for the six-month period ended 30 June 2022G (which decreased by 23.6% as compared to the six-month period ended 30 June 2021G).

Selling and distribution expenses

Selling and distribution expenses includes freight expenses, tank rents, demurrage charges and other expenses.

During the six-month period ended 30 June 2022G, a portion of freight expenses (amounting to SAR 47.7 million) was reclassified to cost of sales. As a result, selling and distribution expenses decreased by 9.0% from SAR 49.9 million in the six-month period ended 30 June 2021G to SAR 45.4 million in the six-month period ended 30 June 2022G. Prior to the reclassification, selling and distribution expenses for the six-month period ended 30 June 2022G was higher by 86.7% primarily driven by higher unit freight rates and an increase in export sales during the period.

General and administrative expenses

General and administrative expenses largely consisted of employee-related costs, consultancy charges (i.e., contract services) and other expenses.

General and administrative expenses increased by 20.6% from SAR 89.8 million in the six-month period ended 30 June 2021G to SAR 108.3 million in the six-month period ended 30 June 2022G mainly due to (i) an increase in employee-related costs by SAR 12.0 million, largely driven by increased time value recognition of employee loans expenses by SAR 8.3 million and a one-time cost for employees who opted for voluntary retirement and (ii) an increase in consultancy charges by SAR 4.1 million, mainly attributed to the increase in the Company's IT sustainability fees.

Other income

Other income increased by 371.4% from SAR 1.4 million in the six-month period ended 30 June 2021G to SAR 6.6 million in the six-month period ended 30 June 2022G. This was mainly due to increases in miscellaneous income from SAR 1.3 million in the six-month period ended 30 June 2021G to SAR 6.1 million in the six-month period ended 30 June 2022G, which were partially offset by expenses relating to the IPO in the six-month period ended 30 June 2022G.

Miscellaneous income mainly consisted of profit sharing from the Alliance partners.

Fair value gain on derivative financial instruments measured at fair value through profit or loss

The derivative financial instruments measured at fair value through profit or loss (DFI) arrangement has not been designated as hedging arrangements since its inception. The Company relies on the counterparty for the valuation of these derivatives. The Company's DFI represented interest rate swaps. Given that this revenue is not related to the core business of the Company.

The valuation techniques applied by the counterparty include the use of forward pricing standard models using the present value of the estimated future cash flows based on observable yield curves.

Finance income (investment returns)

Finance income (investment returns) increased by 252.6% from SAR 1.9 million in the six-month period ended 30 June 2021G to SAR 6.7 million in the six-month period ended 30 June 2022G mainly due to an increase in interest income from time deposits by SAR 3.9 million as a result of the additional time deposits made during H1 2022G, compared to H1 2021G, on account of higher sales and higher deposit rates.

Finance cost

The Company's finance cost remained relatively stable between the six-month periods ended 30 June 2021G and 30 June 2022G at SAR 26.7 million and SAR 25.8 million, respectively. This stability came despite the Company having a higher average debt balance during H1 2022G compared to the average debt balance during the H1 2021G period, and was achieved as a result of the restructuring of the Company's long-term borrowings in August 2021G that led to reduced interest margins compared to the debt terms in place prior to this restructuring.

Zakat and income tax

Zakat and income tax charges increased from SAR 115.8 million in the six-month period ended 30 June 2021G to SAR 199.9 million in the six-month period ended 30 June 2022G mainly driven by (i) an increase in deferred tax charge of SAR 61.6 million from SAR 49.0 million in the six-month period ended 30 June 2021G to SAR 110.6 million in the six-month period ended 30 June 2022G and (ii) an increase in zakat charges by SAR 18.3 million.

Profit for the period

The movement in profit for the period from SAR 806.3 million in the six-month period ended 30 June 2021G to SAR 757.4 million in the six-month period ended 30 June 2022G as a result of:

1- A 50.1% increase in revenue from SAR 4,052.2 million in the six-month period ended 30 June 2021G to SAR 6,083.2 million in the six-month period ended 30 June 2022G mainly driven by the increase in total volumes sold by 221 thousand metric tons (due to a 13.6% increase in base oil production), along with an increase in overall average selling prices by SAR 761 per metric ton sold;
2- An increase in cost of revenue by SAR 2,025.6 million (68.5%) in the six-month period ended 30 June 2022G as a result an increase in total base oil and by-products volumes sold and an increase in reduced crude oil feedstock prices;
3- An increase in operating expenses by SAR 14.0 million (10.0%) in the six-month period ended 30 June 2022G driven by the increase in general and administrative expenses by SAR 18.5 million, partially offset by a decrease in selling and distribution expenses by SAR 4.5 million;
4- An increase in finance income (investment returns) by SAR 5.0 million (277.8%) in the six-month period ended 30 June 2022G driven by additional time deposits made during H1 2021G and H1 2022G;
5- A decrease in finance costs by SAR 0.9 million (3.4%) in the six-month period ended 30 June 2022G mainly due to a decrease in finance costs related to the Company's PIF loan by SAR 7.3 million, partially offset by an increase in finance costs related to the Company's Murabaha facilities by SAR 5.5 million; and
6- An increase in zakat and income tax expenses by SAR 84.1 million (72.6%) in the six-month period ended 30 June 2022G mainly driven by (i) higher profits achieved by the Company, (ii) an increase in deferred tax charge of SAR 61.6 million and (iii) an increase in the zakat charge by SAR 18.3 million.

Sales

The following table compares the Company's sales for the six-month periods ended 30 June 2021G and 30 June 2022G.

Table (6-54): Sales breakdown for the six-month periods ended 30 June 2021G and 30 June 2022G of the Company:

Currency: SARm	Six-month period ended 30 June 2021G	Six-month period ended 30 June 2022G	Variance (2021G-2022G)
Revenue from base oil sales	2,294.0	2,962.7	29.1%
Revenue from by-products sales	1,758.2	3,120.5	77.5%
Total revenue	**4,052.2**	**6,083.2**	**50.1%**
As a % of revenue			
Base oil	56.6%	48.7%	(7.9%)
By-products	43.4%	51.3%	7.9%
Sales volumes (MT'000)			
Base oil	594.6	707.8	19.0%
By-products	1,196.5	1,304.4	9.0%
Average selling price (SAR/MT)			
Base oil	3,858.1	4,185.7	8.5%
By-products	1,381.4	2,210.1	60.0%

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Revenue from base oil sales

During the six-month period ended 30 June 2021G, the Company's gross production and gross sales volumes were 542 thousand metric tons and 595 thousand metric tons, respectively.

Initiatives undertaken by the Company during 2021G, which resulted in increased production during the six-month period ended 30 June 2022G include (i) an increase in the Company's Yanbu Vacuum Distillation Unit (VDU) capacity from 40 MBD to 45 MBD in July 2021G and (ii) improvement in yield due to hydrocracker and iso-dewaxer catalyst upgrades.

Base oil sales revenue increased by 29.1% from SAR 2,294.0 million in the six-month period ended 30 June 2021G to SAR 2,962.7 million in the six-month period ended 30 June 2022G, largely due to:

1- An increase in total base oil volumes sold of 113 thousand metric tons (by 19.0%) primarily driven by a 13.6% increase in base oil production; and
2- An increase in the overall base oil segment's average selling prices by SAR 328 per metric ton sold (by 8.5%) as a result of increases in both Group I and Group II prices mainly due to a sustained recovery in demand and supply side tightness, largely as a result of the Russian/Ukraine conflict.

In the six-month period ended 30 June 2022G, the Company's top five base oil products (500N, BSS, 225N, 500SN and 70N) contributed to an average of 79.8% to total base oil revenue.

Revenue from by-products sales

By-product sales revenue increased by 77.5% from SAR 1,758.2 million in the six-month period ended 30 June 2021G to SAR 3,120.5 million in the six-month period ended 30 June 2022G, largely due to:

1- An increase in total volume sold of 108 thousand metric tons (by 12.3%), of which 115 thousand metric tons related to by-products and (7) thousand metric tons related to white products. This increase in volumes sold was largely driven by increased production in the six-month period ended 30 June 2022G compared to the six-month period ended 30 June 2021G, resulting from (i) the additional five MBD of feedstock supplied by Saudi Aramco since July 2021G and (ii) better operational availability during the six-month period ended 30 June 2022G as compared the six-month period ended 30 June 2021G; and
2- An increase in overall average selling prices by SAR 923 per metric ton sold (a 62.8% increase). This was mainly attributed to the increase in crude oil prices in the six-month period ended 30 June 2022G compared to the six-month period ended 30 June 2021G.

In 2021G and the six-month period ended 30 June 2022G, the Yanbu facility's production volumes increased due to the Company operating with higher operational availability in the six-month period ended 30 June 2022G compared to the six-month period ended 30 June 2021G, as well as signing a five MBD feedstock agreement (in July 2021G) that increased the Company's feedstock supply from Saudi Aramco, allowing the Company to further increase its production.

Cost of revenue

The following table compares the Company's cost of sales for the six-month periods ended 30 June 2021G and 30 June 2022G.

Table (6-55): Cost of revenue breakdown for the six-month periods ended 30 June 2021G and 30 June 2022G of the Company:

Currency: SARm	Six-month period ended 30 June 2021G	Six-month period ended 30 June 2022G	Variance (2021G-2022G)
Cost of materials	2,660.3	4,644.2	74.6%
Depreciation on property, plant and equipment	163.6	164.1	0.3%
Employee related costs	93.1	92.5	(0.6%)
Depreciation on right-of-use assets	3.4	2.9	(14.7%)
Amortization of intangible assets	0.5	0.2	(60.0%)
Other	37.0	79.5	114.9%
Total cost of revenue	**2,957.9**	**4,983.4**	**68.5%**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Cost of revenue represent costs mainly associated with the processing of crude oil as feedstock to produce base oils and by-products. The main contributors to cost of sales included cost of materials (i.e., cost of feedstock), depreciation on property, plant and equipment and employee-related costs, which contributed to of 93.2%, 3.3%, and 1.9%, respectively, in the six-month period ended 30 June 2022G.

Cost of material

Cost of feedstock mainly comprised of (i) feedstock and imported finished goods, (ii) consumption costs (namely Fuel oil, Sales Gas, utilities, and other refined products used during the production cycle), (iii) cost of production (mainly by-products and imported base oils) and (iv) inventory revaluation adjustments.

The Company's Feedstock is supplied by Saudi Aramco.

The 74.6% increase in cost of feedstock from SAR 2,660.3 million in the six-month period ended 30 June 2021G to SAR 4,644.2 million in the six-month period ended 30 June 2022G was primarily due to (i) a 12.3% increase in total base oil and by-products volumes sold, from 1,791 thousand metric tons in the six-month period ended 30 June 2021G to 2,012 thousand metric tons in the six-month period ended 30 June 2022G and (ii) the 64.9% increase in reduced crude oil feedstock prices, where average feedstock prices increased in the six-month period ended 30 June 2022G compared to the six-month period ended 30 June 2021G largely on account of higher oil prices.

Depreciation on property, plant and equipment

Depreciation on property, plant, and equipment related to the depreciation of manufacturing plants and other assets associated with the Company's two plants.

Depreciation expenses remained relatively stable between the six-month period ended 30 June 2021G and 30 June 2022G at SAR 163.6 million and SAR 164.1 million, respectively.

Employee related costs

Employee related costs account for 1.9% of total cost of sales in the six-month period ended 30 June 2022G and represent staff expenses related to production of base oil and by-products. These costs mainly included (i) salaries and benefits and (ii) other employee expenses.

Refer to the "**Employee related costs**" section within the Management Discussion and Analysis for further details regarding staff expenses.

Other

Other costs represented 1.6% of total cost of sales in the six-month period ended 30 June 2022G and consisted of (i) freight costs (60.0% of total other costs), (ii) maintenance costs (19.6% of total other costs), (iii) consultancy charges (6.0% of total other costs), (iv) insurance (6.7% of total other costs), (v) materials and consumables (5.0% of total other costs) and (vi) miscellaneous costs (2.6% of total other costs).

Other costs increased by SAR 42.5 million (114.9%), mainly due to the increase in (i) freight costs by SAR 47.7 million due to these costs being reclassified from selling and distribution expenses and (ii) materials and consumables by SAR 2.9 million primarily due to timing differences in expenses. This was partially offset by the decline in (i) maintenance costs by SAR 6.6 million by (30.0%) driven by higher operational availability compared to the six-month period ended 30 June 2021G and (ii) consultancy charges by SAR 1.8 million driven by decreases in technical consultancy service costs.

Employee related costs

The Company operates with eleven primary functions that are allocated to cost of sales and general and administrative expenses, segregated based on the function and nature of costs.

The following table compares the Company's employee related costs for the six-month periods ended 30 June 2021G and 30 June 2022G.

Table (6-56): Employee related costs for the six-month periods ended 30 June 2021G and 30 June 2022G of the Company:

Currency: SARm	Six-month period ended 30 June 2021G	Six-month period ended 30 June 2022G	Variance (2021G-2022G)
Salaries and benefits	102.2	111.7	9.3%
Employee expenses	35.2	34.2	(2.8%)
End of service	10.6	12.4	17.0%
Outsourced manpower (non-Luberef)	8.8	9.5	8.0%
Training and development	0.1	0.6	500.0%
Total employee related costs	**156.9**	**168.4**	**7.3%**

Source: Company information

Salaries and benefits

Salaries and benefits represented 66.3% of total employee related costs in the six-month period ended 30 June 2022G and mainly include (i) base salaries, (ii) housing, transportation, shift, vacation, and security allowances, (iii) bonuses (including Ramadan bonuses for Saudi staff), (iv) overtime and (v) other personnel related costs.

Salaries and benefits increased by 9.3% from SAR 102.2 million in six-month period ended 30 June 2021G to SAR 111.7 million in the six-month period ended 30 June 2022G, mainly due to a one-time cost for employees who opted for voluntary retirement.

Employee expenses

Employee expenses represented 20.3% of total employee-related costs in the six-month period ended 30 June 2022G, and mainly include (i) medical and insurance expenses, (ii) General Organization for Social Insurance (GOSI) costs, (iii) time value recognition of employee loans and (iv) other expenses.

Employee expenses remained relatively stable between the six-month periods ended 30 June 2021G and 30 June 2022G at SAR 35.2 million and SAR 34.2 million, respectively.

Gross profit

Due to the nature of the Company's operations, profitability is inherently linked to (i) base oil prices (driven by supply and demand), (ii) availability of product (due to smooth operations) and (iii) cost of feed.

Historically, the contribution from by-products (including white products) to the Company's gross profit was minimal.

Gross profit increased by 0.5% from SAR 1,094.3 million in the six-month period ended 30 June 2021G to SAR 1,099.7 million in the six-month period ended 30 June 2022G mainly driven by:

1- The increase in base oil volumes sold from 595 thousand metric tons in the six-month period ended 30 June 2021G to 708 thousand metric tons in the six-month period ended 30 June 2022G (a 19.0% increase), which was mainly driven by higher base oil production that was made possible by the additional feedstock the Company secured in July 2021G; this was partially offset by:

2- The 60.0% increase in average feedstock cost during the period from SAR 1,388 per metric ton in the six-month period ended 30 June 2021G to SAR 2,221 per metric ton in the six-month period ended 30 June 2022G, primarily driven by higher global demand after the recovery of global markets after the peak of the COVID-19 pandemic and the ongoing geopolitical tension resulting from the Russian-Ukraine conflict.

The Company achieved crack margins (excluding Alliance trade and direct import sales) of SAR 1,851 per metric ton for the six-month period ended 30 June 2022G (which decreased by 23.6% as compared to the six-month period ended 30 June 2021G) due to the increase in feedstock costs during the six-month period ended 30 June 2022G.

Selling and distribution expenses

The following table compares the Company's selling and distribution expenses for the six-month periods ended 30 June 2021G and 30 June 2022G.

Table (6-57): Selling and distribution expenses breakdown for the six-month periods ended 30 June 2021G and 30 June 2022G of the Company:

Currency: SARm	Six-month period ended 30 June 2021G	Six-month period ended 30 June 2022G	Variance (2021G-2022G)
Freight expenses	40.0	30.0	(25.0%)
Tank rents	3.8	5.1	34.2%
Demurrage charges	0.8	1.7	112.5%
Others	5.3	8.7	64.2%
Total selling and distribution expenses	**49.9**	**45.5**	**(8.8%)**
As a percentage of total selling and distribution expenses			
Freight expenses	80.2%	66.0%	(14.2) ppt
Tank rents	7.6%	11.2%	(3.6) ppt
Demurrage charges	1.6%	3.7%	2.1 ppt
Others	10.6%	19.1%	8.5 ppt
Total selling and distribution expenses	**100.0%**	**100.0%**	**-**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Selling and distribution expenses mainly comprise of expenses incurred to sell / market the Company's products to end customers (i.e., freight expenses).

Freight expenses

Freight expenses represented 66.0% of total selling and distribution expenses in the six-month period ended 30 June 2022G and relate to the cost of shipping to export customers under cost and freight incoterms, where freight charges are typically billed to the customers and factored in the export selling prices.

During the six-month period ended 30 June 2022G, a portion of freight expenses (amounting to SAR 47.7 million) was reclassified to cost of revenue, on account of the Company's contractual performance obligations in relation to certain export customers. As a result, freight expenses decreased by 25.0% from SAR 40.0 million in the six-month period ended 30 June 2021G to SAR 30.0 million in the six-month period ended 30 June 2022G. Prior to the reclassification, freight expenses for the six-month period ended 30 June 2022G was higher by 94.3% primarily driven by higher unit freight rates and an increase in export sales during the period.

The Company has signed a new long-term shipping contract with various vessel owners to mitigate the ongoing risk of vessel availability.

Others

Other selling and distribution expenses represented 19.1% of total selling and distribution expenses in 30 June 2022G and mainly related to (i) export pipeline fees and (ii) other sales related expenses. Export pipeline fees represented fees paid to Saudi Aramco for use of the related party's pipelines to distribute base oils to and from the Jeddah and Yanbu facilities (geared towards export sales).

Pipeline fees are not fixed and are based on usage. At the Jeddah and Yanbu facilities, contractual fees are SAR 2 per metric ton, and USD 0.2 per barrel, respectively.

Others selling and distribution expenses increased by 64.2% from SAR 5.3 million in the six-month period ended 30 June 2021G to SAR 8.7 million in the six-month period ended 30 June 2022G, mainly due to the increase in (i) export pipeline fees (by SAR 1.3 million), as a result of the increase in total base oil export volumes sold by 23% (ii) other miscellaneous expenses by SAR 2.2 million.

General and administrative expenses

The following table compares the Company's general and administrative expenses for the six-month periods ended 30 June 2021G and 30 June 2022G.

Table (6-58): General and administrative expenses breakdown for the six-month periods ended 30 June 2021G and 30 June 2022G of the Company:

Currency: SARm	Six-month period ended 30 June 2021G	Six-month period ended 30 June 2022G	Variance (2021G-2022G)
Employee related costs	63.8	75.8	18.8%
Consultancy charges	7.6	11.7	53.9%
Telephone and postage	1.8	2.8	55.6%
Business travel	0.5	1.1	120.0%
Amortization of intangible assets	1.0	1.0	-
Depreciation of right-of-use assets	0.7	0.7	-
Insurance	1.1	0.7	(36.4%)
Depreciation of property, plant and equipment	0.5	0.4	(20.0%)
Others	12.9	14.0	8.5%
Total general and administrative expenses	**89.9**	**108.2**	**20.4%**
As a percentage of total general and administrative expenses			
Employee related costs	71.0%	70.1%	(0.9) ppt
Consultancy charges	8.5%	10.8%	2.3 ppt
Telephone and postage	2.0 %	2.6%	0.6 ppt
Business travel	0.6%	1.0%	0.4 ppt

Currency: SARm	Six-month period ended 30 June 2021G	Six-month period ended 30 June 2022G	Variance (2021G-2022G)
Amortization of intangible assets	1.1%	0.9%	(0.2) ppt
Depreciation of right-of-use assets	0.8%	0.6%	(0.2) ppt
Insurance	1.2%	0.6%	(0.6) ppt
Depreciation of property, plant and equipment	0.5%	0.5%	-
Others	14.3%	12.9%	(1.4) ppt
Total general and administrative expenses	**100.0%**	**100.0%**	**-**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Employee related costs

Employee related costs account for 70.1% of total general and administrative expenses in the six-month period ended 30 June 2022G and are allocated to general and administrative expenses, based on function and nature of cost.

Refer to the previously presented "**Employee related costs**" section within the Management Discussion and Analysis for further details regarding staff expenses.

Consultancy charges

Consultancy charges (i.e., contract services) represent 10.8% of total general and administrative expenses in the six-month period ended 30 June 2022G, and mainly comprised of IT sustainability fees (SAR 5.0 million) and consultancy services (SAR 3.3 million), which represented one-off advisory services (i.e., market studies, automation / digitization, and software updates implementation) and could not usually be compared year-to-year.

The 53.9% increase in consultancy charges from SAR 7.6 million in the six-month period ended 30 June 2021G to SAR 11.7 million in the six-month period ended 30 June 2022G was primarily due to the increase in the Company's IT sustainability fees by SAR 3.2 million on account of an increase in the scope of the Company's activities.

Others

Other expenses represented 12.9% of total general and administrative expenses in the six-month period ended 30 June 2022G, and mainly comprise (i) materials transfer and clearing accounts, (ii) doubtful debts expense and (iii) other costs (such as catering expenses).

Other expenses increased by SAR 1.1 million between the six-month periods ended 30 June 2021G and 30 June 2022G from SAR 12.9 million to SAR 14.0 million, respectively, mainly due to increase in bad and doubtful debt by SAR 2.8 million.

Other income

The following table compares the Company's other income for the six-month periods ended 30 June 2021G and 30 June 2022G.

Table (6-59): Other income / (expenses) breakdown for the six-month periods ended 30 June 2021G and 30 June 2022G of the Company:

Currency: SARm	Six-month period ended 30 June 2021G	Six-month period ended 30 June 2022G	Variance (2021G-2022G)
Foreign currency gains	0.1	0.5	400.0%
Others	1.3	6.1	369.2%
Total other income	**1.4**	**6.6**	**371.4%**

Source: Company information

In the six-month period ended 30 June 2022G, the Company's other income mainly consisted of foreign currency gains and other miscellaneous income.

Other income increased by SAR 5.2 million between the six-month periods ended 30 June 2021G and 30 June 2022G from SAR 1.4 million to SAR 6.6 million, respectively, mainly due to increases in miscellaneous income from SAR 1.3 million in the six-month period ended 30 June 2021G to SAR 6.1 million in the six-month period ended 30 June 2022G.

Miscellaneous income mainly consisted of profit sharing from the Alliance partners.

Fair value gain on derivative financial instruments measured at fair value through profit or loss

The following table compares the Company's fair value gain on derivative financial instruments measured at fair value through profit or loss for the six-month periods ended 30 June 2021G and 30 June 2022G.

Table (6-60): Fair value gain on derivative financial instruments measured at fair value through profit or loss breakdown for the six-month periods ended 30 June 2021G and 30 June 2022G of the Company

Currency: SARm	Six-month period ended 30 June 2021G	Six-month period ended 30 June 2022G	Variance (2021G-2022G)
Fair value gain on derivative financial instruments measured at fair value through profit or loss	7.1	6.3	(11.3%)
Total fair value gain on derivative financial instruments measured at fair value through profit or loss	**7.1**	**6.3**	**(11.3%)**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G

Finance income (investment returns)

The following table compares the Company's finance income (investment returns) for the six-month periods ended 30 June 2021G and 30 June 2022G.

Table (6-61): Finance income (investment returns) for the six-month periods ended 30 June 2021G and 30 June 2022G of the Company:

Currency: SARm	Six-month period ended 30 June 2021G	Six-month period ended 30 June 2022G	Variance (2021G-2022G)
Interest income from time deposits	0.8	4.7	487.5%
Income from short-term deposits	0.5	1.2	140.0%
Finance income on unwinding of loans	0.6	0.8	33.3%
Total finance income (investment returns)	**1.9**	**6.7**	**252.6%**

Source: Company information

The Company's finance income (investment returns) mainly included (i) interest income from time deposits and (ii) Income from short-term deposits, contributing to 70.1%, and 17.9% respectively in the six-month period ended 30 June 2022G.

Finance income (investment returns) increased from SAR 1.9 million in the six-month period ended 30 June 2021G to SAR 6.7 million in the six-month period ended 30 June 2022G, mainly driven by the increase in interest income from time deposits by SAR 3.9 million. This increase was a result of the additional time deposits made during between H1 2021G and H1 2022G on account of higher sales receipts and higher deposits.

Finance cost

The following table compares the Company's finance cost for the six-month periods ended 30 June 2021G and 30 June 2022G.

Table (6-62): Finance cost for the six-month periods ended 30 June 2021G and 30 June 2022G of the Company:

Currency: SARm	Six-month period ended 30 June 2021G	Six-month period ended 30 June 2022G	Variance (2021G-2022G)
Murabaha (Islamic)	17.5	23.0	31.4%
PIF loan (conventional)	7.3	-	(100.0%)
Interest on lease liabilities	1.9	2.5	31.6%
Unwinding of decommissioning provision	0.1	0.3	200.0%
Total finance cost	**26.7**	**25.8**	**(3.4%)**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Finance cost included expenses incurred in relation to the Company's new Murabaha facility during 2021G (as well as PIF and Murabaha facilities with Riyad Bank prior to 31 December 2021G), which were all paid on a bi-annual basis. Finance costs relating to the Murabaha facility contributed to 89.1% of total finance costs in the six-month period ended 30 June 2022G.

In the six-month period ended 30 June 2021G, the Company's interest margins were (i) SIBOR+0.85% (Riyad Bank SAR loan) (ii) LIBOR+1.4% (Riyad Bank USD loan) (iii) LIBOR+1.0% (Riyad Bank USD 90 million loan) and (iv) LIBOR+1.5% (PIF USD loan). These interest margins were replaced by the Company's restructured long-term loan agreement, which had interest margins of (i) SIBOR+0.75% (Murabaha Facility A - SAR) and (ii) LIBOR+1.0% (Murabaha Facility B - USD) in the six-month period ended 30 June 2022G.

As a result of this restructuring, the Company's finance cost remained relatively stable between the six-month periods ended 30 June 2021G and 30 June 2022G despite the higher loan balance in H1 2022G at SAR 26.7 million and SAR 25.8 million, respectively.

Zakat and income tax

The following table compares the Company's zakat and income tax charge for the six-month periods ended 30 June 2021G and 30 June 2022G.

Table (6-63): Zakat and income tax charge for the six-month periods ended 30 June 2021G and 30 June 2022G of the Company:

Currency: SARm	Six-month period ended 30 June 2021G	Six-month period ended 30 June 2022G	Variance (2021G-2022G)
Zakat (reversal) / charge	(8.8)	9.4	(208.0%)
Income tax expense	75.6	79.7	5.4%
Deferred tax charge	49.0	110.6	125.7%
Total zakat and income tax charges	**115.8**	**199.8**	**72.5%**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

JIIC previously had both GCC and non-GCC shareholders through Jadwa Investment Company, resulting in its shareholding in the Company being subject to both Zakat and corporate income tax. The non-GCC shareholder sold its shares in Jadwa Investment Company on 17 March 2022G to a Saudi shareholder. Subsequently, JIIC is now entirely and ultimately held by GCC shareholders and its shareholding in the Company (i.e., 30%) should be entirely subject to Zakat and not to corporate income tax. As such, following the above transfer, the Company should be subject to corporate income tax and Zakat in proportion to 70% and 30%, respectively.

Zakat and income tax charges increased from SAR 115.8 million in the six-month period ended 30 June 2021G to SAR 199.8 million in the six-month period ended 30 June 2022G driven by (i) the higher income tax expenses of SAR 4.1 million, (ii) deferred tax charges of SAR 61.6 million and (ii) an increase in zakat charges by SAR 18.2 million.

Zakat (reversal) / charge

Zakat is payable at 2.58% of the approximate zakat base (excluding adjusted net income for the year) and at 2.5% of the adjusted net income for the year.

The zakat charge increased from SAR (8.8) million in the six-month period ended 30 June 2021G to SAR 9.4 million in the six-month period ended 30 June 2022G.

Income tax expense

Income tax liability is calculated at 20% of the adjusted net income attributable to the Saudi Aramco and Jadwa foreign shareholders.

Income tax expense increased from SAR 75.6 million in the six-month period ended 30 June 2021G to SAR 79.7 million in the six-month period ended 30 June 2022G driven by higher profits achieved by the Company.

Deferred tax charge

Deferred tax charges increased from SAR 49.0 million in the six-month period ended 30 June 2021G to SAR 110.6 million in the six-month period ended 30 June 2022G driven by (i) differences in the accounting and tax base for property, plant, and equipment of SAR 66.3 million, (ii) the effect of provisions by SAR 4.1 million and (iii) losses carried forward amounting to SAR 43.8 million.

6.8.2 Statement of financial position of the Company

The following table presents the Company's statement of financial position as at 31 December 2021G and 30 June 2022G.

Table (6-64): Statement of financial position as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Property, plant and equipment	5,122.4	4,981.8	(2.7%)
Right-of-use assets	101.6	98.0	(3.5%)
Intangible assets	17.4	16.2	(6.9%)
Employees' home ownership receivables	2.6	1.8	(30.8%)
Loans to employees	11.9	8.3	(30.3%)
Total non-current assets	**5,255.9**	**5,106.1**	**(2.9%)**
Inventories	710.1	820.3	15.5%
Trade receivables	862.7	1,464.1	69.7%
Prepayments and other assets	40.4	23.6	(41.6%)
Short-term deposits	145.7	145.0	(0.5%)
Cash and cash equivalents	1,349.5	773.6	(42.7%)
Total current assets	**3,108.4**	**3,226.6**	**3.8%**
Total assets	**8,364.3**	**8,332.7**	**(0.4%)**
Share capital	441.0	441.0	-
Statutory reserve	220.5	220.5	-
Retained earnings	3,583.0	3,215.5	(10.3%)
Total equity	**4,244.5**	**3,877.0**	**(8.7%)**
Long-term borrowings	2,103.8	2,019.3	(4.0%)

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Lease liabilities	107.5	100.0	(7.0%)
Employee benefit obligations	321.7	283.6	(11.8%)
Deferred tax liabilities	54.8	168.3	207.1%
Other non-current liabilities	38.2	44.5	16.5%
Total non-current liabilities	2,626.0	2,615.7	(0.4%)
Trade payables	1,086.6	1,349.4	24.2%
Accrued expenses and other liabilities	105.1	238.2	126.6%
Current portion of long-term borrowings	146.3	168.8	15.4%
Lease liabilities	5.3	14.8	179.2%
Zakat and income tax payable	150.5	68.8	(54.3%)
Total current liabilities	**1,493.8**	**1,840.0**	**23.2%**
Total liabilities	**4,119.8**	**4,455.7**	**8.2%**
Total liabilities and equity	**8,364.3**	**8,332.7**	**(0.4%)**
Days sales outstanding (DSO)	38	43	13.2%
Days inventory outstanding (DIO)	43	30	(30.2%)
Days payable outstanding (DPO)	66	49	(25.8%)
Cash conversion cycle (CCC)(days)	15	24	60.0%
Return on average capital employed (ROACE) (1)	30.7%	29.9%	(0.8) ppt
Current ratio	2.1	1.8	(14.3%)
Total assets to total liabilities	2.0	1.9	(5.0%)

(1) ROACE for the six-month period ended 30 June 2022G is calculated as [annualized six-month net operating profit after tax / (average net financial debt for current period and prior financial year + average book value of equity for current period and prior financial year)].

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Non-current assets

The following table presents the Company's non-current assets as at 31 December 2021G and 30 June 2022G.

Table (6-65): Non-current assets as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Property, plant and equipment	5,122.4	4,981.8	(2.7%)
Right-of-use assets	101.6	98.0	(3.5%)
Intangible assets	17.4	16.2	(6.9%)
Employees' home ownership receivables	2.6	1.8	(30.8%)
Loans to employees	11.9	8.3	(30.3%)
Total non-current assets	5,255.9	5,106.1	(2.9%)

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

At 30 June 2022G, total non-current assets include property, plant and equipment and right-of-use assets, which contributed 97.6% and 1.9% of total non-current assets, respectively.

Non-current assets decreased from SAR 5,255.9 million as at 31 December 2021G to SAR 5,106.1 million as at 30 June 2022G mainly due to (i) a decrease in property, plant in equipment of SAR 140.6 million driven by the depreciation charge for the period, partially offset by various fixed asset additions, (ii) decrease in right-of-use assets of SAR 3.6 million driven by the depreciation charge for the period and (iii) a decrease in loans to employees of SAR 3.6 million driven by deductions relating to settlements by employees.

Property, plant and equipment

The following table compares the Company's property, plant and equipment as at 31 December 2021G and 30 June 2022G.

Table (6-66): Property, plant and equipment as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	31 December 2021G	six-month period ended 30 June 2022G	Variance (2021G-2022G)
Cost:			
At January 1	8,435.0	8,511.6	0.9%
Additions during the year / period	80.8	23.8	(70.5%)
Disposals	(4.2)	-	(100.0%)
At 31 December / 30 June	8,511.6	8,535.5	0.3%
Accumulated depreciation			
At 1 January	3,063.3	3,389.2	10.6%
Depreciation charge for the year / period	330.0	164.5	(50.2%)
Disposals	(4.1)	-	(100.0%)
At 31 December / 30 June	3,389.2	3,553.7	4.9%
Net carrying amount of property, plant and equipment	**5,122.4**	**4,981.7**	**(2.7%)**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

The Company's property, plant and equipment net book value included (i) the Company's manufacturing plants in Jeddah and Yanbu, (ii) capital work in progress which primarily included a Hydrogen Manufacturing Unit Revamp Project and Sales Gas Line Project at the Yanbu facility and (iii) building and leasehold improvements, which contributed to 94.1%, 4.0% and 1.1% of total property, plant, and equipment, respectively, at 30 June 2022G.

The net book value of property, plant and equipment decreased from SAR 5,122.4 million at 31 December 2021G to SAR 4,981.7 million at 30 June 2022G due to depreciation charges for the period of SAR 164.5 million, partially offset by additions to capital work in progress amounting to SAR 23.8 million mainly relating to additional decommissioning costs of SAR 7.0 million.

As per the Company's business plan, approved by the Board, the Jeddah Facility will close in 2026G when the current land lease expires. The Company expects the feedstock supplied to the Jeddah Facility to be reallocated to the Yanbu Facility upon closure of the Jeddah Facility, and for interim feedstock supply to be arranged for the Growth II Project prior to the closure of Jeddah Facility and reallocation of Jeddah's feedstock to Yanbu. The Company may reconsider this in the future if the land lease is extended and other feedstock arrangements are made available.. The Company has also recorded a decommissioning liability in relation to the Jeddah facility for which the provision at 30 June 2022G, decommissioning liability in relation to the Jeddah facility amounted to SAR 38.8 million.

Manufacturing plants

The net book value of the manufacturing plants decreased from SAR 4,834.9 million at 31 December 2021G to SAR 4,686.1 million at 30 June 2022G mainly driven by depreciation charges for the period in the amount of SAR 157.5 million.

Buildings and leasehold improvements

Buildings and leasehold improvements comprised of various upgrades and repairs to the Company's office premises. The net book value of buildings and leasehold improvements remained relatively stable between 31 December 2021G and 30 June 2022G at SAR 56.1 million and SAR 53.1 million, respectively. The movement in buildings and leasehold improvements consisted of depreciation charges for the period of SAR 3.0 million.

Capital work in progress

Capital work in progress increased from SAR 184.5 million at 31 December 2021G to SAR 199.3 million at 30 June 2022G mainly driven by additions to capital work in progress amounting to SAR 23.8 million which mainly included additional decommissioning costs of SAR 7.0 million, SAR 3.3 million for feed front-end engineering and design and SAR 2.0 million for enhancements and automation of the SAP platform.

Right-of-use assets

The following table compares the Company's right-of-use assets as at 31 December 2021G and 30 June 2022G.

Table (6-67): Right-of-use assets as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Lands	92.4	90.2	(2.4%)
Pipelines and catalyst	5.9	5.0	(15.3%)
Motor vehicles	3.3	2.8	(15.2%)
Total right-of-use assets	**101.6**	**98.0**	**(3.5%)**

Source: Company information

Right-of-use assets included leased land, pipelines and catalysts and motor vehicles, contributing to 92.0%, 5.1% and 2.9%, respectively, to the Company's total right-of-use assets balance at 30 June 2022G. Right-of-use assets decreased from SAR 101.6 million at 31 December 2021G to SAR 98.0 million at 30 June 2022G due to the depreciation charge for the period of SAR 3.6 million.

At 30 June 2022G, the Company did not have any lease contracts classified as right-of-use assets that are variable in nature. Some leases contain extension options exercisable by the Company before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The Company assesses at lease commencement, whether it is reasonably certain to exercise the option. The Company does not provide residual value guarantees in relation to any of its leases.

The following table compares the Company's lease liabilities as at 31 December 2021G and 30 June 2022G.

Table (6-68): Lease liabilities as at 31 December 2021G and 30 June of the Company:

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Current	5.3	14.8	179.2%
Non-current	107.5	100.0	(7.0%)
Total lease liabilities	**112.8**	**114.8**	**1.8%**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

At 30 June 2022G, these leases liabilities mainly represented land on which the facilities and land corridor area leased by The Royal Commission for Jubail and Yanbu where the pipelines which connect the Yanbu facility to Saudi Aramco are located (SAR 104.1 million, or 90.7% of total lease liabilities at 30 June 2022G).

Intangible assets

The following table compares the Company's intangible assets as at 31 December 2021G and 30 June 2022G.

Table (6-69): Intangible assets as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	2021G	six-month period ended 30 June 2022G	Variance (2021G-2022G)
Cost:			
At January 1	32.8	32.8	-
At 31 December / 30 June	32.8	32.8	-
Accumulated depreciation			
At 1 January	12.5	15.5	24.0%
Amortization charge for the year / period	2.9	1.2	(58.6%)
At 31 December / 30 June	15.5	16.6	7.1%
Carrying amount of intangible assets	**17.4**	**16.2**	**(6.9%)**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

The Company's intangible assets included SAP software and related development costs (contributing to 89.6% of total intangible assets at 30 June 2022G).

Intangible assets with definite useful lives are generally amortized on a straight-line basis over a useful life period of 3 to 15 years, where the amortization period method is reviewed at end of each financial year.

Intangible assets decreased from SAR 17.4 million at 31 December 2021G to SAR 16.2 million at 30 June 2022G driven by amortization charges for the period of SAR 1.2 million.

Employees' home ownership receivables

The following table compares the Company's employees' home ownership receivables as at 31 December 2021G and 30 June 2022G.

Table (6-70): Employees' home ownership receivables as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Employee home ownership receivables	4.7	4.0	(14.9%)
Less: current portion	(2.1)	(2.2)	4.8%
Total employees' home ownership receivables	**2.6**	**1.8**	**(30.8%)**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

The decrease in employees' home ownership receivables from SAR 4.7 million to SAR 4.0 million between 31 December 2021G and 30 June 2022G, respectively, was due to employee settlements during the period.

Loans to employees

The following table compares the Company's loans to employees as at 31 December 2021G and 30 June 2022G.

Table (6-71): Loans to employees as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Home loans to employees	16.9	14.0	(17.2%)
Other loans to employees	2.3	1.9	(17.4%)
Less: current portion	(7.3)	(7.6)	4.1%
Total loans to employees	**11.9**	**8.3**	**(30.3%)**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Loans to employees mainly comprised of home loans to employees which contributed to 88.1% of total loans to employees at 30 June 2022G.

Home loans to employees

Home loans to employees decreased from SAR 16.9 million at 31 December 2021G to SAR 14.0 million at 30 June 2022G mainly driven by deductions (including settlements with retired employees) during the period amounting to SAR 3.7 million. The decrease was partially offset by finance income (investment returns) amounting to SAR 0.7 million.

Current assets

The following table presents the Company's current assets as at 31 December 2021G and 30 June 2022G.

Table (6-72): Current assets as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Inventories	710.1	820.3	15.5%
Trade receivables	862.7	1,464.1	69.7%
Prepayments and other assets	40.4	23.6	(41.6%)
Short-term deposits	145.7	145.0	(0.5%)
Cash and cash equivalents	1,349.5	773.6	(42.7%)
Total current assets	**3,108.4**	**3,226.6**	**3.8%**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Total current assets included inventories, trade receivables and cash and cash equivalents which contributed 25.4%, 45.4% and 24.0%, respectively, of the total current assets balance at 30 June 2022G.

Current assets increased from SAR 3,108.4 million at 31 December 2021G to SAR 3,226.6 million at 30 June 2022G mainly driven by (i) increases in the inventory balance driven by increases in production in progress and raw materials costs, (ii) trade receivable balances from third parties and related parties. These increases were partially offset by a decrease in cash and cash equivalents, VAT receivables, prepaid insurance, and other current assets.

Inventories

The following table compares the Company's inventories as at 31 December 2021G and 30 June 2022G.

Table (6-73): Inventories as at 31 December 2021G and 30 June 2022G of the Company

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Finished goods	293.3	226.2	(22.9%)
Production in progress	215.5	321.8	49.3%
Raw materials	117.4	188.6	60.6%
Spare parts and consumables materials	98.4	99.0	0.6%
Total inventories	724.6	835.6	15.3%
Less: allowance for slow moving items	(14.5)	(15.3)	5.5%
Net inventories	**710.1**	**820.3**	**15.5%**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

At 30 June 2022G, gross inventories mainly comprised of finished goods, production in progress, raw materials and spare parts and consumables, contributing to 27.6%, 39.2%, 23.0% and 10.2%, respectively, to the total inventories balance.

The Company's allowance for slow-moving inventory is calculated by providing for 20% of the value of any spare parts balances aged three to five years and 30% of the value of any spare parts balances aged more than five years.

Inventories increased from SAR 710.1 million at 31 December 2021G to SAR 820.3 million at 30 June 2022G mainly on account of increases in the production in progress and raw materials by SAR 106.3 million and SAR 71.2 million, respectively. This increase was partially offset by the decrease in the finished goods balance by SAR 67.1 million.

Finished goods

Finished goods decreased from SAR 293.3 million at 31 December 2021G to SAR 226.2 million at 30 June 2022G as sales exceeded production which resulted in lower finished goods stocks during the six-month period ended 30 June 2022G.

Production in progress

Production in progress increased from SAR 215.5 million at 31 December 2021G to SAR 321.8 million at 30 June 2022G largely attributed to higher feedstock costs and tied to increases in Distillates, Ultra Low Sulfur Diesel, MHFO and Waxy of SAR 85.1 million, SAR 39.3 million, SAR 18.9 million and SAR 38.4 million, respectively.

Raw materials

Raw materials mainly consisted of the Company's feedstock in the form of RCO, A-960 and furfural solvents which contributed 65.1%, 27.5% and 4.0%, respectively, at 30 June 2022G.

The Company purchases its feedstock for its Jeddah and Yanbu facilities directly from Saudi Aramco based on their respective feedstock agreements.

The Company's raw materials balance increased from SAR 117.4 million at 31 December 2021G to SAR 188.6 million at 30 June 2022G mainly driven by the increase in the feedstock balance of SAR 67.2 million due to the increase in crude prices in 2022G compared to the six-month period ended 30 June 2021G.

Trade receivables

The following table compares the Company's trade receivables as at 31 December 2021G and 30 June 2022G.

Table (6-74): Trade receivables as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Trade receivables	455.0	755.1	66.0%
Related parties	413.0	721.1	74.6%
Gross trade receivables	**868.0**	**1,476.2**	**70.1%**
Allowance for expected credit losses	(5.4)	(12.1)	124.1%
Net trade receivables	**862.6**	**1,464.1**	**69.7%**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

At 30 June 2022G, trade receivables comprised of net third party receivables (50.7%), and related party receivables (49.3%).

At 30 June 2022G, 90.3% of the Company's total gross receivables were current in nature (i.e., not past due). Due to the short-term nature of trade receivables, their carrying amounts are considered to be approximately equal to their fair value.

The increase in total trade receivables from SAR 862.6 million at 31 December 2021G to SAR 1,464.1 million at 30 June 2022G was mainly influenced by the increase in: (i) net third party receivables by SAR 293.5 million, and (ii) related party receivables by SAR 308.1 million. These increases in trade receivables were primarily driven by increases in average selling prices and total volumes sold to both local and export customers. Specifically, export and local customer receivables balances increased by SAR 225.2 million and SAR 150.1 million, respectively.

Third parties

Third party receivables increased from SAR 455.0 million at 31 December 2021G to SAR 755.1 million at 30 June 2022G mainly driven by the increase in volumes sold, as well as average selling prices of base oil products during H1 2022G.

Related parties

Related party receivables mainly comprise of (i) Asphalt, Naphtha, and other by-product sales to Saudi Aramco, (ii) Ultra Low Sulfur Diesel sales to SAMREF, and (iii) the Company's base oil sales via the Aramco Base Oil Alliance with Motiva and S-Oil.

Refer to the "**Related parties' information**" section within the Management Discussion and Analysis for further details regarding related party balances and transactions.

Prepayments and other assets

The following table compares the Company's prepayments and other assets as at 31 December 2021G and 30 June 2022G.

Table (6-75): Prepayments and other receivables breakdown as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Loans to employees	7.3	7.6	4.1%
Advances to suppliers	3.1	5.3	71.0%
Prepaid insurance	5.1	2.4	(52.9%)
Employees' home ownership receivables	2.1	2.2	4.8%
Interest receivable – time deposits	0.3	0.5	66.7%
Net Value Added Tax (VAT) receivables	16.8	-	(100.0%)
Others	5.7	5.5	(3.5%)
Total prepayments and other assets	**40.4**	**23.5**	**(41.8%)**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Prepayments and other assets mainly comprised of current portion of loans to employees, advances to suppliers, prepaid insurance and others contributing to 32.3%, 22.6%, 10.2% and 23.4%, respectively, to total prepayments and other assets as of 30 June 2022G.

Prepayments and other assets decreased from SAR 40.4 million at 31 December 2021G to SAR 23.5 million at 30 June 2022G mainly driven by a decrease in net VAT receivables by SAR 16.8 million.

Loans to employees (current portion), employees' home ownership receivables, interest receivables and other receivables are generally settled within 12 months from the reporting date. Hence, their carrying amount is considered to be equal to their fair value.

Short-term deposits

The following table compares the Company's short-term deposits as at 31 December 2021G and 30 June 2022G.

Table (6-76): Short-term deposits as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Employee gratuity fund	145.7	145.0	(0.5%)
Total short-term deposits	**145.7**	**145.0**	**(0.5%)**

Source: Company information

Short-term deposits remained relatively stable between 31 December 2021G and 30 June 2022G at SAR 145.7 million and SAR 145.0 million, respectively.

Cash and cash equivalents

The following table compares the Company's cash and cash equivalents as at 31 December 2021G and 30 June 2022G.

Table (6-77): Cash and cash equivalents breakdown as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Cash in hand	0.3	0.2	(33.3%)
Cash at banks	29.3	47.1	60.8%
Time deposits	1,319.9	726.3	(45.0%)
Total cash and cash equivalents	**1,349.5**	**773.6**	**(42.7%)**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Cash and cash equivalents mainly comprised time deposits and cash at banks, contributing to 93.9% and 6.1% of the total cash balance at 30 June 2022G, respectively.

Movements in the Company's cash and cash equivalents balance between 31 December 2021G and 30 June 2022G were mainly driven by decreases to time deposits by SAR 593.6 million. The Company did not renew their time deposits during the period as the cash was partially used in order to pay dividends during H1 2022G. This was partially offset by an increase in cash at banks by SAR 17.8 million.

Refer to section 6.8.4 "**Cashflow Statement of the Company**" within the Management Discussion and Analysis for further details regarding the movements in cash balances.

Cash at banks

At 30 June 2022G, the Company's cash at bank mainly related to (i) a SAR account at Al Jazira Bank relating to the Company's thrift plan (SAR 37.7 million), (ii) a USD account at Riyad Bank (SAR 3.0 million) and (iii) a USD accounts at SNB (SAR 3.5 million) contributing to 80.0%, 6.4% and 7.4%, respectively, to total cash at banks.

Cash at banks increased from SAR 29.3 million at 31 December 2021G to SAR 47.1 million at 30 June 2022G mainly driven by time deposit liquidations which matured during month of June 2022G relating to the thrift saving plan of SAR 15.7 million.

Time deposits

At 30 June 2022G, the Company held time deposits with a total value of SAR 726.3 million. These time deposits consisted of USD and SAR time deposits (contributing to 94.5% and 5.5%, respectively, to total time deposits).

The decrease in time deposits from SAR 1,319.9 million at 31 December 2021G to SAR 726.3 million at 30 June 2022G was primarily attributed to the fact that cash was partially used in order to pay dividends during H1 2022G. This was partially offset by an increase in cash at banks by SAR 17.8 million.

Non-current liabilities

The following table presents the Company's non-current liabilities as at 31 December 2021G and 30 June 2022G.

Table (6-78): Non-current liabilities as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Long-term borrowings	2,103.8	2,019.3	(4.0%)
Lease liabilities	107.5	100.0	(7.0%)
Employee benefit obligations	321.7	283.6	(11.8%)
Deferred tax liabilities	54.8	168.3	207.1%
Other non-current liabilities	38.2	44.5	16.5%
Total non-current liabilities	**2,626.0**	**2,615.7**	**(0.4%)**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Total non-current liabilities mainly comprised of long-term borrowings, lease liabilities, employee benefit obligations and deferred tax liabilities which contributed to 77.2%, 3.8%, 10.8% and 6.4%, respectively, of the total non-current liabilities balance at 30 June 2022G.

Non-current liabilities decreased from SAR 2,626.0 million at 31 December 2021G to SAR 2,615.7 million at 30 June 2022G mainly driven by a decrease in (i) long-term borrowing by SAR 84.4 million and (ii) employee benefit obligations by SAR 38.1 million, partially offset by an increase in the deferred tax liabilities by SAR 113.5 million.

Long-term borrowings

The following table compares the Company's long-term borrowings as at 31 December 2021G and 30 June 2022G.

Table (6-79): Long-term borrowings as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Islamic banking facilities (Murabaha)	2,250.0	2,188.1	(2.8%)
Less: current portion of long-term borrowings	(146.3)	(168.8)	15.4%
Total long-term borrowings	**2,103.8**	**2,019.4**	**(4.0%)**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Islamic banking facilities (Murabaha)

In August 2021G, the Company entered into a new Murabaha agreement, with a total amount of SAR 2,250.0 million. This comprised of (i) Facility A (a syndicated Murabaha agreement with a facility amount of SAR 1,687.5 million, with five local banks (Al Rajhi Banking and Investment Corporation, The Saudi National Bank, Saudi British Bank, Banque Saudi Fransi and Bank Al Jazira) and (ii) Facility B (a Murabaha loan with a facility amount of USD 150.0 million, equivalent to SAR 562.5 million, with Riyad Bank). The purpose of these facilities was to restructure the Company's long-term borrowings by extending the tenor of the original debt facilities and reducing annual principal payments compared to the original structure. The proceeds from this restructuring were used to fund (i) the settlement of the PIF and Riyad Bank loans and (ii) the settlement of the Hydrogen Revamp Project and contractor balances. The principal repayments for this loan will begin on 30 June 2022G and will continue on an unequal, semi-annual basis until 30 June 2029G.

None of the Company's loans are secured against any of the Company's assets. Furthermore, at 30 June 2022G, the Company was not in breach of any of the financial covenants associated with the loans.

The Company's total borrowings decreased from SAR 2,103.8 million at 31 December 2021G to SAR 2,019.4 million at 30 June 2022G. At 30 June 2022G, the Company transferred SAR 22.5 million from non-current to current portion of long-term borrowings as a result of the passage of time.

The following table compares the Company's repayment schedule of long-term borrowings as at 31 December 2021G and 30 June 2022G.

Table (6-80): Repayment schedule of long-term borrowings as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	2021G	six-month period ended 30 June 2022G	Variance (2021G-2022G)
2022G	146.3	84.4	(42.3%)
2023G	163.1	163.1	-
2024G	196.9	196.9	-
2025G	225.0	225.0	-
2026G	258.7	258.7	-
2027G	270.0	270.0	-
2028G	315.0	315.0	-
2029G	675.0	675.0	-
Total long-term borrowings	**2,250.0**	**2,188.1**	**(2.8%)**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

The following two tables present the Company's key terms of borrowing agreements as at 30 June 2022G.

Table (6-81): Key terms of borrowing agreements as at 30 June 2022G of the Company:

Borrowings	Murabaha Syndicate (Facility A)	Murabaha Facility (Facility B)
Facility amount	SAR 1,687.5 million	SAR 562.5 million
Currency	SAR	USD
Date obtained	19 August 2021G	19 August 2021G
Interest rate	(i) Signing date to Year 3: 0.75% per annum + SIBOR (ii) Year 3 to Year 5.5: 0.9% per annum + SIBOR (iii) Year 5.5 to maturity: 1.05% per annum + SIBOR	(i) Signing date to Year 3: 1% per annum + LIBOR (ii) Year 3 to Year 5.5: 1.25% per annum + LIBOR (iii) Year 5.5 to maturity: 1.50% per annum + LIBOR
Maturity	30 June 2029G	30 June 2029G
Payment terms	Unequal semi-annual payments	Unequal semi-annual payments
Security	None	None

Source: Company information

Employee benefit obligations

The following table compares the Company's employee benefit obligations as at 31 December 2021G and 30 June 2022G.

Table (6-82): Employee benefit obligations as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Employees' end of service benefits	154.8	132.0	(14.7%)
Employees' post-retirement health care benefit	166.8	151.6	(9.1%)
Total employee benefit obligations	**321.6**	**283.6**	**(11.8%)**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

The Company's employee benefit obligations balances were calculated by a certified external actuary.

Employee benefit obligations decreased from SAR 321.6 million at 31 December 2021G to SAR 283.6 million at 30 June 2022G, mainly due to a decrease in the Company's end of service benefits and post-retirement health care benefits by SAR 22.8 million and SAR 15.2 million, respectively.

Employees' end of service benefits

Employees' end of service benefits decreased from SAR 154.8 million at 31 December 2021G to SAR 132.0 million at 30 June 2022G as a result of benefits paid during the six-month period ended 30 June 2022G (amounting to SAR 30.6 million). This was partially offset by current service and interest cost charges of SAR 5.2 million and SAR 2.1 million, respectively.

Employees' post-retirement health care benefit

Employees' post-retirement health care benefits decreased from SAR 166.8 million at 31 December 2021G to SAR 151.6 million at 30 June 2022G driven by actuarial losses recorded in the amount of SAR 20.7 million.

Other non-current liabilities

The following table compares the Company's other non-current liabilities as at 31 December 2021G and 30 June 2022G.

Table (6-83): Other non-current liabilities as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Provision for decommissioning	31.4	38.8	23.6%
Thrift plan	5.5	4.6	(16.4%)
Chronic Medical Circumstances	1.2	1.1	(8.3%)
Total other non-current liabilities	**38.1**	**44.5**	**16.5%**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Other non-current liabilities mainly comprised of the Company's provision for decommissioning and thrift plan contributing to 87.2% and 10.3%, respectively, to total other non-current liabilities at 30 June 2022G.

Total other non-current liabilities increased between 31 December 2021G and 30 June 2022G at SAR 38.1 million and SAR 44.5 million, respectively.

Provision for decommissioning

The Company's provision for decommissioning related to present value obligation of the costs to close, reclaim, and dismantle the Jeddah facility. These obligations are expected to be incurred in the year in which the facility is expected to be closed; although the land lease agreement with Saudi Aramco on which the Jeddah facility is located is expected to expire in 2026G, no official correspondence on the closure of the facility has been received by the Company's Management.

The initial gross decommissioning liability of SAR 36.2 million was calculated in December 2015G using (i) a decommissioning liability of 4.5% multiplied by (ii) the original total cost of the Jeddah facility (SAR 804.8 million). This liability was discounted at a rate of 2.4% until 2020G. The annual unwinding cost of this provision is SAR 0.7 million. At 30 June 2022G, decommissioning liability in relation to the Jeddah facility amounted to SAR 38.8 million.

Current liabilities

The following table presents the Company's current liabilities as at 31 December 2021G and 30 June 2022G.

Table (6-84): Current liabilities as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Trade payables	1,086.6	1,349.4	24.2%
Accrued expenses and other liabilities	105.1	238.2	126.6%
Current portion of long-term borrowings	146.3	168.8	15.4%
Lease liabilities	5.3	14.8	179.2%
Zakat and income tax payable	150.5	68.8	(54.3%)
Total current liabilities	**1,493.8**	**1,840.0**	**23.2%**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

At 30 June 2022G, total current liabilities mainly comprised of trade payables, accrued expenses and other liabilities and current portion of long-term borrowing which contributed to 73.3%, 12.9% and 9.2%, respectively, of the total current liabilities balance.

Current liabilities increased from SAR 1,493.8 million at 31 December 2021G to SAR 1,840.0 million at 30 June 2022G mainly driven by an increase in (i) related party payables by SAR 237.4 million, (ii) net VAT payables by SAR 90.0 million, (iii) accrued expenses by SAR 69.6 million, partially offset by a decrease in accrued bonuses by SAR 27.9 million, (iv) the current portion of long-term borrowings by SAR 22.5 million.

Trade payables

The following table compares the Company's trade payables as at 31 December 2021G and 30 June 2022G.

Table (6-85): Trade payables as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Related parties	933.3	1,170.7	25.4%
Third parties	45.4	47.2	4.0%
Advances from customers	8.7	45.9	427.6%
Thrift plan obligations	31.1	31.7	1.9%
Other payables	68.2	53.9	(21.0%)
Total trade payables	**1,086.7**	**1,349.4**	**24.2%**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

At 30 June 2022G, trade payables comprised related party payables, third party payables and other payables, contributing to 86.8%, 3.5% and 4.0% of total trade payables, respectively.

Trade payables increased from SAR 1,086.7 million at 31 December 2021G to SAR 1,349.4 million at 30 June 2022G driven by an increase in (i) related party payables in the amount of SAR 237.4 million mainly driven by additional feedstock purchased from Saudi Aramco and (ii) other payables by SAR 14.3 million.

Related parties

Related party payables mainly represented amounts due to Saudi Aramco (in relation to feedstock provided to the Company), contributing to an average of 86.3% to total trade payables between 31 December 2021G and 30 June 2022G.

Related party payables increased from SAR 933.3 million at 31 December 2021G to SAR 1,170.7 million at 30 June 2022G mainly driven by an increase in payables to Saudi Aramco relating to the purchase of feedstock, materials, utilities, and other technical support services.

Refer to the "**Related parties' information**" section within the Management Discussion and Analysis for further details regarding related party balances and transactions

Third parties

The Company's largest third-party supplier at 30 June 2022G represented contract retentions and contributed to 68.6% of total third-party payables.

Third-party trade payables remained relatively stable between 31 December 2021G and 30 June 2022G at SAR 45.4 million and SAR 47.2 million, respectively.

Advances from customers

Advances from customers increased from SAR 8.7 million at 31 December 2021G to SAR 45.9 million at 30 June 2022G, primarily driven by increased advances from export and local customers by SAR 27.9 million and SAR 9.2 million, respectively.

Other payables

Other payables decreased from SAR 68.2 million at 31 December 2021G to SAR 53.9 million at 30 June 2022G driven by a decrease in net GR/IR by SAR 14.8 million as the Company was yet to receive various invoices for the services provided during the six-month period ended 30 June 2022G.

Accrued expenses and other liabilities

The following table compares the Company's accrued expenses and other liabilities as at 31 December 2021G and 30 June 2022G.

Table (6-86): Accrued expenses and other liabilities as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Net VAT payable	-	90.0	100.0%
Accrued expenses	18.1	87.7	384.5%
Accrual for rebates and discounts	37.2	40.4	8.6%
Accrued bonus	38.3	10.4	(72.8%)
Derivative financial instruments measured at fair value through profit or loss	6.3	-	(100.0%)
Others	5.2	9.6	84.6%
Total accrued expenses and other liabilities	**105.1**	**238.1**	**126.5%**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

At 30 June 2022G, accrued expenses and other liabilities mainly comprised VAT payables, accrued expenses and accrual for rebates and discounts, contributing to 37.8%, 36.8%, and 17.0%, respectively, to total accrued expenses and other liabilities.

Accrued expenses and other liabilities increased from SAR 105.1 million at 31 December 2021G to SAR 238.1 million at 30 June 2022G mainly driven by the increase (i) VAT payables by SAR 90.0 million and (ii) accrued expenses by SAR 69.6 million. This was partially offset by a decrease in accrued bonuses by SAR 27.9 million.

Zakat and income tax payable

The following table compares the Company's zakat and income tax payable movement as at 31 December 2021G and 30 June 2022G.

Table (6-87): Zakat and income tax payable movement as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	Income tax	Zakat	Total
At 1 January 2021G	0.6	22.3	22.9
Prior year reversal	-	(13.9)	(13.9)
Charge for the year	130.2	12.5	142.7
Payment	-	(1.1)	(1.1)
At 31 December 2021G	130.8	19.8	150.6
Charge for the year	79.7	9.5	89.2
Payment	(158.4)	(12.5)	(170.9)
At 30 June 2022G	**52.1**	**16.8**	**68.9**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

For details about the assessment status of the Company's zakat and corporate income tax returns, please refer to Section (12.14) "**The Company's Zakat and Tax Status**" in this Prospectus.

Zakat and tax payable decreased from SAR 150.6 million at 31 December 2021G to SAR 68.9 million at 30 June 2022G mainly driven by payments made during the period in the amount of SAR 170.9 million primarily driven by advance, partially offset by additional income tax and zakat charges during the year.

Related parties' information

The following table presents the Company's due from related parties' information as at 31 December 2021G and 30 June 2022G.

Table (6-88-A): Due from related parties as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	Nature of the relationship	Nature of the transaction	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Saudi Aramco	Substantial Shareholder	Sales of other by products and processing fees	141.9	334.9	136.0%
Saudi Aramco Mobil Refinery Company Ltd. (SAMREF)	Affiliate	Sales of by products	179.0	206.9	15.6%
S-Oil Corporation	Affiliate	Sale of base oil	70.1	166.4	137.4%
Motiva Trading LLC	Affiliate	Sale of base oil	21.4	9.5	(55.6%)
Aramco Chemicals Company (ACC)	Affiliate	Sale of base oil	0.7	3.4	385.7%
Total due from related parties			**413.1**	**721.1**	**74.6%**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Saudi Aramco

The balances due from Saudi Aramco mainly represented Asphalt, Naphtha and other by products that resulted from the manufacturing process at the Yanbu facility, which were sold to Saudi Aramco. The credit terms for these transactions are between 30 to 90 days, depending on the product.

Due from Saudi Aramco increased from SAR 141.9 million at 31 December 2021G to SAR 334.9 million at 30 June 2022G primarily driven by increases in average selling prices and total volumes sold.

Saudi Aramco Mobil Refinery Company Ltd. (SAMREF)

The transactions with SAMREF represented the sale of MHFO and Ultra Low Sulfur Diesel. These by-product sales have a credit term of 45 days.

Due from SAMREF increased from SAR 179.0 million at 31 December 2021G to SAR 206.9 million at 30 June 2022G driven by increases in average selling prices and total volumes sold.

S-Oil Corporation & Motiva Trading LLC

The balances due from S-Oil Corporation and Motiva Trading LLC represented the sale of base oils as per the contractual agreements with each party. These agreements have outlined credit terms of 30 days.

Due from S-Oil Corporation and Motiva Trading LLC increased from SAR 91.5 million at 31 December 2021G to SAR 175.9 million at 30 June 2022G mainly due to the Company's decision to generate sales from India through S-Oil during the six-month period ended 30 June 2022G, rather than directly by the Company during prior periods.

The following table presents the Company's due to related parties' information as at 31 December 2021G and 30 June 2022G.

Table (6-88-B): Due to related parties as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	Nature of the relationship	Nature of the transaction	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Saudi Aramco	Substantial Shareholder	Purchase of feedstock, materials, utilities and technical management support services	910.6	1,170.7	28.6%
S-Oil Corporation	Affiliate	Purchase of base oil	22.6	-	(100.0%)
Total due to related parties			**933.3**	**1,170.7**	**25.4%**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Saudi Aramco

These transactions mainly comprised payments due in relation to the purchase of feedstock used in the production of the Company's products, as well as utilities, and other technical support services.

Due to Saudi Aramco increased from SAR 910.6 million at 31 December 2021G to SAR 1,170.7 million at 30 June 2022G mainly due to (i) additional feedstock purchased from Saudi Aramco and (ii) Jeddah utilities payable by SAR 23.1 million.

S-Oil Corporation

The due to S-Oil corporation balance decreased from SAR 22.6 million at 31 December 2021G to nil at 30 June 2022G mainly driven by settlements during the six-month period ended 30 June 2022G.

6.8.3 Total Equity

The following table presents the Company's total equity as at 31 December 2021G and 30 June 2022G.

Table (6-89): Total equity as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Share capital	441.0	441.0	-
Statutory reserve	220.5	220.5	-
Retained earnings	3,583.0	3,215.5	(10.3%)
Total equity	**4,244.5**	**3,877.0**	**(8.7%)**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Total equity decreased from SAR 4,244.5 million at 31 December 2021G to SAR 3,877.0 million at 30 June 2022G, mainly driven by the decrease in retained earnings by SAR 367.5 million which resulted from the May 2022G SAR 1,263.7 million dividend payment, partially offset by SAR 757.4 million in net income.

Share capital

The shareholding pattern of the Company's share capital as at 31 December 2021G and 30 June 2022G is as follows:

Table (6-90): Share capital as at 30 June 2022G of the Company:

Currency: SARm	Amount	Percentage holding
Saudi Aramco	308.7	70.0%
Jadwa Industrial Investment Company (Jadwa)	132.3	30.0%
Total share capital	**441.0**	**100.0%**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

At 31 December 2021G and 30 June 2022G, the Company's share capital of SAR 441.0 million consisted of 44,100 fully paid shares of SAR 10 thousand each.

On 9 May 2022G, the shareholders approved a dividend of SAR 1,263.7 million which was paid on 12 May 2022G.

On 29 June 2022G, the shareholders of the Company approved to increase the share capital of the Company, through transfer from retained earnings amounting to SAR 1,246.5 million (with a par value of SAR 10). This resulted in revised total share capital amounting to SAR 1,687.5 million comprising 168.75 million shares. For more information, kindly refer to Section (4.3.1.8) "**Increase in the Company's Share Capital and Conversion into a Joint Stock Company (2022G)**" of this Prospectus.

Statutory reserve

In accordance with the Regulations of Companies' Law in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company should transfer 10% of the net profits for the year to a statutory reserve until such reserve equals at least 30% of its share capital. No transfers are made to the statutory reserve as the reserve has exceeded 30% of the Company's share capital in previous years. This reserve is not available for distribution to shareholders.

Retained earnings

The following table compares the Company's retained earnings movement as at 31 December 2021G and 30 June 2022G.

Table (6-91): Retained earnings movement as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Opening balance at 1 January	3,050.1	3,583.0	17.5%
Profit for the year / period	1,502.4	740.1	(50.7%)
Other comprehensive loss for the year / period	(32.0)	17.4	154.4%
Dividends	(1,023.4)	(1,263.7)	23.5%
Zakat and income tax recovered from shareholders	85.9	138.7	61.5%
Total retained earnings	**3,583.0**	**3,215.5**	**(10.3%)**

Source: Audited financial statements for the year ended 31 December 2021G and audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Retained earnings decreased from SAR 3,583.0 million at 31 December 2021G to SAR 3,215.5 million at 30 June 2022G, mainly due to (i) the Company generating a profit which amounted to SAR 740.1 million during the six-month period ended 30 June 2022G and (ii) dividends declared and paid in the amount of SAR 1,263.7 million during the six-month period ended 30 June 2022G.

Commitments and contingencies

The following table compares the Company's commitments and contingencies as at 31 December 2021G and 30 June 2022G.

Table (6-92): Commitments and contingencies as at 31 December 2021G and 30 June 2022G of the Company:

Currency: SARm	31 December 2021G	30 June 2022G	Variance (2021G-2022G)
Capital commitments	292.3	489.8	67.6%
Contractor claims	222.5	222.5	-
Short-term lease commitments	10.8	5.4	(50.0%)
Letter of guarantees	11.3	11.2	(0.9%)
Letters of credit	4.9	5.0	2.0%
Total commitments and contingencies	**541.8**	**733.9**	**35.5%**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Commitments

At 30 June 2022G, the Company had outstanding capital commitments of SAR 489.8 million (31 December 2021G: SAR 292.3 million) in respect of additions to property, plant and equipment at its Jeddah and Yanbu facilities.

Contingencies

As at 30 June 2022G the letters of guarantees issued by banks on behalf of the Company amounted to SAR 11.2 million (31 December 2021G: SAR 11.3 million) and letters of credit issued by banks on behalf of the Company in the amount of SAR 5.0 million (31 December 2021G: SAR 4.9 million).

A contractor for Growth I Expansion Project has submitted claims and appeals amounting to SAR 222.5 million. The Company is currently reviewing and discussing this disputed request for payments by the counterparty that has not been provisioned for. This request for payment is in the ordinary course of business, and the majority of them related to the engineering, procurement and construction of certain projects. For further details about this claim, please refer to Section (12.12) "**Lawsuits and Claims**" in this Prospectus.

Short-term leases

The short-term lease commitment as of 30 June 2022G amounts to SAR 5.4 million (31 December 2021G: SAR 10.8 million).

6.8.4 Statement of cash flows of the Company

The following table presents the Company's cashflow statement as at 30 June 2021G and 30 June 2022G.

Table (6-93): Statement of cash flows as at 30 June 2021G and 30 June 2022G of the Company:

Currency: SARm	30 June 2021G	30 June 2022G	Variance (2021G-2022G)
Profit before zakat and income tax	938.2	940.0	0.2%
Adjustments for:			
Depreciation and amortization	169.7	169.3	(0.2%)
Finance income (investment returns)	(1.8)	(6.8)	277.8%
Non-cash employee expenses	-	0.1	100.0%
Finance cost	26.7	25.8	(3.4%)
Fair value gain on derivative financial instruments	(7.1)	(6.3)	(11.3%)
Provision for employee benefits obligations	13.3	13.5	1.5%
Impairment loss on trade receivables	3.9	6.7	71.8%
Provision for slow moving inventories	0.6	0.8	33.3%
Changes in operating assets and liabilities:			
Inventories	(37.0)	(111.1)	200.3%
Trade receivables	(360.8)	(608.1)	68.5%
Prepayments and other assets	30.3	17.4	(42.6%)
Trade payables	388.3	262.7	(32.3%)
Accrued expenses and other liabilities	(5.1)	139.4	(2833.3%)
Cash generated from operations	**1,159.2**	**843.4**	**(27.2%)**
Finance income (investment returns) received	1.3	5.7	338.5%
Employee benefit obligations paid	(11.9)	(31.3)	163.0%
Zakat and income tax paid	(1.1)	(170.8)	15,427.3%
Net cash inflow from operating activities	**1,147.5**	**647.0**	**(43.6%)**
Payments for property, plant and equipment	(58.1)	(16.8)	(71.1%)
Payments for short-term deposits	(481.1)	(594.9)	23.7%

Currency: SARm	30 June 2021G	30 June 2022G	Variance (2021G-2022G)
Proceeds from short-term deposits	320.6	595.5	85.7%
Collection against employees' loans	3.6	5.6	55.6%
Disbursement of employees' loans	(1.8)	(1.9)	5.6%
Net cash outflow from investing activities	**(216.8)**	**(12.5)**	**(94.2%)**
Repayment of borrowings	(515.1)	(61.8)	(88.0%)
Dividends paid	-	(1,125.0)	100.0%
Principle element of lease payments	0.3	(0.5)	(266.7%)
Finance cost paid	(27.2)	(23.1)	(15.1%)
Net cash outflow from financing activities	**(542.0)**	**(1,210.4)**	**123.3%**
Net increase (decrease) in cash and cash equivalents	388.7	(575.9)	(248.2%)
Cash and cash equivalents at beginning of the period	672.9	1,349.5	100.5%
Cash and cash equivalents at end of the period	**1,061.6**	**773.6**	**(27.1%)**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Cash flows from operating activities

The following table compares the Company's cash flows from operating activities as at 30 June 2021G and 30 June 2022G.

Table (6-94): Cash flows from operating activities as at 30 June 2021G and 30 June 2022G of the Company

Currency: SARm	30 June 2021G	30 June 2022G	Variance (2021G-2022G)
Profit before zakat and income tax	938.2	940.0	0.2%
Adjustments for:			
Depreciation and amortization	169.7	169.3	(0.2%)
Finance income (investment returns)	(1.8)	(6.8)	277.8%
Non-cash employee expenses	-	0.1	100.0%
Finance cost	26.7	25.8	(3.4%)
Fair value gain on derivative financial instruments	(7.1)	(6.3)	(11.3%)
Provision for employee benefits obligations	13.3	13.5	1.5%
Impairment loss on trade receivables	3.9	6.7	71.8%
Provision for slow moving inventories	0.6	0.8	33.3%
Changes in operating assets and liabilities:			
Inventories	(37.0)	(111.1)	200.3%
Trade receivables	(360.8)	(608.1)	68.5%
Prepayments and other assets	30.3	17.4	(42.6%)
Trade payables	388.3	262.7	(32.3%)
Accrued expenses and other liabilities	(5.1)	139.4	(2833.3%)
Cash generated from operations	**1,159.2**	**843.4**	**(27.2%)**
Finance income (investment returns) received	1.3	5.7	338.5%

Currency: SARm	30 June 2021G	30 June 2022G	Variance (2021G-2022G)
Employee benefit obligations paid	(11.9)	(31.3)	163.0%
Zakat and income tax paid	(1.1)	(170.8)	15,427.3%
Net cash inflow from operating activities	**1,147.5**	**647.0**	**(43.6%)**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Cash flows from operating activities decreased from SAR 1,147.5 million in the six-month period ended 30 June 2021G to SAR 647.0 million in the six-month period ended 30 June 2022G mainly driven by a release of cash from working capital changes (which were largely attributed to changes in feedstock prices and overall average selling prices), as well as a SAR 169.7 million increase in zakat and income tax paid in the six-month period ended 30 June 2022G which was attributable to 2021G profits.

Cash flows from investing activities

The following table compares the Company's cash flows from investing activities as at 30 June 2021G and 30 June 2022G.

Table (6-95): Cash flows from investing activities as at 30 June 2021G and 30 June 2022G of the Company

Currency: SARm	30 June 2021G	30 June 2022G	Variance (2021G-2022G)
Payments for property, plant and equipment	(58.1)	(16.8)	(71.1%)
Payments for short-term deposits	(481.1)	(594.9)	23.7%
Proceeds from short-term deposits	320.6	595.5	85.7%
Collection against employees' loans	3.6	5.6	55.6%
Disbursement of employees' loans	(1.8)	(1.9)	5.6%
Net cash outflow from investing activities	**(216.8)**	**(12.5)**	**(94.2%)**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Cash outflows from investing activities decreased from SAR (216.8) million in the six-month period ended 30 June 2021G to SAR (12.5) million in the six-month period ended 30 June 2022G mainly driven by (i) a decrease in payments for property, plant and equipment by SAR 41.3 million, (ii) higher net proceeds from short-term deposits by SAR 161.1 million.

Cash flows from financing activities

The following table compares the Company's cash flows from financing activities as at 30 June 2021G and 30 June 2022G.

Table (6-96): Cash flows from financing activities as at 30 June 2021G and 30 June 2022G of the Company

Currency: SARm	30 June 2021G	30 June 2022G	Variance (2021G-2022G)
Repayment of borrowings	(515.1)	(61.8)	(88.0%)
Dividends paid	-	(1,125.0)	100.0%
Principle element of lease payments	0.3	(0.5)	(266.7%)
Finance cost paid	(27.2)	(23.1)	(15.1%)
Net cash outflow from financing activities	**(542.0)**	**(1,210.4)**	**123.3%**

Source: Audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

Cash outflows from financing activities increased from SAR (542.0) million in the six-month period ended 30 June 2021G to SAR (1,210.4) million in the six-month period ended 30 June 2022G as a result of dividends paid during the six-month period ended 30 June 2022G in the amount of SAR 1,125.0 million, partially offset by lower borrowing repayments during the period.

6.8.5 Financing structure

The following table presents the capitalization of the Company as derived from its audited financial statements for the financial year ended 31 December 2021G and the six-month period ended 30 June 2022G, noting that the table should be read in conjunction with the relevant financial statements, including the notes thereto set out in Section (19) "**Financial Statements and Independent Auditor's Report**" of this Prospectus.

Table (6-97): Capitalization and Indebtedness of the Company for the financial year ended 31 December 2021G and the six-month period ended 30 June 2022G

Currency: SARm	31 December 2021G	30 June 2022G
Non-current portion of long-term borrowings	2,103.8	2,019.3
Current portion of long-term borrowings	146.3	168.8
Total long-term borrowings	**2,250.1**	**2,188.1**
Current portion of lease liabilities	5.3	14.8
Non-current portion of lease liabilities	107.5	100.0
Total lease liabilities	**112.8**	**114.8**
Equity		
Share capital	441.0	441.0
Statutory reserve	220.5	220.5
Retained earnings	3,583.0	3,215.5
Total equity	**4,244.5**	**3,877.0**
Total capitalization (total long-term borrowings and lease liabilities + total equity)	6,607.4	6,179.9
Total long-term borrowings and lease liabilities / total capitalization	35.8%	37.3%

Source: Audited financial statements for the year ended 31 December 2021G and audited special purpose financial statements for the six-month period ended 30 June 2022G and Company information

7. Dividend Distribution Policy

Pursuant to Article 110 of the Companies' Law, a Shareholder is vested with all rights attached to Shares, which include in particular the right to receive a share of the dividends declared for distribution. The Board of Directors shall recommend distribution of any dividends before the Shareholders' approval at the General Assembly.

The Company is under no obligation to declare and distribute any dividends and any decision to do so will depend on, amongst other things, the Company's historic and anticipated profitability and cash flows, financing and capital requirements, general economic and market conditions, the Company's Zakat and tax position, as well as other legal and regulatory considerations including any undertakings under the financing agreements to which the Company is subject. Accordingly, there are no guarantees of actual distribution of dividends, nor is there any guarantee as to the amounts to be paid in any year or period.

Shares give their holders the right to receive the dividends declared by the Company from the date of this Prospectus and the following fiscal years, in accordance with the entitlement date for each dividend.

As per the Company's Bylaws, the Company's annual net profits are distributed, after deducting all general expenses and other costs, as follows:

- a- Ten percent (10%) of net profits must be set aside to form a statutory reserve for the Company. Such setting aside may be discontinued by the Ordinary General Assembly when the said reserve reaches thirty percent (30%) of the paid capital.
- b- The Ordinary General Assembly may resolve to create other reserves in such an amount as to ensure continued prosperity for the Company or the payment of a steady dividends as much as possible to the shareholders. The said assembly may also withhold certain amounts from the net profits for the establishment of social organizations for the employees of the Company, or for supporting such organizations as may already be in existence.
- c- The Shareholder is entitled to his share in the dividends in accordance with a resolution adopted in this regard by the General Assembly. Such resolution shall set out the eligibility date and distribution date. The eligibility for dividends shall be for Shareholders registered in the Shareholders' records at the end of the day on the eligibility date.
- d- The Board may distribute a specific percentage of balance in accordance with the Company's dividends distribution policy.

It should be noted that the dividend policy is subject to change from time to time. In addition, the Board of Directors may, after obtaining an authorization from the Ordinary General Assembly renewable annually, distribute interim dividends to the Company's Shareholders on a semi-annual or quarterly basis, in accordance with the regulations set by the CMA.

The following table shows a summary of dividends declared and distributed by the Company during the fiscal years ended on 31 December 2019G, 31 December 2020G, 31 December 2021G and the six-month period ended on 30 June 2022G:

Table (7-1): Dividends declared and distributed by the Company during the financial years ended on 31 December 2019G, 31 December 2020G, 31 December 2021G and the six-month period ended on 30 June 2022

	FY ended on 31 December 2019G	FY ended on 31 December 2020G	FY ended on 31 December 2021G	Six-month period ended on 30 June 2022G
Net Profit/Loss*	(140,608,879)	81,077,379	1,502,515,031	740,104,523
Dividends Declared	-	-	1,023,435,427	1,263,709,646
Dividends Paid**	-	-	937,500,000	1,125,000,000

* Net profit before other comprehensive income.

** After Zakat and tax deduction.

Source: The Company

8. Use of Offering Proceeds

The Offering Proceeds are estimated at an amount of SAR ([•]), of which, a sum of SAR ([•]) will be used to settle expenses related to the Offering, including the fees of the Joint Financial Advisors, Underwriters, Lead Manager, Joint Bookrunners, Joint Global Coordinators, the legal advisors, Financial Due Diligence Advisor, Auditor, and the Market Consultant in addition to the fees of the Receiving Entities, and the marketing, printing, distribution, regulatory fees and other related expenses. The Net Offering Proceeds, estimated at approximately SAR ([•]) will be distributed to the Selling Shareholder. The Company will not receive any portion of the Net Offering Proceeds and the Selling Shareholder will bear all fees, expenses, and costs pertaining to the Offering.

9. Capitalization and Indebtedness of the Company

9.1 Capitalization and Indebtedness of the Company

The Current Shareholders own all of the Company's shares prior to the Offering. Upon completion of the Offering, Saudi Aramco will continue to own 70% of the Company's shares.

The following table presents the capitalization of the Company as derived from its audited financial statements for the fiscal years ended on 31 December 2019G, 2020G, and 2021G, and for the six-month period ended 30 June 2022G, noting that the table should be read in conjunction with the relevant financial statements, including the notes thereto set out in Section (19) "**Financial Statements and External Auditor Report**".

Table (9-1): Capitalization and indebtedness of the Company as of 31 December 2019G, 2020G, and 2021G and 30 June 2022G

Currency: SARm	As of 31 December 2019G	As of 31 December 2020G	As of 31 December 2021G	As of 30 June 2022G
Long-term borrowings	1,330.3	1,120.8	2,103.8	2,019.4
Current portion of long-term borrowings	583.8	1,033.3	146.3	168.8
Long-term lease liabilities	101.9	98.1	107.5	100.0
Short-term lease liabilities	10.6	19.6	5.3	14.8
Total Loans and Lease Obligations	**2,026.6**	**2,271.8**	**2,362.9**	**2,303.0**
Equity				
Share capital	441.0	441.0	441.0	441.0
Statutory reserve	220.5	220.5	220.5	220.5
Retained earnings	2,935.4	3,050.1	3,583.0	3,215.5
Total equity	**3,596.9**	**3,711.6**	**4,244.5**	**3,877.0**
Total capitalization (Total Loans and Lease Obligations + total equity)	5,623.5	5,983.4	6,607.4	6,180.0
Total Loans and Lease Obligations / Total capitalization	36.0%	38.0%	35.8%	37.3%

Source: Company

9.2 Declarations of the Board of Directors

The Directors declare that:

a- Other than as disclosed in Section (4.3.6) "**Jadwa Co-Investment Fund (Saudi Lube Oil)**", and based on information provided by the Shareholders, none of the Company's shares are subject to any options rights.

b- The Company has no issued debt instruments.

c- The Company's balance and cash flows are sufficient to cover its expected cash needs for its working capital and capital expenditures for at least twelve (12) months from the date of this Prospectus.

10. Statements by Experts

As at the date of this Prospectus, all advisors and the Auditor whose names appear in the "**Corporate Directory**" on Pages (viii-x) hereof have given and not withdrawn their written consent to the publication of their names, logos and statements - as applicable – as set out herein. Moreover, they do not, nor their employees (who are amongst the team working for the Company) or their Relatives have any shareholding or interest of any kind in the Company or its Subsidiary as at the date of this Prospectus which would impact their independence.

11. Declarations

The Directors declare that:

1- The Offering does not constitute a breach of the relevant laws and regulations in the Kingdom.

2- The Offering does not constitute a breach of any material contract the Company is party to.

3- All material legal information concerning the Company has been disclosed in the Prospectus.

4- The Company and its Subsidiary are not subject to any lawsuits or proceedings that may, individually or collectively, have a material impact on the business of the Company or its Subsidiary or their financial position. For further details about current requests for payments, please refer to Section (12.12) "**Lawsuits and Claims**".

5- The Directors are not subject to any lawsuits or legal proceedings that may, individually or collectively, have a material impact on the business or financial position of the Company or its Subsidiary.

6- There has been no interruption in the Company's business which may have, or has had, a significant effect on its financial position during the last twelve months period.

7- The Company did not provide any commissions, discounts, brokerage fees or any other non-cash compensation in connection with the issuance or offering of any securities within the three years immediately preceding the date the application for admission and offering of the securities subject to this Prospectus was submitted.

8- There has been no material change in the financial or business position of the Company during the three financial years immediately preceding the date of filing the application for registration and offering of the securities subject to this Prospectus and during the period from the end of the period covered in the independent auditor' report to the date of this Prospectus, except as described in this section or any other section of this Prospectus, particularly the factors set forth in Section (2) "**Risk Factors**".

9- Neither he/she, nor any of his/her Relatives, directly or indirectly hold shares or debt instruments or have interest of any kind in the Company or its Subsidiary or any interest in any matters that may have an impact on the Company's operations, except what has been disclosed in Table (1) "**Details of Company's Board of Directors**" and except the interest in Saudi Aramco's shares allocated to Directors who work at Saudi Aramco under its employee share scheme but which is not currently owned and which the entitlement to requires the satisfaction of a number of conditions not currently satisfied.

10- The Company, individually or jointly with its Subsidiary, have a sufficient working capital for a period of at least twelve months immediately following the date of publication of this Prospectus.

11- Other than the Jeddah Facility closure described in Section (4.5.1.2) "**Jeddah Facility**" and the future projects described in Section (4.5.3) "**Future Projects**", no material change in the nature of the Company's business is contemplated.

12- Neither the Company nor its Subsidiary have issued any debt instruments.

13- The Company does not have any loans or other liabilities, whether covered by a personal guarantee or non-personal guarantee or covered by a mortgage, including bank account overdrafts, nor guaranteed liabilities, liabilities under acceptance, acceptance credits, or any hire purchase commitments, except as disclosed in Section (12) "**Legal Information**", Section (2) "**Risk Factors**", and Section (6) "**Management Discussion and Analysis of Financial Conditions and Results of Operations**".

14- The Company does not hold existing or approved but unissued debt instruments, term loans, or secured or unsecured mortgages, except as disclosed in Section (12) "**Legal Information**". The Company issued six promissory notes in favor of Riyad Bank relating to the existing Murabaha Facility agreement, financing cost and credit facilities agreement; the Company has two financing arrangements (please see Section (12.6.9) "**Financing**"). In addition, the Company has real estate properties mortgaged in its favor as part of the home ownership program.

15- None of the Directors, Senior Executives, Board Secretary, or any of their Relatives or Subsidiaries have any interest in any existing contracts or arrangements, whether written or oral, or in any contracts or arrangements under consideration or intended to be entered into with the Company or its Subsidiary up to the date of this Prospectus.

16- The financial information presented in Section (6) "**Financial Information and Management's Discussion and Analysis**" (except as disclosed in Section (6.5) "**Restatement of Financial Information of the Company**") is derived without material change and is presented consistent with the audited financial statements for the financial years ended 31 December 2019G, 2020G, and 2021G and the audited special purpose financial statements for the six-month period ended 30 June 2022G. In addition, certain financial information presented in this section has been extracted from management information. The audited financial statements for the financial years ended 31 December 2019G, 2020G, and 2021G and the special purpose financial statements for the six-month period ended 30 June 2022G were prepared by the Company in accordance with IFRS that are endorsed in the Kingdom and other standards and pronouncements issued by SOCPA, and have been audited by the Auditor, as set out in their audit reports. The audit report on the special purpose financial statements for the six-month period ended 30 June 2022G contains an emphasis of matter paragraph drawing attention to notes 3.7 and 32 to the special purpose financial statements which describe the amendments made to the previously issued financial statements for the years ended 31 December 2019G, 2020G and 2021G.

17- The Company has presented comprehensive details in Section (6) "**Management's Discussion and Analysis**" of all fixed assets and investments, including contractual securities and other assets whose value is volatile or difficult to estimate.

18- The internal control procedures and policies were prepared on sound basis by the Company as a written policy to regulate conflicts of interest and address any potential cases of conflict, including the misuse of the Company's assets and dealing with Related Parties. In addition, the Company has ensured that sound financial and operational systems and appropriate control systems for the management of potential risks are in place, as required under part five of the Corporate Governance Regulations.

19- Except as disclosed in Section (5.9.1) "**Employees Shares**", there are no share schemes for the Company's employees that would make employees share in the Company's capital, and there are no other similar arrangements in place.

20- The properties of the Company are not subject to any mortgages, rights, or encumbrances as at the date of this Prospectus.

21- The Directors have developed procedures, controls, and systems to enable the Company to meet all requirements of the related laws, regulations, and instructions, including the Companies Law, the Capital Market Law and its implementing regulations, the ROSCOs, and the Listing Rules.

22- There are no contracts and transactions entered into by the Company, in which the Directors have a direct or indirect interest. The Directors further undertake to comply with the provisions of Articles 71 of the Companies Law and the regulations set by the CMA in case they had any such direct or indirect interest, including not voting on agreements and transaction in which they have interest.

23- None of the Directors is engaged in any activities that compete with the Company. The Directors undertake to comply with the provisions of Articles 72 of the Companies Law and the regulations set by the CMA in case such competition occurs.

24- The Company will disclose the details of any transactions with Related Parties in accordance with requirements of the Corporate Governance Regulations and the ROSCOs. All Related Party transactions are entered into in accordance with applicable law and entered into on arm's length basis or in the best interest of the Company.

25- Except as disclosed in Section (4.3.6) "**Jadwa Co-Investment Fund (Saudi Lube Oil)**", none of the shares of the Company (based on information provided by the Shareholders) or its Subsidiaries are subject to any options rights.

26- The Company has provided comprehensive details in Section (6) "**Management's Discussion and Analysis**" of any potential liabilities, has calculated, and recorded a provision for the obligations contained in the management's discussion and analysis of the financial position and results of operations.

27- The Company has not experienced any changes in the capital during the past three years directly before the date of submission of the registration application and offering of securities subject to this Prospectus, except as disclosed in Section (6.8.3) "**Total Equity**" and Section (4.3) "**Corporate History**".

28- None of the Directors, Senior Executives or Board Secretary, have at any time declared bankruptcy or been subject to bankruptcy proceedings.

29- None of the companies at which any of the Directors, Senior Executives or Board Secretary were employed in a managerial or supervisory capacity were declared insolvent or bankrupt during the past five years preceding the date of this Prospectus.
30- The Shareholders whose names included in Section (4.3.4) “**Group Structure**” are the legal owners of the Company’s shares.
31- Except as disclosed in Section (12.7) “**Related Party Transactions**”, the Company does not have any other ongoing transactions or agreements with the Substantial Shareholders as of the date of this Prospectus.
32- Except as disclosed in Section (12.7) “**Related Party Transactions**”, there are no material contracts or transactions with Related Parties that could have a significant impact on the Company’s business, and the Company has no intention of concluding any new agreements with Related Parties as of the date of this Prospectus.
33- The Directors and CEO do not have the right to vote on decisions relating to their compensation and remuneration.
34- The Directors may not borrow from the Company or get any loan obtained by any of the Directors to be guaranteed by the Company.
35- Internal control, accounting, and information technology systems are adequate and appropriate.
36- All material facts related to the Company and its financial performance have been disclosed in this Prospectus, and that there is no other information, documents, or facts the omission of which would make any statement herein misleading.
37- The information and data contained in this Prospectus that are obtained from third parties, including the from the Market Consultant, are the most recent information available from their respective source and are reliable and the Company has no reason to believe that such information is materially inaccurate.
38- All terms and conditions that may materially affect the investors’ decisions to invest in the Offer Shares, have been disclosed.
39- The Company does not own any lands as of the date of this Prospectus (except for the purposes of its employee home ownership program, as described in subsection “**Employees’ home ownership receivables**” of Section (6.7.2)). All lease contracts entered into by the Company, disclosed in Section (12.8.2) “**Real Estate Leased by the Company and the Subsidiary**”, are valid as of the date of this Prospectus.
40- All increases in the Company’s capital does not contravene the applicable laws and regulations in the Kingdom.
41- The Company does not have any properties, including contractual financial securities or other assets, the value of which are subject to fluctuations or are difficult to ascertain, which significantly affects the evaluation of the financial position.
42- Except as provided in Section (2) “**Risk Factors**”, the Company has no information about any governmental, economic, financial, monetary, or political policies, or any other factors that have affected or could materially affect (directly or indirectly) the Company’s operations.
43- Except as provided in Section (2) “**Risk Factors**”, the Company has no information about any seasonal factors or economic cycles related to its business activity and that may have an impact on the Company’s business and financial position.
44- As at the date of this Prospectus and to the best of their knowledge and belief, there are no other material risks – except as disclosed in Section (2) “**Risk Factors**”– that may materially affect the prospective investors’ decision to invest in the Offer Shares.
45- All necessary approvals have been obtained from the lenders on the Offering and for the Company to be a public joint stock company.
46- The Company is in compliance with all material terms and conditions under the agreements entered into with lenders and financiers. As at the date of this Prospectus, there has been no breach of the contractual terms and conditions under such agreements.
47- All contracts and agreements that the Company considers important or material, or which may otherwise affect the investors’ decision to invest in the Offer Shares, have been disclosed. There are no other material contracts and agreements that have not been disclosed.

48- The insurance policies of the Company, described in Section (12.11) "**Insurance**", provide sufficient insurance coverage for the Company to conduct its business. The Company renews the insurance policies and contracts on a regular basis to ensure that continuous insurance coverage is in place.

49- Except as disclosed in Section (2.1.4) "**Risks relating to regulatory licenses and permits**", the Company has obtained all the essential licenses required to conduct its business.

50- The Company's non-Saudi employees are under the Company's sponsorship or their services are provided by companies licensed to provide such services.

51- The Board undertakes to record the Board's deliberations and meetings in signed minutes, as required by applicable laws.

52- The Company is capable of preparing required reports in the prescribed timeline in the CMA's rules and regulations.

53- The Company submitted and will submit to the CMA all the documents required pursuant to the Capital Market Law and the ROSCOs.

12. Legal Information

12.1 Legal Declarations

The Directors declare the following:

1- The Offering does not violate the relevant laws and regulations in the Kingdom.
2- The Offering does not constitute a breach of any material contracts or agreements entered into by the Company.
3- All material legal information relating to the Company has been disclosed in this Prospectus.
4- The Company and its Subsidiary are not subject to any lawsuits or proceedings that may, individually or collectively, have a material impact on the business of the Company or its Subsidiary or their financial position.
5- The Directors are not subject to any lawsuits or legal proceedings that may, individually or collectively, have a material impact on the business or financial position of the Company or its Subsidiary.

12.2 The Company

Saudi Aramco Base Oil Company – Luberef is a joint stock company registered under commercial registration number (4030010447) dated 03/09/1396H (corresponding to 29/08/1976G) and converted from a limited liability company to a joint stock company pursuant to resolution number (1173) dated 20/01/1444H (corresponding to 18/08/2022G) issued by the Ministry of Commerce. The Company's headquarters pursuant to its commercial registration certificate is 7168 Al Minaa, 3072 Petromin Dist., P.O. box 5518, Postal Code 22411, Jeddah, Kingdom of Saudi Arabia.

For more details about the Company's history and activities, please refer to Section (4.3.1) "**Corporate History**" and Section (4) "**Background of the Company and its Business**".

12.2.1 Shareholder Structure

The Company's current capital is (SAR 1,687,500,000) fully paid divided into (168,750,000) ordinary shares with (SAR 10) nominal value each. Luberef currently has two shareholders, Saudi Aramco and Jadwa. The following table sets out the Company's ownership structure before and after the Offering:

Table (12-1): Direct Ownership Structure of the Company Before and After the Offering

#	Share-holders	Pre- Offering			Post-Offering		
		Number of Shares	Nominal Value (SAR)	Direct Ownership (%)	Number of Shares	Nominal Value (SAR)	Direct Owner-ship (%)
1	Saudi Aramco	118,125,000	1,181,250,000	70%	118,125,000	1,181,250,000	70%
2	Jadwa	50,625,000	506,250,000	30%	-	-	-
3	Treasury shares*	-	-	-	580,000	5,800,000	0.3437037%
4	Public	-	-	-	50,045,000	500,450,000	29.6562963%
Total		**168,750,000**	**1,687,500,000**	**100%**	**168,750,000**	**1,687,500,000**	**100%**

* Concurrently with the closing of the Offering, the Company will purchase the treasury shares from Jadwa. For more details, please review Section (5.9.1) "**Employees Shares**".

Source: The Company

Please refer to Section (4.3) "**The Company's History and Group Chart**" for more information about the ownership structure of the Company.

12.2.2 Company Branches

The Company has one branch in Yanbu, where the Yanbu Facility is. The Company's branch is registered under commercial registration number (4700004941) dated 17/02/1415H (corresponding to 25/07/1994G) and its address is 4109, King Abdulaziz Road, Industrial Area, 9055, Yanbu Industrial City, 46481, Yanbu, the Kingdom.

12.3 Subsidiaries

The Company has one subsidiary, Luberef FZE. Luberef FZE was incorporated on 26/03/1435H (27/01/2014G) as a free zone establishment in Hamriyah free zone in the United Arab Emirates and is registered under registration number (12689) with the Hamriyah Free Zone Authority and located in E-LOB office number E-18F-28, P.O. Box 53331, Hamriyah Free Zone, Sharjah, United Arab Emirates. Luberef FZE's activities as per its commercial license are to import, export, trading of petroleum products, chemical, diesel, lubricants and base oils.

Luberef FZE does not currently conduct any material activity or own any material assets, and primarily facilitates the import and storage activities that the Company conducts in the Hamriyah Free Zone.

12.4 Summary of the Company's Bylaws

12.4.1 Company's Name

The name of the company shall be Saudi Aramco Base Oil Company – Luberef (joint stock company) (the "**Company**").

12.4.2 Company's Objects

The objects of the Company are:

1- Manufacture of refined oil products (1920);
2- Manufacture of plastics and synthetic rubber in primary forms (2013);
3- Manufacture of other chemical products that are unspecified in another position (2029); and
4- Wholesale of solid, liquid and gaseous fuels and related products (4661).

The Company shall exercise its activities in accordance with applicable laws and regulations after obtaining the necessary licenses, if any, from the competent authorities.

12.4.3 Shareholding and Ownership in Companies

The Company may establish companies alone or with others inside or outside of the Kingdom (in accordance with the relevant rules and regulations) and it may own shares and interests in other existing companies or merge with them, after satisfying the applicable laws and regulations in that regard. The Company may also dispose of such shares and interests, provided that it may not act as a broker in trading such shares or interests.

12.4.4 Head office of the Company

The head office of the Company is located in the city of Jeddah in the Kingdom. The Board of Directors may open branches, offices or agencies inside or outside the Kingdom.

12.4.5 Term of the Company

The Company's term is 99 Gregorian years commencing as of the date of registration in the commercial register. The Company's term may be extended by a resolution of the Extraordinary General Assembly at least a year before the end of its term.

12.4.6 Provisions Relating to the Issuer's Administrative, Management and Supervisory Bodies

12.4.6.1 Company Management

The Company shall be managed by a board of directors composed of 6 members elected by the shareholders' Ordinary General Assembly for a term not exceeding 3 years. As an exception, the Shareholders may appoint the first Board of Directors after conversion for a term not exceeding 5 years.

12.4.6.2 End of the Board Membership

The Board of Directors' membership ends by the expiry of each member's term or by ceasing to be eligible for membership according to any applicable laws or instructions in the Kingdom. However, the Ordinary General Assembly may, at any time, remove all or any of the members of Board of Directors without prejudice to the right of the removed members in seeking damages if the removal is without acceptable cause or at an improper time. A member of the Board of Directors may resign, provided that such resignation is made at a proper time; otherwise, such member will be liable towards the Company for damages resulting from such resignation.

12.4.6.3 Board Vacancy

In the event that a seat on the Board of Directors becomes vacant, the Board may appoint an interim member in such vacant position, from those with the experience and adequacy required. The competent authorities must be notified of such appointment within 5 business days from the appointment date as and if required by applicable laws. Such appointment shall be presented to the Ordinary General Assembly at its first meeting, and the new member will complete the remaining of the unexpired term of the member's predecessor. In the event of failing to fulfil the conditions required to hold a meeting of the Board of Directors because the number of members falls below the minimum required by the Companies Law or the Bylaws, the rest of the directors shall invite the Ordinary General Assembly to be held within 60 days to elect the required number of members.

12.4.6.4 Powers of the Board

With due regard to the powers vested in the General Assembly, the Board of Directors enjoys full powers in the management of the Company so as to achieve its objects. The Board may, in order to achieve this, carry out any of, but not limited to, the following:

1- Representing the Company in its relations with the others and before the Ministry of Commerce, Ministry of Investment, ZATCA, the CMA, the Saudi Exchange, notary public, and before the courts, Sharia Courts, judicial committees, arbitral committees and all other committees and before the labour offices, police departments, chambers of commerce and industry, public and private committees, and all institutions inside or outside of the Kingdom and all other governmental and private bodies.

2- Doing everything related to claims and courts, including - but not limited to - delegating third parties to follow up, plead and defend the Company, filing a claim, litigating and defending, case hearing and pleading, acknowledge, deny, settle, waive, requesting, denying and objecting to oath, present witnesses and evidences and impeach them, responding to, requesting the disqualification of and amending testimonies, filing forgery claims, deny scripts, seals and signatures, request travel ban and lift it, request attachment and execution, request arbitration, appoint experts and arbitrators, challenge expert and arbitrator reports, return and replace judgments, accept judgments or demand their implementation, negation or object to them, and request appealing or seeking reconsideration, requesting rehabilitation, receiving judgment papers, receiving and paying amounts to and from courts and arbitration bodies, and attending hearings in all cases before government and private bodies and before all levels of all courts, judicial bodies, commercial departments, labour offices, higher and primary committees, and the Committee for the Resolution of Securities Disputes and commercial paper dispute settlement offices, banking dispute settlement committees, customs committees, tax committees and Commercial fraud and all other judicial committees, and the Anti-Corruption Authority, the Public Prosecution, and other bodies.

3- Do all that is necessary in relation to the companies established or owned by the Company - including but not limited to - agreeing to establish, form, purchase, manage, operate, terminate, liquidate, finance, secure, guarantee and participate in any type of company, institution, fund or branch, with others or alone, in any proportion, whether inside or outside the Kingdom, determining the tasks and budgets of branches and companies, determining the amounts and values of the shares in which the Company will participate, increasing or decreasing the capital of those companies, or withdrawing the Company from the companies that it participates in, selling, buying, mortgaging, assigning and disposing of the Company's shares in other companies, receiving the value, converting the entities of those companies, whether to a joint stock company, a limited liability company or others, and signing the articles of association of these companies and all their amendments and appendices before the notary public or any other governmental bodies or their cancellation, and the signing of any documents, contracts or other decisions issued by the Company in its capacity as a partner or a shareholder in those companies and related to those companies, including contracts of purchase, sale, mortgage, redemption, assignment or disposal of shares, shares, minutes of general meetings, permits, requests, notices, powers of attorney, resolutions, lease contracts or any other papers that may be necessary, required or appropriate to do so, and the appointment of directors and members of these boards of directors and company representatives in the assemblies of their partners or shareholders, attend and vote - on behalf of the Company - in partners' meetings, including the ordinary and extraordinary constituent and general assemblies, and take and vote on all decisions, including but not limited to approving the offering of these companies to the public or offering debt instruments through them, or merging them with each other or with other companies, or liquidating them, or modifying the objects of those companies.

4- Dispose in any manner the Company's assets, property, and real estate, built or not, and its money, stocks, shares in other companies, and other movable or immovable assets, and this disposal includes emptying land and buildings, selling, buying, investing, mortgaging, releasing mortgage and endorsing instruments by merging, sorting, gifting, paying the price and receiving the price, transferring, the right to seizure, and signing before a notary public or any other government body to that effect.

5- Contracting and committing in the name of and on behalf of the Company, entering into tenders, investing in shares, portfolios and bonds, signing all kinds of contracts, documents and papers including memoranda of understanding, and carrying out all acts and actions including negotiation, contracting, commitment, engagement, conciliation, assignment, rescission, signature and delivery and amending, replacing and adding to any contracts and obligations with others that would achieve the company's purposes, including - but not limited to - licensing contracts, marketing, future purchase, contracts of purchase, sale, lease, rental, agencies, franchises, insurance contracts, indemnifications and guarantees, all in the form, terms and amounts that the Board deems appropriate in accordance with to its absolute discretion.

6- Representing the Company in its relations with other companies, banks, commercial banks, money houses, all government finance funds and institutions of various names and specializations, financial institutions of all kinds and other lenders, opening, managing, operating and closing bank accounts of any type and in any country and conducting all transactions on these accounts in relation to the company's activity, including withdrawing from it, depositing in it, transferring from it, receiving and disbursing company funds, claiming its rights, signing any documents or contracts related to that, and obtaining loans and other facilities and loans of all kinds for any period and with a value not exceeding USD 1 billion annually, from funds, government financing institutions and commercial banks financial houses, credit companies, and any other credit agency, issuing guarantees and guarantees in favour of any party when the Board sees - according to its absolute discretion - that this serves the interest of the Company, signing, issuing and accepting checks, bills of exchange, order bonds and other commercial papers, and entering into financial leasing operations, financial derivatives operations, treasury operations, financial hedging and hedging against currency price changes, granting credits, and carrying out all transactions to conclude all agreements and banking transactions, all in the form and terms that the Board deems appropriate according to the Board's absolute discretion.

7- Approving the Company's business plan, annual capital budget and operational plans.
8- Endorsing the financial position, financial statements and annual budget of the company.
9- Approval of the company's internal, financial, administrative and technical policies, as well as the policies relating to its employees.
10- Appointing and dismissing the Company's president and chief executive officer, his deputies and other executive officials who report to them and other employees, and determining their authority, responsibilities, and remuneration.
11- Determining the authorities, responsibilities and compensation of the Managing Director (if appointed).
12- Forming and appointing committees of all kinds (except for the Audit Committee), determining their powers, appointing their members from among its members or others, dismissing them, and determining their compensation.
13- Appointing the Company's employees, agents and consultants, on the terms it deems appropriate, dismissing them, defining their powers and duties, promoting or transferring them, disbursing the necessary allowances to them, determining their salaries and bonuses, paying their salaries and compensations, requesting visas, recruiting employees and workers from abroad, issuing residency permits and work permits, and transferring, terminating and waiving guarantees.
14- Sign and attest all licenses, records, certificates, necessary authorizations, forms and documents, receive and deliver them in the name and on behalf of the Company, register signatures and seals with the Chamber of Commerce, and issue, renew and amend certificates and licenses for the Company.
15- Doing all things necessary in relation to commercial records and chambers of commerce, including but not limited to: follow up with registers' department, issue and renew registers, reserve commercial names, register and renew the registration with the Chamber of Commerce, sign all documents before Chamber of Commerce, manage registers, amend registers, add activities, open branch registers and cancel registers.
16- Registration of trademarks and other intellectual property rights in the name of the Company inside and outside the Kingdom.
17- Determining the cases in which a member of the Board of Directors is considered to have a direct or indirect interest in the business and contracts made for the Company's account.
18- Determining the cases in which a member of the Board of Directors is considered to be involved in a business that would compete with the Company or a segment of its activities.
19- Enter into a management agreement with the Saudi Aramco for the provision of managerial, technical, professional, and other services to the Company in connection with its activities and management.
20- As per Article 4.2 of Saudi Aramco's bylaws, provide Saudi Aramco with any information or documents requested from time to time in accordance with Article (40) of the bylaws.
21- Exercising any of the above powers inside or outside the Kingdom, and with respect to the Company or any of its subsidiaries.

The Board may delegate any of the Board's powers - within the limits of its authorities - to one or more of the Board members, managers, officers, employees, or third parties to take any action or conduct or perform specific work or actions on behalf of the Company, and revoke such delegation in part or in whole, as well as grant the delegate the right to delegate others.

12.4.6.5 Board Remuneration

The remuneration of the Board of Directors consists of a certain amount, attendance allowance for meetings or in-kind benefits within the limits of what is stipulated in the Companies Law and its regulations, and two or more of these benefits may be combined. The report of the Board of Directors to the Ordinary General Assembly must include a comprehensive statement of all that the members of the Board of Directors received during the financial year in terms of remuneration, expense allowance and other benefits, and it must also include a statement of what the members of the Board received in their capacity as workers or administrators, or what they received in return for business, technical, administrative or consultative services, and it should also include a statement on the number of meetings held and the number of meetings attended by each member from the date of the last meeting of the General Assembly.

12.4.6.6 Powers of Chairperson, Vice Chairperson and Secretary

1- The Board shall appoint the Chairperson from its members, provided that such chairperson is a Saudi Aramco nominee for so long as Saudi Aramco remains a majority shareholder. Also, the Board shall appoint a vice chairperson and can appoint a managing director. A single member may not jointly occupy the position of the Chairperson and any executive position in the Company.

2- The Chairperson shall have the following powers:

  a- Invite the Board to convene and chair meetings. The Chairperson must convene the Board if requested to do so by two or more directors.

  b- Represent the Company before third parties, inside or outside the Kingdom, including but not limited to, appearing before courts of law and arbitration bodies, ministries, departments, government agencies, companies, courts, judicial and quasi-judicial committees, labour committees or courts of all degrees and categories, the public prosecution, notary public and notaries licensed by the Ministry of Justice, and the Chambers of Commerce. To that end, the Chairperson has the right to sign, plead, defend, file lawsuits, conclude settle, assign, waive, discharge, deny, acknowledge, and request an oath, receive judgments, request revocation of judgments, appeal, and seek reconsideration and execution of judgments. The Chairperson has the right to delegate another person for this purpose, as well as grant the delegate the right to delegate others.

  c- Do all that is necessary in relation to the companies established or owned by the Company - including but not limited to - agreeing to establish, purchase, manage, operate, terminate, liquidate, finance, guarantee, guarantee and participate in any type of company, institution, fund or branch with others or alone, in any proportion, whether inside or outside the Kingdom, determining the tasks and budgets of branches and companies, determining the amounts and values of the shares in which the company will participate, increasing or decreasing the capital of those companies, or withdrawing the company from the companies in which it participates, selling, buying, mortgaging, redeeming, assigning and disposing of the Company's shares in other companies, receiving the value, converting the entities of those companies, whether to a joint-stock company or a limited liability company or others, and signing the articles of association of these companies and all their amendments and appendices before the notary public or any other government agencies or their cancellation, and the signing of any documents, contracts or other decisions issued by the Company in its capacity as a partner or a shareholder in those companies and related to those companies, including contracts of purchase, sale, mortgage, redemption, assignment or disposal in shares, shares, minutes of general meetings, permits, requests, notices, powers of attorney, resolutions, lease contracts or any other papers which may be necessary, required or appropriate to do so, and to appoint directors and members of such boards of directors and company representatives in the assemblies of their partners or shareholders and to attend and vote, on behalf of the Company, in partners' and shareholders meetings, including the ordinary and extraordinary constituent and general assemblies, or to amend the objects of those companies.

  d- Contracting and committing in the name of and on behalf of the Company, entering into tenders, investing in shares, portfolios and bonds, signing all types of contracts, records and documents including memoranda of understanding, and carrying out all acts and actions including negotiation, contracting, commitment, engagement, conciliation, assignment, termination, signature and delivery and amending, replacing and adding to any contracts and obligations with others that would achieve the Company's purposes, including - but not limited to - licensing contracts, marketing, future purchase, purchase, sale, lease, rental, agencies, concession, insurance contracts, compensation contracts and guarantees, all in the form, terms and amounts that the Board deems appropriate at its sole discretion.

e- Representing the Company in its relations with companies, banks, commercial banks, money houses, all government funds and institutions of various names and specializations, financial institutions of all kinds and other lenders, opening, managing, operating and closing bank accounts of any type and in any country and conducting all transactions on these accounts with respect to the Company's activity, including withdrawing from it, depositing with it, transferring from it, receiving and disbursing the Company's money, claiming its rights, signing any documents or contracts related to that, and obtaining loans and other facilities and loans of all kinds for any period and with a value not exceeding USD 1 billion annually, from funds, government financing institutions, banks, commercial, and financial houses, credit companies and any other credit body, issuing guarantees and guarantees in favor of any party whatsoever when the Board deems - according to its absolute discretion - that this serves the interest of the Company, signing, issuing and accepting checks, bills of exchange, order bonds and other commercial papers, and entering into financial leasing operations financial derivatives operations, treasury operations, financial hedging and hedging against currency price changes, granting credits, and carrying out all transactions necessary for the conclusion of all agreements and banking transactions, all in the form and terms that he deems appropriate according to his absolute discretion.

f- The Chairperson may delegate any of his/her powers - within the limits of his/her authorities - to one or more members of the Board or to a third party to take any action, conduct or carry out certain work or actions on his/her behalf in his/her capacity as Chairperson, and revoke the delegation in part or in whole, as well as the right to grant the delegate the right to delegate others.

3- The special remuneration to the Chairperson, in addition to the remuneration prescribed for the members of the Board of Directors, is as determined by the Company's Ordinary General Assembly.

4- The Board of Directors shall appoint a secretary to be chosen from among its members or from others, who shall be responsible for recording the minutes of the Board of Directors' meetings and keeping them in a special register and other tasks entrusted to the secretary by the Board of Directors and the regulations, and the secretary's remuneration shall be determined by the Board of Directors.

5- The term of the Chairperson, vice chairperson, and the secretary (who is also a Board member) shall not exceed the term of their respective membership on the Board, and they may be re-elected, and the Board may at any time dismiss them or any of them without prejudice to the right of those dismissed for compensation if the dismissal occurred for an unlawful reason or at an unsuitable time.

12.4.6.7 Board Meetings

The Board of Directors shall meet at least two times per year, at the invitation of its Chairperson. The Chairperson must convene the Board if requested to do so by two or more directors.

12.4.6.8 Board Meetings Quorum

1- A meeting of the Board is valid only if attended by at least half of the directors, provided that the number of those present is not less than three. A member of the Board may give proxy to another member of the Board to attend the meeting on his/her behalf according to the relevant internal policies.

2- Resolutions of the Board are adopted by majority of votes present/represented. In the case of a tie, the Chairperson has the casting vote.

3- The Board may adopt resolutions in urgent matters by presenting them to the members individually, unless a member requests (in writing) that a Board meeting be convened to deliberate on such resolutions. Circular resolution shall be presented to the Board at the first following meeting. Such resolution will be effective if signed by the majority of the Board.

4- Meetings of the Board may be held by telephone or modern means of communication, provided that it permits all directors present to actively participate, discuss and vote on resolutions.

12.4.6.9 Board deliberations

Deliberations and resolutions of the Board shall be recorded in minutes to be signed by the Chairperson, the attending Board members, and the secretary. Such minutes shall be saved in a special register signed by the Chairperson of the Board and the secretary.

12.4.6.10 Audit Committee

By resolution of the Ordinary General Assembly, an Audit Committee shall be formed consisting of three to five members of non-executive directors whether from shareholders or others. Such resolution or the committee's charter must also include tasks and responsibilities of the committee together with the remunerations of its members.

12.4.6.11 Audit Committee Meetings Quorum

The quorum of a meeting of the Audit Committee is the attendance of the majority of its members. Resolutions are adopted by majority of votes present. In the case of a tie vote, the chairperson of the Audit Committee shall have the casting vote.

12.4.6.12 Audit Committee Powers

The Audit Committee supervises the business of the Company. In order to do so, it has the right to access records and documents of the Company and to request any clarification from the Board of Directors or executive management. Further, the Audit Committee may request the Board of Directors to invite the Company's General Assembly to convene if its business was hindered by the Board of Directors or if the Company sustained material losses or damages.

12.4.6.13 Audit Committee Reports

The Audit Committee shall review the Company's financial statements, reports and notes submitted by the auditor and give its opinions concerning them, if any. In addition, it shall prepare a report with regard to its opinion on the adequacy and efficiency of the Company's internal control system along with other businesses within its scope of work. The Board of Directors shall place sufficient copies of the reports in the Company's head office at least 21 days prior to the date set for convening the General Assembly in order to provide the shareholders with a copy thereof, if desired. The Audit Committee report shall be read at the General Assembly meeting.

12.4.6.14 Auditor Appointment

The Company must have one (or more) auditors from among those professionally licensed in the Kingdom appointed by the Ordinary General Assembly for such purpose. The Ordinary General Assembly shall determine their remuneration and term. The General Assembly may at any time remove them, without prejudice to their right to compensation if the removal is made at an improper time or without acceptable justification. The auditor may be appointed for any period, provided, however, that so long as Saudi Aramco controls the Company, the auditor must be the same auditor selected by Saudi Aramco.

12.4.6.15 Auditor's Powers

The auditor may at any time have access to the books, records and other documents of the Company. The auditor shall be entitled to request such details and clarifications as he may deem necessary to obtain, and to verify Company's assets, liabilities and other requests that are within the scope of his work. The Chairperson must enable the auditor to perform his duty. If the auditor encounters any difficulty in this respect, he shall state that fact in a report to be submitted to the Board of Directors. If the Board fails to facilitate the task of the auditor, the auditor must request the Board of Directors to call for the Ordinary General Assembly to look into the matter. And the auditor shall present to the annual General Assembly a report including the position of the Company's management with regards to enabling the auditor to obtain data and explanations requested by the auditor. The auditor's report shall also include any violations the auditor found with respect to the Companies Law or the Bylaws. The auditor shall also present an opinion as to the fairness of the Company's financial statements.

12.4.6.16 Financial Year

The Company's financial year commences as of the beginning of the month of January and ends by the end of the month of December of every year, provided that the first financial year after conversion shall be a continuation of the financial year pre-conversion.

12.4.6.17 Financial Documents

1- The Board of Directors must prepare the financial statements of the Company at the end of each financial year together with a report of its business and financial position for the ended financial year. This report shall include the proposed method for distributing profits. The Board of Directors shall place such documents at the disposition of the auditor at least 45 days prior to the date set for convening the General Assembly.
2- The Chairperson, president and chief executive officer and chief financial officer of the Company must sign the documents referred to in paragraph (1) above. A copy thereof shall be placed in the Company's head office at the disposition of the shareholders at least 21 days prior to the date set for General Assembly meeting.
3- The Chairperson of the Board of Directors must provide the Shareholders with the financial statements of the Company, the report of the Board of Directors and the auditor's report and distributed in the head quarter of the Company if they were not published in a daily newspaper. Further, the Chairperson shall send a copy of such documents to the Ministry at least 15 days prior to date set for convening the General Assembly.

12.4.7 Provisions Relating to the Rights and Restrictions Attached to the Issuer's Securities

12.4.7.1 The Company's Share Capital

The Company's capital is one billion six hundred eighty-seven million five hundred thousand Saudi Riyals (SAR 1,687,500,000) divided into one hundred sixty-eight million seven hundred fifty thousand (168,750,000) shares, with equal SAR 10 nominal value, all of which are ordinary cash shares.

12.4.7.2 Subscription

The shareholders subscribed to the entire share capital amounting to one hundred sixty-eight million seven hundred fifty thousand (168,750,000) shares paid in full.

12.4.7.3 Shareholder Register

The shares of the Company are traded by entering the same into the shareholders' register that is prepared by the Company or a third party contracted by the Company, and in accordance with the Capital Market Law once the Company becomes a listed joint stock company. The shareholders' register when prepared by the Company shall include the shareholder's names, nationalities, places of residence, professions, number of shares and the amount paid out of them and annotated on the shares in this register. The transfer of ownership of the share is not valid vis-à-vis the Company and third parties except from the date of registration in the aforementioned register.

12.4.7.4 Transfer of Shares

Shares subscribed by the founders may only be traded after publishing the financial statements for 2 fiscal years, each of which is not less than 12 months from the date of conversion of the Company. An indication on the instruments of these shares shall indicate their type, date of conversion of the Company and the period during which it is prohibited to trade in them. The CMA may increase or decrease this lock-up period in case the Company wishes to list its shares on the stock exchange. Nevertheless, during the lock-up period, the ownership of shares may be transferred according to the provisions of the sale of rights from one of the founders to another founder, or from the heirs of one of the founders -in the event of such founder's death- to a third party or in the case of execution on the funds of the insolvent or bankrupt founder, provided that the priority of owning those shares is given to the other founders. The provisions herein shall apply to shares that are subscribed for by the founders in the event of an increase in the capital prior to the expiry of the lock-up period.

12.4.7.5 Buy-back, sale, or pledge of shares by the Company

1- The Company is entitled to buy-back, sell, pledge and mortgage its shares.
2- The purpose of a buy-back of shares may be to retain these as treasury shares in accordance with applicable laws and implementing regulations.
3- The Company may adopt employee share plans and allocate the treasury shares resulting from a share buy-back and/or from shares issued pursuant to a capital increase conducted in accordance with Article (15) of the Bylaws to employees of the Company and/or its subsidiaries in accordance with applicable laws and implementing regulations.

12.4.7.6 Debt Instruments

The Ordinary General Assembly may approve the issuance of negotiable debt instruments or financing Sukuk in accordance with the Companies Law and the regulations of the CMA.

12.4.7.7 Distribution of Profits

Annual net profits are distributed as follows:

1- (10%) of net profits must be set aside to form a statutory reserve for the Company. Such setting aside may be discontinued by the Ordinary General Assembly when the said reserve reaches (30%) of the paid capital.
2- The Ordinary General Assembly may resolve to create other reserves in such an amount as to ensure continued prosperity for the Company or the payment of a steady dividends as much as possible to the shareholders. The said assembly may also withhold certain amounts from the net profits for the establishment of social organizations for the employees of the Company, or for supporting such organizations as may already be in existence.
3- The Board may distribute a specific percentage of balance in accordance with the Company's dividends distribution policy.
4- The Board may distribute interim dividends to shareholders, in accordance with the relevant laws and regulations.
5- As long as the Company is a closed joint stock company, the Company shall be responsible for the deduction of all income taxes, Zakat and other imposed taxes in Saudi Arabia that may be payable or chargeable to the shares of any shareholder, but allocate such income tax or Zakat to the relevant shareholder's share in the Company's profit. This provision shall be applied in accordance with the mechanism agreed upon from time to time by the shareholders and the Company in any Zakat or tax allocation agreement.

12.4.7.8 Dividends Entitlement

The shareholder is entitled to his share in the dividends in accordance with a resolution adopted in this regard by the General Assembly. Such resolution shall set out the eligibility date and distribution date. The eligibility for dividends shall be for shareholders registered in the shareholders' records at the end of the day on the eligibility date.

12.4.7.9 Distribution of Dividends for Preferred Shares

The Extraordinary General Assembly of the Company may, in accordance with the rules issued by the competent authority, issue preferred shares; decide to purchase preferred shares; convert ordinary shares into preferred shares; or convert preferred shares into ordinary shares. Preferred shares shall not give their holders the right to vote in the General Assembly. Preferred shares entitle their holders to obtain a higher percentage from the net profits of the Company than the holders of ordinary shares, after setting aside the statutory reserve.

12.4.7.10 Liability Claims

Every shareholder has the right to file a liability claim against members of the Board if the wrongful act committed by such members is of a nature to affect the shareholder personally. However, the shareholder may only file such claim if the right of the Company to make such claim is still valid. Such shareholder must also notify the Company of the shareholder's intention to do so. If a shareholder files such claim, the shareholder shall only request compensation to the extent of the harm caused to the shareholder.

12.4.8 Provisions Governing the Alteration of Share Rights or Classes

12.4.8.1 Sale of Unpaid Shares

The shareholder shall pay the value of the share on the dates specified for that. If the shareholder fails to do so, the Board of Directors may, after a notification through a registered letter, sell the share in a public auction or on the stock exchange, as the case may be, in accordance with the provisions set by the competent authority. The Company shall recover from the proceeds of the sale such amounts as are due to it and shall refund the balance to the shareholder. If the proceeds of the sale are insufficient to meet such amounts, the Company may recover the remainder from all of the shareholder's funds. Nevertheless, a defaulting shareholder may, up to the date fixed to sell such shares, pay the outstanding value of the share plus all expenses incurred by the Company. The Company shall cancel the share sold in accordance with this provision, issue the purchaser a new share bearing the number of the cancelled share, and make a notation to that effect in the shareholders register along with the name of the new shareholder.

12.4.8.2 Issuance of Shares

Shares are nominal and may not be issued at less than their nominal value. Rather, they may be issued at a higher value, and in this last case, the difference in value shall be added in a separate item in the equity section. Such amounts may not be distributed as dividends to the shareholders. A share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining to the share, and they shall be jointly responsible for the obligations arising from the ownership of the share.

12.4.8.3 Capital Increase

1- The Extraordinary General Assembly may resolve to increase the capital of the Company, provided that the capital has been paid up in full. The capital is not required to be paid in full if the unpaid part belongs to shares issued in return for converting debt or financing instruments into shares and the period set for its conversion is yet to expire.

2- The Extraordinary General Assembly in all cases may allocate the shares issued when increasing the capital or part thereof to the employees of the Company and its subsidiaries or some of them, or any of that. Shareholders may not exercise their pre-emptive right when the Company issues shares allocated to employees.

3- The shareholder who owns the share at the time of the decision of the Extraordinary General Assembly approving the increase of the capital has the priority in subscribing to new shares issued in exchange for cash shares, and the shareholder is informed of such right by publishing that in a daily newspaper or by informing the shareholder through registered mail of the decision to increase the capital, the conditions for the subscription, its duration, the date of its commencement, and its expiration.

4- The Extraordinary General Assembly has the right to suspend the shareholders' pre-emptive rights to subscribe for new shares or give priority to others in such cases as it deems appropriate for the benefit of the Company.

5- The shareholder has the right to sell or waive the pre-emptive right during the period from the time of the issuance of the General Assembly's decision approving the capital increase to the last day of subscription for new shares related to these rights, in accordance with the provisions set by the competent authority.

6- Subject to the provisions of paragraph (4) above, the new shares shall be distributed to the pre-emptive rights' holders applying for subscription in proportion to their pre-emptive rights out of the total pre-emptive rights arising from the capital increase, provided that what they obtain shall not exceed what they were requesting from the new shares. The remaining new shares shall be distributed to the pre-emptive rights' holders who requested more than their shares, in proportion to their pre-emptive rights out of the total pre-emptive rights arising from the capital increase, provided that what they obtain shall not exceed what they were requesting from the new shares. Unless otherwise decided by the Extraordinary General Assembly or otherwise provided for in the Capital Market Law, the remainder of the shares shall be offered to others.

12.4.8.4 Capital Reduction

1- The Extraordinary General Assembly may resolve to decrease the capital if it exceeds the needs of the Company or if the Company incurs losses. In the latter case only, the capital of the Company may be decreased to less than the minimum set out in the Companies Law. Such resolution may only be issued after reading the auditor's report on the reasons for such reduction, the obligations to be fulfilled by the Company and the impact of the reduction on such obligations.
2- If the reason for the capital reduction is due to the capital being in excess of the Company's needs, the creditors must be invited to express their objection to such reduction within 60 days from the publication date of reduction resolution in a daily newspaper distributed in the region where the Company's head office is located. If any creditor has objected and provided the Company with its documents within the time limit set above, the Company shall pay such debt, if due, or present an adequate guarantee of payment if the debt is due on a later date.

12.4.9 Provisions Governing the Conduct of General Assembly Meetings

12.4.9.1 Assembly Attendance

Every shareholder has the right to attend the conversion assembly, and every shareholder has the right to attend general assemblies. Shareholders have the right to appoint a third party other than a member of the Board or an employee of the Company as a proxy to attend the General Assembly on its behalf.

12.4.9.2 Conversion Assembly

The shareholders shall invite all subscribers to hold a conversion assembly within 45 days from the date of the Ministry's decision to authorize the conversion of the Company. For the meeting to be valid, a number of subscribers representing at least half of the capital must attend. If this quorum was not met, a second meeting is to be held one hour after the end of the period specified for the first meeting, provided that the invitation for the first meeting include that. In all cases, the second meeting shall be valid regardless of the number of subscribers represented in it.

12.4.9.3 Powers of the Conversion Assembly

The conversion assembly shall have the powers set out in Article (63) of the Companies Law.

12.4.9.4 Powers of the Ordinary General Assembly

Except for matters reserved for Extraordinary General Assembly, the ordinary General Assembly has the power to consider all matters relating to the Company and will convene at least once a year and within 6 months following the end of the financial year of the Company. Other Ordinary General Assembly meetings may be convened whenever necessary.

12.4.9.5 Powers of the Extraordinary General Assembly

The Extraordinary General Assembly is competent to amend the bylaws of the Company except in respect of the matters that may not be amended under the law. It may also adopt resolutions in matters originally reserved to the Ordinary General Assembly under the same conditions and manners as prescribed for the Ordinary General Assembly.

12.4.9.6 Manner of Convening the General Assembly

General Assemblies are convened at the invitation of the Board of Directors. The Board of Directors must call for an Ordinary General Assembly, if so requested by the auditor, Audit Committee or by shareholders who represent at least (5%) of the capital. The auditor may call for the convention of an assembly if the Board of Directors did not call the assembly to convene within 30 days from the date of auditor's request. The invitation to convene the General Assembly shall be published in a daily newspaper that is distributed in the Company's headquarters at least 21 days before the date set for the meeting. However, it is sufficient to send the invitation on the aforementioned date to all shareholders by registered letters. A copy of the invitation and the agenda shall be sent to the Ministry during the period specified for publication.

12.4.9.7 General Assembly Attendance Register

The shareholders wishing to attend the General Assembly must register their names at the head office of the Company or the location of the General Assembly or via any other medium the Company sees fit, before the time set for such assembly.

12.4.9.8 Quorum of the Ordinary General Assembly

1- Convening an Ordinary General Assembly meeting shall not be valid unless attended by shareholders representing at least half of the capital.
2- If the quorum required to convene an Ordinary General Assembly pursuant to paragraph (1) above is not reached, an invitation will be sent to hold a second meeting within the next (30) days following the preceding meeting. This invitation will be published in accordance with Article (32) of the bylaws. However, the second meeting may be held one hour after the end of the period specified for the first meeting provided that the invitation to the first meeting states an announcement of the possibility of holding such second meeting. In all circumstances, this second meeting will be valid regardless of the number of shares represented therein.

12.4.9.9 Quorum of the Extraordinary General Assembly

1- The Extraordinary General Assembly meeting shall not be valid unless the attendance by shareholders representing at least half of the capital.
2- If the quorum required to convene an Extraordinary General Assembly pursuant to paragraph (1) above is not reached, an invitation will be sent to hold a second meeting in the same manner provided for in Article (32) of the bylaws. However, the second meeting may be held one hour after the end of the period specified for the first meeting provided that the invitation to the first meeting state an announcement of the possibility of holding such second meeting. In all cases, this second meeting will only be valid by the attendance of a number of shareholders representing at least one fourth of the capital.
3- If the necessary quorum is not reached in the second meeting, an invitation will be sent to a third meeting to be held according to the same conditions stipulated in Article (32) of the bylaws, and the third meeting will be valid regardless of the number of shares represented therein after the approval of the competent authority.

12.4.9.10 Voting at Assemblies

Every shareholder is entitled to one vote for every share the shareholder owns in the conversion assembly and in general assemblies. Cumulative voting must be used in the election of the Board of Directors. So long as it is a shareholder, Saudi Aramco may not be prevented from voting at the general assembly for any reason, including with respect of contracts between the Company and Saudi Aramco and its subsidiaries.

12.4.9.11 Assembly Resolutions

The resolutions of the conversion assembly are issued by the absolute majority of the shares represented in it. The resolutions of the Ordinary General Assembly are issued by an absolute majority of the shares represented in the meeting. The resolutions of the Extraordinary General Assembly are issued by a two-thirds majority of the shares represented in the meeting, unless it is a resolution related to increasing or reducing the capital, extending the term of the Company, or dissolving it before the expiry of the period specified in its bylaws, or its merger with another company, it will not be valid unless it is issued by a majority of three quarters of the shares represented at the meeting.

12.4.9.12 Assembly Discussions

Every shareholder has the right to discuss the issues on the assembly's agenda and to direct questions about them to the members of the Board of Directors and the auditor. The Board or the auditor shall answer the shareholders' questions to the extent that they do not compromise the interest of the Company. If the shareholder deems that the answer to his question is not convincing, he must refer to the assembly, and its decision in this regard is final.

12.4.9.13 Assembly Chairperson and Minutes

The General Assembly meetings are chaired by the Chairperson of the Board of Directors or, in his/her absence, by the vice chairperson or the member from amongst the Board of Directors who is delegated in the absence of the Chairperson and the vice chairperson of the Board. Minutes of the assembly shall be prepared and include the number of attending and represented shareholders and number of shares they have in person or proxy, resolutions adopted and votes for and against. The minutes shall be prepared in an organized manner after each meeting and recorded in a special register signed by the chair of the assembly, its secretary and vote collector or in accordance with the rules and procedures of the competent authority.

12.4.9.14 Sharing of Information

The Company shall furnish Saudi Aramco with any information or documents requested at any time, in accordance with the conditions and restrictions set out in Article 4.2 of Saudi Aramco's Bylaws.

12.4.10 Provisions Governing the Liquidation and Winding-up of the Company

12.4.10.1 Company Losses

1- If losses of the Company amount to half of its paid-up capital, at any time during the financial year, any of the officers of the Company or the auditor must, upon knowledge of the same, inform the Chairperson. The Chairperson must immediately inform the Board of Directors of such losses. The Board of Directors must, within 15 days of becoming aware, call to hold the Extraordinary General Assembly within 45 days as of the date of becoming aware of the losses to decide whether to increase or decrease the capital of the Company - in accordance with the Companies Law - to the extent that bring the losses below half of the paid-up capital, or to dissolve the Company before the expiry of its fixed term under the bylaws.
2- The Company will be considered dissolved by force of law if the General Assembly has not been held within the term set in paragraph (1) above, if it is unable to issue a decision on the matter, or if it decides to increase the capital according to the conditions stipulated herein, and the entire capital increase has not been subscribed to within 90 days of the assembly's decision to increase it.

12.4.10.2 Winding -Up of the Company

Upon expiry, the Company enters into the stage of liquidation while retaining its juristic personality to the extent required for the liquidation. Voluntary liquidation is adopted by a resolution of the Extraordinary General Assembly. The liquidation resolution must appoint a liquidator and determine his powers and fees, restrictions to his powers, and the required period for liquidation. Voluntary liquidation's period must not exceed 5 years, and it may not be extended beyond that without a judicial order. The powers of the Board end upon the dissolution of the Company. However, they will continue to manage the Company and shall be deemed as the liquidators towards third parties until the appointment of a liquidator. The Extraordinary General Assembly continues to exercise its powers during the liquidation period to the extent they do not conflict with the powers of the liquidator.

12.5 Material Licenses

Except as disclosed in Section (2.1.4) "**Risks relating to regulatory licenses and permits**", the Company has obtained all the necessary material licenses from the competent authorities that enable it to carry out its business. The following is a summary of the material licenses issued to the Company and Subsidiary, which are renewed periodically before their expiry:

Table (12-2): Material Licenses of the Company

#	License Type	Issuing Entity	Purpose	License No.	Issue / Registration Date	Expiry Date
Commercial Certificates						
1.	Commercial Registration Certificate (Main)	Ministry of Commerce	Commercial registration certificate.	4030010447	03/09/1396H (29/08/1976G)	29/05/1446H (01/12/2024G)
2.	Commercial Registration Certificate (Yanbu Branch)	Ministry of Commerce	Commercial registration certificate.	4700004941	17/02/1415H (26/07/1994H)	17/02/1448H (31/07/2026G)
3.	Chamber of Commerce Membership Certificate	Jeddah Chamber of Commerce	Membership at the Jeddah Chamber of Commerce.	7000875133	20/06/1400H (05/05/1980G)	29/05/1446H (01/12/2024G)
Material Operating Licenses						
4.	Industrial License (Jeddah Facility)	Ministry of Industry and Mineral Resources	This is an industrial license that includes products licensed to manufacturing and production capacity.	411102102920	21/09/1399H (15/08/1979G)	24/06/1444H (17/01/2023G)
5.	Industrial License (Yanbu Facility)	Ministry of Industry and Mineral Resources	This is an industrial license that includes products licensed to manufacturing and production capacity.	431102115224	11/06/1430H (04/06/2009G)	02/07/1444H (24/01/2023G)
6.	Export permit	Ministry of Energy	This export permit allows the Company to export base oil products including samples.	40009	17/06/1443H (20/01/2022G)	17/06/1444H (10/01/2023G)
7.	Export permit	Ministry of Energy	This export permit allows the Company to export drilling fluid.	73422	27/12/1443H (26/07/2022G)	27/12/1444H (15/07/2023G)
8.	Export permit	Ministry of Energy	This export permit allows the Company to export paraffin wax.	73943	09/02/1444H (05/09/2022G)	09/02/1445H (25/08/2023G)
9.	Export permit	Ministry of Energy	This export permit allows the Company to export bright stock.	73944	27/01/1444H (25/08/2022G)	27/01/1445H (14/08/2023G)
10.	Import permit	The High Commission for Industrial Security	This import permit allows the Company to import a certain chemical.	5654	23/09/1443H (24/04/2022G)	01/09/1444H (23/03/2023G)
11.	Chemicals storage permit	The High Commission for Industrial Security	This permit allows the Company to store certain chemical material in its storage facilities.	224032	10/09/1443H (11/04/2022G)	10/09/1444H (01/04/2023G)
12.	Environmental Permit to Operate (Yanbu Facility)	Royal Commission for Jubail and Yanbu	This is an environmental permit for the operations of the Yanbu Facility.	1-44-1209	08/08/1441H (01/04/2020G)	03/10/1446H (01/04/2025G)
Other Licenses and Certificates						
13.	Zakat Certificate	ZATCA	Annual Zakat certificate that the Company filed its statements for the past year, and covering the Yanbu branch.	Certificate No.: 1110240902 Special Number: 3000002687	09/10/1443H (10/05/2022G)	10/10/1444H (30/04/2023G)
14.	VAT Registration Certificate	ZATCA	VAT registration certificate covering the Company and the Yanbu branch.	300000268700003	14/04/1439H (01/01/2018G)	The certificate is issued once.

Source: The Company

The following is a summary of the material licenses issued to the Subsidiary:

Table (12-3): Material Licenses of the Subsidiary

#	License Type	Issuing Entity	Purpose	License No.	Issue / Registration Date	Expiry Date
1.	Certificate of Incorporation	Hamriyah Free Zone Authority	Certificate of incorporation.	12689	26/03/1435H (27/01/2014G)	The certificate is issued once.
2.	Commercial License	Hamriyah Free Zone Authority	Commercial license to operate in the Hamriyah Free Zone.	11857	26/03/1435H (27/01/2014G)	04/07/1444H (26/01/2023G)
3.	VAT Registration	Federal Tax Authority	VAT registration.	100390194700003	14/04/1439H (01/01/2018G)	The certificate is issued once.

Source: The Company

12.6 Material Agreements

The Company has entered into a number of material agreements with a number of parties. This section provides a summary of the ongoing agreements that the Directors believe are material in relation to the Company's business and that may materially affect investors' decisions to subscribe to the Offer Shares.

The summary of the agreements set out below does not include all terms and conditions of the relevant agreement, and cannot be deemed a substitute for the terms and conditions contained in those agreements. It should be noted that certain details of the agreements have not been summarized due to the confidentiality or sensitivity of such details.

12.6.1 Key Feedstock and Supply Agreements

These are the agreements under which the Company receives feedstock and various other materials from Saudi Aramco and other suppliers.

12.6.1.1 Jeddah Feedstock Supply Agreement (Jeddah FSA)

Counterparty	Saudi Aramco (seller of feedstock and buyer of byproducts) (was originally between Petromin and Mobilpet)
Term	The agreement is effective from the Company's incorporation for a term of fifty (50) years, automatically renewable for additional periods of fifty (50) years each (renews in 2026).
Value	Feedstock pricing is calculated based on a specific metrics set out in the agreement and succeeding settlement and side agreements.
Key terms and the obligation of the parties	Saudi Aramco to supply feedstock to the Jeddah Facility, derived from Arabian light crude oil and the Company supplies certain byproducts to Saudi Aramco. The Company provides Saudi Aramco with the feedstock requirements based upon a nomination mechanism where the Company projects and specify its requirements. Saudi Aramco must provide such required quantities except if the Company changes the requirements less than thirty (30) days in advance or in case of force majeure. Saudi Aramco monthly invoices the Company for all feedstock delivered, and all invoices are due and payable ninety (90) days after receipt of the invoice. Certain provisions of the agreements, including pricing, were amended multiple times pursuant to settlement agreements and side agreements.
Termination	The agreement may be terminated by multiple ways, including by either of the parties serving a written notice at least six (6) months prior to the expiration date.
Governing law and dispute settlement	The agreement is governed by the laws of the Kingdom. Disputes to be resolved by arbitration in Geneva, Switzerland applying the ICC Rules.

12.6.1.2 Yanbu Feedstock Supply Agreement (Yanbu FSA)

Counterparty	Saudi Aramco (seller)
Term	The agreement is effective from 24/03/1440H (02/12/2018G) for a term of twenty (20) years and thereafter subject to annual renewal with mutual agreement of the parties.
Value	Feedstock pricing is calculated based on a specific formula set out in the agreement.
Key terms and the obligation of the parties	Under this agreement, Saudi Aramco is obligated to supply the Company with RCO based upon a nomination mechanism where the Company projects and specify its requirements. Saudi Aramco must provide such required quantities except if the quantities exceeds 40,000 BPCD (in such case Saudi Aramco may, but is not obligated to, supply additional requested quantities), force majeure or if Saudi Aramco is restricted from supplying such quantities due to operational constraints (including scheduled maintenance) in which case Saudi Aramco shall deliver what is reasonably available to it and use its reasonable efforts to mitigate the effect of any operational constraints at the Company's costs. The feedstock shall only be used within Saudi Arabia and is not to be transferred or exported to any other party without the consent of Saudi Aramco. The feedstock sold and delivered is Saudi Aramco's commercial RCO and Saudi Aramco makes no other representation or warranty of quality or merchantability, and the Company agrees that the feedstock is sold "as is" and "where is" with any and all faults. Saudi Aramco invoices the Company on monthly basis, whereas the Company makes payment to Saudi Aramco no later than sixty (60) days after the end of the delivery month.
Termination	The Agreement may be terminated by multiple ways, including by either party serving a written notice of at least one year during the initial twenty year period, or by a six months' written notice during any annual renewal period. Either party has the right to terminate the agreement for breach of confidentiality. Either party shall have the right to terminate this agreement by written notice to the other party if the other party is in material breach of this agreement and if, after receiving written notice of the breach, it has failed to remedy such breach within sixty (60) days. Either party shall have the right to terminate the agreement immediately upon written notice to the other party in the event of insolvency, bankruptcy or dissolution (voluntary or otherwise); unless such insolvency, bankruptcy or dissolution is a direct result of such party's unexcused failure to perform its obligations under the agreement. If the Company fails to comply with the payment provisions after demands are made by the seller in accordance with the agreement, the seller shall have the right to suspend deliveries of feedstock to the Company and to reject receipt of Naphtha streams from the Company under the Naphtha Stream Supply Agreement.
Governing law and dispute settlement	The agreement is governed by the laws of the Kingdom. Disputes shall be settled in accordance with the Arbitration Law of the Kingdom.

12.6.1.3 Supplemental Feedstock Supply Agreement (Yanbu)

Counterparty	Saudi Aramco (seller)
Term	The agreement is effective from 21/11/1442H (01/07/2021G) for six (6)-months and renews automatically for subsequent periods of six (6) months.
Value	Price of the additional feedstock is calculated in accordance with the Yanbu FSA formula, with the addition of USD3/BBL to the price of feedstock.
Key terms and the obligation of the parties	Subject to availability, Saudi Aramco shall have the option with no binding obligation to sell and deliver to the Company, and the Company shall receive and pay for, additional quantity of up to 5,000 BPCD of feedstock, or more as may be available. Feedstock supplied under this agreement shall only be used within the Yanbu Facility and may not be transferred to any other party nor exported by the Company without a prior specific written consent of Saudi Aramco. Except as set forth specifically, all other relevant and applicable terms and conditions of the Yanbu FSA applies to this agreement. For more information about the Yanbu FSA, please refer to Section (12.6.1.2) "**Yanbu Feedstock Supply Agreement (Yanbu FSA)**".
Termination	The agreement renews automatically for six-month periods, unless terminated pursuant to the termination provisions provided in the Yanbu FSA.
Governing law and dispute settlement	The agreement is governed by the laws of the Kingdom. Disputes shall be settled in accordance with the Arbitration Law of the Kingdom.

12.6.1.4 Interim Propane Supply Agreement

Counterparty	Saudi Aramco (seller)
Term	The agreement is effective from 05/05/1439H (22/01/2018G) until 19/03/1448H (01/09/2026G).
Value	The price for propane supplied under this agreement shall be the prevailing domestic market price, which shall be calculated in accordance with a specific formula agreed in the agreement.
Key terms and the obligation of the parties	The seller is obligated to supply the Company with propane quantities of the agreed specifications not exceeding 300 barrels per day, subject to the conditions and allocations by the Ministry of Energy. If the Company requests additional quantities of propane, Saudi Aramco will only sell and deliver such additional quantities on an “as available” basis. The Company shall provide a written annual forecast listing the estimated daily average and peak requirement of propane at least one month prior to the beginning of each year, and Saudi Aramco must confirm its ability to provide such within thirty (30) days from the receipt of the forecast. Saudi Aramco shall invoice the Company monthly for payment due for quantities of propane actually delivered and payment shall be made by the Company not later than forty-five (45) Days after the end of the month in which the sale took place.
Termination	The Agreement may be terminated by multiple ways, including by either party by written notice if the other party was in material breach and such breach was not remedied within sixty (60) days. Saudi Aramco may also suspend delivery if directed by the Ministry of Energy in case the Company fails to comply with the allocation letter terms and conditions, or if the Company breaches payment obligation, or if the Propane O&M Agreement between Saudi Aramco and the Company is terminated. For more information about the Propane O&M Agreement, please refer to Section (12.6.3.5) “**Propane O&M Agreement**”.
Governing law and dispute settlement	The agreement is governed by the laws of the Kingdom. Disputes shall be settled in accordance with the Arbitration Law of the Kingdom.

12.6.1.5 Sales Gas Supply Agreement

Counterparty	Saudi Aramco (seller)
Term	The agreement is effective from 12/06/1436H (01/04/2015G) until 23/12/1447H (09/06/2026G).
Value	The price paid by the Company for sales gas is established by the Government. The seller shall notify the Company promptly of any change in the price established by the Government.
Key terms and the obligation of the parties	Saudi Aramco is obligated to supply the Company (at the Yanbu Facility) with the sales gas quantities of the agreed specifications not exceeding 10,800 MMBTU or the equivalent of 10 MMSCF per calendar day, subject to the conditions and allocations by the Ministry of Energy. If the Company requests additional quantities of sales gas, Saudi Aramco will only sell and deliver such additional quantities on an “as available” basis. The Company shall provide a written annual forecast listing the estimated daily average and peak requirement of sales gas at least one month prior to the beginning of each year, and Saudi Aramco must confirm its ability to provide such within thirty (30) days from the receipt of the forecast. Saudi Aramco shall invoice the Company monthly for payment due for quantities of sales gas actually delivered and payment shall be made by the Company not later than forty-five (45) days after the end of the month in which the sale took place.
Termination	The agreement may be terminated by multiple ways, including by mutual agreement of both parties, by either party by a written notice if the other party was in material breach and such breach was not remedied within sixty (60) days of the receipt of such demand. The seller may also suspend deliveries of sales gas if the Company fails to comply with its payment obligations and /or if directed by the regulator for the Company’s failure to comply with the conditions in the relevant ministerial allocation letter.
Governing law and dispute settlement	The agreement is governed by the laws of the Kingdom.

12.6.1.6 Sales Gas Supply Agreement (Expansion)

Counterparty	Saudi Aramco (seller)
Term	The agreement is effective from 05/05/1439H (22/01/2018G) to 04/09/1449H (31/01/2038G).
Value	Pricing shall be based on the prevailing domestic market price and Saudi Aramco shall notify the Company of any change in the prevailing domestic market price.
Key terms and the obligation of the parties	The seller is obligated to supply the Company (at the Yanbu Facility) with the sales gas quantities not exceeding 25,920 MMBTU or the equivalent of 24 MMSCF per calendar day. If the Company requests additional quantities of sales gas, Saudi Aramco will only sell and deliver such additional quantities on an "as available" basis. The Company shall provide a written annual forecast listing the estimated daily average and peak requirement of sales gas at least one month prior to the beginning of each year, and Saudi Aramco must confirm its ability to provide such within thirty (30) days from the receipt of the forecast. Saudi Aramco shall invoice the Company monthly for payment due for quantities of salles gas actually delivered and payment shall be made by the Company not later than forty-five (45) days after the end of the month in which the sale took place.
Termination	The agreement may be terminated by multiple ways, including by mutual agreement of both parties, by either party by written notice if the other party was in material breach and such breach was not remedied within sixty (60) days of the receipt of such demand. The seller may also suspend deliveries of sales gas if the Company does not comply with its payment obligations or / and if directed by the regulator for the Company's failure to comply with the conditions and obligations in the allocation transfer letter. The seller may also suspend deliveries if the Gas and Ethane O&M Agreement between Saudi Aramco and the Company is terminated. For more information about the Gas and Ethane O&M Agreement, please refer to Section (12.6.3.6) "**Gas and Ethane O&M Agreement**".
Governing law and dispute settlement	The agreement is governed by the laws of the Kingdom. Disputes shall be settled in accordance with the Arbitration Law of the Kingdom.

12.6.1.7 Hydrogen Supply Agreement

Counterparty	Air Liquide Arabia LLC
Term	Fifteen (15) years from the first delivery date (which was 16/07/1442H (28/02/2021G)) then automatically renews for consecutive periods of 5 years.
Value	Hydrogen pricing calculation depends on a specific formula set out in the agreement.
Key terms and the obligation of the parties	Both parties to purchase available hydrogen from each other on an "as available" basis. Air Liquide Arabia LLC to establish a metering station at Yanbu Facility to be the delivery point of the hydrogen. For the purpose of carrying out the business between the parties, the Company to grant Air Liquide Arabia LLC all requisite easements and right-of-way to properties owned or controlled by the Company.
Termination	The agreement may be terminated by multiple ways, including, at the end of the initial term or at the end of any subsequent renewal term by a written twenty-four (24) months' notice. Further, at any time after the occurrence and during the continuance of a default, the non-defaulting party shall have the right, upon thirty (30) days' notice to defaulting party, to terminate this agreement.
Governing law and dispute settlement	The agreement is governed by the laws of the Kingdom. Disputes shall be resolved by arbitration under the ICC Rules.

12.6.1.8 Liquified Gas (Propane) Supply Agreement

Counterparty	National Gas and Industrial Company (supplier)
Term	The agreement is effective from 22/03/1439H (10/12/2017G) for a term of one year automatically renewed.
Value	Prices are as determined in the agreement. The supplier has the right to change pricing according to circumstances at its sole discretion and has exercised such discretion in the past.
Key terms and the obligation of the parties	The supplier provides the Company with propane, when requested, and delivers it to the Jeddah Facility. The supplier is obligated to fill up the propane in the Company's tank located at Jeddah Facility. The Company is obligated to seek the supplier's prior consent of any changes in location of the tanks or any of the tanks' peripherals. The supply of propane to the Jeddah Facility shall be of an amount of 56,000 Litre per week.
Termination	The Agreement may be terminated by multiple ways, including by the supplier upon a breach by the Company of any of its obligations; by an official resolution issued by a Governmental entity to suspend the works related to the agreement; in case of force majeure; and if the agreement executed between the supplier and Saudi Aramco is suspended, terminated or unrenewed, or if the industrial activity license granted to any of the parties is withdrawn or amended.
Governing law and dispute settlement	The agreement is governed by the laws of the Kingdom. Disputes to be resolved in the relevant courts in Riyadh, the Kingdom.

12.6.1.9 Liquid Nitrogen Supply Agreement

Counterparty	Abdullah Hashim Industrial Gases & Equipment Co. Ltd. (supplier)
Term	The agreement is effective from 27/07/1441H (22/03/2020G) for a term of three years.
Value	Prices are as determined in the agreement.
Key terms and the obligation of the parties	The supplier is obligated to supply liquid nitrogen to the Company (at Yanbu Facility) in accordance with the agreed specification upon receipt of a "contract release order" from the Company. If the quality of the liquid nitrogen supplied does not confirm to the agreed standards, the Company may notify the supplier and claim a replacement/refund no later than thirty (30) days after delivery. The Company shall pay the supplier the cost of liquid nitrogen on monthly basis.
Termination	The agreement may be terminated by multiple ways, including by the Company for the supplier's breach of confidentiality (and can in such case impose a penalty amounting to (20%) of the total value of the agreement), by the Company for the failure of the supplier to comply with the terms or conditions of the agreement and if the supplier has not started to correct such failure within five days after receipt of notice, and by the Company at any time for convenience by giving thirty (30) days' notice to the supplier. The supplier can also terminate if the Company fails to comply, subject to law and reasonable notice.
Governing law and dispute settlement	The agreement is governed by the laws of the Kingdom. Disputes shall be settled in accordance with the Arbitration Law of the Kingdom.

12.6.1.10 Liquid Nitrogen Supply with Daily Equipment Agreement

Counterparty	Abdullah Hashim Industrial Gases & Equipment Co. Ltd (supplier)
Term	24/09/1443H (27/03/2022G) to 05/09/1444H (26/03/2023G).
Value	Prices are as determined in the agreement.
Key terms and the obligation of the parties	This agreement is for the supply of liquid nitrogen and daily equipment and support services. The fees for the services are invoiced on monthly basis.
Termination	The agreement may be terminated by multiple ways, including by the Company for the supplier's failure to comply with the terms after a five-day notice asking to comply or cure defect. The supplier can terminate if the company fails to comply, subject to law and reasonable notice. The Company may also terminate for convenience with a 30-days' notice.
Governing law and dispute settlement	The agreement is governed by the laws of the Kingdom. Disputes shall be settled by Saudi Arabian commercial courts.

12.6.1.11 Catalyst Supply Agreement

Counterparty	Chevron Lummus Global LLC (supplier)
Term	The agreement is effective from 01/07/1436H (20/04/2015G) and terminates on the earlier of the removal of the catalyst from the unit or the termination of the Technology License Agreement.
Value	As determined in the agreement, and charges per service or request.
Key terms and the obligation of the parties	Under this agreement, the Company purchases certain quantities of the ICR® Catalyst recommended by the supplier and manufactured with specifications for the use in the processes licensed to the Company under the Technology License Agreement. For more details about Technology License Agreement, please refer to Section (12.10.2) "**Licensed Technologies and Software**". The Company provides the supplier with the required quantities of platinum and palladium (in their solid sponge form) for the production of the ICR® Catalyst. The Company shall not analyse the ICR® Catalyst for properties other than the ones specified by the supplier and shall not transfer title, possession, or control of any portion of the ICR® Catalyst prior to the supplier's written consent.
Termination	The agreement may be terminated by multiple ways, including upon the expiry or termination of the Technology License Agreement between the parties. If the Company fails to comply with any of its obligations under the agreement, the supplier may notify the Company of such failure and request remedy within ninety (90) days, after which the supplier may terminate the agreement for default.
Governing law and dispute settlement	The agreement is governed by the laws England and Wales. Disputes shall be resolved by arbitration under the UNCITRAL Arbitration Rules.

12.6.2 Other supply and services agreements

The Company contracts from time to time with various suppliers and service providers to supply the Company with items used in its day-to-day operations and business. Supplies include mechanical spare parts for different machinery, control valves, water treatment chemicals, and others. For the supply of such items, the Company usually enters into three-year blanket agreements with the suppliers, allowing multiple orders by the Company according to prices set and fixed in such agreements. Similarly, the Company enters into three-year blanket agreements with various service providers who provide services, including manpower services, maintenance and inspection services, engineering services, and other services.

12.6.3 Key Service Agreements

These are the services agreements under which the Company receives services that are critical for its day-to-day operations, including maintenance services, technical services, and other services.

12.6.3.1 Engineering Services Agreement

Counterparty	Chevron Lummus Global LLC (CLG or provider)
Term	The agreement is effective from 27/10/1431H (06/10/2010G) until the earlier of seven (7) years after the date on which the units are first placed on-stream (which occurred on 30/03/1439H (18/12/2017G)) or until any termination or expiration of the Technology License Agreement entered into between the parties. For more information about the Technology License Agreement, please refer to Section (12.10.2) "**Licensed Technologies and Software**".
Value	As determined in the agreement, and charges per service or request.
Key terms and the obligation of the parties	CLG to provide engineering design package for the Company's units that operate using Chevron-licensed processes and the loading of the initial charge of the MLDW catalyst. CLG also provides standard design services to the Company including detailed design plan, training of employees at the provider's home offices in the United States other locations as agreed, and preparing training manuals, as well as consulting and training services inside the Kingdom to the Company. The Company is solely responsible for paying all taxes on behalf of Chevron Lummus Global LLC (including income taxes, excise taxes, assessments, imposts, duties, levies and charges) and any interest or penalties related to such taxes imposed by any governmental authority other than that of the United States in connection with the execution/performance of the agreement.
Termination	The agreement may be terminated by multiple ways, including upon the expiry or termination of the Technology License Agreement between the parties, by provider if the Company fails to make payments as required, by provider if the Company fails to comply with the confidentiality obligations or any other obligations, by the Company for convenience, at any time by written notice to the provider. The Company may also, by written notice to the provider, suspend performance for a period of up to ninety (90) days and after such ninety (90) days, the provider may terminate this agreement.
Governing law and dispute settlement	The agreement is governed by the laws of England and Wales. Disputes shall be resolved by arbitration under the ICC Rules.

12.6.3.2 Technical Services Agreement

Counterparty	Saudi Aramco
Term	The agreement is effective from 07/03/1419H (01/07/1998G) for a term of five years automatically renewable from year-to-year thereafter.
Value	Prices depend on the service type and applicable rates specified in the agreement. Either party may revise its rates once in any twelve (12) months' period by serving notice.
Key terms and the obligation of the parties	Based on request, a party provides the other party with managerial, administrative, training, operational, maintenance, technological and support services, which include undertaking surveys and/or studies of facilities, preparing and presenting reports and making recommendations based on the above studies, performing general engineering services related to the foregoing subjects, providing technical consulting services, providing loaned employees (secondment), providing development services, training, financial and legal services, and other services. The Company's senior executives, including the CEO and CFO are seconded pursuant to this agreement.
Termination	The agreement may be terminated by multiple ways, including if the providing party is in default and does not remedy such default within a period of forty-five (45) days following receipt of written notice from the receiving party or if such default cannot be remedied in forty-five (45) days and the providing party is not diligently endeavouring to remedy such default then the receiving party may terminate this agreement by giving written notice to terminate not earlier than thirty (30) days after expiry of the initial forty-five (45) days period. The agreement can also be terminated by either party, giving notice to the other party at least ninety (90) days prior to the expiry date of the five years initial term or the expiry of any year renewal.
Governing law and dispute settlement	The agreement is governed by the laws of the Kingdom. Disputes shall be settled in accordance with the Arbitration Law of the Kingdom.

12.6.3.3 Fire Protection and Industrial Security Agreement

Counterparty	Saudi Aramco (provider)
Term	The agreement is effective from 01/05/1423H (01/07/2003G) for a term of twenty (20) years.
Value	Quarterly payment of USD 50,000 in advance for scheduled services, in addition to actual cost reimbursement for performing requested services. The quarterly scheduled services' payments are subject to cost adjustments based on the Kingdom's Consumer Price Index (CPI) annually.
Key terms and the obligation of the parties	Saudi Aramco to provide the Company in the Jeddah Facility with the scheduled services, related to perimeter security fencing and services, mobile fire apparatus with equipment and personnel. Saudi Aramco will also perform, upon request: best efforts to protect personnel, recommend improvements in industrial security and fire protection facilities, provide other related services as Saudi Aramco agrees is reasonable, and call outside agencies in an emergency situation.
Termination	The agreement may be terminated by multiple ways, including by either of the parties upon at least ninety (90) days' prior written notice. If the Company fails to comply with its payments obligations or commits a substantial breach of the agreement and fails to remedy it as per the agreement, the provider may suspend services or terminate the agreement.
Governing law and dispute settlement	The agreement is governed by the laws of the Kingdom. Disputes shall be settled in accordance with the Arbitration Law of the Kingdom.

12.6.3.4 Operation and Maintenance Agreement

Counterparty	Saudi Aramco (provider)
Term	The agreement has terminated according to its terms. However, the parties continue to implement the agreement between them in practice. The Company and Saudi Aramco are currently in discussion to extend this agreement or enter into a new substitute agreement.
Value	Routine operations and maintenance current charges are SAR 691,900 per month, subject to adjustment every 1 January. The Company also pays a monthly leasing fee for the interconnecting pipelines of USD 50,000, and additional charges based on the volumes shown on the custody transfer meters or bill of lading as follows: (i) naphtha return stream handling fee at USD 0.2 per barrel. (ii) Company's products export handling fee at USD 0.2 per barrel.
Key terms and the obligation of the parties	The Company places its facilitates, including pipelines, heat tracing, pumping stations, custody transfer meters, and other under the custody and control of Saudi Aramco for it to manage and maintain. The charges payable by the Company to Saudi Aramco are determined in accordance with Saudi Aramco's normal accounting practices. Saudi Aramco reserves the right to adjust handling fees as many times as necessary to reflect its cost experience and to adjust the annual operating fee for differences between the actual and estimated cost. The Company assumes full liability for pollution, injuries or death as a result of pollution.
Termination	The agreement shall be in effect as long as the return stream supply agreement and the propane and ethane supply agreements are in effect. Such agreements have been terminated. The Company and Saudi Aramco are currently in discussion to extend this agreement or enter into a new substitute agreement.
Governing law and dispute settlement	The agreement is governed by the laws of the Kingdom. Disputes shall be settled in accordance with the Arbitration Law of the Kingdom.

12.6.3.5 Propane O&M Agreement

Counterparty	Saudi Aramco (provider)
Term	The agreement is effective from 25/05/1439H (11/02/2018G) until 19/04/1448H (01/09/2026G).
Value	Monthly fee of SAR 83,800 (revised each succeeding year on 1st of January) for operation and routine maintenance of the facilities and the transportation of propane through pipeline.
Key terms and the obligation of the parties	Operation and maintenance services to be provided by Saudi Aramco to the custody transfer metering facilities for measurement of propane. Saudi Aramco shall assume custody of the Company's facilities (including, but not limited to, propane shipping pumps, propane custody transfer metering equipment, valves stations, new propane pipeline and related civil, mechanical, piping, instrument and electrical facilities) within Yanbu NGL Fractionation Plant. The Company shall provide and store all spare parts and materials for the facilities in the Company's storage facility in Yanbu Industrial City, to be available to Saudi Aramco for use. Saudi Aramco shall exercise its best efforts to prevent pollution or contamination of the land or water arising out of operating and maintaining the custody meter. The Company, nevertheless, assumes full liability for and shall defend, indemnify and hold Saudi Aramco harmless from all claims, losses, and damages incurred as a result of such pollution or contamination.
Termination	The agreement may be terminated by multiple ways, including if the related Propane Supply Agreement is terminated or cancelled. For more information about the Propane Supply Agreement, please refer to Section (12.6.1.4) "**Interim Propane Supply Agreement**". If the Company does not meet its payments obligations or commits a substantial breach of the agreement, the provider may suspend services or terminate the agreement in case the Company did not remedy the breach as prescribed in the agreement.
Governing law and dispute settlement	The agreement is governed by the laws of the Kingdom. Disputes shall be settled in accordance with the Arbitration Law of the Kingdom.

12.6.3.6 Gas and Ethane O&M Agreement

Counterparty	Saudi Aramco (provider)
Term	The agreement is effective from 15/03/1431H (01/03/2010G) for a term of twenty (20) years.
Value	Monthly fee of SAR 55,700 (revised each succeeding year on 1st January) for operation and routine maintenance of the facilities and the transportation of sales gas to Company's plant
Key terms and the obligation of the parties	Operation and maintenance services to be provided by Saudi Aramco to the custody transfer metering facilities for measurement of sales gas. Saudi Aramco shall assume custody of the Company's facilities (custody transfer metering facilities for gas and ethane including piping, valves, controls, custody transfer metering skid and electrical equipment to transport sales gas and ethane) in Yanbu Industrial City, to be available to Saudi Aramco for use. The Company shall provide and store all spare parts and materials required for the facilities and Saudi Aramco shall exercise its best efforts to prevent pollution or contamination of the land or water arising out of operating and maintaining the custody meter. The Company, nevertheless, assumes full liability for and shall defend, indemnify and hold Saudi Aramco harmless from all claims, losses, and damages incurred as a result of such pollution or contamination.
Termination	The agreement may be terminated by multiple ways, including by mutual agreement of the parties, or in case the sales gas and the ethane supply agreements are terminated or cancelled. For more information about the Gas Supply Agreement, please refer to Section (12.6.1.5) "**Gas Supply Agreement**". If the Company commits a substantial breach of the agreement, the provider may suspend services or terminate the agreements in case the Company did not remedy the breach as prescribed in the agreement.
Governing law and dispute settlement	The agreement is governed by the laws of the Kingdom. Disputes shall be settled in accordance with the Arbitration Law of the Kingdom.

12.6.3.7 Contract of Affreightment

Agreement	Contract of Affreightment
Counterparty	Daitoh Trading Co Ltd. (disponent owner).
Term	11 months from 29/06/1443H (01/02/2022G).
Value	Freight charges are calculated per metric ton, depending on the discharge location and quantities. The agreement also includes a demurrage (a charge payable to the owner of a chartered ship on failure to load or discharge the ship within the time agreed.) of USD 16,500 per day, pro rata.
Key terms and the obligation of the parties	Under this contract, the disponent owner undertakes to transport the cargoes of base oil provided for shipment by the Company as charterers from two loading ports (Yanbu and Jeddah) to the following delivery ports: Mumbai (India), Fujairah, Hamriyah, and Jebel Ali (UAE), and Suakin (Sudan). The Company nominates a minimum 110,000 MT per year cargo evenly spread, where the owner proposes one vessel per month.
Termination	Either party may terminate the agreement at any time by giving notice in writing to the other party if: (a) the other party commits a material breach that is not remediable; (b) the other party commits a material breach that is not remedied within 14 days of receiving written notice of such breach; (c) the other party has failed to pay any amount due under the agreement on the due date and such amount remains unpaid within 30 days after the other party has received notification that the payment is overdue; or (d) any consent, license or authorization held by the other party is revoked or modified such that the other party is no longer able to comply with its obligations under the agreement or receive any benefit to which it is entitled.
Governing law and dispute settlement	The agreement is governed by the laws of England and Wales. Disputes are to be resolved by arbitration under the LCIA Rules in London.

12.6.4 Technology & Intellectual Property Agreements

Please refer to Sections (12.9.2) "**Licensed Trademarks**" (12.10.2) "**Licensed Technologies and Software**" for further details about the material trademark agreements and licenses the Company has.

12.6.5 Real Estate and Assets Lease Agreements and Utilities Agreements

12.6.5.1 Industrial Land Lease Agreement (Yanbu Facility)

Counterparty	RCJY (lessor)
Term	01/07/1415H (03/12/1994G) for 31 Hijri years, and may be renewed for additional periods only by mutual agreement of the parties.
Value	SAR 5,136,300 annually, payable in advance on each anniversary of the effective date. RCJY may adjust the rate every five years based on the average Consumers Price Index (CPI), with minimum of SAR 5,136,300 annually.
Key terms and the obligation of the parties	An industrial land lease agreement between the Company and RCJY for the lease of the land on which the Yanbu Facility is located. The Company accepts the land "as is" and RCJY makes no representation or warranty as to the condition or fitness for use of the land. The Company also indemnifies RCJY for any cost or damage as a result of its use of the land. The Company must ensure that its design, construction and operation of the environmental control systems are in compliance with the meteorology and environmental protection administration standards and the Yanbu Industrial City environmental guidelines and RCJY's permit to operate, including but not limited to the RCJY's regulations for control of hazardous substances. Upon termination, the Company may either find a buyer/investor and transfer the facility and land with the approval of RCJY, or to demolish the Yanbu Facility and return the land as is to RCJY, or reimburse RCJY for expenses incurred for restoration of the land. The Company is also subject to a number of obligations, such as Saudization requirements and corporate social responsibility requirements.

Termination	The agreement may be terminated by either party in case of a material breach of the other party and when such breach is not remedied within ninety (90) days. It may also be terminated if the Company (i) abandons the facilities; (ii) enters into sublease or assignment without the written approval of RCJY; (iii) the Company ceases to be a legal entity; and (iv) the authorizations issued by the Ministry of Energy or competent authority are no longer valid.
Governing law and dispute settlement	The agreement is governed by the laws of the Kingdom. Disputes to be settled by the Board of Grievances.

12.6.5.2 Utility User Agreement (Yanbu Facility)

Counterparty	MARAFIQ (provider)
Term	The agreement is effective from 28/10/1423H (01/01/2003G) for a term of thirty (30) years.
Value	Pricing depends on the rates for each service and usage pursuant to the rates specified in the agreement whereas such rates may be amended by MARAFIQ following the decision of the regulator and upon sixty (60) days prior written notification to the Company. MARAFIQ issues monthly invoices with the usage charges, whereas the Company pays such invoices within forty-five (45) days from the date of its receipt.
Key terms and the obligation of the parties	MARAFIQ to provide the utility services listed and detailed in the agreement, including electricity and water (sanitary wastewater treatment, sea water cooling, industrial wastewater treatment, and other) to the Company at the Yanbu Facility. MARAFIQ may suspend services if the Company fails to comply with any of its material obligations under the agreement and fails to remedy it within ninety (90)-days of receiving a written demand to comply. Suspension should only happen after a thirty (30)-day notice specifying the date of suspension. Under the agreement, in no event shall MARAFIQ be responsible for any loss or damage from any failure to supply utilities to the Company, except in case of gross negligence or wilful misconduct of MARAFIQ. Furthermore, the Company cannot resell or supply the utility services to any third party. The Company may however transfer the benefit of the agreement to a new tenant of the premises subject to MARAFIQ's approval and assumption of the terms of the agreement by the third party.
Termination	The agreement may be terminated by multiple ways, including by either party if the other party has materially breached the agreement and has not remedied or taken reasonable steps to remedy such breach within ninety (90) days after receiving notice from the other party or within such other period as may be mutually agreed by the parties. The Company may also terminate the agreement if it no longer intends to occupy the Yanbu Facility.
Governing law and dispute settlement	The agreement is governed by the laws and regulations of the Kingdom. Disputes to be resolved by arbitration in accordance with the Arbitration Law or otherwise either party may refer the dispute to be finally settled by the Board of Grievances.

12.6.5.3 Lease and Utilities Agreement (Jeddah Facility)

Counterparty	Saudi Aramco (lessor and provider)
Term	This utilities sales agreement is effective from 14/02/1417H (01/07/1996G) for a term of thirty (30) years and thereafter subject to annual renewal with mutual agreement of the parties.
Value	The total current annual rent amount is SAR 452,541.1. Utilities and other services: the supply of utilities (water, electricity, vessels loading and unloading) is calculated based on various rates specified in the agreement.
Key terms and the obligation of the parties	Saudi Aramco leases the land on which the Jeddah Facility is located to the Company, as well as provides the Company with utilities and other services, including: supplying electricity, operating and maintaining electricity meters, supplying fresh water, operating and maintaining water meters, and marine loading services. The agreement does not contain all customary clauses in a lease agreement and does not regulate the facility treatment (including after termination or expiry of the agreement). The prior written consent of Saudi Aramco (such consent not to be unreasonably withheld) is required for any transfer or assignment by the Company.

Termination	The agreement may be terminated by multiple ways, including that both parties have the right to terminate the contract with written notice to the other party if the other party is in material breach of the contract and has failed to remedy such breach within sixty (60) days, including the right to seek damages for the breach. Material breach by the Company includes, for example, failure to comply with payment provisions for which Saudi Aramco may suspend and/ or terminate the agreement. A party may also seek to terminate the agreement for breach of confidentiality obligations. The agreement can be renewed by mutual agreement, unless terminated by either party by written notice to the other at least five years prior to the expiration date.
Governing law and dispute settlement	The agreement is governed by the laws of the Kingdom. Disputes shall be settled in accordance with the Arbitration Law of the Kingdom

12.6.5.4 Water Purchase Agreement (Jeddah Facility)

Counterparty	Kindasa Water Services (provider)
Term	05/08/1443H (08/03/2022G) until 14/01/1448H (29/06/2026G).
Value	Prices are as determined in the agreement.
Key terms and the obligation of the parties	The provider to build and operate a desalinated water plant and sell desalinated water to the Company. The provider shall supply the Company up to 1500 m^3 water per day based on the Jeddah Facility requirement starting from the plant completion date, which was planned in end of September, until 14/01/1448H (29/06/2026G). The Company is obligated to take and pay, or if not taken, pay for a daily minimum off-take average of 1200 m^3/d per month. The parties are currently in discussions to amend the scope of the work and timetable under the agreement.
Termination	The agreement may be terminated by multiple ways, including by the Company for the provider's failure to comply with the terms after a fourteen (14) day notice asking to comply or cure defect. The provider can terminate for cause if the Company fails to comply with the terms, and after the provider notifies the Company of the defect and gives a reasonable time to cure subject to law. The Company may also terminate for convenience by a six-month's notice, however, the provider would be entitled to the payment for the original investment of the desalination plant as set out in the agreement.
Governing law and dispute settlement	The agreement is governed by the laws of the Kingdom. Disputes shall be settled by Saudi Arabian commercial courts.

12.6.5.5 Power Supply Purchase Agreement (Jeddah Facility)

Counterparty	Byrne Investments Saudi Arabia Co Limited (contractor)
Term	This agreement is effective from 11/09/1443H (12/04/2022G) until 04/11/1447H (11/04/2026G), renewable for further periods with written mutual agreement of the parties.
Value	Prices are as determined in the agreement.
Key terms and the obligation of the parties	Contractor to supply, install, commission, operate and maintain (including backup supply during any interruption of supply) of diesel power generation for the required electrical power of the Jeddah Facility. The Company requires 50 hertz electrical power through three main incomers with minimum monthly consumption of 2,764,800 KWH. If power utilization by the Company is less than the agreed minimum requirement, the Company shall still pay for 2,764,800 KWH per month, whereas, for any excess usage the Company shall pay the agreed unit rate per KWH.
Termination	The agreement may be terminated by multiple ways, including by the Company for contractor's failure to comply with the terms after a five-day notice asking to comply or cure defect. Contractor can terminate if the Company fails to comply, subject with applicable laws and reasonable notice asking to comply or cure defect. The Company may terminate for convenience at any time, however in such case, the contractor would be entitled to compensation as per the formula set out in the agreement.
Governing law and dispute settlement	The agreement is governed by the laws of the Kingdom. Disputes shall be settled by Saudi Arabian commercial courts.

12.6.5.6 Storage Agreement (Yanbu)

Counterparty	Lessor (or operator)
Term	The agreement is effective from 17/05/1442H (01/01/2021G) for a term of one (1) year automatically renewed from year-to-year, unless terminated by three months' notice before the expiry date.
Value	Rent of SAR 4,544,613.75 annually, and additional throughput and services charges also apply. The rates must be negotiated prior to any renewed term.
Key terms and the obligation of the parties	The Company leases a storage facility at Yanbu, and the operator leases this facility and provide other services including but not limited to receiving, storing, handling, safeguarding, discharging and loading of the Company' products. In exchange, the Company will pay in full all amount due including but not limited to the monthly tanks rental fee, and charges for other services monthly. The tittle to the Company's products shall remain with the Company and the operator has a right of lien and retention until it has received all payments due. The terms of the agreement include limitations on the operator's liability to the Company for any amount exceeding USD 5 million. In terms of insurance, each party shall on its own expense throughout the duration or the agreement and for as long as the products remain at the terminal maintain full force and effect insurance coverage together with such additional coverage as may be required under prevailing laws and the Company is also responsible to fully ensure the products and obtain general third-party liability insurance.
Termination	The agreement can be terminated by multiple ways including by either party on notice in whole or in part in case (i) either party becomes insolvent, (ii) in case a party assigns, novates, sub-contracts this any rights or obligation without the prior consent, (iii) of a breach that is not remedied within 30 days from the notice of breach, (iv) of change of control (defined as the right to exercise 50% or more of the voting rights in the appointment of the directors of such company), (v) of persistent breach (regardless of materiality), and (vi) a party agrees in writing to cease the agreement. The operator can terminate the agreement in whole or in part in certain cases including (i) if the Company breaches or operator has a good cause or reason to believe the Company has breached the agreement, (ii) if the terminal becomes unfit in the opinion of the operator due to reasons beyond its control, (iii) if the operator is of the reasonable opinion that the products are subject to or may become subject to changes or deterioration and the client did not fully insure that, or (iv) if a government agency instructs the operator to terminate the agreement. The operator can also terminate the agreement, prior to a renewed term, if the Company did not agree on the change of the rates for such renewed term.
Governing law and dispute settlement	The agreement is governed by the laws of the Kingdom. Disputes to be resolved in the relevant courts in the Kingdom.

12.6.5.7 Tank Renting Agreement (UAE)

Counterparty	Sharjah National Lube Oil Company (SHARLU) (Lessor)
Term	The agreement is effective from 28/05/1443H (01/01/2022G) until 07/06/1444H (31/12/2022G), and the parties are negotiating its renewal for next year.
Value	Rent, including loading of products into road tanker, ISO container or flexi bag, is USD 4.50/MT per month based on tank capacity of 2000 MT/2316m³ and 2200 MT/2500m³. Re-loading and discharge rates are USD 2/MT.
Key terms and the obligation of the parties	The Company leases a number of tanks located in Hamriyah Free Zone, Sharjah, the UAE from the lessor to store base oils. Pursuant to the agreement, the tittle to the base oils stored at the tanks will at all times be and remain exclusively of the Company. All expense incurred to bring the base oil to the tanks shall be incurred by the Company, while the lessor will be responsible for all expenses incurred after the base oil is stored and until it is loaded in the delivery tanker. The lessor shall insure the base oil in the tanks per its insurance policy and shall provide the Company with a copy of such policy, while all marine insurance up to the flange shall be covered by the Company's policy.
Termination	The agreement can be terminated by multiple ways, including that either party may terminate the agreement immediately in case of the liquidation of the other party, change of management/shareholding of a party, in case the Company decides to vacate one or more tank before the completion of the agreement, and in case any party breaches the provisions of the agreement.
Governing law and dispute settlement	The agreement is governed by the laws of the United Arab Emirates. Disputes to be resolved in the relevant courts in the United Arab Emirates.

The consent of Sharjah National Lube Oil Company (SHARLU) on the change of management and shareholding as part of the Offering was obtained on 08/12/1443H (07/07/2022G).

12.6.5.8 MLDW Catalyst Lease Agreement

Counterparty	Mobil Industrial Services Corporation – MISC (lessor, changed its name to ExxonMobil Catalysts and Licensing LLC)
Term	This agreement is effective from 10/07/1405H (31/03/1985G) until terminated by the Company by a thirty (30) days' notice.
Value	Prices are as per rates specified in the agreement. For the year 2022, the total charges are USD 1,625,000.
Key terms and the obligation of the parties	The lessor is obligated to provide catalyst for use in the operation of a particular process for catalytically dewaxing lube oil (MLDW process). The title to the catalysts does not pass to the Company or to any third party through the Company. However, the lessor assigns all of its right, title and interest in spent catalyst to the Company for disposal. The lessor provides qualified guarantees with respect to the performance of the catalyst. Over the years, the parties have varied the terms of the agreement.
Termination	The agreement may be terminated by multiple ways, including by either party if the other party is in default for at least sixty (60) days, the party may give notice to the defaulting party and if the default is not remedied within sixty (60) days after said notice, the other party may terminate this lease after giving a ten (10) days' prior notice to the defaulting party. The lessor may terminate the agreement if the Company is subject to a petition in bankruptcy (or an equivalent or similar event); or the Company sells, assigns, transfers, mortgages, pledges, charges, leases, sub-leases or otherwise disposes of or creates any lien, charge or encumbrance on or trust in respect of the whole or any part of its interest in the agreement contrary to the provisions of the agreement; or the agreement is abrogated or materially modified in a manner adverse to the lessor, in whole or in part, by any law or legally binding action of the government or any agency thereof.
Governing law and dispute settlement	The agreement is governed by the laws of the Kingdom. Disputes shall be resolved by the courts of the Kingdom.

12.6.5.9 Precious Metal Lease Agreement

Counterparty	HSBC Bank plc (the bank)
Term	This agreement is effective from September 2015 and has no expiration date.
Value	The agreement does not set out a specific value as each lease (confirmation) includes the relevant fees.
Key terms and the obligation of the parties	The bank leases precious metals (platinum and palladium) to the Company and allows it to use in operations as part of a product, mixture, or machinery. The metals leased are used for the catalyst purposes, with title to the metals remaining with the bank at all times. From time to time, the parties agree to the terms of the relevant lease in a confirmation issued pursuant to specific form. Such confirmation includes the quantity of the precious metal, fees, payment terms, and delivery place. In each lease, the fees are fixed and due on the return day of the metal, as specified in the relevant confirmation. The Company shall indemnify and hold harmless the bank for any loss, theft, or destruction of the leased metal and for any breach of the agreement. If the Company fails to return the precious metal, then it shall pay a default fee, calculated as per the terms of the agreement.
Termination	If an event of default by the Company occurs, the bank can declare the relevant lease (confirmation) terminated through a notice. Events of default include failure to return the precious metal, failure to timely pay amounts payable, cessation of the Company's business, or it becoming unlawful for the Company to perform its obligations.
Governing law and dispute settlement	The agreement is governed by the laws England and Wales. Disputes shall be resolved in the courts of England and Wales or before the committee for the settlement of banking disputes.

12.6.6 The Aramco Base Oil Alliance Agreements

12.6.6.1 Alliance Framework Agreement

Counterparty	Saudi Aramco, S-Oil and Motiva
Term	The agreement is effective from 25/04/1440H (01/01/2019G) and shall remain in force unless and until terminated.
Value	The agreement does not set out a specific value.
Key terms and the obligation of the parties	The agreement is entered into for the purpose of setting out a system for the marketing and sale of Group I, Group II, and Group III Base oils under the Saudi Aramco brand with the intention of unifying the business process between the parties. The Company, Motiva and S-Oil (the affiliates) will each act as the exclusive marketers of Saudi Aramco branded base oils in their designated zones. For more details about the designated zones, please refer to Section (4.5.4) "**Aramco Base Oil Alliance**". Only the relevant affiliate can sell in its zone, whether selling its own products, or products produced by other affiliates which is done through sale trades pursuant to the Master Sales Agreement. For further details, please see Section (12.6.6.2) "**Master Sales Agreement**". The affiliates will collaborate with each other to optimize the global and regional supply including that if an emergency situation impacts an affiliate's production and/or storage facilities and results in it requiring supply of Saudi Aramco branded base oils to cover its sales commitments, then other unaffected affiliates shall use their commercially reasonable endeavours to supply such volumes (but they are not obligated to do so if it would adversely impact their sale commitments, operations and/or business).
Termination	The agreement can be terminated by multiple ways including with immediate effect by: (i) mutual consent of the parties, (ii) written notice by a party (which is not the subject of an insolvency event) in the event of an insolvency in relation to any other party, which shall only be effective in respect of the party suffering an insolvency event; and (iii) written notice by a party (which is not the subject of a change of control) in the event of a change of control of any other party other than Saudi Aramco which shall only be effective in respect of such party that is the subject of the change of control, (iv) Saudi Aramco's written notice of no less than one year. Any party may also withdraw from the Alliance serving a prior written notice of ninety (90) days for change of control or one year's notice for an unsatisfied material concern.
Governing law and dispute settlement	The agreement is governed by the laws of England and Wales. Disputes shall be resolved by arbitration under the ICC Rules.

12.6.6.2 Master Sales Agreement

Counterparty	S-Oil and Motiva
Term	The agreement is effective from 25/04/1440H (01/01/2019G) and shall remain in force unless and until terminated.
Value	The agreement does not set out a specific value.
Key terms and the obligation of the parties	The agreement regulates the sale and purchase of base oil if a party wishes to offer base oils under Saudi Aramco's base oil brand outside its designated zone and in the zone of another party, pursuant to the Alliance Framework Agreement. For more details about the framework agreement, please see Section (12.6.6.1) "**Alliance Framework Agreement**". Each individual transaction regarding the purchase or sale of base oil is executed as a separate 'trade confirmation' between the parties, setting out the trade details of such transactions.
Termination	The agreement can be terminated with immediate effect by: • mutual consent of the parties according to the governance requirements of each party and subject to prior notice given by the parties to Saudi Aramco; • termination of the Alliance Framework Agreement with respect to all parties; or • one of the party's withdrawal from or the termination of the Alliance Framework Agreement, in which case the termination of the agreement is only effective with respect to such terminating party.
Governing law and dispute settlement	The agreement is governed by the laws England and Wales. Disputes shall be resolved by arbitration under the ICC Rules.

For more information about the Aramco Base Oil Alliance, please refer to Section (4.5.4) "**Aramco Base Oil Alliance**" and for more details about the risks associated with the Aramco Base Oil Alliance, please refer to Section (2.1.22) "**Risks relating to the Aramco Base Oil Alliance**".

12.6.7 Sales Agreements to Customers

12.6.7.1 Base Oil Sales Agreements

The Company sells base oil products to customers in the Kingdom and in different locations globally. As at 30 June 2022G, the Company has 91 ongoing sale contracts with its base oil customers. For such sale contracts, the Company generally uses its sales contract template (for both domestic sales and exports), which generally provides for the following:

Term: A term that is negotiated with each customer, and generally start from one-year contracts that are auto renewable to agreements with longer terms.

Quantity: quantity schedules, set on annual basis as applicable and as measured by the Company, with a 5% tolerance for variations at buyer's option.

Indemnities: seller shall indemnify and hold harmless the buyer from any and all claims, losses, or damages, that may arise from the use of the supplied base oil, should the quality of the base oil not meet the specifications agreed upon between the parties (unless the buyer knowingly accepts off-spec delivery).

Payment: invoices are issued in USD at the start of each month for the quantities delivered in the preceding month.

Delivery: different options for the Incoterms used for delivery and risk allocation, products may be supplied by ship, by pipeline or supplied into road tankers, ISO tanks, or flexibags that are provided by the buyer.

Termination: termination for convenience is available for both parties, with notice periods ranging from ninety (90) days to one year. Either party may also terminate by written notice to the other party if: the other party is in material breach of the agreement and if after receiving written notice of the breach it has failed to remedy such breach within thirty (30) days from such notice, if the other party becomes insolvent or suspends payments, and if the other part breaches anti-bribery and competition laws.

The Company additionally sells some base oil products on spot sale basis and domestic for local (DFL) prices through the receipt of purchase orders and the issuance of corresponding offers.

For more information about the Company's sales, please refer to Section (4.6) "**Sales**".

12.6.8 Byproducts Sales Customer Agreements

The Company also sells Byproducts such as asphalt, MHFO, slack wax, bright stock extract and sulfur, as well as White Products such as ULSD, naphtha and drilling fluid.

For example, asphalt, naphtha and MHFO are produced at the Yanbu Facility and sold to Saudi Aramco. MHFO is sold at the same price as feedstock cost paid per MT purchased, and others are sold at market price. A mix of Byproducts produced at the Jeddah Facility are sold to Saudi Aramco, consisting of fuel oil and asphalt that are returned to Saudi Aramco daily and sold at the same price as feedstock cost paid per MT purchased.

The following table includes a summary of the key sale agreements for the sale of Byproducts.

#	Byproducts	Customer	Term	Governing Law
1	Naphtha	Saudi Aramco	From 19/06/1439H (07/03/2018G) for twenty (20) years.	Saudi Arabia
2	Asphalt	Saudi Aramco	From 24/04/1426H (01/06/2005G) for five years automatically renewed from year to year thereafter.	Saudi Arabia
3	LVGO and MHFO	SAMREF	The agreement was entered into on 01/08/1418H (01/12/1997G) and has been renewed recently with an effective date from 06/05/1441H (01/01/2020G) for a term of five years.	Saudi Arabia
4	ULSD	SAMREF	12/06/1436H (01/04/2015G) for 10 years, and automatically renewed for five years.	Saudi Arabia

12.6.9 Financing

The Company has two financing arrangements, as detailed below:

12.6.9.1 Riyad Bank Credit Facilities Agreement

Parties	Riyad Bank as lender (the **Lender**) and the Company as borrower (the **Borrower**).
Date	Dated 23/08/1440H (28/04/2019G) as renewed on 25/06/1442H (07/02/2021G).
Type of financing	Credit Facilities Agreement (loan agreement) consisting of an Islamic facility, overdraft limits, short term loans and documentary credits.
Purpose	To fund the credit requirements of the Borrower.
Total Commitment	SAR 61,188,000
Availability Period	Indefinite
Outstanding Amount (Principal) as at 30 June 2022	SAR 7,059,617.025
Maturity Date	26/07/1445H (07/02/2024G) with short term loans subject to maturity date of one year from drawdown.
Guarantee/Security	1- A promissory note dated 25/06/1442H (07/02/2021G) has been issued by the Borrower in favour of the Lender for the amount of SAR 50,000,000; and 2- A promissory note dated 25/06/1442H (07/02/2021G) has been issued by the Borrower in favour of the Lender for the amount of SAR 11,188,000.
Material Covenants and Restrictions	The Borrower undertakes the following to the Lender: 1- not to take any action which would have an effect on its legal status; 2- to notify the Lender of any change to its corporate status, be it in terms of shareholders, share capital or official representatives and to deliver to the Lender official documents evidencing the above; 3- to notify the Lender of any actions that may affect its financial or administrative position and the security granted; 4- to submit its requirements for treasury products, trade financing products and cash management products to the Lender before considering any other banks in order to give the Lender priority in this regard; 5- to repay all amounts owing to the Lender immediately as soon as they become due and payable; and 6- to provide the Lender with all information and documents on its activities and financial position as it may request.
Events of Default	The Lender may unilaterally amend, limit, or terminate any of the financing instruments or facilities provided under the agreement and the conditions thereof without prior notice to the Company and declare all amounts immediately due and payable. Furthermore, events of default include: 1- change in legal form or ownership structure of the Borrower, its guarantors, its subsidiaries or its sister companies; 2- non-payment of amounts due under the Credit Facilities Agreement; 3- breach of obligations under the Credit Facilities Agreement; 4- any lawsuit, legal claim, judgement or award is brought or issued against the Borrower, guarantors, subsidiaries or sister companies for any reason; 5- any judgement or award is issued against the Borrower's guarantors, subsidiaries or sister companies which would, in the opinion of the Lender, have a material negative impact on the Borrower's (or its guarantors', subsidiaries' or sister companies') ability to fulfil its obligations under the financing instruments; 6- inaccuracy of any representations, information or documents provided by the Borrower under the Credit Facilities Agreement; 7- breach of obligations or non-payment under separate loan agreements entered into with the Lender or any other lenders, as well as a breach by a subsidiary or a sister company of any other loan with the Lender or any other lenders; or 8- the Borrower becomes insolvent and unable to pay its debts on their due date.
Governing Law	Governed by the laws of the Kingdom.

The Company obtained the written consent of Riyad Bank to the Offering on 23/09/1443H (24/04/2022G).

12.6.9.2 Murabaha Facility Agreement

Parties	The Company as purchaser (the **Purchaser**) and Riyad Bank as murabaha facility agent (the **Murabaha Facility Agent**) acting on behalf of Riyad Bank, Al Rajhi Banking and Investment Corporation, The Saudi National Bank, The Saudi British Bank, Banque Saudi Fransi and Bank AlJazira (the **Murabaha Facility Participants**).
Date	11/01/1443H (19/08/2021G).
Type of financing	Murabaha Facility Agreement.
Purpose	To finance previous facility agreements and for general corporate purposes (the **Purpose**).
Availability Period	1- The Purchaser can withdraw amounts to fund the Purpose until 14/04/1443H (19/11/2021G); and 2- the Purchaser can withdraw amounts until 17/01/1451H (30/05/2029G) only to repay amounts due under the Murabaha Facility Agreement.
Total Commitment	SAR 2,250,000,000 (USD 600,000,000) divided into: 1- SAR 1,687,500,000 (**Murabaha A**); and 2- USD 150,000,000 (**Murabaha B**).
Outstanding Amount (Principal) as at 30 June 2022	1- Murabaha A: SAR 1,641,093,750; and 2- Murabaha B: USD 145,875,000.
Maturity Date	18/02/1451H (30/06/2029G).
Guarantee/Security	1- Two promissory notes dated 09/01/1444H (07/08/2022G) have been issued by the Purchaser in favour of the Murabaha Facility Agent for Murabaha A principal amount of SAR 1,641,093,750 and for Murabaha A profit amount of SAR 72,565,227; and 2- Two promissory notes dated 09/01/1444H (07/08/2022G) have been issued by the Purchaser in favour of the Murabaha Facility Agent for Murabaha B principal amount of USD 145,875,000 and for Murabaha B profit amount of USD 7,175,168.21.
Material Covenants and Restrictions	The Purchaser undertakes the following to the Murabaha Facility Agent: 1- not to pay or declare any distribution of dividends or any other distribution which would result in, amongst other things, event of default under the facility or if such payments result in breach of the 2:1 EBITDA to financing cost ratio agreed in the Murabaha Facility Agreement; 2- to repay all amounts owing to the Murabaha Facility Participants immediately as soon as they become due and payable; 3- to provide the Murabaha Facility Agent, (i) within a period not exceeding 180 days after the end of each financial year, with a copy of the audited financial statements of the Purchaser, and (ii) within a period not exceeding 90 days after the end of the first half of each financial year, with a copy of its unaudited consolidated financial statements for that period; 4- to notify the Murabaha Facility Agent immediately of any breach or possible breach; 5- to comply with all environmental laws and environmental permits applicable to it, where failure to do so has or is reasonably likely to have, among others, a material adverse effect; 6- to ensure that its repayment obligations rank equally with those owing towards other lenders; 7- not to acquire any company or business that may adversely affect its own business or financial condition; and 8- to ensure that no substantial change will be carried out to its business.

Events of Default	Events of default include: 1- change in legal status of the Purchaser from a limited liability company; 2- non-payment of amounts due under the Murabaha Facility Agreement; 3- breach of obligations under the Murabaha Facility Agreement; 4- any incorrect or misleading representation or statement made by the Purchaser; 5- breach of obligations or non-payment under separate loan agreements entered into with the Murabaha Facility Agent or other lenders; 6- the Purchaser becomes insolvent and unable to pay its debts on their due date; 7- the Purchaser's share capital or assets are confiscated, seized or nationalized by a governmental, regulatory or other authority in the Kingdom; or 8- termination of a material feedstock supply agreement.
Governing Law	Governed by the laws of the Kingdom.

The Company obtained the written consent of Riyad Bank, on behalf of the Murabaha Facility Participants, to the Offering on 18/10/1443H (19/05/2022G).

12.6.10 Management Agreement

The Company entered into a management agreement with Saudi Aramco on 17/02/1444H (13/09/2022G) that will be effective from the date of the completion of the Offering and will remain in effect for as so long as Saudi Aramco, directly or indirectly through its Affiliates, Controls the Company, and unless the Management Agreement is otherwise terminated in accordance with the terms thereof. The management agreement provides that Saudi Aramco shall exercise certain oversight over the Company, including by way of consulting and coordinating with Saudi Aramco on certain key corporate decisions, and that Saudi Aramco and the Company will collaborate on certain matters. In particular, pursuant to the Management Agreement, Saudi Aramco shall nominate the CEO and other senior executives for appointment. The Management Agreement provides that the Company shall procure that the CEO be vested with sufficient powers and authority to enter into contracts on behalf of the Company, including with Saudi Aramco to the extent permitted by law, and to ensure that Saudi Aramco's and the Company's business strategies and investment and business planning processes are fully aligned and integrated. Further, the Company shall ensure that the Board seeks Saudi Aramco's input on the composition of its committees and notifies Saudi Aramco before nominating external auditors for appointment in the General Assembly. The Management Agreement also prescribes that the CEO shall consult with and present to Saudi Aramco certain documents and information, including the business plan, management accounts and financial statements, and also prescribe that the Board and its committees consult with Saudi Aramco before making determination of issues of independence, competition, conflict of interest and qualification for directorship.

Furthermore, the Management Agreement allows the Company to request Saudi Aramco to take employees on secondment to Saudi Aramco, and vice versa. Where an employee is seconded from Saudi Aramco to the Company and is not employed by the Company, the Company shall reimburse Saudi Aramco for all costs associated with the employment in accordance with the terms of a separately negotiated secondment agreement. In addition, Saudi Aramco may provide certain other corporate services to the Company (such as finance, treasury, accounting, procurement, risk management, insurance, legal and human resources support) on such terms and conditions as agreed in writing between the parties in relation to any particular service and in accordance with the Technical Service Agreement between Saudi Aramco and the Company.

Other than fees that the Company may agree to pay for seconded personnel or corporate services, there are no financial compensation from either party under the Management Agreement.

The Management Agreement is governed by the laws of the Kingdom. Disputes are settled in accordance with the Arbitration Law of the Kingdom.

12.6.11 Corporate Income Tax and Zakat Allocation Agreement

On 12/01/1442H (31/08/2020G), the Company, Saudi Aramco and Jadwa entered into a tax and zakat allocation agreement under which the Shareholders agreed a mechanism for the Company to be responsible for full deduction of all corporate income taxes and Zakat imposed in Saudi Arabia, payable or chargeable to the shares of any Shareholder, from that Shareholder's share in the Company's profits. The agreement allocated the burden of corporate income tax to the shareholding of each shareholder whose circumstances resulted in the Company being subject to pay corporate income tax, and allocated the burden of zakat to the shareholding of each shareholder whose circumstances resulted in the Company being subject to pay zakat.

Saudi Aramco, Jadwa and the Company executed a termination agreement for the Corporate Income Tax & Zakat Allocation Agreement dated 09/02/1444H (05/09/2022G), which will be effective from the date of the completion of the IPO.

12.6.12 Material Agreements for the Subsidiary

The Subsidiary is party to only one material contract, which is the lease for its office as summarized in Section (12.8.2) "**Real Estate Rented by the Company and the Subsidiary**".

12.7 Related Party Transactions

The Company's sales transactions with related parties (based on financial reporting requirements reached SAR 3,251.2 million (57.8% of total revenue), SAR 2,502.5 million (57.0% of total revenue), SAR 4,919.9 million (55.6% of total revenue) and SAR 3,691.4 million (60.7% of total revenue) as at 31 December 2019G, 2020G, 2021G and the six-months period ended 30 June 2022G, respectively. The Company's purchase/service related transactions with related parties based on financial reporting requirements reached SAR 4,649.4 million (87.3% of total purchases/service related transactions), SAR 3,253.1 million (84.8% of total purchases/service related transactions), 6,249.0 million (94.2% of total purchases/service related transactions) and SAR 4,505.7 million (93.8% of total purchases/service related transactions) as at 31 December 2019G, 2020G, 2021G and the six-month period ended 30 June 2022G, respectively.

The Directors confirm that all Related Party transactions are entered into in accordance with applicable law and entered into on arm's length basis or in the best interest of the Company. The Directors further undertake to comply with the provisions of the Companies Law and the rules enacted by the CMA in case they had a direct or indirect interest or are in competition in relation to any of these related party transactions. For more details about the requirements relating to conflict of interest and competition, please refer to Section (5.6) "**Conflict of Interests**".

This section provides a summary of the material Related Party Transactions which the Company is party to. The summary of the agreements and contracts set out below does not include all terms and conditions and cannot be deemed a substitute for the terms and conditions contained in those agreements.

Table (12-4): Current Related Party Transactions

#	Agreement	Nature of the agreement	Counterparty	Reason it is Related Party	Value	Term
1	**Asphalt Purchase Agreement**	Saudi Aramco purchases quantities of Asphalt from the Company.	Saudi Aramco	Substantial Shareholder	The pricing calculation depends on a specific formula set out in the agreement.	From 24/04/1426H (01/06/2005G) for five years automatically renewed from year to year thereafter.
2	**Feedstock Supply Agreement (Jeddah FSA)**	Saudi Aramco to supply feedstock to the Company in the Jeddah Facility.	Saudi Aramco	Substantial Shareholder	Feedstock pricing is calculated based on a specific metrics set out in the agreement and succeeding settlement and side agreements.	The agreement is effective from the Company's incorporation for a term of fifty (50) years, automatically renewable for additional periods of fifty (50) years each (renews in 2026).

#	Agreement	Nature of the agreement	Counterparty	Reason it is Related Party	Value	Term
3	**Feedstock Supply Agreement (Yanbu FSA)**	Saudi Aramco to supply feedstock to the Company in the Yanbu Facility.	Saudi Aramco	Substantial Shareholder	Feedstock pricing is calculated based on a specific formula set out in the agreement.	The agreement is effective from 24/03/1440H (02/12/2018G) for a term of twenty (20) years.
4	**Supplemental Feedstock Supply Agreement (Yanbu)**	Saudi Aramco to supply additional feedstock to the Company in the Yanbu Facility.	Saudi Aramco	Substantial Shareholder	Price of the additional feedstock is calculated in accordance with the Yanbu FSA formula, with the addition of USD3/BBL to the price of feedstock.	The agreement is effective from 21/11/1442H (01/07/2021G) for six (6)-months and renews automatically for subsequent periods of six (6) months.
5	**Technical Services Agreement**	Services to be provided by one of the parties to the other which may include, but not limited to, loaning employees, training, or financial and legal services.	Saudi Aramco	Substantial Shareholder	Prices depend on the service type and applicable rates specified in the agreement.	The agreement is effective from 07/03/1419H (01/07/1998G) for a term of five years automatically renewable from year-to-year thereafter.
6	**Interim Propane Supply Agreement**	Saudi Aramco to supply propane to the Company.	Saudi Aramco	Substantial Shareholder	The price for propane supplied under this agreement shall be the prevailing domestic market price, which shall be calculated in accordance with a specific formula agreed in the agreement.	The agreement is effective from 05/05/1439H (22/01/2018G) until 19/03/1448H (01/09/2026G).
7	**Information Sharing Agreement**	Regulating information sharing by the Company with Saudi Aramco pursuant to Saudi Aramco's bylaws approved by Council of Ministers resolution no. 180.	Saudi Aramco	Substantial Shareholder	N/A	Effective from 15/08/1439H (01/05/2018G) until Saudi Aramco ceases to hold direct or indirect ownership interest in the Company.
8	**Fire Protection and Industrial Security Agreement**	Saudi Aramco provides fire protection and industrial security services to the Company.	Saudi Aramco	Substantial Shareholder	Quarterly payment of USD 50,000 in advance for scheduled services, in addition to actual cost reimbursement for performing requested services.	The agreement is effective from 01/05/1423H (01/07/2003G) for a term of twenty (20) years.
9	**Propane O&M Agreement**	Saudi Aramco to provide operation and maintenance in relation to the custody transfer metering facility for measurement of propane.	Saudi Aramco	Substantial Shareholder	Monthly fee of SAR 83,800 (revised each succeeding year on 1st of January) for operation and routine maintenance of the facilities and the transportation of propane through pipeline.	The agreement is effective from 25/05/1439H (11/02/2018G) until 19/04/1448H (01/09/2026G).

#	Agreement	Nature of the agreement	Counterparty	Reason it is Related Party	Value	Term
10	**Gas and Ethane O&M Agreement**	Saudi Aramco to provide operation and maintenance in relation to the custody transfer metering facility for measurement of natural gas and Ethane.	Saudi Aramco	Substantial Shareholder	Monthly fee of SAR 55,700 (revised each succeeding year on 1st January) for operation and routine maintenance of the facilities and the transportation of sales gas.	The agreement is effective from 15/03/1431H (01/03/2010G) for a term of twenty (20) years.
11	**Sales Agreement**	The Company sells light vacuum gas oil and marine heavy fuel oil to SAMREF.	SAMREF	Affiliate	The pricing calculation depends on a specific formula set out in the agreement.	The agreement was entered into on 01/08/1418H (01/12/1997G) and has been renewed recently with an effective date from 06/05/1441H (01/01/2020G) for a term of five years.
12	**Sales Agreement**	The Company sells ULSD to SAMREF.	SAMREF	Affiliate	The pricing calculation depends on a specific formula set out in the agreement.	12/06/1436H (01/04/2015G) for 10 years, and automatically renewed for five years.
13	**Sales Gas Supply Agreement**	Saudi Aramco to supply allocated natural gas quantity to the Company.	Saudi Aramco	Substantial Shareholder	The price paid by the Company for sales gas is established by the Government.	The agreement is effective from 12/06/1436H (01/04/2015G) until 23/12/1447H (09/06/2026G).
14	**Sales Gas Supply Agreement (Expansion)**	Saudi Aramco to supply natural gas to the Company.	Saudi Aramco	Substantial Shareholder	Pricing shall be based on the prevailing domestic market price.	The agreement is effective from 05/05/1439H (22/01/2018G) to 04/09/1449H (31/01/2038G).
15	**Naphtha Stream Supply Agreement**	The Company sells Naphtha streams to Saudi Aramco.	Saudi Aramco	Substantial Shareholder	The pricing calculation depends on a specific formula set out in the agreement.	From 19/06/1439H (07/03/2018G) for twenty (20) years.
16	**Services Agreement**	Counterparties provide services to the Company upon request including communications, IT services, and logistics services or other technical and administrative services.	Aramco Far East (Beijing) Business Services Company Limited (ABS) Aramco Asia Japan K.K.	Affiliates	The pricing shall follow a specific equation depending on the requested service.	Effective until 30/06/1446H (31/12/2024G).
17	**Services Agreement**	ASC to provide general administrative services in north America.	Aramco Services Company (ASC)	Affiliates	Prices of the services provided to be agreed between the parties.	Effective from 09/03/1435H (10/01/2014G) until terminated by either party.
18	**Trademark License Agreement**	Saudi Aramco licenses certain trademarks for the Company to use in marketing its products.	Saudi Aramco	Substantial Shareholder	N/A	Effective from 24/05/1438H (23/03/2017G) for a term of three years automatically renewable for three consecutive years periods.

#	Agreement	Nature of the agreement	Counterparty	Reason it is Related Party	Value	Term
19	**Engineering Standards License Agreement**	SATC sub-licenses the use of certain standards, specifications, procedures, forms, datasheets, drawings, codes, etc. to the Company.	Saudi Aramco Technologies Company (SATC)	Affiliate	USD 80,000 annually	Valid from 10/04/1443H (15/11/2021G) for five years.
20	**Software License Agreement**	Saudi Aramco granting the Company a non-exclusive, non-transferable license to use Saudi Aramco software for the Company's own internal use, data processing or calculations.	Saudi Aramco	Substantial Shareholder	USD 40,000 annually	Effective from 01/12/1426H (01/01/2006G) until terminated by either party due to a material breach.
21	**Alliance Framework Agreement**	Alliance agreement for Saudi Aramco's base oil producer affiliates in relation to marketing and sale of their products.	Saudi Aramco Motiva S-Oil	Substantial Shareholder Affiliates	N/A	Effective from 25/04/1440H (01/01/2019G) until terminated.
22	**Master Sales Agreement**	Agreement regulating the sale of a party through the other in specific designated geographical areas.	Motiva S-Oil	Affiliates	N/A	Effective from 25/04/1440H (01/01/2019G) until terminated.
23	**Lease and Utilities Agreement (Jeddah Facility)**	Saudi Aramco leases the land on which the Jeddah Facility is located, provides utilities and other services.	Saudi Aramco	Substantial Shareholder	The total current annual rent amount is SAR 1,018,217.48. Utilities and other services: the supply of utilities (water, electricity, vessels loading and unloading) is calculated based on various rates specified in the agreement.	Effective from 14/02/1417H (01/07/1996G) for a term of thirty (30) years and thereafter subject to annual renewal with mutual agreement of the parties.
24	**Management Agreement**	Saudi Aramco to provide management and certain other services to the Company.	Saudi Aramco	Substantial Shareholder	N/A	Effective from the completion of the Offering until Saudi Aramco cease, directly or indirectly through its Affiliates, Controls the Company.
25	**Tax and Zakat Allocation Agreement**	To allocate the Zakat and corporate income tax imposed to the shares of the shareholders whole circumstances resulted in such income tax/Zakat.	Saudi Aramco Jadwa	Substantial Shareholders	N/A	Effective from 12/01/1442H (31/08/2020G), until the Offering.

Source: the Company

12.8 Real Estate

12.8.1 Real Estate Owned by the Company and Subsidiary

The Company and the Subsidiary do not own any lands inside or outside of the Kingdom, except for the properties the Company owns in Yanbu for the purpose of its employees' home ownership program and which the Company will transfer to the eligible employees when they satisfy all conditions of the program. For more details on the employees' home ownership program, please refer to subsection "**Employees' home ownership receivables**" of Section (6.7.2).

12.8.2 Real Estate Rented by the Company and the Subsidiary

The following table shows the details of the real estate rented by the Company and the Subsidiary. For further details about the risks relating to the Company's leases and facilities, please review Section (2.1.15) "**Risks relating to leases and not owning the lands on which the Company's facilities are located**".

Table (12-5): Real Estate Rented by the Company and the Subsidiary

#	Real Estate	Tenant	Landlord	Location	Lease Effective Date	Rent Amount	Lease Term/End
1.	Jeddah Facility's land	Luberef	Saudi Aramco	Jeddah	14/02/1417H (01/07/1996G)	SAR 1,018,217.48 / annually	16/01/1448H (01/07/2026G)
2.	Yanbu Facility's land	Luberef	RCJY	Yanbu	01/07/1415H (03/12/1994G)	SAR 5,136,300 / annually	30/06/1446H (31/12/2024G)
3.	Storage facility (Yanbu)	Luberef	Lessor	Yanbu	17/05/1442H (01/01/2021G)	SAR 5,226,305.76 / annually	07/06/1444H (31/12/2022G), automatically renewed
4.	Storage facility (UAE)	Luberef	Sharjah National Lube Oil Co (SHARLU)	Sharjah, UAE	28/05/1443H (01/01/2022G)	USD 129,600/ monthly	07/06/1444H (31/12/2022G)*
5.	Office Lease (Office No. E-18F-28)	Luberef FZE	Hamriyah Free Zone Authority	Sharjah, UAE	26/03/1435H (27/01/2014G)	AED 25,000 / annually	1 year, automatically renewable

* The parties are negotiating the next year renewal.

Source: The Company

12.9 Intellectual Property

12.9.1 Trademarks Owned by the Company and its Subsidiary

As at the date of this Prospectus, the Company registered a number of trademarks. The Company relies on these trademarks for the success of its businesses and support its competitive position in the market. For more details about the risks associated with trademarks and their protection, see Section (2.1.14) "**Risks relating to intellectual property, trademark protection and technology licenses**".

There are eleven (11) trademark registration certificates issued inside and outside the Kingdom and registered in the name of the Company. They are detailed as follows:

Table (12-6): The Company's Trademarks

#	Trademark	Country of registration	Class	Registration number	Registration date	Protection expiration date
1	لوبريف luberef	India	4	2660696	15/03/1435H (16/01/2014G)	04/07/1445H (16/01/2024G)
2	لوبريف luberef	Turkey	4	2014/12173	20/12/1435H (14/10/2014G)	13/08/1446H (12/02/2025G)
3	لوبريف luberef	Bahrain	4	101868	29/02/1438H (29/11/2016G)	09/07/1445H (21/01/2024G)
4	luberef	Bahrain	4	101867	29/02/1438H (29/11/2016G)	09/07/1445H (21/01/2024G)
5	لوبريف luberef	Kingdom	4	1437013568	14/10/1437H (19/07/2016G)	13/06/1447H (04/12/2025G)
6	لوبريف luberef	UAE	4	204226	05/11/1435H (31/08/2014G)	01/07/1445H (13/01/2024G)
7	luberef	UAE	4	204225	05/11/1435H (31/08/2014G)	01/07/1445H (13/01/2024G)
8	لوبريف luberef	Kuwait	4	126733	28/12/1436H (11/10/2015G)	30/06/1445H (12/01/2024G)
9	luberef	Kuwait	4	126734	28/12/1436H (11/10/2015G)	30/06/1445H (12/01/2024G)
10	لوبريف luberef	European Union	4	012495214	04/11/1435H (02/06/2014G)	01/07/1445H (13/01/2024G)
11	lubeHUB Yanbu Lubricants Value Park	Kingdom	4	1441011078	12/08/1441H (05/04/2020G)	13/04/1451H (24/08/2029G)

Source: The Company

The Subsidiary does not own any trademarks.

12.9.2 Licensed Trademarks

The Company uses trademarks licensed by Saudi Aramco pursuant to the Trademark License Agreement, which grants the Company a limited non-exclusive, fully paid-up, royalty-free, non-transferable, non-sublicensable license to use these trademarks. The Trademark License Agreement is effective from 24/05/1438H (23/03/2017G) for a term of three years automatically renewable for three consecutive years periods. These licensed trademarks are: (1) aramcoULTRA, (2) aramcoDURA, and (3) aramcoPRIMA, and the Company uses such trademarks to market its products. The agreement may be terminated by the mutual written agreement of the parties, upon a ninety (90)-day notice from one party to the other, or by Saudi Aramco in case of a merger, reorganization, consolidation or sale of all or substantially all of the Company. The Trademark License Agreement is governed by the laws of the Kingdom.

12.10 Other intangible assets

12.10.1 Patents

The Company does not have any registered patents.

12.10.2 Licensed Technologies and Software

The Company uses multiple SAP enterprise solutions as its main internal software. The Company entered into multiple general terms and conditions with SAP Saudi Arabia Software Trading Co. (SAP Saudi). Under such terms and conditions, SAP Saudi has issued various order forms to the Company, licensing software and providing the Company with services that are utilized in areas like payroll processing, supply chain management, treasury and risk management, and other areas are required to run and manage the business of the Company on day-to-day. The Company originally started adopting the SAP systems in 2012 when it started migration from its older provider and has since purchased various upgrades, modules, additional capabilities, and consultancy and support services that it relies heavily on.

The Company uses a number of technological processes licensed by Chevron Lummus Global LLC under the Technology License Agreement, dated 03/09/1432H (03/08/2011G) which grants the Company a non-exclusive non-transferrable license to use these technologies. The Technology License Agreement is effective from 09/10/1432H (07/09/2011G) and expires on the earlier of (i) a term of twenty (20) years after the units are placed onstream, which occurred in 30/03/1439H (18/12/2017G), or (ii) the expiration date of the last to expire patent. The Company and Chevron Lummus Global LLC has agreed on technical guarantees for processes separately. The Company is solely responsible for paying all taxes on behalf of Chevron Lummus Global LLC (including income taxes, excise taxes, assessments, imposts, duties, levies and charges) and any interest or penalties related to such taxes imposed by any governmental authority other than that of the United States in connection with the execution/performance of the agreement. The Technology License Agreement is governed by the laws of England and Wales.

The Company also has a non-exclusive, non-transferable license from Saudi Aramco to use Saudi Aramco's software (includes Saudi Aramco Engineering Standards (SAES), Saudi Aramco Material System Specifications (SAMSS), Saudi Aramco Engineering Procedures (SAEP), and Saudi Aramco Standards Drawings (SASD)) for Luberef's own internal use, data processing and calculations pursuant to the Software License Agreement. The Software License Agreement is valid from 01/11/1426H (01/01/2006G) until terminated by either party due to a material breach that continues to be unremedied (in a 10-day notice period) by the other, such cure period will not be available and termination can be immediate it the breach is of the provisions related to restrictions on the license. The Company pays Saudi Aramco USD 40,000 per annum for such license. The agreement is governed by the laws of the Kingdom.

The Company has a sub-license for the use of certain standards, specifications, procedures, forms, datasheets, drawings, codes, etc. from Saudi Aramco Technologies Company (SATC) pursuant to the Engineering Standards License Agreement. The Engineering Standards License Agreement is valid from 10/04/1443H (15/11/2021G) for five years unless the parties agree otherwise in writing, and is governed by the laws of the Kingdom. Luberef pays Saudi Aramco Technologies Company (SATC) USD 80,000 per annum for such license.

12.10.3 Domain Names

The Company has two main internet domains: (1) luberef.com (which expires on 02/10/1456H (13/12/2034G)); and (2) luberef.net (which expires on 09/01/1446H (15/7/2024G)). The Company did not officially register the domains websites as Saudis domain with the Saudi Network Information Center at the Communications and Information Technology Commission.

12.11 Insurance

The Company maintains insurance policies which cover various types of risks associated with its business. The following table shows the main details of the key insurance policies held by the Company.

Table (12-7): Insurance Policies Held by the Company

#	Coverage type	Insurance Company	Insurance Policy Number	Insurance Coverage End Date	Insured Value/Maximum compensation
1	Fidelity Guarantee	Walaa Cooperative Insurance Co.	E1-22-602-000021	09/09/1444H (31/03/2023G)	Different per employee but not exceeding SAR 375,000 any one occurrence and SAR 750,000 in aggregate.
2	Money Insurance	Walaa Cooperative Insurance Co.	E1-22-602-000027/0	09/09/1444H (31/03/2023G)	SAR 2,920,000
3	Comprehensive Commercial Motor Insurance	Walaa Cooperative Insurance Co.	E1-22-300-000242/0	09/09/1444H (31/03/2023G)	SAR 10,000,000 any one occurrence and during the policy period
4	Comprehensive Private Motor Insurance	Walaa Cooperative Insurance Co.	E1-22-300-000241/0	09/09/1444H (31/03/2023G)	SAR 10,000,000 any one occurrence and during the policy period
5	Marine Cargo Insurance	Cooperative Insurance Co. (Tawuniya)	700980	09/09/1444H (31/03/2023G)	SAR 60,125,250 any one loss any one conveyance
6	Property All Risks Insurance	Walaa Cooperative Insurance Co.	P-E01-22-20030-000187	09/09/1444H (31/03/2023G)	SAR 33,950,800
7	Contractor's Plant and Machinery Insurance	Walaa Cooperative Insurance Co.	P-E01-22-40120-000241	10/09/1444H (1/04/2023G)	SAR 5,477,850. third party limit: SAR 1,000,000 combined single limit any one occurrence and in the aggregate for bodily injury and/or property damage
8	Property Damage Insurance	Walaa Cooperative Insurance Co.	P-E01-22-20030-000283	10/09/1444H (01/04/2023G)	USD 750,000,000 (100%) each and every accident or occurrence, but 450,000,000 (100%) in respect of the Jeddah Facility
9	Comprehensive General Liability Insurance	Walaa Cooperative Insurance Co.	E0-22-500-000173	10/09/1444H (01/04/2023G)	public liability: USD 100,000,000 (100%) any one occurrence products liability: USD 100,000,000 (100%) any one occurrence and in the annual aggregate employer's liability: USD 5,000,000 (100%) any one occurrence and in the annual aggregate
10	Health Insurance	Bupa Arabia for Cooperative Insurance	36048300	09/07/1444H (31/01/2023G)	SAR 500,000 overall annual maximum cover per member

Source: The Company

The Subsidiary does not hold any insurance policy.

12.12 Lawsuits and Claims

Except as disclosed below, the Directors confirm that the Company and its Subsidiary are not party to any judicial dispute or claim or an ongoing investigation, which could have a material impact on the business of the Company, its Subsidiary or its financial position.

The Company is currently reviewing and discussing different requests for payments by contractual counterparties in the total amount of approximately SAR 225,000,000 which are not provisioned for in the Company's financials as at 30 June 2022G. These requests mainly relate to the engineering, procurement and construction of certain projects. The Company also had a complaint submitted by an employee claiming approximately SAR 200,000 which has not been pursued by the employee before court and the employee failed to attend the mediation session. The Company is also discussing with Saudi Aramco utilities increase first imposed in 2019G, which was not accepted by the Company and the amount of this increase is still under discussion. Based on this 2019G increase, an amount of SAR 79.46 million (equivalent to USD 21.19 million) as of 30 June 2022G was provisioned by the Company which covers the accrued additional cost of utilities as of that date (representing the difference between the new proposed rate and the old rate).

For further details about the associated risks, please refer to Sections (2.1.18) "**Risks relating to disputes and litigation**" and (2.1.17) "**Risks relating to utility supply, prices and reliance on third party provides**".

12.13 Penalties

The Company has been subject to nine penalties in 2019 imposed by RCJY for various violations including not conducting certain testing, incorrect emission data reporting, and other non-compliances with total amount of SAR 390,000 which was fully paid. The Company was not subject to any other penalty by any regulator in 2019G, 2020G, 2021G and up to 30 June 2022G.

12.14 The Company's Zakat and Tax Status

12.14.1 Overview of the tax profile of the Company

12.14.1.1 Prior to the Offering

A- Up to the financial year 2021G:

The Company has filed corporate income tax and Zakat returns with ZATCA in the Kingdom on an annual basis.

The Company is owned by Saudi Aramco and Jadwa in the proportion of 70% and 30%, respectively.

Pursuant to the Income Tax Law, equity stakes held (directly or indirectly) by entities engaged in oil and hydrocarbons production (e.g., Saudi Aramco) in Saudi resident capital companies should be subject only to the Income Tax Law, rather than the Zakat Regulations, effective from 1 January 2017G. Consequently, the Company was subject to corporate income tax for the 70% equity stake held by Saudi Aramco.

In relation to the remaining 30% equity stake held by Jadwa, the Company has been subject to Zakat and corporate income tax in proportion to the equity stake held by Jadwa's ultimate GCC (29.073%) and non-GCC (0.927%) shareholders, respectively.

Considering the corporate income tax/Zakat profile of the ultimate shareholders of the Company, it was effectively subject to corporate income tax (70.927%) and Zakat (29.073%) and has filed its corporate income tax/Zakat returns with ZATCA on a standalone basis.

B- For the financial year 2022G:

Jadwa had previously both GCC and non-GCC shareholding, meaning its shareholding in the Company was subject to both Zakat and corporate income tax. The non-GCC shareholder sold its shares in Jadwa on 17 March 2022G to a Saudi shareholder. Subsequently, Jadwa is now entirely and ultimately held by GCC shareholders and its shareholding in the Company (i.e., 30%) should be entirely subject to Zakat and not to corporate income tax. As such, following the above transfer, the Company should be subject to corporate income tax and Zakat in proportion to 70% and 30%, respectively.

12.14.1.2 Following the Offering

On 05/11/1442H (corresponding to 26/06/2020G), Royal Decree M/153 was issued to amend Article 2 of the Income Tax Law, which exempts shares in resident capital companies owned directly or indirectly by a hydrocarbon producer and listed on the Exchange from corporate income tax. As such, Saudi Aramco's interest in the Company is expected to become subject to Zakat following Offering. For more information about associated risks, please refer to Section (2.1.34) "**Risks relating to Zakat and tax**".

Further, the shares held by Jadwa or acquired by the public (whether GCC or non-GCC nationals) after the Offering would also cause the Company to be subject to Zakat for that portion.

In view of the above changes throughout the financial year 2022G, the Company would calculate its effective shareholding on a pro-rated basis for the financial year 2022G.

12.14.1.3 Filing and assessment status

In addition to corporate income tax/Zakat returns, the Company is also required to file withholding tax returns, VAT returns and Transfer Pricing documentation with ZATCA.

A- Tax filing status of the Company

The Company has been compliant in filing its corporate income tax, Zakat, withholding tax, VAT and with the compliance requirements for transfer pricing.

B- Tax assessment status of the Company

Since incorporation and up to 2009G, the Company has finalized its corporate income tax and Zakat and withholding tax position as required by ZATCA. ZATCA has not issued any final assessment for the years 2010G, 2011G, 2012G, 2013G and 2014G. Additionally, ZATCA issued an assessment for the year 2015G claiming additional Zakat in the amount of SAR 242 thousand, which has been settled by the Company to finalize the year.

In relation to 2018G, ZATCA issued an assessment showing a net tax refund of SAR 41 million, which was refunded to the Company during FY19. As such, FY18 has been finalized with ZATCA.

During the year 2022G, ZATCA has issued an assessment in the amount of SAR 0.63 million for the year 2016G which was accepted and settled by the Company to finalize the year.

In relation to the years 2017G, 2019G and 2020G, ZATCA has not issued a formal assessment. However, during the year 2021, ZATCA raised queries and requested additional information for the aforementioned years, which the Company has submitted in a timely manner. Furthermore, for the year 2021G, ZATCA has not yet raised any queries or issued any formal assessments.

12.14.2 Corporate income tax and Zakat allocation Agreement

Further to the above, it must be noted that the Company entered into an Income Tax and Zakat Allocation Agreement on 31/08/2020G, which allocated income tax and Zakat liabilities to the shareholder whose circumstances resulted in the Company's incurrence of such tax/Zakat. The Company, Saudi Aramco and Jadwa terminated the agreement with effect from the Offering's completion. Upon the completion of the Offering, the corporate income tax and Zakat liabilities of the Company will be borne by the Company and not allocated to any specific shareholder including the corporate income tax and Zakat liability for 2022G up to the point of Offering, to the extent dividends have not been distributed to the shareholders against which such liabilities should be offset under the Income Tax and Zakat Allocation Agreement.

For more details about this agreement, please refer to Section (12.6.11) "**Corporate Income Tax and Zakat Allocation Agreement**".

12.15 Description of the Rights of Shareholders

12.15.1 Voting Rights

Every shareholder is entitled to one vote for every share the shareholder owns in general assemblies. Cumulative voting must be used in the election of the Board of Directors.

12.15.2 Rights to Dividends

Each shareholder is entitled to his share in the dividends in accordance with a resolution adopted in this regard by the General Assembly. Such resolution shall set out the eligibility date and distribution date. The General Assembly may delegate interim dividends authority to the Board pursuant to the relevant CMA rules. The eligibility for dividends shall be for shareholders registered in the shareholders' records at the end of the day on the eligibility date.

12.15.3 Rights to Surplus Assets upon Liquidation or Dissolution

Pursuant to Article (110) of the Companies Law, shares shall have equal rights to net profits and liquidation surplus.

12.15.4 Refund or Repurchase Rights

1- The Company is entitled to buy-back, sell, pledge and mortgage its shares.
2- The purpose of a buy-back of shares may be to retain these as treasury shares in accordance with applicable laws and implementing regulations.
3- The Company may adopt employee share plans and allocate the treasury shares resulting from a share buy-back and/or from shares issued pursuant to a capital increase conducted in accordance with Article (15) of the bylaws to employees of the Company and/or its subsidiaries in accordance with applicable laws and implementing regulations.

12.15.5 Approvals Necessary to Vary the Rights

The Company's bylaws can be amended pursuant to an Extraordinary General Assembly resolution. The Extraordinary General Assembly meeting shall not be valid unless the attendance by shareholders representing at least half of the capital. If the quorum required to convene an Extraordinary General Assembly is not reached, an invitation will be sent to hold a second meeting in the same manner provided for in Article (32) of the bylaws. However, the second meeting may be held one hour after the end of the period specified for the first meeting provided that the invitation to the first meeting state an announcement of the possibility of holding such second meeting. In all circumstances, this second meeting will only be valid by the attendance of a number of shareholders representing at least one fourth of the capital. In all cases, the second meeting shall be valid it has been attended by a number of shareholders representing at least one-fourth of the capital. If the necessary quorum is not reached in the second meeting, an invitation is sent to a third meeting to be held according to the same conditions stipulated in Article (32) of the bylaws, and the third meeting will be valid regardless of the number of shares represented in it after the approval of the competent authority.

The resolutions of the Extraordinary General Assembly are issued by a two-thirds majority of the shares represented in the meeting, unless it is a resolution related to increasing or reducing the capital, extending the term of the Company, or dissolving it before the expiry of the period specified in its bylaws, or its merger with another company, it will not be valid unless it is issued by a majority of three quarters of the shares represented at the meeting.

However, certain shareholders rights may not be amended or varied by the Extraordinary General Assembly pursuant to Article (88) of the Companies Law, which are the following:

1- receive a share in the profits declared for distribution, whether the distribution is in cash or through issuing bonus shares for the non-employees of the Company and its Subsidiaries;
2- receive a percentage in the assets of the Company upon liquidation;
3- attend general or special shareholder assemblies, participate in the deliberations; and vote on the resolutions;
4- dispose of his shares in accordance with the Companies Law;
5- request to access the records and documents of the Company, monitor the acts of the Board, file a liability claim against the members of the Board and contest the validity of the resolutions adopted at general and special shareholders assemblies; and
6- assume a preemptive right to subscribe for the new cash shares, unless the bylaws of the Company state otherwise.

13. Underwriting

The Company, the Selling Shareholder and the Underwriters entered into an underwriting agreement on [•] (hereinafter referred to the "**Underwriting Agreement**") under which the Underwriter underwrite all of the Offer Shares proportionately among them amounting to (50,045,000) shares at the Offer Price of SAR (•) per share in accordance with the terms and conditions contained in the Underwriting Agreement. The table below shows the names and addresses of the Underwriters:

Table (13-1): Details of Underwriters

Underwriters	
SNB Capital Company King Saud Road, SNB Regional Building P.O. Box 22216, Riyadh 11495 Kingdom of Saudi Arabia Tel: +966 920000232 Fax: +966 (11) 4060052 Website: www.alahlicapital.com Email: Snbc.cm@alahlicapital.com	
HSBC Saudi Arabia HSBC Building 7267 Olaya Road, AlMurooj District Riyadh 2255–12283 Kingdom of Saudi Arabia Tel: +966 920005920 Fax: +966 (11) 2992385 Website: www.hsbcsaudi.com Email: LuberefIPO@hsbcsa.com	
Citigroup Saudi Arabia 20th Floor. Kingdom Tower P.O.Box 301700 Riyadh 11372 Kingdom of Saudi Arabia Tel: +966 (11) 2246140 Fax: +966 (11) 2110020 Website: www.citigroup.com/citi/about/countries-and-jurisdictions/citigroup-saudi-arabia Email: info.csa@citi.com	
Morgan Stanley Saudi Arabia Al Rashid Tower, 10th Floor King Saud Street P.O. Box 66633 Riyadh 11586 Kingdom of Saudi Arabia Tel: +966 (11) 218 7000 Fax: +966 (11) 218 7003 Website: www.morganstanleysaudiarabia.com Email: Ineqsy@morganstanley.com	

13.1 Summary of the Underwriting Agreement

The main terms and conditions of the Underwriting Agreement include the following:

- The Selling Shareholder undertake to the Underwriters to sell and allocate the Offer Shares to Individual Investors or Participating Parties whose subscription applications have been accepted by the Receiving Entities as per the final allocation.
- The Selling Shareholder undertake to the Underwriters to sell and allocate the Offer Shares which were not purchased by Individual Investors or Participating Parties to the Underwriters.
- The Underwriters undertake to the Selling Shareholder to purchase any Offer Shares which have not been subscribed to by Individual Investors or Participating Parties, in accordance with the following:

Table (13-2): Shares Underwritten

Underwriter	Number of Offer Shares Underwritten	Percentage of Offer Shares Underwritten
SNB Capital Company	13,345,333	26.7%
HSBC Saudi Arabia	13,345,333	26.7%
Citigroup Saudi Arabia	10,009,001	20.0%
Morgan Stanley Saudi Arabia	13,345,333	26.7%
Total	**50,045,000**	**100%**

- The Company will be subject to certain restrictions and undertakings immediately following listing, as is customary in such agreements.
- The Company and the Selling Shareholder undertake to abide by all provisions contained in the Underwriting Agreement.

13.2 Underwriting Costs

The Selling Shareholder will pay the underwriting fees to the Underwriters based on the total value of the Offering. For more details about the Offering Costs, please refer to Section (14) “**Offering Expenses**”.

14. Offering Expenses

The Selling Shareholder will bear all expenses and costs related to the Offering amounting to SAR [•]. Such expenses include the fees of the Joint Financial Advisors, Underwriters, Lead Manager, Joint Bookrunners, Joint Global Coordinators, the legal advisors, Financial Due Diligence Advisor, Auditor, and the Market Consultant in addition to the fees of the Receiving Entities, and the marketing, printing, distribution, regulatory fees and other related expenses. The Offering expenses will be deducted from the Offering's proceeds. The Company will not bear any expenses related to the Offering.

15. Company's Post-Listing Undertakings

Following the Listing, the Company undertakes to:

- Complete Form 8 related to compliance with the Corporate Governance Regulations. In the event that the Company fails to meet any of the requirements of the Corporate Governance Regulations, it must explain the reason thereto.
- Notify the CMA of the date of the first General Assembly meeting after the Listing, so that a representative can attend.
- Comply with all mandatory articles of the Corporate Governance Regulations immediately after Listing.
- Comply with the provisions of the Listing Rules in relation to the Company's continuing obligations immediately after Listing.
- Call the General Assembly to meet to update the Company's Bylaws immediately after Listing.
- Present to the General Assembly for approval any business or contract in which any of the Directors has a direct or indirect interest in accordance with the Companies Law, the Corporate Governance Regulations and the Listed Companies Rules, provided that the Director who has interest in such business or contract shall not be allowed to vote on the resolution issued in this regard.
- Accordingly, after the Listing, the Directors undertake to:
  - record all decisions and deliberations in the form of written minutes of meetings signed by the Board's chairperson and Secretary; and
  - disclose the details of any transactions in which they have direct or indirect interest, in accordance with the requirements of the Companies Law and the Corporate Governance Regulations.

16. Waivers

The Company obtained the following waivers in connection with the Offering:

1- A waiver from the Saudi Exchange from the requirements of Article 7(b)(2) of the Listing Rules, which requires that the ownership of the Public does not fall below (30%) of the Shares subject to the application at the time of Listing.

2- A waiver from the CMA from the requirements of Article 46(a)(13) of the ROSCOs, which requires the Company to submit to the CMA its bylaws, articles of association and all the historic amendments thereto.

17. Subscription Terms and Conditions

An application for the registration and offering of securities was submitted to the CMA as well as an application to list the shares to the Saudi Exchange in accordance with the ROSCOs and the Listing Rules. All Subscribers must read the subscription terms and conditions very carefully before completing the Subscription Forms. Signing the subscription application and its submission to any of the Joint Bookrunners or the Receiving Entities (as the case may be) will be deemed an acknowledgement of the acceptance and approval of the subscription terms and conditions.

17.1 Subscription to the Offer Shares

The Offering consists of the offer of (50,045,000) ordinary shares with a fully paid nominal value of SAR 10 per share, at an Offer Price of SAR [•] per share, and the total value of Offering is SAR [•] Saudi Riyals. The Offer Shares represent (29.6562963%) of the Company's capital. The Offering to Individual Investors and the subsequent listing of the Company's shares is contingent upon the successful coverage of the Participating Parties to all Offer Shares during the book-building process. The Offering will be cancelled if the Offering is not covered during this period. The CMA may suspend the Offering after this Prospectus is approved and before the shares are registered and accepted for listing on the Exchange in the event of a material change which would negatively and fundamentally affect the Company's operations.

The Offering is limited to two tranches of Investors, namely:

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. 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, 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 seven hundred fifty (37,533,750) Shares, representing seventy five percent (75%) of the Offer Shares. It is possible that no shares are allocated to some of the Participating Parties, as may be determined by the Company and the Joint Financial Advisors.

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 with a capital market institution. 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 twenty five percent (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.

17.2 Offering Period

Two days period commences on Wednesday 20/05/1444H (corresponding to 14/12/2022G) and ends on Thursday 21/05/1444H (corresponding to 15/12/2022G).

17.3 Subscription Method and Terms for Each Tranche

17.3.1 Book-Building for Participating Parties

a- The price range will be determined during the book-building process and made available to all Participating Parties by the Joint Financial Advisors in consultation with the Company and the Current Shareholders, and the number and percentage of Offer Shares to be allocated to Participating Parties will be determined in consultation with the Company and the Current Shareholders using discretionary allocation method.

b- Participating Parties registered in the Kingdom can obtain Bid Forms from the Joint Bookrunners during the book-building period. Participating Parties who are not registered in the Kingdom may bid through phone or email through the Joint Bookrunners without the need to complete and sign a Bid Form. The Participating Parties may change or cancel their Bid Forms at any time during the book-building period, provided such change is made by submitting an amended Bid Form or an appended Bid Form (where applicable) before the end of the book-building period. The number of Offer Shares to which each of the Participating Parties subscribes must not be less than fifty thousand (50,000) shares and not more than eight million four hundred thirty-seven thousand four hundred ninety-nine (8,437,499) shares. For public funds only, the number of Offer Shares shall not exceed the maximum limit for each participating public fund, which shall be defined in accordance with the Instructions for Book-Building. The Joint Bookrunners will notify the Participating Parties of the Offer Price and the number of Offer Shares provisionally allocated thereto. It is possible that no shares are allocated to some of the Participating Parties, as may be determined by the Company and the Joint Financial Advisors. The subscription process for Participating Parties will start during the Offering Period, which also includes Individual Investors, in accordance with the subscription terms and instructions detailed in the Subscription Forms.

c- All Participating Parties must submit Bid Forms with requests that can be fully allocated, and not submit any false or exaggerated request in their Bid Forms in order to obtain a larger allocation. They must have the ability to cover the value of application through the availability of cash coverage or the necessary arrangements to cover the value from the time of submitting the Bid Form and until the final allocation.

d- After completing the book-building process for the Participating Parties, the Joint Financial Advisors will announce the coverage percentage for the Participating Parties.

e- The Joint Financial Advisors and the Company will determine the Offer Price based on supply and demand, provided that it does not exceed the price specified in the Underwriting Agreement and that the Offer Price is consistent with the price change units applied by the Saudi Exchange.

17.3.2 Subscription by Individual Investors

Each Individual Investor must subscribe to a minimum of ten (10) Offer Shares and a maximum of two hundred fifty thousand (250,000) Offer Shares. The Subscription Form cannot be changed or withdrawn once it has been submitted.

Subscription Forms will be available with the Receiving Entities during the Offering Period. Subscription Forms must be completed in accordance with the instructions provided below. Individual Investors, who have previously participated in one of the recent public offerings may subscribe via the internet, phone banking, or ATMs of the Receiving Entities which provide all or some of these services to their clients, provided that:

- An Individual Investor must have a bank account with the Receiving Entity which offers such service.
- There have been no changes to the personal information or data of the Individual Investor (by removal or addition of a family member) since such person last participated in an initial public offering.
- Individual Investors who are not Saudi Citizens or GCC nationals must have an account at one of the Capital Market Institutions which offers such services.

Signed Subscription Forms submitted by Individual Investors to the Receiving Entities shall constitute a binding agreement between the Selling Shareholders and the applicant Individual Investor.

Individual Investors can obtain a copy of this Prospectus from the Company's website (www.luberef.com), the CMA's website (www.cma.org.sa), or the Joint Financial Advisors' website.

The Receiving Entities, whose names appear below, will start receiving Subscription Forms through the internet, phone banking, or ATMs of the Receiving Entities that provide all or some of these services as of Wednesday 20/05/1444H (corresponding to 14/12/2022G) till Thursday 21/05/1444H (corresponding to 15/12/2022G).

Table (17-1): Receiving Entities

Receiving Entities
Saudi National Bank (SNB) King Fahad Road – Al-Aqiq King Abdullah Financial District P.O. Box 3208, Unit No. 778 Kingdom of Saudi Arabia Tel: +966 92 0001000 Fax: +966 11 4060052 Website: www.alahli.com Email: contactus@alahli.com
Al Rajhi Bank King Fahd Road - Al-Murouj District - Al Rajhi Bank Tower Riyadh 11411 Kingdom of Saudi Arabia Tel: +966 11 828 2515 Fax: +966 11 279 8190 Website: www.alrajhibank.com.sa Email: contactcenter1@alrajhibank.com.sa
Riyad Bank Eastern Ring Road P.O. Box 22622 Riyadh 11614 Kingdom of Saudi Arabia Tel: +966 11 401 3030 Fax: +966 11 403 0016 Website: www.riyadbank.com Email: customercare@riyadbank.com
Alinma Bank King Fahd Road, Al Anoud Tower P.O. Box 66674 Riyadh 11586 Kingdom of Saudi Arabia Tel: +966 11 218 5555 Fax: +966 11 218 5000 Website: www.alinma.com Email: info@alinma.com
Arab National Bank (ANB) King Faisal Street P.O Box 56921 Riyadh 11564 Kingdom of Saudi Arabia Tel: +966 11 4029000 Fax: +966 11 4027747 Website: www.anb.com.sa Email: info@anb.com.sa
The Saudi Investment Bank Al-Maather Street P.O. Box 3533 Riyadh 11481 Kingdom of Saudi Arabia Tel: +966 11 874 3000 Fax: +966 11 478 1557 Website: www.saib.com.sa Email: info@saib.com.sa

Receiving Entities
Albilad Bank King Abdullah Road P.O. Box 140 Riyadh 11411 Kingdom of Saudi Arabia Tel.: +966 (11) 479 8888 Fax: +966 (11) 479 8505 Website: www.bankalbilad.com Email: customercare@bankalbilad.com
Banque Saudi Fransi King Saud Road P.O. Box 56006 Riyadh 11554 Kingdom Saudi Arabia Tel: +966 920000576 Fax: + 966 (11) 402 7261 Website: www.alfransi.com.sa Email: Fransiplusadmin@alfransi.com.sa
Saudi British Bank (SABB) Prince Abdulaziz Bin Musaad Bin Jalawi Road, Al Morouj District P.O. Box 9084 Riyadh 11413 Kingdom of Saudi Arabia Tel: +966 (11) 440 8440 Fax: +966 (11) 276 3414 Website: www.sabb.com Email: sabb@sabb.com
Meem – Gulf International Bank – Kingdom of Saudi Arabia Low Rise Building, Building 1, Granada Business & Residential Park Eastern Ring Road P.O. Box 89589 Riyadh 11692 Kingdom of Saudi Arabia Tel.: +966 11 511 2200 Fax: +966 11 511 2201 Website: www.meem.com Email: sa@meem.com
Bank Aljazira King Abdulaziz Road P.O. Box 6277 Jeddah 21442 Kingdom of Saudi Arabia Tel: + 966 (12) 609 8888 Fax: + 966 (12) 609 1888 Website: www.baj.com.sa Email: shakwa@baj.com.sa

Individual Investors should specify the number of shares they wish to subscribe to on the Subscription Form, and the total subscription amount is the number of Offer Shares subscribed thereto multiplied by the Offer Price of SAR [•] per share.

Subscription for fewer than ten (10) shares or fractions of shares will not be accepted from Individual Investors. Any subscription to the Shares above that amount must be in multiples of such number, with a maximum subscription of two hundred fifty thousand (250,000) Offer Shares.

The Subscription Form shall be submitted during the Offering Period accompanied by the following documents, as applicable, and the Receiving Entities will match the copies with the originals, and then return the originals, if any, to the Individual Investor:

a- Original and copy of the national ID and resident ID (for Individual Investors, including GCC citizens and foreign residents).

b- Original and copy of the family identification card (when the subscription is on behalf of family members).

c- Original and copy of the power of attorney (when the subscription is on behalf of another person).

d- Original and copy of the certificate of guardianship (when the subscription is on behalf of orphans).

e- Original and copy of the divorce deed (when the subscription is on behalf of the children of a divorced Saudi woman).

f- Original and copy of the death certificate (when the subscription is on behalf of the children of a widowed Saudi woman).

g- Original and copy of the birth certificate (when the subscription is on behalf of the children of a divorced or widowed Saudi woman).

If a Subscription Form is submitted on behalf of an Individual Investor (applicable to parents and children only), the proxy shall write their name and attach the original and a copy of a valid power of attorney. The power of attorney must be issued by the Notary Public for Individual Investors residing inside the Kingdom. As for Individual Investors residing outside the Kingdom, the power of attorney must be legalized by the Saudi embassy or consulate in the concerned country. The responsible employee at the Receiving Entity will match the copies with the original and return the original to the Subscriber.

If the family members are to subscribe to the same number of shares as the main Subscriber, it is sufficient to fill out one Subscription Form for each main Individual Investor subscribing for himself and on behalf of his family members registered on the family card. This entails the following:

a- All shares allocated to the main Individual Investor and dependent investors shall be registered under the name of the main Individual Investor.

b- Amounts in excess of the unallocated shares, which the main Individual Investor paid himself or on behalf of dependent Subscribers, will be returned to the main Individual Investor.

c- The main Individual Investor shall receive the full dividends distributed based on the shares allocated to the main Individual Investor and dependent investors (if the shares are not sold or transferred).

A separate Subscription Form shall be used if:

a- If the Subscriber wishes to register the Offer Shares in a name other than the name of the main Individual Investor.

b- If the number of shares that the main Individual Investor wishes to subscribe for is different than the dependent Individual Investors.

c- If the wife wishes to subscribe in her name and register the Offer Shares for her account, she must fill out a separate Subscription Form from the Subscription Form completed by the main Individual Investor. In this case, any Subscription Form submitted on her behalf by her husband will be cancelled. The Receiving Entity will process the wife's separate Subscription Form.

A divorced or widowed Saudi woman with minor children from a non-Saudi husband has the right to subscribe in their names for her benefit, provided that she provides proof of motherhood. The subscription of a person in the name of his divorcee will be deemed void and the applicant will be subject to the penalties provided under the law. If a main Subscriber subscribes for himself and his family members who are registered in the family identification card, and then a member of that family subscribes under a separate Subscription Form, only the application of the family member who submitted a separate application from the main investor's application will be cancelled.

During the Offering Period, only valid residency permits will be accepted to identify non-Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents may be included as dependents only with their mothers, and they cannot subscribe as main Subscribers. The maximum age for non-Saudi dependents to be included with their mother is eighteen (18) years old, and any documents issued by any foreign government must be legalized by the Kingdom's embassy or consulate in the relevant country.

Each Individual Investor agrees to subscribe to the shares specified in the Subscription Form submitted by purchasing them at an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR [•] per share. Each Individual Investor will be deemed to have acquired the number of the Offer Shares allocated thereto upon the fulfilment of the following conditions:

a- Submission of the Subscription Form to any of the Receiving Entities by the Individual Investor.

b- Payment of the full value of the shares applied for by the Individual Investor to the Receiving Entity.

c- Issuance of the final allocation and the official listing of the shares in the Exchange for trading.

The total value of the Offer Shares must be paid in full to the Receiving Entities by debiting the Individual Investor's account with the Receiving Entity to which the subscription application is submitted. If any Subscription Form fails to comply with the terms and conditions of the Offering, the Company is entitled to reject the application in whole or in part, and the Individual Investors approve to subscribe for any number of shares to be allocated thereto, unless such number exceeds the number of shares for which they applied.

17.4 Allocation and Return of Surplus

The Lead Manager will open and manage an escrow account for the purpose of depositing and keeping the subscription amounts collected from Participating Parties and Receiving Entities (on behalf of Individual Investors). After deducting certain fees and expenses, these subscription amounts will be transferred to the Selling Shareholder only after Listing. The Subscription Forms will include information about this escrow account. In addition, each Receiving Entity will deposit the amounts it receives from Individual Investors in the said escrow account.

The Lead Manager or the Receiving Entities (as the case may be) will notify Subscribers of the final number of Offer Shares allocated to each of them, along with the amounts to be returned. The subscription surplus (if any) will be returned to Subscribers without any commissions or deductions and will be deposited in the Subscriber's account specified in the Subscription Form.

The final allocation will be announced, and surplus amounts will be returned no later than Wednesday 04/06/1444H (corresponding to 28/12/2022G). If Subscribers wish to obtain additional information, they should contact the Lead Manager or the Receiving Entity to which they submitted the Subscription Form (as the case may be).

The ownership of the Offer Shares will not be transferred except after the relevant Subscriber pays the subscription amount, the shareholders' register is updated, and the Shares commence trading on the Exchange in accordance with the relevant rules and instructions. If the Shares do not trade or its listing is cancelled prior to that for any reason, the subscription monies will be refunded to the Subscriber and the Offer Shares will remain the ownership of the Selling Shareholder.

17.4.1 Allocation of Offer Shares to Participating Parties

The provisional allocation of the Offer Shares will be made as the Joint Financial Advisors deem appropriate in coordination with the Company, using the discretionary share allocation mechanism. It is possible that no shares are allocated to some of the Participating Parties, as may be determined by the Company and the Joint Financial Advisors.

The number of the Offer Shares provisionally allocated to the Participating Parties will be fifty million forty-five thousand (50,045,000) Offer Shares. The final allocation will be made after the end of the Individual Subscribers' subscription. If there is sufficient demand from the Individual Investors, 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 seven hundred fifty (37,533,750) Shares, representing seventy five percent (75%) of the Offer Shares.

17.4.2 Allocation of Offer Shares to Individual Subscribers

Allocation of the Offer Shares to Individual Investors is expected to be made no later than Thursday 28/05/1444H (corresponding to 22/12/2022G). Each Individual Investor who subscribes to the Offer Shares must apply for a minimum of ten (10) Offer Shares and a maximum of two hundred fifty thousand (250,000) Offer Shares per Individual Investor.

The minimum allocation per Individual Investor is ten (10) shares, and the remaining Offer Shares, if any, will be allocated as agreed between the Company and the Joint Financial Advisors. In the event the number of Individual Investors exceeds a million two hundred fifty-one thousand one hundred twenty-five (1,251,125) individuals, the minimum allocation cannot be guaranteed by the Company and the Joint Financial Advisors, and the allocation will be made at the discretion of the Company and the Joint Financial Advisors.

17.5 Circumstances where Listing may be Suspended or Cancelled

17.5.1 Authority to Suspend or Cancel listing

a- The CMA may suspend trading of shares or cancel their listing at any time, as it deems appropriate, in any of the following cases:
   1- If it deems it is necessary to protect investors or maintain an orderly market.
   2- If the Company fails, in a manner the CMA deems material, to comply with the Capital Market Law, its implementing regulations, or Listing Rules.
   3- If the Company fails to pay any fees due to the CMA or the Saudi Exchange or any fines payable to the CMA on their due dates.
   4- If it deems that the Company, its business, the level of its operations, or assets are no longer suitable for the continued listing of shares on the Exchange.
   5- When announcing a reverse takeover that does not include sufficient information regarding the proposed transaction. If the Company announces sufficient information regarding the target entity and the CMA is convinced after the Company's announcement that sufficient information will be available to the public about the proposed reverse takeover, the CMA may decide not to suspend trading at this stage.
   6- When information about a proposed reverse takeover is leaked, and the Company cannot accurately assess its financial position and Saudi Exchange cannot be informed accordingly.
   7- Upon filing a request for initiating the financial restructuring of the Company is registered with the court under the Bankruptcy Law if its accumulated losses amount to 50% or more of its capital.
   8- Upon filing a request for initiating liquidation procedures or administrative liquidation procedures for the Company is registered with the court under the Bankruptcy Law.
   9- Upon the issuance of a final court ruling ending the financial restructuring procedures and initiating liquidation procedures or administrative liquidation procedures of the Company under the Bankruptcy Law.
   10- When a final court judgement is issued initiating liquidation procedures or administrative liquidation procedures of the Company under the Bankruptcy Law.

b- The Saudi Exchange may, at any time, suggest to the CMA to suspend trading or cancel the listing of shares if any of the cases mentioned in paragraph (a) above is likely to occur. When the Company completes a reverse acquisition, its shares shall be de-listed. If the Company wishes to re-list its shares, it must submit a new application to list its shares in accordance with the Listing Rules and fulfil the relevant requirements stipulated in the ROSCOs.

c- The Saudi Exchange may suspend trading of the Company's securities in any of the following cases:

1- When the Company does not comply with the deadlines for disclosing its periodic financial information in accordance with the relevant implementing regulations.

2- When the auditor's report on the Company's financial statements includes an opposing opinion or an abstention from expressing opinion.

3- If the liquidity requirements specified in the second chapter of the Listing Rules are not met after the end of the period set by the Saudi Exchange for the Company to rectify its position, unless the CMA agrees otherwise.

4- When a resolution is issued by the Company's Extraordinary General Assembly to reduce its capital, for the two trading days following the issuance of the resolution.

5- The Saudi Exchange shall lift the suspension referred to in sub-paragraphs (1) and (2) above after one trading session following the elimination of the reason for the suspension. In case the Company's shares are available for trade outside the platform, the Saudi Exchange shall lift the suspension within a period not exceeding five (5) trading sessions following the elimination of the reason for suspension.

17.5.2 Voluntary Cancellation of Listing

a- After listing its shares on the Exchange, the Company may not cancel the Listing without obtaining the prior approval of the CMA. In order to obtain the CMA's approval, the Company must submit a cancellation request to the CMA, and simultaneously notify the Saudi Exchange of the same. The request shall include the following information:

1- specific reasons for the cancellation request;

2- a copy of the disclosure referred to in paragraph (d) below;

3- a copy of the relevant documents and a copy of each document sent to the shareholders, if the cancellation of the Listing is the result of an acquisition or any other action taken by the Company; and

4- names and contact details of the financial advisor and legal advisor appointed pursuant to the ROSCOs.

b- The CMA may, at its sole discretion, approve or reject the cancellation request.

c- The Company must obtain the approval of the Extraordinary General Assembly to cancel the Listing after obtaining the approval of the CMA.

d- When the Listing is cancelled at the Company's request, the Company must disclose it to the public as soon as possible. The disclosure must include, at minimum, the reason for the cancellation, the nature of the event that led to it, and the extent of its impact on the Company's activities.

17.5.3 Temporary Suspension of Trading

a- The Company may request that the Saudi Exchange temporarily suspend trading of its securities when an event occurs during the trading period that must be disclosed without delay under the Capital Market Law, its implementing regulations, or the Listing Rules and the Company cannot ensure the confidentiality of such information until the end of the trading period. The Saudi Exchange shall suspend trading of the Company's securities upon receipt of the request.

b- When trading is suspended temporarily at the Company's request, the Company must disclose to the public, as soon as possible, the reason for the suspension, its expected duration, the nature of the event that led to it, and the extent of its impact on the Company's activities.

c- The CMA may suspend trading temporarily without a request from the Company when it has information or there are circumstances that may affect the Company's activities and it deems that such circumstances may affect the activity of the Exchange or prejudice the protection of investors. The Company, when its securities are subject to a temporary suspension of trading, must continue to abide by the Capital Market Law, its implementing regulations, and the Listing Rules.

d- The Saudi Exchange may recommend to the CMA to exercise its powers under paragraph (c) above if it discovers that there is information or circumstances that may affect the activities of the Company and, therefore, could affect the market's activities or the protection of investors.

e- The temporary suspension of trading shall be lifted upon the end of the period specified in the disclosure referred to in paragraph (b) above, unless the CMA or the Saudi Exchange indicates otherwise.

17.5.4 Lifting the Suspension

The lifting of suspension done in accordance with paragraph (a) of Section (17.5.1) "**Authority to Suspend or Cancel listing**" is subject to the following:

a- Sufficiently addressing the situations that led to the suspension and the lack of the need to continue the suspension in order to protect investors.

b- Lifting the suspension is unlikely to affect the normal activity of the Exchange.

c- The Company's commitment to any other conditions the CMA may require.

d- Upon the issuance of a final court judgement initiating the financial restructuring of the Company under the Bankruptcy Law, unless it was suspended from carrying out its activities by the relevant competent authority, if the suspension was enforced in accordance with Article 36(a)(13) of the Listing Rules.

e- Upon the issuance of a final court judgement dismissing the initiation of liquidation procedures or administrative liquidation procedures under the Bankruptcy Law, unless it was suspended from carrying out its activities by the relevant competent authority, if the suspension was enforced in accordance with Article 36 (a)(14) of the Listing Rules.

If the suspension of securities trading continues for a period of six (6) months and the Company does not take appropriate measures to correct that suspension, the CMA may cancel the listing of the Company's securities.

17.6 Lock-up Period

Saudi Aramco, being the only current Substantial Shareholder who will continue to hold Shares after the Offering, is prohibited from disposing its Shares for a period of six (6) months from the start of trading of the Company's shares on the Exchange. Saudi Aramco may dispose of their shares after the end of this period without obtaining the CMA's approval.

Additionally, the Company may not list shares of the same class as the Offer Shares for a period of six (6) months from the start of trading of the Company's shares on the Exchange in accordance with the Listing Rules.

17.7 Offering's Approvals and Resolutions

The Offering is made pursuant to the following resolutions and approvals:

a- The Extraordinary General Assembly's approval of the Offering dated 09/02/1444H (corresponding to 05/09/2022G).

b- The Company's Board of Directors resolution to approve the Offering dated 11/02/1444H (corresponding to 07/09/2022G).

c- The CMA's announcement on the approval of Offering and Listing dated 30/04/1444H (corresponding to 24/11/2022G).

d- The Saudi Exchange's conditional approval of the Listing dated 30/04/1444H (corresponding to 24/11/2022G).

17.8 Subscription Undertakings

By filling out and submitting the Subscription Form, Subscribers:

a- agree to subscribe to the number of shares specified in the Subscription Form submitted;

b- warrants that they have read this Prospectus and all of its contents and have carefully examined and understood its content;

c- agree to the Company's Bylaws, all instructions and provisions related to the Offering, and the conditions contained in this Prospectus and the Subscription Form and subscribe to the Shares accordingly;

d- declare that neither they nor any of their family members included in the Subscription Form have previously submitted an application to subscribe to the Company's shares and that the Company has the right to reject any or all of the applications in the event of duplicate applications;

e- accept the number of the Offer Shares allocated thereto (within the amount to which they subscribed as a maximum) in accordance with the Subscription Form; and

f- undertake not to cancel or amend the application after submitting it to the Receiving Entity (for Individual Investors).

17.9 Share Register and Trading Arrangements

Edaa maintains a register of Shareholders in accordance with its rules and regulations.

17.10 Saudi Exchange

In 1990G, full electronic trading in the Kingdom securities was introduced. The Tadawul system was founded in 2001G as the successor to the electronic securities information system. Trading in shares occurs on the "**Tadawul**" system through a fully integrated trading system covering the entire trading process from execution of the trade transaction through settlement thereof. Trading occurs on each Business Day of the week between 10:00 a.m. and 3:00 p.m. from Sunday to Thursday, during which orders are executed. However, other than those times, orders can be entered, amended or cancelled from 9:30 a.m. to 10:00 a.m. Times are subject to change during the month of Ramadan, and they are announced by the Saudi Exchange. Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders place at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry. The Saudi Exchange distributes a comprehensive range of information through various channels, including in particular the Saudi Exchange website (Tadawul) and the Saudi Exchange Information Link, which supplies trading data in real time to the information providers such as Reuters. Exchange transactions are settled on a T+2 basis, meaning that shares ownership transfer takes two working days after the trade transaction is executed.

Companies are required to disclose all material decisions and information that are important for the investors via its page on the Saudi Exchange's website. Surveillance and monitoring are the responsibility of the Saudi Exchange as the operator of the market to ensure fair trading and an orderly market.

17.11 Securities Depository Center Company (Edaa)

The Securities Depository Center Company ("**Edaa**") was established in 2016G as a closed joint stock company having a capital of SAR 400,000,000 divided into 40,000,000 shares, with a nominal value of SAR 10 per share, and is a wholly owned Subsidiary of Saudi Tadawul Group Holding Co. (which also owns the Saudi Exchange Company).

The principal activities of Edaa are to conduct business related to depositing, registering, transferring, settling and clearing securities, and recording any ownership restrictions on deposited securities. Further, it deposits and manages the records of the issuers of securities and organizes issuers' general assemblies, including remote voting services (e-voting), reporting, notifications, and information, as well as providing other related services that Edaa may provide in accordance with the Capital Markets Law and its implementing regulations.

17.12 Trading of the Company's Shares

It is expected that trading in the Shares will commence after the final allocation of shares and the Saudi Exchange announcement of the start date of trading of the Shares. Saudi nationals, non-Saudi nationals holding valid residency permits in the Kingdom, Saudi and GCC companies, banks, and investment funds as well as GCC nationals will be permitted to trade in the Shares on the Exchange. Moreover, Qualified Foreign Investors will be permitted to trade in the shares in accordance with the Qualified Foreign Investors Rules (as defined in this Prospectus). Foreign Strategic Investors will be permitted to trade in the Shares in accordance with the Strategic Investors Rules (as defined in this Prospectus). Foreign Investors are also entitled to indirectly invest to acquire economic benefits in the Company's shares by entering into SWAP agreements with a capital market institution authorized by the CMA to buy and trade in shares listed on the Exchange for the benefit of Foreign Investors. Under such swap agreements, the Capital Market Institutions will be registered as the legal owners of such shares.

Furthermore, Shares can only be traded after allocated Offer Shares have been credited to Participating Parties' accounts, the Company has been registered and its Shares listed on the Exchange. Trading in Shares prior to that is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company and the Current Shareholders shall have no legal responsibility in connection with pre-trading activities.

17.13 Miscellaneous Provisions

The Subscription Form and all related terms, conditions, and undertakings shall be binding and serve the interests of the subscription parties and their successors, assignees, executors, estate managers, and heirs. The subscription application or any rights, interests, or obligations arising therefrom may not be waived or delegated by the subscription parties without obtaining the prior written consent of the other party.

These instructions, items, and any receipt of Subscription Forms or contracts resulting therefrom shall be governed by the laws of the Kingdom and shall be interpreted and implemented accordingly.

This Prospectus was issued in Arabic and English, and only the Arabic version is approved by the CMA. In the event of any discrepancy between the Arabic and English texts, the Arabic text will prevail.

The distribution of this Prospectus and the sale of Offer Shares to any person in any country other than the Kingdom is expressly prohibited, except for the Participating Parties entitled to participate in the book-building process as specified in the Instructions for Book Building including Qualified Foreign Investor, and Foreign Investors through swap agreements, who will subscribe outside the United States in accordance with Regulation S issued under the US Securities Act, provided that the regulations and instructions governing such distribution are observed. All recipients of this Prospectus are required to review and comply with all regulatory restrictions related to the Offering and the sale of Offer Shares.

18. Documents Available for Inspection

The following documents will be available for inspection at the Company's head office at 7168 Al Minaa, 3072 Petromin Dist., P.O. box 5518, Postal Code 22411, Jeddah, Kingdom of Saudi Arabia, from 9 a.m. to 3 p.m. provided that this period is not less than twenty (20) days before the end of the Offering Period, which is from Thursday 30/04/1444H (corresponding to 24/11/2022G) to Thursday 21/05/1444H (corresponding to 15/12/2022G).

Constitutional Documents and Bylaws:

1- The Company's Bylaws.
2- Shareholder's resolution for conversion (Articles of Association).
3- The Company's commercial register certificate.

Offering related approvals:

1- The Extraordinary General Assembly's approval of the Offering dated 09/02/1444G (corresponding to 05/09/2022G).
2- The Company's Board of Directors resolution to approve the Offering dated 11/02/1444G (corresponding to 07/09/2022G).
3- The Saudi Exchange's conditional approval for the Listing.
4- Announcement of the CMA's approval of the Offering.

Reports, Letters and Documents:

1- The evaluation report prepared by the Joint Financial Advisors.
2- The market report prepared by the Market Consultant.
3- A document showing the mechanism for determining the price range used in the book-building process.
4- Consent letters from:
   a- SNB Capital Company, for the inclusion of its name and logo in this Prospectus, in its capacity as a Joint Financial Advisor, Joint Bookrunner, Joint Global Coordinator, Underwriter and Lead Manager.
   b- HSBC Saudi Arabia, for the inclusion of its name and logo in this Prospectus, in its capacity as a Joint Financial Advisor, Joint Bookrunner, Joint Global Coordinator and Underwriter.
   c- Citigroup Saudi Arabia, for the inclusion of its name and logo in this Prospectus, in its capacity as a Joint Financial Advisor, Joint Bookrunner, Joint Global Coordinator and Underwriter.
   d- Morgan Stanley Saudi Arabia, for the inclusion of its name and logo in this Prospectus, in its capacity as a Joint Financial Advisor, Joint Bookrunner, Joint Global Coordinator and Underwriter.
   e- The Legal Advisor (Khoshaim & Associates) for the inclusion of its name and logo in this Prospectus.
   f- The Company's legal advisor for the Offering outside of the Kingdom (Cleary Gottlieb Steen & Hamilton LLP) for the inclusion of its name and logo in this Prospectus.
   g- The Auditor (PricewaterhouseCoopers Certified Public Accountants) Company, for the inclusion of its name, logo, and statements as well as the audit reports for the same period in this Prospectus.
   h- The Due Diligence Advisor (Ernest & Young) for the inclusion of its name and logo in this Prospectus.
   i- The Market Consultant (IHS Global Inc.) for the inclusion of its name, logo, and statements in this Prospectus.
   j- The legal advisor to the Underwriters, Joint Financial Advisors, Joint Global Coordinators and Lead Manager (The Law Firm of Salman M. Al-Sudairi) for the inclusion of its name and logo in this Prospectus.
   k- The legal advisor to the Underwriters, Joint Financial Advisors, Joint Global Coordinators and Lead Manager outside of the Kingdom (Latham & Watkins LLP) for the inclusion of its name and logo in this Prospectus.

Financial Statements:

The audited financial statements for the financials years ended 31 December 2019G, 2020G and 2021G, the special purpose financial statements for the six-month period ended 30 June 2022G and the unaudited condensed interim financial information for the three-month and nine-month periods ended 30 September 2022G.

19. Financial Statements and Independent Auditor's Report

This section contains the Company's audited financial statements for the financials years ended 31 December 2019G, 2020G and 2021G and the special purpose financial statements for the six-month period ended 30 June 2022G, which have been prepared in accordance with the IFRS that are endorsed in the Kingdom and other standards and pronouncements issued by the SOCPA and audited by the Auditor, and contains the Company's unaudited condensed interim financial information for the three-month and nine-month periods ended 30 September 2022G have been prepared in accordance with International Accounting Standards 34 – "**Interim Financial Reporting**" (IAS34).

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
AND INDEPENDENT AUDITOR'S REPORT

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
FOR THE YEAR ENDED DECEMBER 31, 2019

Contents	**Page**

Independent auditor's report to the shareholders of Saudi Aramco Base Oil Company - Luberef

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saudi Aramco Base Oil Company - Luberef (the "Company") as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

What we have audited
The Company's financial statements comprise:

- the statement of financial position as at December 31,2019;
- the statement of comprehensive income for the year ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

PricewaterhouseCoopers, License No. 25,
Jameel Square, P.O. Box 16415, Jeddah 21464, Kingdom of Saudi Arabia
T: +966 (12) 610-4400, F: +966 (12) 610-4411, www.pwc.com/middle-east

Independent auditor's report to the shareholders of Saudi Aramco Base Oil Company - Luberef (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص ٣٢٣/١١/٢٥/١
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C.R. 4030289002

June 23, 2020

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31 2019	2018
Assets			
Non-current assets			
Property, plant and equipment	7	**5,506,151,119**	5,376,487,330
Right-of-use assets	8	**110,176,685**	-
Intangible assets	9	**20,656,097**	22,978,567
Employees' home ownership receivables	10	**7,362,674**	8,969,198
Loans to employees	11	**19,077,336**	20,639,185
Total non-current assets		**5,663,423,911**	5,429,074,280
Current assets			
Inventories	12	**594,289,094**	664,836,771
Trade receivables	13	**390,420,559**	536,733,452
Prepayments and other assets	14	**160,498,071**	100,155,864
Short-term deposit		**167,405,889**	158,550,452
Cash and cash equivalents	15	**179,024,798**	918,862,470
Total current assets		**1,491,638,411**	2,379,139,009
Total assets		**7,155,062,322**	7,808,213,289
Equity and liabilities			
Equity			
Share capital	16	**441,000,000**	441,000,000
Statutory reserve	17	**220,500,000**	220,500,000
Retained earnings		**2,935,389,515**	3,042,011,853
Total equity		**3,596,889,515**	3,703,511,853
Liabilities			
Non-current liabilities			
Long-term borrowings	18	**1,330,287,150**	1,816,567,200
Lease liabilities	8	**101,941,859**	-
Employees' benefits	19	**314,265,977**	333,934,931
Other non-current liabilities	20	**36,616,327**	34,076,517
Total non-current liabilities		**1,783,111,313**	2,184,578,648
Current liabilities			
Trade payables	21	**949,221,080**	1,272,119,818
Accrued expenses and other liabilities	22	**202,075,782**	85,068,032
Zakat and income tax payable	29	**29,413,602**	26,749,438
Current portion of long-term borrowings	18	**583,780,050**	536,185,500
Current portion of lease liabilities	8	**10,570,980**	-
Total current liabilities		**1,775,061,494**	1,920,122,788
Total liabilities		**3,558,172,807**	4,104,701,436
Total equity and liabilities		**7,155,062,322**	7,808,213,289

The accompanying notes from 1 to 34 form an integral part of these financial statements.

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31 2019	2018
Sales	24	**3,937,355,317**	4,010,322,172
Cost of sales	25	**(3,731,059,312)**	(3,597,936,647)
Gross profit		**206,296,005**	412,385,525
Selling and distribution expenses	26	**(93,584,703)**	(77,397,179)
General and administrative expenses	27	**(181,189,833)**	(169,291,614)
Other income - net		**19,340,562**	2,735,322
Operating (loss) / profit		**(49,137,969)**	168,432,054
Finance income		**19,247,455**	32,343,077
Finance cost	28	**(108,054,201)**	(80,257,318)
(Loss) / profit before zakat and income tax		**(137,944,715)**	120,517,813
Zakat and income tax	29	**(2,664,164)**	(10,735,701)
(Loss) / profit for the year		**(140,608,879)**	109,782,112
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement gain on defined benefit liabilities	19	**33,986,541**	30,698,567
Total comprehensive (loss) / income for the year		**(106,622,338)**	140,480,679

The accompanying notes from 1 to 34 form an integral part of these financial statements.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Saudi Aramco*	JIIC**	Total
Share capital			
January 1, 2018, December 31, 2018 and December 31, 2019	**308,700,000**	**132,300,000**	**441,000,000**
Statutory reserve			
January 1, 2018, December 31, 2018 and December 31, 2019	**154,350,000**	**66,150,000**	**220,500,000**
Retained earnings			
Balance at January 1, 2018	2,136,071,822	915,459,352	3,051,531,174
Adjustment	(12,341,535)	12,341,535	-
Profit for the year	84,362,469	36,155,344	120,517,813
Zakat and income tax	-	(10,735,701)	(10,735,701)
Other comprehensive income	21,488,997	9,209,570	30,698,567
Total comprehensive income for the year	105,851,466	34,629,213	140,480,679
Dividends	(105,000,000)	(45,000,000)	(150,000,000)
Balance at December 31, 2018	2,124,581,753	917,430,100	3,042,011,853
Loss before zakat and income tax	(96,561,300)	(41,383,415)	(137,944,715)
Zakat and income tax	-	(2,664,164)	(2,664,164)
Other comprehensive income	23,790,579	10,195,962	33,986,541
Total comprehensive loss for the year	(72,770,721)	(33,851,617)	(106,622,338)
Balance at December 31, 2019	**2,051,811,032**	**883,578,483**	**2,935,389,515**
Total equity at December 31, 2018	2,587,631,753	1,115,880,100	3,703,511,853
Total equity at December 31, 2019	**2,514,861,032**	**1,082,028,483**	**3,596,889,515**

* Saudi Arabian Oil Company ("Saudi Aramco")
** Jadwa Industrial Investment Company ("JIIC")

The accompanying notes from 1 to 34 form an integral part of these financial statements.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2019	2018
Cash flows from operating activities			
(Loss) / profit for the year before zakat and income tax		**(137,944,715)**	120,517,813
Adjustments for:			
Depreciation and amortization	7 , 8	**303,887,993**	333,291,930
Finance income		**(19,247,455)**	(32,343,077)
Non cash employee benefit expenses		**2,144,227**	678,400
Finance cost	28	**108,054,201**	80,257,318
Employees' benefits charge for the year	19	**39,048,563**	36,851,416
Gain on sale of property and equipment		**-**	(32,777)
Allowance for doubtful debts		**-**	220,722
Allowance for / (reversal of) slow moving inventories		**708,336**	(152,182)
Impairment of inventories		**(27,182,186)**	32,953,052
Changes in operating assets and liabilities:			
Inventories		**97,021,527**	(103,040,355)
Trade receivable		**146,312,893**	(222,015,367)
Prepayment and other current assets		**(68,150,934)**	(71,624,954)
Trade payable		**(323,174,534)**	499,430,472
Accrued expenses and other liabilities		**6,880,437**	(111,063,596)
Cash generated from operations		**128,358,353**	563,928,815
Finance cost paid		**(101,581,713)**	(79,603,408)
Employees' benefits paid	19	**(24,730,976)**	(8,682,399)
Zakat and income tax paid	29	**-**	(77,635,241)
Net cash inflow from operating activities		**2,045,664**	398,007,767
Cash flows from investing activities			
Additions to property, plant and equipment		**(307,561,517)**	(365,628,286)
Proceeds on sale of property, plant and equipment		**-**	101,480
Additions to intangible assets	9	**(3,751,500)**	(2,818,941)
Additions to short-term deposit		**(335,601,903)**	(15,789,380)
Withdrawals from short-term deposit		**326,746,466**	8,026,985
Repayment of loans by employees		**8,411,276**	8,259,975
Disbursement of loans to employees		**(4,574,549)**	(2,941,367)
Repayment of home ownership receivable		**2,324,581**	3,492,354
Proceeds from time deposits		**19,450,373**	28,329,405
Net cash outflow from investing activities		**(294,556,773)**	(338,967,775)
Cash flows from financing activities			
Proceeds from borrowings		**97,500,000**	-
Repayment of borrowings		**(536,185,500)**	(522,400,050)
Dividends paid		**-**	(150,000,000)
Principal elements of lease payments		**(8,641,063)**	
Cash outflow from financing activities		**(447,326,563)**	(672,400,050)
Net decrease in cash and cash equivalents		**(739,837,672)**	(613,360,058)
Cash and cash equivalents at beginning of the year	15	**918,862,470**	1,532,222,528
Cash and cash equivalents at ending of the year	15	**179,024,798**	918,862,470

The accompanying notes from 1 to 34 form an integral part of these financial statements.

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Notes to the financial statements for the year ended December 31, 2019
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Saudi Aramco Base Oil Company – Luberef (the "Company") is a Saudi limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030010447 issued in Jeddah on 3 Ramadan 1396H (corresponding to 29 August 1976). The Company commenced its operations in Jeddah in 1978 and in Yanbu in 1998. The purpose of the Company is to construct, own and operate refineries of lubricating oils and to purchase, sell, transport, market, import and export lubricating oils, additives, lubricating oil blending stocks, by-products and other related petroleum products.

The Head office of the Company is located at the following address:
Saudi Aramco Industrial Area
P.O. Box 5518, Jeddah 21432
Kingdom of Saudi Arabia.

The financial statements include the accounts of the Company's head office in Jeddah, its branch in Yanbu and its operations in Hamriyah Free Zone Authority, United Arab Emirates (UAE). The Commercial Registration Number of Yanbu branch is 4700004941. The license certificate number of 11857 for operations in Hamriyah was issued with a status of Free Zone Establishment Company ("the Establishment") by the Government of Sharjah (UAE), on 26 Rabi-ul-Awal 1435H (corresponding to 27 January 2014). The Company has treated the Free Zone Establishment as a branch in these financial statements as it owns 100% paid up capital of the Establishment.

Saudi Arabian Oil Company (ARAMCO) is the immediate and ultimate parent of the Company.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), that are endorsed in the Kingdom of Saudi Arabia (KSA) and other standards and pronouncement issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

2.2 Accounting convention / basis of measurement

The financial statements have been prepared on a going concern basis using the historical cost convention except where IFRS requires other measurement basis, as disclosed in the applicable accounting policies in Note 3 – Summary of significant accounting policies.

3 Summary of significant accounting policies

The principal accounting policies applied for the preparation of financial statements of the Company are set out below.

3.1 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Notes to the financial statements for the year ended December 31, 2019
(All amounts in Saudi Riyals unless otherwise stated)

3 Summary of significant accounting policies (continued)

3.1 Fair value measurement (continued)

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy.

This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

3.2 Revenue recognition

Revenue comprises of sales to customers and is measured based on the considerations specified in contracts with customers and excludes rebates and discounts, if any, collected on behalf of third parties. Certain customers are eligible for volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Revenue is recognised to the extent that the Company has satisfied the performance obligations under contracts for sale of goods with customers. The Company has contracts with customers in which supply of the lubricating oil blending stocks and/or related by-products is the only performance obligation. The Company recognized revenue at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

The Company has concluded that it is the principal in all of its revenue arrangements since it has the primary obligation in all the revenue arrangements, has pricing latitude, and controls the goods before these are transferred to the customer.

3.3 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Saudi Riyals ("SR"), which is the Company's presentation as well as functional currency.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Notes to the financial statements for the year ended December 31, 2019
(All amounts in Saudi Riyals unless otherwise stated)

3 Summary of significant accounting policies (continued)

3.3 Foreign currencies (continued)

(b) Transactions and balances

Foreign currency transactions are translated into SR using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than SR are recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss, within finance costs. All other foreign exchange gains and losses are presented in profit or loss on a net basis within other income / (loss).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

3.4 Financial income

Financial income is measured using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset.

3.5 Leases

Until the 2018 financial year-end, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the statement of comprehensive income on a straight-line basis over the period of the lease. From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and restoration costs.

Payments associated with short-term leases of manufacturing plant and land and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Notes to the financial statements for the year ended December 31, 2019
(All amounts in Saudi Riyals unless otherwise stated)

3 Summary of significant accounting policies (continued)

3.5 Leases (continued)

Lease liability is subsequently measured by increasing the carry amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications specified or to reflect revised in-substance fixed lease payments. Further, right-of-use asset is subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

3.6 Zakat and income taxes

The Company is subject to income tax in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Zakat, for the Company, is calculated based on higher of approximate zakat base and adjusted income and is charged to profit or loss. Income tax is calculated based on the share of the adjusted income related to the shareholders subject to tax and is charged to profit or loss. Additional amounts, if any, are accounted for when determined to be required for payment.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Notes to the financial statements for the year ended December 31, 2019
(All amounts in Saudi Riyals unless otherwise stated)

3 Summary of significant accounting policies (continued)

3.7 Property, plant and equipment (continued)

Depreciation is calculated on property, plant and equipment so as to allocate its cost, less estimated residual value, on a straight line basis over the estimated useful lives of the assets.

Depreciation is charged to profit or loss over the following estimated economic useful lives:

	years
• Manufacturing plants	10 - 50
• Building and leasehold improvements	20 - 30
• Furniture and fixtures	4 - 10
• Other machinery and equipment	2 - 15
• Motor vehicles	4

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. Major spare parts qualify for recognition as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

Borrowing costs related to qualifying assets are capitalized as part of the cost of the qualified assets until the commencement of commercial production. The Company did not capitalized borrowing cost during the current year.

Major spare parts and stand-by equipment qualify for recognition as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use. Capital spare parts are capitalized as part of the asset to which they relates and depreciated over the economic useful life of the host assets.

Planned turnaround costs are deferred and depreciated over the period until the date of the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged date of planned turnaround, the previously undepreciated deferred costs are immediately expensed and the new turnaround costs are depreciated over the period likely to benefit from such costs.

During the year, the Company reviewed and revised the useful lives of Yanbu factory manufacturing plants based on new information. As a result, effective January 1, 2019, the Company changed its estimated useful lives of Yanbu factory manufacturing plants to better reflect the estimated periods during which these assets will remain in service. The estimated useful lives of manufacturing plants that previously averaged 20 years were increased to 25 years. Had there been no revision in the useful lives, the depreciation charge for the year ended December 31, 2019 would have been higher by Saudi Riyals 66.66 million.

3.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

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3 Summary of significant accounting policies (continued)

3.8 Intangible assets (continued)

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with finite useful lives are amortized using straight-line method over their estimated useful lives as follows:

	Number of years
• Computer software	4
• Licenses	4

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognized in the profit or loss when the asset is derecognised.

3.9 Financial instruments

3.9.1 Financial assets

(i) Classification

The Company classifies its financial assets as measured at amortized cost. See Note 30 for details of each type of financial asset. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Recognition and de-recognition

At initial recognition, the Company measure financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transactions cost of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

(iii) Measurement

Subsequent measurement of financial assets depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. The Company classifies its financial assets as measured at amortized cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measure at amortized cost. A gain or loss on a financial instrument that is subsequently measured at amortized cost (and not part of the hedging relationship) is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is calculated using the effective interest rate method.

Currently, the Company does not hold any equity instruments, therefore the related accounting policies are not presented.

3.9.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method.

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3 Summary of significant accounting policies (continued)

3.9 Financial instruments (continued)

3.9.2 Financial liabilities (continued)

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in profit or loss.

3.9.3 Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost.

For trade receivables, the Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognized from the initial recognition of the receivables. The amount of the loss is charged to profit or loss.

For other financial assets accounted for at amortized cost and FVOCI, a three-stage approach to measuring expected credit losses (ECL) is required to be applied.

Assets migrate through the following three stages based on the change in credit quality since initial recognition:

<u>Stage 1: 12-months ECL</u>

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized.

<u>Stage 2: Lifetime ECL — not credit impaired</u>

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognized.

<u>Stage 3: Lifetime ECL — credit impaired</u>

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortized cost (net of provision) rather than the gross carrying amount.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. This is a rebuttable assumption.

The Company considers evidence of impairment at both a specific asset and collective level. All individually significant financial instruments found not to be specifically impaired are then collectively (with similar risk characteristics) assessed for any impairment that has been incurred but not yet identified.

Financial assets at amortised cost other than trade receivables include Loan to employee, Employees' home ownership receivables, Short-term deposit and Cash at banks.

Impairment losses for a financial instrument are recognised in profit or loss and reflected in impairment for credit losses. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The loss allowance in respect financial assets measured at FVOCI shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial statements.

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3 Summary of significant accounting policies (continued)

3.9 Financial instruments (continued)

3.9.3 Impairment of financial assets (continued)

When an asset is not collectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the provision. The amount of the reversal is recognised in profit or loss.

3.9.4 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts are reported in the financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

3.10 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates 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 groups of assets. Where the carrying amount of an asset or CGU 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets (excluding goodwill) an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

3.11 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.12 Trade receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Subsequent recoveries of amount previously written-off are credited to profit or loss against “General and administrative expense”.

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3 Summary of significant accounting policies (continued)

3.13 Short-term deposit

Short-term deposits include placements with banks and other short-term highly liquid investments with original maturities of more than three-month but not more than twelve months from the purchase date.

3.14 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities in the statement of financial position.

3.15 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

3.16 Dividend

Dividends are recorded in the financial statements in the period in which they are approved by shareholders of the Company.

3.17 Statutory reserve

In accordance with the Regulation of Companies in the Kingdom of Saudi Arabia and the Company's Articles of Association, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals atleast 30% of the share capital.

3.18 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.19 Provisions

Provisions are recognized when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. If the effect of the time value of money are material, provisions are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Decommissioning cost

Provision for decommissioning obligation is recognized when the Company has a liability for restoration work or land rehabilitation. The extent of decommissioning required and the associated costs are dependent on the requirements of current laws and regulations.

Costs included in the provision includes all decommissioning obligations expected to occur over the life of the asset. The provision for decommissioning is discounted to its present value and capitalized as part of the asset under property, plant and equipment and then depreciated as an expense over the expected life of that asset.

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3 Summary of significant accounting policies (continued)

3.19 Provisions (continued)

Adjustments to the estimated amount and timing of future decommissioning cash flows are a normal occurrence in light of the significant judgments and estimates involved. Such adjustments are recorded as an increase in liability and a corresponding increase in the related asset. Factors influencing those adjustments include:

- developments in technology;
- regulatory requirements and environmental management strategies;
- changes in the estimated extent and costs of anticipated activities, including the effects of inflation; and
- changes in economic sustainability.

3.20 Borrowings

Borrowings are initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in statement of profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

IAS 23, Borrowing costs requires any incremental transaction cost to be amortised using the Effective Interest Rate (EIR). The Company accounts for finance cost (Interest cost and amortization of transaction cost) as per the effective interest rate method. For floating rate loans, EIR determined at initial recognition of loan liabilities is used for the entire contract period. General and specific borrowing cost directly related for any qualifying assets are capitalised as part of the cost of the asset.

3.21 Employees' benefit

The Company operates post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia after the retirement of employee. End of service payments are based on employees' final salaries and allowances and their cumulative years of service. The Company also provides full medical coverage to Saudi employees and their spouses provided they have completed minimum 25 years of service with the Company and their age is minimum 55 years or the employee reaches the age of sixty.

The post-employment benefits plans are not funded. Valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

3.22 Expenses

Selling and marketing expenses are those arising from the Company's efforts underlying the marketing, selling and distribution functions. All other expenses, excluding cost of sales and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of sales and selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

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4 Standards issued but not yet effective

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of these financial statements are disclosed below. The Company has applied the following amendment for the first time for their reporting periods commencing on or after 1 January 2019:

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that Interbank Offered Rate ("IBOR") reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the statement of profit or loss.

Transition from LIBOR to risk free rates

In July 2017, the United Kingdom Financial Conduct Authority ("FCA"), which regulates the London Interbank Offered Rate ("LIBOR"), announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates.

LIBOR reforms and expectation of cessation of LIBOR will impact the Company's current risk management strategy and possibly accounting for certain financial instruments. The Group has long-term borrowings of SR 1.44 billion which are exposed to the impact of LIBOR as at 31 December 2019 (Note 18).

The Company is coordinating with its banks in assessing the impact and next steps to ensure a smooth transition from LIBOR to the new benchmark rates.

5 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Company's financial statements. The Company has adopted IFRS 16 Leases retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting year, as permitted under the specific transition provisions in the standard.

The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on January 1, 2019. The new accounting policies are disclosed in Note 3.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The Company's incremental borrowing rate applied to the lease liabilities on January 1, 2019 ranges from 4.11% to 5.02%.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease

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5 Changes in accounting policies (continued)

Measurement of lease liabilities

Operating lease commitments disclosed as at December 31, 2018	**168,795,997**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**109,260,750**
(Less): contracts classified as non-lease	**(13,251,496)**
(Less): short-term lease not recognised as a liability	**(30,858,341)**
Add: adjustments as a result of a different treatment of extension option	**50,460,208**
Lease liability recognised as at January 1, 2019	**115,611,121**
Classified as:	
Current lease liabilities	**10,333,068**
Non-current lease liabilities	**105,278,053**
	115,611,121

Adjustments recognised in the statement of financial position on January 1, 2019

The change in accounting policy affected the following items in the statement of financial position on January 1, 2019:

- right-of-use assets – increased by Saudi Riyals 119.97 million
- prepayments and other assets– decreased by Saudi Riyals 4.35 million
- lease liabilities – increased by Saudi Riyals 115.61 million

6. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve month period are discussed below:

(a) Useful lives and residual values of property, plant and equipment

The management determines the estimated useful lives and residual values of property, plant and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear and expected proceeds on disposals. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives or residual values differ from previous estimates

(b) Provision for doubtful debts / Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(c) Provision for inventory obsolescence

The Company determines its allowance for inventory obsolescence based upon historical experience, current condition, and current and future expectations with respect to its use. The estimate of the Company's allowance for inventory obsolescence could change from period to period, which could be due to assessment of the future usage of inventory.

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6 Critical accounting estimates and judgments (continued)

(d) Impairment of non-financial assets

Management assesses the impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors which could trigger an impairment review include evidence from internal and external sources related to the changes in technological, market, economic or legal environment in which the entity operates, changes in market interest rates and economic performance of the assets.

(e) Employee benefit obligations

Management has adopted certain actuarial assumptions for valuation of present value of employee benefit obligations based on actuarial advice. For further details see Note 19.

(f) Right-of-use assets and lease liabilities

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. See Note 8 for further details.

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7 Property, plant and equipment

(a) The movement in property, plant and equipment is as follows:

	Manufacturing Plants	Buildings and leasehold improvements	Furniture and fixtures	Other machinery and equipment	Motor vehicles	Capital work in progress	Total
Cost							
At January 1, 2019	6,595,348,746	317,140,381	27,367,141	229,687,348	6,096,879	679,533,556	7,855,174,051
Additions	-	-	-	-	-	417,688,830	417,688,830
Transfers	430,878,501	9,195,566	-	26,100	-	(440,100,167)	-
At December 31, 2019	**7,026,227,247**	**326,335,947**	**27,367,141**	**229,713,448**	**6,096,879**	**657,122,219**	**8,272,862,881**
Accumulated depreciation							
At January 1, 2019	2,017,004,567	256,893,605	25,874,313	173,939,685	4,974,551	-	2,478,686,721
Charge of the year	273,215,210	5,846,549	338,146	8,029,441	595,695	-	288,025,041
At December 31, 2019	**2,290,219,777**	**262,740,154**	**26,212,459**	**181,969,126**	**5,570,246**	**-**	**2,766,711,762**
Net book value:							
December 31, 2019	**4,736,007,470**	**63,595,793**	**1,154,682**	**47,744,322**	**526,633**	**657,122,219**	**5,506,151,119**
December 31, 2018	4,578,344,179	60,246,776	1,492,828	55,747,663	1,122,328	679,533,556	5,376,487,330

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7 **Property, plant and equipment** (continued)

	Manufacturing plants	Buildings and leasehold improvements	Furniture and fixtures	Other machinery and equipment	Motor vehicles	Capital work in progress	Total
Cost							
At January 1, 2018	2,052,302,733	316,339,829	26,565,271	225,293,146	5,741,679	4,863,602,907	7,489,845,565
Additions	-	-	-	-	-	365,992,046	365,992,046
Disposals	-	-	-	-	(299,800)	-	(299,800)
Transfers	4,543,112,515	800,552	801,870	4,394,202	655,000	(4,549,764,139)	-
Adjustment	(66,502)	-	-	-	-	(297,258)	(363,760)
At December 31,2018	6,595,348,746	317,140,381	27,367,141	229,687,348	6,096,879	679,533,556	7,855,174,051
Accumulated depreciation							
At January 1, 2018	1,700,740,593	250,762,206	25,454,781	165,589,084	4,397,474	-	2,146,944,138
Charge of the year	316,263,974	6,131,399	419,532	8,350,601	808,174	-	331,973,680
Disposals	-	-	-	-	(231,097)	-	(231,097)
At December 31, 2018	2,017,004,567	256,893,605	25,874,313	173,939,685	4,974,551	-	2,478,686,721
Net book value:							
December 31, 2018	4,578,344,179	60,246,776	1,492,828	55,747,663	1,122,328	679,533,556	5,376,487,330
December 31, 2017	351,562,140	65,577,623	1,110,490	59,704,062	1,344,205	4,863,602,907	5,342,901,427

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7 **Property, plant and equipment** (continued)

(b) Manufacturing plant includes deferred refinery turnaround costs. The movement in deferred refinery turnaround costs during the year ended December 31, is analyzed as under:

	2019	2018
Cost:		
At January 1	**42,649,186**	-
Addition during the year	**71,023,526**	42,649,186
At December 31	**113,672,712**	42,649,186
Accumulated depreciation:		
At January 1	**7,108,199**	-
Amortization during the year	**19,183,368**	7,108,199
Cost completely depreciated	**-**	-
At December 31	**26,291,567**	7,108,199
Carrying amount at December 31,	**87,381,145**	35,540,987

(c) Additions during the year in capital work in progress principally relate to the project of expansion for Yanbu refinery. Capital work in progress at December 31, 2019 relates to the development and enhancement works for the Company's refineries in Jeddah and Yanbu.

(d) The depreciation and amortization is allocated as follows:

	2019	2018
Cost of sales (Note 25)	**285,829,462**	331,479,151
General and administrative expenses (Note 27)	**8,269,549**	1,812,779
	294,099,011	333,291,930

8 **Leases**

The Company leases various lands, pipelines and catalyst. Rental contracts are typically made for fixed periods of 1 to 31 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

At December 31, 2019, the Company did not have any lease contracts classified as right-of-use asset that are variable in nature. Some leases contain extension options exercisable by the Company before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company. The Company assesses at lease commencement whether it is reasonably certain to exercise the option. The Company does not provide residual value guarantees in relation to any of its leases.

(i) Amounts recognised in the statement of financial position

Right-of-use assets	**December 31, 2019**	**December 31, 2018**
Lands	**98,666,775**	-
Pipelines and catalyst	**11,509,910**	-
	110,176,685	-

Lease liabilities	**December 31, 2019**	**December 31, 2018**
Current	**10,570,980**	-
Non-current	**101,941,859**	-
	112,512,839	-

There are no additions to the right-of-use assets during the year ended December 31, 2019.

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8 Leases (continued)

(ii) Amounts recognised in the statement of comprehensive income

	December 31, 2019	December 31, 2018
Depreciation on right-of-use assets - lands	**6,200,603**	-
Depreciation on right-of-use assets – pipelines and catalyst	**3,588,379**	-
	9,788,982	-
Interest expense (included in finance costs -Note 28)	**5,542,782**	-
Expense relating to short-term leases (included in selling and distribution expense– Note 26)	**6,805,456**	-

The total cash outflow for leases during the year was Saudi Riyals 8.64 million.

Depreciation on right-of-use assets for the year has been allocated as follows:

	Note	December 31, 2019	December 31, 2018
Cost of sales	25	**7,452,253**	-
General and administrative expenses	27	**2,336,729**	-
		9,788,982	-

9 Intangible assets

	2019	2018
Cost		
January 1	**26,461,894**	23,642,953
Additions	**3,751,500**	2,818,941
At December 31	**30,213,394**	26,461,894
Accumulated amortization		
January 1	**3,483,327**	2,165,077
Charge for the year	**6,073,970**	1,318,250
At December 31	**9,557,297**	3,483,327
Carrying amount at December 31	**20,656,097**	22,978,567

Intangible assets comprise of software and its development cost.

10 Employees' home ownership receivables

(a) Employees' home ownership receivables comprise the following:

	2019	2018
Employee home ownership receivable	**9,300,419**	11,403,025
Less: current portion (Note 14)	**(1,937,745)**	(2,433,827)
	7,362,674	8,969,198

In the previous years, the Company had a Home Ownership Program that offered eligible Saudi employees' home ownership opportunities. During 2010, the Company constructed and sold 133 residential houses for outright sale to the employees. Houses were sold to eligible employees and a receivable was recorded against such sale, which does not bear any finance charges and is expected to be collected over a period of 15 years. Deductions are made monthly from the employees' salaries up to 25% of their basic salaries. The Company shall transfer the legal title of those residential houses to the concerned employees at the time of final settlement of the loan.

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10 Employees' home ownership receivables (continued)

(b) The movements in employee home ownership receivable are as follows:

	2019	2018
Balance at January 1	**11,403,025**	14,104,947
Deductions from payroll during the year	**(2,324,581)**	(3,492,354)
Finance income due to unwinding	**221,975**	790,432
Balance at December 31	**9,300,419**	11,403,025

(c) The collection schedule of the aggregate employees' home ownership receivables outstanding at December 31, is summarized as follows:

	2019	2018
2019	**-**	2,034,872
2020	**1,983,905**	1,935,946
2021	**1,844,877**	1,843,637
2022	**1,604,582**	1,659,262
2023	**1,488,958**	1,557,454
2024 and thereafter	**3,179,147**	3,162,286
Less: Unearned finance income	**(801,050)**	(790,432)
	9,300,419	11,403,025

11 Loans to employees

Loans to employee comprise the following:

	2019	2018
Home loans to employees (Note 11 (a))	**22,129,703**	25,362,936
Other loans to employees (Note 11 (b))	**2,650,081**	2,225,485
Less: current portion (Note 14)	**(5,702,448)**	(6,949,236)
	19,077,336	20,639,185

(a) Home loan to employees

The movement in Home loans to employees balance is as follows:

	2019	2018
At January 1	**25,362,936**	26,274,214
New loans disbursed during the year	**2,719,455**	1,841,291
Finance income	**1,186,384**	4,466,986
Discounting effect on new loan	**(684,895)**	(476,311)
Deductions including settlement with retired employees	**(6,454,177)**	(6,743,244)
At December 31	**22,129,703**	25,362,936

Loans to employees are given to eligible Saudi employees of the Company under a scheme approved by the Board of Directors. Under this scheme, loans are provided to eligible employees for the purpose of purchasing or constructing their residential houses. Such loans, which do not bear any finance charges, are re-payable by the employee as per the agreement with the employee and are secured through the mortgage of related property.

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11 Loans to employees (continued)

The collection schedule of the aggregate employees' home loan is summarized as follows:

	2019	2018
2019	-	5,369,386
2020	**4,503,135**	5,071,087
2021	**4,252,961**	4,772,788
2022	**4,002,786**	4,474,488
2023	**3,752,612**	4,176,189
2024 and thereafter	**8,505,921**	5,965,984
Less: Unearned finance income	**(2,887,712)**	(4,466,986)
	22,129,703	25,362,936

(b) Other loans to employees

Loans are given to eligible Saudi employees of the Company under a scheme approved by the Board of Directors. Under this scheme, the employees are eligible for loans up to 80% of their end of service benefits. Such loans, which do not bear any finance charges, are re-payable by the employees over 36 months and are secured against the related employees' end of service benefits.

The movements in other loans to employees are as follows:

	2019	2018
At January 1	**2,225,485**	2,520,482
Loans disbursed during the year	**2,401,901**	1,100,076
Finance income for the year	**100,032**	167,482
Discounting effect on new loan	**(120,238)**	(45,824)
Deductions from payroll	**(1,957,099)**	(1,516,731)
At December 31	**2,650,081**	2,225,485

The collection schedule of the aggregate loans to employees is summarized as follows:

	2019	2018
2019	-	1,336,668
2020	**1,320,121**	708,936
2021	**970,163**	347,363
2022	**388,910**	-
Less: Unearned finance income	**(29,113)**	(167,482)
	2,650,081	2,225,485

12 Inventories

	2019	2018
Finished goods	**249,588,410**	276,823,652
Production in progress	**190,303,329**	252,992,401
Raw material	**76,681,812**	67,700,231
Spare parts and consumables materials	**87,931,687**	76,828,295
	604,505,238	674,344,579
Less: Allowance for slow moving items	**(10,216,144)**	(9,507,808)
	594,289,094	664,836,771

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13 Trade receivables

	2019	2018
Trade receivables	**220,241,317**	275,882,966
Related parties (Note 23)	**170,412,845**	261,084,089
	390,654,162	536,967,055
Allowance for doubtful account	**(233,603)**	(233,603)
	390,420,559	536,733,452

Trade receivables amounting to SR 322.47 million (2018: SR 592.74 million) have been offset in the statement of financial position. For details, refer Note 21.

Due to the short-term nature of the current receivables, carrying amount of trade receivables approximates their fair value.

The Company applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and average historical recovery rates. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and is based on the aging of the days the receivables are past due and the rates as calculated in the provision matrix. On that basis, the loss allowance as at December 31, 2019 was determined as follows:

Aging	Gross carrying amount	Expected credit loss range (%)	Loss allowance
Within the credit period	375,398,950	0.06%	210,052
1-30 days past due	15,178,199	0.08%	12,143
31-60 days past due	-	10.00%	-
61- 90 days past due	53,360	0.36%	192
91- 180 days past due	12,647	1.66%	210
181- 360 days past due	-	11.40%	-
More than 1 year past due	11,006	100%	11,006
Total	390,654,162		233,603

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses in profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

14 Prepayment and other assets

	2019	2018
Net Value Added Tax (VAT) receivables	**68,389,948**	31,214,112
Advance tax	**48,649,209**	48,649,209
Prepaid housing allowance	**13,472,689**	-
Advances to suppliers	**11,669,006**	1,735,113
Loans to employees (current portion) (Note 11)	**5,702,448**	6,949,236
Prepaid insurance	**3,278,715**	1,608,954
Employees' home ownership receivables (current portion) (Note 10)	**1,937,745**	2,433,827
Interest receivable	**969,593**	2,680,903
Others	**6,428,718**	4,884,510
	160,498,071	100,155,864

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15 Cash and cash equivalents

	2019	2018
Cash in hand	**259,999**	240,058
Cash at banks	**62,514,799**	97,185,784
Time deposits	**116,250,000**	821,436,628
	179,024,798	918,862,470

Time deposit are placed with local commercial banks and yield financial income at prevailing market rates with original maturities of three months or less.

16 Share capital

	2019		2018	
	Amount	Percentage holding	Amount	Percentage holding
Saudi Aramco	**308,700,000**	**70%**	308,700,000	70%
JIIC	**132,300,000**	**30%**	132,300,000	30%
Total	**441,000,000**	**100%**	441,000,000	100%

17 Statutory reserve

In accordance with the Regulations of Companies' Law in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company should transfer 10% of the net profits for the year to a statutory reserve until such reserve equals at least 30% of its share capital. No transfers are made to the statutory reserve as the reserve has exceeded 30% of the Company's share capital in previous years. This reserve is not available for distribution to shareholders.

18 Long-term borrowings

Long-term loans comprise of the following:

	2019	2018
Riyad Bank - Islamic banking facilities (Murabaha) (Note 18 (a))	**1,085,452,500**	1,300,668,750
Public Investment Fund (PIF) (Note 18 (b))	**828,614,700**	1,052,083,950
	1,914,067,200	2,352,752,700
Less: current portion of long-term loans	**(583,780,050)**	(536,185,500)
	1,330,287,150	1,816,567,200

The current portion of long-term borrowings for the years ended December 31, are as follows:

	2019	2018
Murabaha	**354,588,750**	312,716,250
PIF	**229,191,300**	223,469,250
	583,780,050	536,185,500

The breakdown of aggregate maturities of borrowings is as follows:

	2019	2018
2019	**-**	536,185,500
2020	**583,780,050**	550,030,050
2021	**627,993,000**	564,243,000
2022	**579,192,750**	579,192,750
2023	**123,101,400**	123,101,400
	1,914,067,200	2,352,752,700

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18 Long-term borrowings (continued)

Currency denomination of the borrowings in Saudi Riyals equivalent is as follows:

	2019	2018
Saudi Riyals (SR)	**467,977,500**	616,106,250
United States Dollars (USD)	**1,446,089,700**	1,736,646,450
Total	**1,914,067,200**	2,352,752,700

These facilities bear finance costs at market rates, which are generally based on Saudi Inter Bank Offered Rate ("SIBOR") for SR borrowings and on London Interbank Offered Rate ("LIBOR") for USD borrowings.

(a) Islamic banking facilities (Murabaha) with a local commercial bank

The Company entered into a Murabaha financing arrangement with a local commercial bank on February 24, 2013 to obtain a loan for SR 1,012.5 million and USD 300 million (equivalent of SR 1,125 million) for the purpose of financing its Yanbu Refinery Expansion Project. The principal repayments began from June 30, 2016 and will continue on an un-equal semi-annual instalment basis till December 31, 2022. The facility is subject to financing cost computed by the bank as stipulated in the loan agreement.

During the year, the Company entered into a new Murabaha financing arrangement with a local commercial bank on April 28, 2019 to obtained a loan for USD 90 million (equivalent of SR 337.5 million) to finance the settlement of contractor and partial amount of the hydrogen revamp project. The principal repayments will begin from June 30, 2020 and will continue on an un-equal semi-annual instalment basis till December 31, 2024. The facility is subject to financing cost computed by the bank as stipulated in the loan agreement.

(b) PIF

The Company obtained long term borrowings from PIF on August 18, 2014 to finance its Yanbu Refinery Expansion Project amounting to USD 412.4 million (equivalent of SR 1,546.5 million). The principal repayments began from December 30, 2017 and will continue on an un-equal semi-annual instalment basis till June 30, 2023.

The above loan agreements contain certain covenants, which among other things, require certain financial ratios to be maintained. As at December 31, 2019 the Company was not in compliance with debt service coverage ratio (DSCR) covenant, however non-compliance of this covenant does not result into an 'event of default' and hence the borrowings continue to be classified based on their original repayment date. Further, the lenders have given waivers to the Company against such non-compliance of covenant.

19 Employees' benefits

Employees' benefits at December 31, comprise the following:

	2019	2018
Employees' end of service benefits (Note 19(a))	**173,615,872**	180,850,538
Employees' post-retirement health care benefit (Note 19(b))	**140,650,105**	153,084,393
	314,265,977	333,934,931

(a) Employees' end of service benefits

The Company has an employment defined benefit plan. The benefits are required by Saudi Labor Law. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The following table summarizes the components of the net benefit expense recognized in profit or loss and statement of other comprehensive income and amounts recognized in the statement of financial position.

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19 Employees' benefits (continued)

(a) Employees' end of service benefits (continued)

Movement in the present value of defined benefit obligation:

	2019	2018
At January 1	**180,850,538**	178,937,989
Included in profit and loss:		
Current service cost	**10,965,903**	12,302,680
Interest cost	**7,923,867**	6,763,445
	18,889,770	19,066,125
Included in other comprehensive income:		
Actuarial gain on obligation	**(2,162,322)**	(9,043,110)
Benefits paid	**(23,962,114)**	(8,110,466)
At December 31	**173,615,872**	180,850,538

Significant assumptions used in determining the employment defined benefit obligation include the following:

	2019	2018
Discount rate	**2.95%**	4.35%
Future salary increase rate	**2.95%**	4.35%
Mortality rates	**WHO SA16-75%**	WHO SA16-75%
Rates of employee turnover	**Light**	Light

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is shown below:

Discount rate:

	December 31, 2019	December 31, 2018
0.5% increase in discount rate	**(6,869,850)**	(6,870,706)
0.5% decrease in discount rate	**7,407,476**	9,288,137

Future salary growth rate:

	December 31, 2019	December 31, 2018
0.5% increase in future salary growth rate	**7,809,255**	7,789,458
0.5% decrease in future salary growth rate	**(7,307,485)**	(5,407,338)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

The expected maturity analysis of undiscounted employee benefits obligations as at December 31, 2019 is as follows:

Less than a year	4,657,209
Between 1 – 5 years	75,894,178
Over 5 years	102,080,951

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19 Employees' benefits (continued)

(b) Employees' post-retirement health care benefit

The Company provides full medical coverage to Saudi employees and their spouses provided they have completed minimum 25 years of service with the Company and their age is minimum 55 years or the employee reaches the age of sixty.

The following table summarizes the components of the net benefit expense recognized in the statement of comprehensive income and amounts recognized in the statement of financial position:

Movement in the present value of defined benefit obligation:

	2019	2018
At January 1	**153,084,393**	157,526,492
Included in profit or loss:		
Current service cost	**9,825,671**	8,338,828
Interest cost	**10,333,122**	9,446,463
	20,158,793	17,785,291
Included in other comprehensive income:		
Actuarial gain on obligation	**(31,824,219)**	(21,655,457)
Benefits paid	**(768,862)**	(571,933)
At December 31	**140,650,105**	153,084,393

Significant assumptions used in determining the post-employment defined benefit obligation includes the following:

	2019	2018
Discount rate	**5.25%**	6.6%
Medical increase rate	**7.25%**	8.6%
Mortality rates	**WHO 16**	WHO 16
Rates of employee turnover	**Special**	Special

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is shown below:

Discount rate:

	December 31, 2019	December 31, 2018
0.5% increase in discount rate	**(19,226,700)**	(21,279,119)
0.5% decrease in discount rate	**23,338,364**	21,413,437

Medical rate (Pre Retirement):

	December 31, 2019	December 31, 2018
0.5% increase in medical rate (Pre Retirement)	**8,874,384**	9,9601,674
0.5% decrease in medical rate (Pre Retirement)	**(7,992,470)**	(13,104,566)

Medical rate (Post Retirement):

	December 31, 2019	December 31, 2018
0.5% increase in medical rate (Post Retirement)	**13,360,615**	15,053,187
0.5% decrease in medical rate (Post Retirement)	**(11,844,391)**	(17,729,566)

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19 Employees' benefits (continued)

(b) Employees' post-retirement health care benefit (continued)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

The expected maturity analysis of undiscounted Employees' post-retirement health care benefit as at December 31, 2019 is as follows:

Less than a year	386,785
Between 1 – 5 years	4,581,253
Over 5 years	157,631,095

20 Other non-current liabilities

	2019	**2018**
Provision for decommissioning	**30,079,874**	29,425,964
Thrift plan	**5,781,445**	3,757,456
Chronic Medical Circumstance (CMC)	**755,008**	893,097
	36,616,327	34,076,517

21 Trade payables

	2019	**2018**
Related parties (Note 23)	**698,549,900**	957,886,099
Third parties	**135,863,671**	215,935,493
Other payables	**114,807,509**	98,298,226
	949,221,080	1,272,119,818

Financial assets and liabilities are offset and the net amount is reported in the statement of financial statement where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company has an agreement with Saudi Aramco to purchase feedstock and return the by-product in Jeddah refinery and purchase fuel oil and return the by-product (marine heavy fuel oil) in Yanbu refinery. The settlement of these transactions takes place after 90 days and net payment is made to or received from Saudi Aramco.

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21 Trade payables (continued)

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at December 31:

	Effects of offsetting on the statement of financial position		
	Gross amounts	**Gross amounts set off in the statement of financial position**	**Net amounts presented in the statement of financial position**
December 31, 2019			
Related party receivables	492,879,658	(322,466,813)	170,412,845
Related party payables	1,021,016,713	(322,466,813)	698,549,900
December 31, 2018			
Related party receivables	853,823,691	(592,739,602)	261,084,089
Related party payables	1,550,625,701	(592,739,602)	957,886,099

22 Accrued expenses and other liabilities

	2019	**2018**
Accrued expenses	**31,719,570**	46,001,935
Yanbu expansion project related accrual	**123,529,380**	14,275,460
Accrued bonus	**12,952,810**	17,092,330
Accrual for rebates and discounts	**28,912,786**	2,502,802
Others	**4,961,236**	5,195,505
	202,075,782	85,068,032

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23 Related parties' matters

(a) Related parties comprise the shareholders, directors, associate company, and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

(b) Significant related parties transactions and balances for the year ended December 31 and balances arising there from are described as under:

Related party	**Relationship**
Saudi Arabian Oil Company (Saudi Aramco)	Shareholder
Saudi Aramco Mobil Refinery Company Ltd. (SAMREF)	Affiliate
S-Oil Corporation	Affiliate

23.1 Related party transaction and balance

Significant transactions and balances with related parties in the ordinary course of the business included in the financial statements are summarized below:

Related party	**Nature of transaction**	**Amount of transactions for the year ended**		**Balance as at December 31,**	
		December 31, 2019	**December 31, 2018**	**2019**	**2018**
Due from related parties					
Saudi Aramco	Sales of by products (MHFO, Fuel Oil Blend and Asphalt)	**1,683,058,901**	2,103,243,599	**-**	-
	Sales of other by products and process fees	**988,664,394**	908,428,459	**91,709,991**	125,170,062
SAMREF	Sales of by products	**570,756,016**	752,247,434	**78,702,854**	135,914,027
S-Oil Corporation	Sales of base oil	**8,687,906**	-	**-**	-
				170,412,845	261,084,089
Due to related parties					
Saudi Aramco	Purchase of feedstock, materials and utilities	**4,616,094,887**	5,059,310,240	**698,549,900**	957,886,099
	Technical and management support services	**18,774,231**	29,959,992	**-**	-
	Lease rental for Jeddah land and Yanbu pipeline	**2,643,514**	2,643,514	**-**	-
SAMREF	Technical and management support services	**884,321**	844,109	**-**	-
S-Oil Corporation	Purchases of base oil	**10,992,184**	-	**-**	-
				698,549,900	957,886,099

Saudi Aramco has entered into an agreement with the Company whereby, in addition to the sale of feedstock to the Company, Saudi Aramco purchases by-products from the Company. The method of calculation of sale price of the by-products is defined in the agreement.

The Company's revenues derived from sale to Saudi Aramco and other affiliates accounted for approximately 25% and 15% (2018: 23% and 19%) respectively, of the total revenue. For Board of Directors' expenses refer (Note 27).

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23 Related parties' matters (continued)

23.2 Transactions with key management personnel

Compensation of key management personnel of the Company is as follows:

	2019	2018
Short-term employee benefits	**36,498,984**	31,336,478

24 Sales

The Company derives sales from the transfer of goods at a point in time in the following major product lines:

	2019	2018
Base oil	**2,332,086,941**	2,307,502,275
By-products	**1,605,268,376**	1,702,819,897
	3,937,355,317	4,010,322,172

25 Cost of sales

	2019	2018
Raw materials	**3,178,525,288**	3,011,362,035
Employee related costs	**184,673,282**	175,750,620
Depreciation (Note 7)	**285,829,462**	331,479,151
Depreciation on right-of-use assets (Note 8)	**7,452,253**	-
Other	**74,579,027**	79,344,841
	3,731,059,312	3,597,936,647

26 Selling and distribution expenses

	2019	2018
Freight expenses	**78,850,317**	69,556,909
Tank rents	**6,805,456**	3,757,484
Others	**7,928,930**	4,082,786
	93,584,703	77,397,179

27 General and administrative expenses

	2019	2018
Employee related costs	**124,889,170**	124,405,022
Consultancy charges	**24,277,991**	18,731,428
Rent	**1,300,753**	8,035,937
Business travel	**2,479,617**	2,805,896
Depreciation and amortization (Note 7)	**8,269,549**	1,812,779
Depreciation on right-of-use assets (Note 8)	**2,336,729**	-
Donations	**206,657**	1,507,144
Telephone and postage	**855,920**	1,504,190
Insurance	**917,389**	611,488
Board of Directors' expenses	**178,558**	324,786
Others	**15,477,500**	9,552,944
	181,189,833	169,291,614

28 Finance cost

	2019	2018
Finance costs with respect to:		
- Murabaha (Islamic)	**60,660,479**	44,368,652
- PIF loan (conventional)	**41,197,030**	35,234,756
- Interest on lease liabilities (Note 8)	**5,542,782**	-
- Unwinding of decommissioning provision	**653,910**	653,910
	108,054,201	80,257,318

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)

Notes to the financial statements for the year ended December 31, 2019
(All amounts in Saudi Riyals unless otherwise stated)

29 Zakat and income tax

During the year ended December 31, 2017, pursuant to the Royal Decree A/136, all shares in Kingdom-resident companies held directly or indirectly by Saudi Arabian Oil Company (Saudi Aramco) are subject to Saudi Arabian Income Tax, rather than to Zakat. Accordingly, income tax has been recognized for Saudi Aramco owned interest in the Company.

The Company's shareholder, Jadwa Industrial Investment Company (JIIC) is partially owned by non-resident foreign partner(s). Accordingly, during the year ended December 31, 2019, the Company recognized for income tax on JIIC's non-resident foreign partners' interest in the Company.

The movement in Zakat and income tax payable is as follows:

	Income tax	**Zakat**	**Total**
At January 1, 2018	65,420,171	28,228,807	93,648,978
Charge for the year	-	10,735,701	10,735,701
Payment	(64,865,612)	(12,769,629)	(77,635,241)
As at December 31, 2018	554,559	26,194,879	26,749,438
Charge for the year	-	2,664,164	2,664,164
Payment	-	-	-
At December 31, 2019	**554,559**	**28,859,043**	**29,413,602**

29.1 Components of zakat base

Up to December 31, 2018, Zakat liability was computed at the rate of 2.5% on the Saudi shareholder's share in the Zakat base or on its share of the adjusted net income for the year, if higher. However, with effect from January 1, 2019, zakat is payable at 2.58% of approximate zakat base (excluding adjusted net income for the year) and at 2.5% of the adjusted net income for the year.

The significant components of the non-Aramco shareholder's share of approximate Zakat base for the years ended December 31 comprised the following:

	2019	**2018**
Additions:		
Equity at beginning of year	**3,703,511,853**	3,713,031,174
Provision at beginning of year	**318,897,253**	370,569,114
Adjusted loss for year	**(95,509,917)**	(177,098,398)
Loan	**1,914,067,200**	2,352,752,700
Other	**250,535,222**	633,931,801
	6,091,501,611	6,893,186,391
Deductions:		
Property, plant and equipment – net	**(5,506,151,119)**	(5,040,988,806)
Dividends	**-**	(150,000,000)
Other	**(218,764,469)**	(224,976,924)
	(5,724,915,588)	(5,415,965,730)
Approximate Zakat base	**366,586,023**	1,477,220,661
Net Zakat base to share subject to Zakat (29.07%)	**106,566,557**	429,428,046
Approximate Zakat at specified rate	**2,664,164**	10,735,701

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)

Notes to the financial statements for the year ended December 31, 2019
(All amounts in Saudi Riyals unless otherwise stated)

29 Zakat and income tax (continued)

29.2 Income tax

Income tax is calculated on Saudi Aramco and for the taxable portion of JIIC an estimated taxable net income as follows:

	2019	2018
Adjusted tax loss	**(849,164,656)**	(177,098,398)
Income subject to tax (70.93%)	**(602,312,491)**	(125,615,894)
Adjusted for:		
Temporary difference	**(17,639,628)**	(6,266,368)
Other	**72,247,531**	56,926,516
Total loss	**(547,704,588)**	(74,955,746)
Income tax at 20%	**-**	-

Deferred tax assets are not material to the financial statements and accordingly have not been recorded in the financial statements.

29.3 Status of final assessments

The Company has filed its Zakat declaration up to financial year end December 31, 2018 with General Authority of Zakat and Tax ("GAZT").

The GAZT had issued an assessment for the years 2005 to 2009 amounting to SR 12.8 million and the Company had filed an objection against this assessment. Subsequently, during the year 2014, the GAZT revised the assessment and reduced the claim to SR 8.1 million. The Company elevated the assessment to the Preliminary Objection Committee ("POC") which accepted most of the items under appeal. It was determined by the POC that a net refund of SR 8.1 million is payable to the Company due to overpayment. Such decision was appealed to the Higher Appeal Committee ("HAC") by the GAZT. The Company is expecting a favorable outcome from HAC's decision.

During the year, GAZT has issued an assessment order against the Company amounting to SR 33.3 million for VAT wrong filing penalties and late payment penalties for the months from July 2018 to November 2018. The Company has submitted appeals to General Secretariat of Tax Committees ("GSTC") and waiting for the hearing session with Tax Violations and Disputes Resolution Committees ("TVDRC"). The appeal is in initial stages and the Company is expecting a favorable outcome from TVDRC decision.

In addition, the Company has revised its VAT returns from months ended February 2018 to June 2018. GAZT in this respect has levied late payment penalties amounting to SR 8.77 million. The Company has paid these penalties in protest and has submitted an appeal against these penalties with the Ministry of Energy. The appeal is in initial stage and the Company is expecting a favorable outcome.

30 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company holds various financial instruments in the ordinary course of its activities.

(a) Financial assets subsequently measured at amortised cost

	2019	2018
Employee home ownership receivable	**9,300,419**	11,403,025
Loans to employees	**24,779,784**	27,588,421
Trade receivables	**390,420,559**	536,733,452
Short-term deposit	**167,405,889**	158,550,452
Cash and cash equivalent	**179,024,798**	918,862,470
	770,931,449	1,653,137,820

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)

Notes to the financial statements for the year ended December 31, 2019
(All amounts in Saudi Riyals unless otherwise stated)

30 Financial instruments (continued)

The carrying amount of financial assets approximates their fair value largely because of short-term maturity of these assets. Financial assets are not considered to pose a significant credit risk. Trade receivables are due from customers who have been assessed for credit worthiness prior to entering into transactions with them.

(b) Financial liabilities at amortised cost

	2019	2018
Borrowings	**1,914,067,200**	2,352,752,700
Trade payables	**949,221,080**	1,272,119,818
Other non-current liabilities	**36,616,327**	34,076,517
Accrued expensed and other liabilities	**202,075,782**	85,068,032
Lease liabilities	**112,512,839**	-
	3,214,493,228	3,744,017,067

31 Financial risk management

31.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the management under policies approved by the board of directors.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Control department. Internal Control department undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are primarily in SR and USD. Since SR is pegged to USD, management of the Company believes that the currency risk for the financial instruments is not significant.

(ii) Fair value and cash flow interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company borrows at interest rates on commercial terms.

The Company's main interest rate risk arises from borrowings with variable rates, which expose the company to cash flow interest rate risk. Company policy is to maintain at least 50% of its borrowings at fixed rate using floating-to-fixed interest rate swaps to achieve this when necessary. Generally, the Company enters into long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Company borrowed at fixed rates directly. During 2019 and 2018, the Company's borrowings at variable rate were mainly denominated in SR and USD.

At December 31, 2019, if interest rates had been 1% higher/lower with all other variables held constant, future interest on outstanding loans will increase/decrease by SR 19.1 million (2018: SR23.5 million).

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)

Notes to the financial statements for the year ended December 31, 2019
(All amounts in Saudi Riyals unless otherwise stated)

31 Financial risk management (continued)

31.1 Financial risk factors (continued)

(iii) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company's financial assets and liabilities are not exposed to price risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, employee home ownership receivable, loans employees and trade receivable.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by customers is regularly monitored by line management.

For some trade receivables the Company obtains security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Credit risk on cash at banks, loans to employees and employees' home ownership receivables is considered insignificant as such balances are not significant to the financial statements, Further, these loans and receivables are secured against the employees' benefits payable to the respective employee and the properties for which the loan has been given. Cash and short-term bank deposits are placed with banks with sound credit rankings.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal ratio targets.

The table below analyses the Company's financial liabilities into the relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

As at December 31, 2019	1 year or less	1 to 5 years	Above 5 years	Total
Borrowings	**603,258,599**	**1,374,804,215**	**-**	**1,978,062,814**
Accrued expenses and other liability	**202,075,782**	**-**	**-**	**202,075,782**
Trade payables	**949,221,080**	**-**	**-**	**949,221,080**
Lease liabilities	**15,762,123**	**162,200,498**	**-**	**177,962,621**
	1,770,317,584	**1,537,004,713**	**-**	**3,307,322,297**
As at December 31, 2018				
Borrowings	634,346,087	1,982,401,615	-	2,616,747,702
Accrued expenses and other liability	85,068,032	-	-	85,068,032
Trade payables	1,272,119,818	-	-	1,272,119,818
	1,991,533,937	1,982,401,615	-	3,973,935,552

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)

Notes to the financial statements for the year ended December 31, 2019
(All amounts in Saudi Riyals unless otherwise stated)

31 Financial risk management (continued)

31.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities as shown in the statement of financial position, less cash and cash equivalent.

The gearing ratios at December 31, were as follows:

	2019	2018
Total liabilities	**3,558,172,807**	4,104,701,436
Less: Cash and cash equivalents	**(179,024,798)**	(918,862,470)
Net debt	**3,379,148,009**	3,185,838,966
Total equity	**3,596,889,515**	3,703,511,853
Gearing ratio	**94%**	86%

31.3 Credit quality of finance assets

Rating as per Moody's Investors Service	2019	2018
Samba Bank	**A1**	A1
Riyad Bank	**A2**	A2
Bank National Commercial bank	**A1**	A1
Bank Aljazira	**Baa1**	Baa1
Arab National Bank	**A2**	A2
Saudi British Bank	**A1**	A1

32 Commitments

32.1 Commitments

a) At December 31, 2019, the Company had outstanding capital commitments of SR 510 million (2018: SR 896 million) in respect of additions to property, plant and equipment at its Jeddah and Yanbu refineries.

b) A contractor for Yanbu expansion project and the Company have certain claims against each other. During February 2019, a settlement agreement was signed between the two parties amounting to USD 64 million (equivalent to SR 240 million) that is payable by the Company to the contractor conditional on completing certain scope of work at given milestones listed in the settlement agreement. On February 12, 2020 the Company has paid the first installment for the settlement to contractor amounting to USD 32 million (equivalent to SR 120 million).

c) As at December 31, 2019 the letters of guarantees issued by banks on behalf of the Company amounted to SR 12.7 million (December 31, 2018: SR 11.2 million) and letters of credit issued by banks on behalf of the Company is Nil (December 31, 2018 SR 0.6 million).

32.2 Short-term leases

The short-term lease commitment as of December 31, 2019 amounts to SR 4.29 million.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)

Notes to the financial statements for the year ended December 31, 2019
(All amounts in Saudi Riyals unless otherwise stated)

33 Post balance sheet date events

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and other parts of the globe, causing disruptions to businesses and economic activity in general. The Company considers this outbreak to be a non-adjusting post balance sheet event in 2019. As the situation is fluid and rapidly evolving, management is not a position to assess the impact of this outbreak on the Company's financial statement as of the date of approval of these financial statements and will continue to monitor the situation and its impact in the year 2020.

34 Approval of IFRS financial statements

These financial statements were approved by the Board of Directors of Company on June 18, 2020.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
AND INDEPENDENT AUDITOR'S REPORT

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
FOR THE YEAR ENDED DECEMBER 31, 2020

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Independent auditor's report to the shareholders of Saudi Aramco Base Oil Company - Luberef

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saudi Aramco Base Oil Company - Luberef (the "Company") as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited
The Company's financial statements comprise:

- the statement of financial position as at December 31,2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Independent auditor's report to the shareholders of Saudi Aramco Base Oil Company - Luberef (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

May 6, 2021

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31 2020	2019
Assets			
Non-current assets			
Property, plant and equipment	5	**5,371,750,915**	5,506,151,119
Right-of-use assets	6	**108,848,069**	110,176,685
Intangible assets	7	**20,300,693**	20,656,097
Employees' home ownership receivables	8	**4,635,728**	7,362,674
Loans to employees	9	**13,210,816**	19,077,336
Total non-current assets		**5,518,746,221**	5,663,423,911
Current assets			
Inventories	10	**543,791,452**	594,289,094
Trade receivables	11	**438,789,065**	390,420,559
Prepayments and other assets	12	**138,233,087**	160,498,071
Short-term deposit		**-**	167,405,889
Cash and cash equivalents	13	**672,851,104**	179,024,798
Total current assets		**1,793,664,708**	1,491,638,411
Total assets		**7,312,410,929**	7,155,062,322
Equity and liabilities			
Equity			
Share capital	14	**441,000,000**	441,000,000
Statutory reserve	15	**220,500,000**	220,500,000
Retained earnings		**3,050,062,212**	2,935,389,515
Total equity		**3,711,562,212**	3,596,889,515
Liabilities			
Non-current liabilities			
Long-term borrowings	16	**1,120,831,650**	1,330,287,150
Lease liabilities	6	**98,030,457**	101,941,859
Employee benefit obligations	17	**293,112,099**	314,265,977
Other non-current liabilities	18	**38,219,062**	36,616,327
Total non-current liabilities		**1,550,243,268**	1,783,111,313
Current liabilities			
Trade payables	19	**889,426,211**	949,221,080
Accrued expenses and other liabilities	20	**85,538,510**	202,075,782
Current portion of long-term borrowings	16	**1,033,235,550**	583,780,050
Lease liabilities	6	**19,560,029**	10,570,980
Zakat and income tax payable	27	**22,845,149**	29,413,602
Total current liabilities		**2,050,605,449**	1,775,061,494
Total liabilities		**3,600,848,717**	3,558,172,807
Total equity and liabilities		**7,312,410,929**	7,155,062,322

The accompanying notes form an integral part of these financial statements.

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

		Year ended December 31	
	Note	**2020**	**2019**
Sales	22	**3,187,493,206**	3,937,355,317
Cost of sales	23	**(2,772,562,322)**	(3,731,059,312)
Gross profit		**414,930,884**	206,296,005
Selling and distribution expenses	24	**(97,804,294)**	(93,584,703)
General and administrative expenses	25	**(177,460,290)**	(181,189,833)
Other income		**20,599,446**	19,340,562
Fair value loss on derivative financial instruments measured at fair value through profit or loss	20	**(11,239,359)**	(8,437,501)
Operating profit / (loss)		**149,026,387**	(57,575,470)
Finance income		**4,507,149**	19,247,455
Finance cost	26	**(71,595,291)**	(99,616,700)
Profit / (loss) before zakat and income tax		**81,938,245**	(137,944,715)
Zakat and income tax	27	**(860,866)**	(2,664,164)
Profit / (loss) for the year		**81,077,379**	(140,608,879)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement gain on defined employee benefit obligations	17	**33,595,318**	33,986,541
Total comprehensive income / (loss) for the year		**114,672,697**	(106,622,338)

The accompanying notes form an integral part of these financial statements.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Saudi Aramco*	JIIC**	Total
Share capital				
January 1, 2019, December 31, 2019 and December 31, 2020	14	**308,700,000**	**132,300,000**	**441,000,000**
Statutory reserve				
January 1, 2019, December 31, 2019 and December 31, 2020	15	**154,350,000**	**66,150,000**	**220,500,000**
Retained earnings				
Balance at January 1, 2019		2,124,581,753	917,430,100	3,042,011,853
Loss before zakat and income tax		(96,561,300)	(41,383,415)	(137,944,715)
Zakat	27	-	(2,664,164)	(2,664,164)
Other comprehensive income	17	23,790,579	10,195,962	33,986,541
Total comprehensive loss for the year		(72,770,721)	(33,851,617)	(106,622,338)
Balance at December 31, 2019		2,051,811,032	883,578,483	2,935,389,515
Profit before zakat and income tax		57,356,772	24,581,473	81,938,245
Zakat	27	-	(860,866)	(860,866)
Other comprehensive income	17	23,516,723	10,078,595	33,595,318
Total comprehensive income for the year		80,873,495	33,799,202	114,672,697
Balance at December 31, 2020		**2,132,684,527**	**917,377,685**	**3,050,062,212**
Total equity at December 31, 2019		2,514,861,032	1,082,028,483	3,596,889,515
Total equity at December 31, 2020		**2,595,734,527**	**1,115,827,685**	**3,711,562,212**

* Saudi Arabian Oil Company ("Saudi Aramco")
** Jadwa Industrial Investment Company ("JIIC")

The accompanying notes form an integral part of these financial statements.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2020	2019
Cash flows from operating activities			
Profit / (loss) for the year before zakat and income tax		**81,938,245**	(137,944,715)
Adjustments for:			
Depreciation and amortization	5, 6, 7	**309,074,711**	303,887,993
Finance income		**(4,507,149)**	(19,247,455)
Non-cash employee benefit expenses		**1,019,943**	2,144,227
Finance cost	26	**71,595,291**	99,616,702
Fair value loss on derivative financial instruments		**11,239,359**	8,437,499
Provision for employee benefits obligations	17	**31,857,419**	39,048,563
Gain on termination of lease contract	6	**(4,413,557)**	-
Gain on sale of property and equipment		**(33,854)**	-
Impairment loss on trade receivables	11	**272,038**	-
Provision for slow moving inventories	10	**2,721,562**	708,336
Changes in operating assets and liabilities:			
Inventories		**47,776,080**	69,839,341
Trade receivables		**(48,640,544)**	146,312,893
Prepayments and other assets		**22,479,739**	(68,150,934)
Trade payables		**(60,419,276)**	(323,174,534)
Accrued expenses and other liabilities		**(127,776,631)**	6,880,437
Cash generated from operations		**334,183,376**	128,358,353
Finance income received		**3,956,596**	19,450,373
Finance cost paid		**(65,120,790)**	(101,581,713)
Employee benefit obligations paid	17	**(19,415,979)**	(24,730,976)
Zakat and income tax paid	27	**(7,429,319)**	-
Net cash generated from operating activities		**246,173,884**	21,496,037
Cash flows from investing activities			
Payments for property, plant and equipment	5	**(162,484,996)**	(307,561,517)
Proceeds from sale of property, plant and equipment		**142,187**	-
Additions to intangible assets	7	**(2,625,460)**	(3,751,500)
Payments for short-term deposits		**(330,380,751)**	(335,601,903)
Proceeds from short-term deposits		**497,786,640**	326,746,466
Repayment of loans by employees		**9,595,943**	8,411,276
Disbursement of loans to employees		**(3,505,829)**	(4,574,549)
Repayment of employees' home ownership receivables		**2,768,032**	2,324,581
Net cash generated from / (used in) investing activities		**11,295,766**	(314,007,146)
Cash flows from financing activities			
Proceeds from borrowings		**240,000,000**	97,500,000
Repayment of borrowings		**-**	(536,185,500)
Lease payments	6	**(3,643,344)**	(8,641,063)
Net cash generated from / (used in) financing activities		**236,356,656**	(447,326,563)
Net increase / (decrease) in cash and cash equivalents		**493,826,306**	(739,837,672)
Cash and cash equivalents at the beginning of the year		**179,024,798**	918,862,470
Cash and cash equivalents at the ending of the year	13	**672,851,104**	179,024,798

The accompanying notes form an integral part of these financial statements.

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Notes to the financial statements for the year ended December 31, 2020
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Saudi Aramco Base Oil Company – Luberef (the "Company") is a Saudi limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030010447 issued in Jeddah on 3 Ramadan 1396H (corresponding to 29 August 1976). The Company commenced its operations in Jeddah in 1978 and in Yanbu in 1998. The purpose of the Company is to construct, own and operate refineries of lubricating oils and to purchase, sell, transport, market, import and export lubricating oils, additives, lubricating oil blending stocks, by-products and other related petroleum products.

The Head office of the Company is located at the following address:
Saudi Aramco Industrial Area
P.O. Box 5518, Jeddah 21432
Kingdom of Saudi Arabia

The financial statements include the accounts of the Company's head office in Jeddah, its branch in Yanbu and its operations in Hamriyah Free Zone Authority, United Arab Emirates (UAE). The Commercial Registration Number of Yanbu branch is 4700004941. The license certificate number of 11857 for operations in Hamriyah was issued with a status of Free Zone Establishment Company ("the Establishment") by the Government of Sharjah (UAE), on 26 Rabi-ul-Awal 1435H (corresponding to 27 January 2014). The Company has treated the Free Zone Establishment as a branch in these financial statements as it owns 100% paid up capital of the Establishment.

Saudi Arabian Oil Company (Saudi Aramco) is the immediate and ultimate parent of the Company.

1.1 Emergence of the Coronavirus Pandemic ("Covid-19") - Financial impact of Covid-19

The World Health Organisation declared the corona virus (Covid-19) to be a global pandemic on March 11, 2020, escalating from a declaration of a public health emergency on January 30, 2020. Covid-19 has had unexpected human and economic consequences across many countries and has resulted in significant market volatility. Along with its health impacts, Covid-19 is disrupting business and consumer activity in affected areas and beyond. Management of the Company is closely monitoring the situation as it evolves which is outlined on the broad dimensions as below:

(a) Business impact

i. Impact on the continuity of sales, receivables and pricing strategies

The novel Coronavirus (COVID-19) pandemic has spread across various geographies globally, disrupting business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

In response to the spread of COVID-19 in Gulf Cooperation Council ("GCC") and its resulting disruptions to the social and economic activities in those markets, the Company's management has proactively assessed its impact on the continuity of the sales, the health and safety of its employees, customers and the wider community. The COVID-19 pandemic had impacted oil demand, which has led to an oversupply in global markets during the second quarter of 2020 that resulted in a reduction in crude oil prices. The markets showed signs of recovery during the third quarter as governments began to ease restrictions and the improved economic activity translated into increased crude oil demand and higher prices when compared with the second quarter. The increased prices have positively impacted the Company's financial performance during the third and fourth quarters of 2020.

The Company was able to recover its sales to a level sufficient to generate monthly profit post lock down. Overall, product and pricing strategies continue to be on track and hence management does not see any significant changes presently.

There has been no impact on collections and liquidity of the Company as the majority of the sales are from well-established customers.

Based upon the current trends, management has updated its sales forecasts to reflect these for the future. Management will continue to monitor the impact and update the forecasts further considering the situation as it continues to evolve.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Notes to the financial statements for the year ended December 31, 2020
(All amounts in Saudi Riyals unless otherwise stated)

1 General information (continued)

1.1 Emergence of the Coronavirus Pandemic ("Covid-19") - Financial impact of Covid-19 (continued)

***(a) Business impact** (continued)*

ii. Impact on expenses

The Company continues to maintain its staff in the normal course of business and pay the salaries. Some of the expenses such as communication, technology and maintenance costs have increased due to the higher level of support to extend remote working options for the employees as well as costs towards sanitising, social distancing and providing a safe environment for those employees working from the office. The additional costs have been partially offset with the lower costs towards business travel, conveyance and lower discretionary spending. Further, the Company has not received any government grant and rent concession on rental contract during 2020.

iii. Impact on financial and non-financial assets

The Company's management has considered the potential impact of the current economic uncertainties and volatility in the termination of the reported amounts of the Company's financial and non-financial assets and these are considered to represent management's best assessment based on observable information on the reporting date.

The Company continued to assess whether there is an objective evidence that a financial asset or a group of financial assets is impaired. During the year, the Company applied the accounting policy for impairment of financial assets consistent with prior year. With respect to business receivables, the Company is closely monitoring the credit quality of its customers and updating the allowance for impairment whenever there is an objective evidence of credit impairment.

The Company reviewed the indicators of impairment on its non-financial assets and concluded that there are no indicators of impairment on these assets due to the reasons mentioned in point (i) above.

(b) Accounting and financial reporting

In the current phase of Covid-19 pandemic, the Company continues to apply its accounting policies consistently without deviation. Considering the impact on the business is limited, management continues to adopt a consistent approach to the use of estimates in the financial information. As the situation evolves in future, management will continue to monitor and consider updates as appropriate at that time.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), that are endorsed in the Kingdom of Saudi Arabia (KSA) and other standards and pronouncement issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The Company has elected to present a single statement of comprehensive income and presents its expenses by function. The Company reports cash flows from operating activities using the indirect method.

The Company's current liabilities exceeded its current assets by Saudi Riyals 256.94 million (December 31, 2019: Saudi Riyal 283.42 million). During the year 2020, the Company's refinanced the existing loan facilities to be repaid over longer period. This exercise will support the company's financial position and will reduce the current liabilities. Accordingly, these financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Notes to the financial statements for the year ended December 31, 2020
(All amounts in Saudi Riyals unless otherwise stated)

2 Basis of preparation (continued)

2.2 Basis of measurement

These financial statements have been prepared on a historical cost basis, except for the for the following:

- The defined benefit obligation which is recognized at the present value of future obligations using the Projected Unit Credit Method; and
- Derivative financial instrument measured at fair value.

These financial statements are presented in Saudi Riyal, which is the Company's functional and presentation currency. These financial statements have been rounded-off to the nearest Saudi Riyal, unless otherwise stated.

2.3 New standards and amendments applicable from January 1, 2020

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after January 1, 2020:

Title	Key requirements	Effective Date	Impact
Definition of Material – Amendments to IAS 1 and IAS 8	The IASB has made amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: - that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole; and - the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.	January 1, 2020	The amendment did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.
Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39	The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.	January 1, 2020	The amendment did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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Notes to the financial statements for the year ended December 31, 2020
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2. Basis of preparation (continued)

2.3 New standards and amendments applicable from January 1, 2020 (continued)

Title	Key requirements	Effective Date	Impact
Revised Conceptual Framework for Financial Reporting	The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: - increasing the prominence of stewardship in the objective of financial reporting - reinstating prudence as a component of neutrality defining a reporting entity, which may be a legal entity, or a portion of an entity - revising the definitions of an asset and a liability - removing the probability threshold for recognition and adding guidance on derecognition - adding guidance on different measurement basis, and - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.	January 1, 2020	Management has considered the revised conceptual framework and has concluded that the accounting policies are appropriate and does not expect any change in its accounting policies due to such revision.
Covid-19-related Rent Concessions – Amendments to IFRS 16	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.	June 1, 2020	There were no rent concessions granted to the Company during the annual reporting period ended on December 31, 2020.

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2. Basis of preparation (continued)

2.4 Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments issued, but are not yet effective are disclosed below.

Title	**Key requirements**	**Effective Date**	**Impact**
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 'Presentation of Financial Statements, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to January 1, 2023.	January 1, 2022	The Company does not expect any material impact on its financial statements due to the amendment.
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 "Property, Plant and Equipment (PP&E)" prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	January 1, 2022	The Company does not expect any material impact on its financial statements due to the amendment.
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	January 1, 2022	The Company does not expect any material impact on its financial statements due to the amendment.

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2. Basis of preparation (continued)

2.4 Standards, interpretations and amendments issued but not yet effective (continued)

Title	Key requirements	Effective Date	Impact
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020: - IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. - IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. - IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. IAS 41 'Agriculture' - removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	January 1, 2022	The Company does not expect any material impact on its financial statements due to the amendment.
Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.	January 1, 2021	The Company is assessing the impact and next steps to ensure a smooth transition from LIBOR to the new benchmark rates.

There are no other relevant IFRS or IFRS interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

3 Critical accounting estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future period.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The key assumption concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year include:

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3 Critical accounting estimates and judgments (continued)

3.1 Depreciation of property and equipment

The Company's management determines the estimated useful life of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset and physical wear and tear. The management periodically reviews the estimated useful lives, residual values and the depreciation method to ensure that the method and periods of depreciation are consistent with the expected pattern of economic benefit of the assets.

The Company's assets, classified within property, plant and equipment, are depreciated on a straight line basis over their economic useful lives.

3.2 Right-of-use assets and lease liabilities

For some lease contracts that contains extension options, the Company has applied a judgement to determine the lease term and has considered the extension period in determining the lease term, where the Company has sole discretion to extend the lease term and is reasonably certain to exercise such extension options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. See Note 6 for further details.

The lease liabilities are measured at the discounted value of lease payments, using incremental borrowing rate as the interest rate implicit in the lease cannot be readily determined, which is generally the case for leases in the Company. Incremental borrowing rate is the rate that Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses recent third-party financing offers received by the Company as a starting point, adjusted to reflect changes in financing conditions.

3.3 Provision for inventory obsolescence

The Company determines its allowance for inventory obsolescence based upon historical experience, current condition, and current and future expectations with respect to its use. The estimate of the Company's allowance for inventory obsolescence could change from period to period, which could be due to assessment of the future usage of inventory.

3.4 Employee benefit obligations

The cost of post-employment defined benefits is the present value of the related obligation, as determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. With respect to determining the appropriate discount rate, yield and duration of high quality bonds obligation, as designated by an internationally acknowledged rating agency, are extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. See Note 17 for further details.

3.5 Impairment of non-financial assets

Management assesses the impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors which could trigger an impairment review include evidence from internal and external sources related to the changes in technological, market, economic or legal environment in which the entity operates, changes in market interest rates and economic performance of the assets.

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(All amounts in Saudi Riyals unless otherwise stated)

3 Critical accounting estimates and judgments (continued)

3.6 Expected Credit Loss (ECL) measurement on financial assets

Measurement of ECL is a significant estimate that involves the determination of the methodology, models and data inputs. The Company used supportable forward-looking information for measurement of ECL. The most significant forward-looking information used in determination of ECL is disclosed in Note 28.2.

4 Summary of significant accounting policies

The significant accounting policies applied by the Company in the preparation of the financial statements are set out below. These policies have been consistently applied for all periods presented, unless otherwise stated.

4.1 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the respective entity operates (the "functional currency"). The financial statements are presented in Saudi Riyals, which is also the Company's functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4.2 Current vs non-current classification

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies all other assets as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

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Notes to the financial statements for the year ended December 31, 2020
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4 Summary of significant accounting policies (continued)

4.3 Property, plant and equipment

Initial recognition

Property, plant and equipment is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the property, plant and equipment will flow to the Company, and the cost of the asset can be measured reliably. Property, plant and equipment is recognised and measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognised as a provision).

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item and such parts have a useful life different from other parts, the Company recognises such parts as individual assets and depreciate them accordingly.

Major spare parts qualify for recognition as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Planned turnaround costs are deferred and depreciated over the period until the date of the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged date of planned turnaround, the previously undepreciated deferred costs are immediately expensed and the new turnaround costs are depreciated over the period likely to benefit from such costs.

Subsequent measurement

The Company adopts the cost model to measure the entire class of property, plant and equipment. After recognition as an asset, an item of property, plant and equipment is carried as its cost less any accumulated depreciation and impairment losses, if any.

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation

Useful lives are determined by management based on the expected usage of the asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated on a straight-line basis over the below useful lives and is recognised in the statement of comprehensive income:

Category	**Useful life - years**
Manufacturing plants	10 - 50
Building and leasehold improvements	20 - 30
Furniture and fixtures	4 - 10
Other machinery and equipment	2 - 15
Motor vehicles	4

The Company has a policy to depreciate refinery turnaround costs over five years.

De-recognition

Property, plant and equipment is derecognised when it has been disposed or no future economic benefits are expected to arise from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income at the time the item is derecognised.

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4 Summary of significant accounting policies (continued)

4.3 Property, plant and equipment (continued)

Capital work-in-progress (CWIP)

Assets in the course of construction or development are capitalised in the CWIP within property, plant and equipment. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of CWIP comprises its purchase price, construction / development cost and any other cost directly attributable to the construction or acquisition of an item intended by management.

CWIP is measured at cost less any recognised impairment. CWIP is not depreciated. Depreciation only commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset category.

Borrowing costs

Borrowing costs directly attributable to the acquisition and or construction of property, plant and equipment assets that necessarily take a substantial period of time to prepare for their intended use and a proportionate share of general borrowings are capitalised to the cost of those property, plant and equipment. All other borrowing costs are expensed as incurred and recognised in finance costs.

4.4 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and restoration costs.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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4 Summary of significant accounting policies (continued)

4.4 Leases (continued)

Depreciation of right-of-use assets

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Depreciation is charged to statement of comprehensive income using the straight-line method to allocate their costs over their lease term.

Subsequent measurement

Right-of-use assets

The Company adopts the cost model to measure right of use assets. After recognition as an asset, right-of-use assets are carried at its initial recognition amounts less any accumulated depreciation and impairment losses, if any.

Lease liabilities

The lease liability is measured as follows:

a) Increasing the carrying amount to reflect interest on the lease liability;
b) Reducing the carrying amount to reflect the lease payments made; and
c) Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Where the Company is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

4.5 Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets, consisting of computer software and licenses, are recorded at cost, net of accumulated amortisation and impairment losses, if any. Intangible assets are amortised on a straight-line basis over 3 to 15 years.

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4 Summary of significant accounting policies (continued)

4.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation / amortisation and are instead tested annually for impairment. Assets subject to depreciation / amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash generating unit).

Non-financial assets that have been fully or partially impaired are reviewed for possible reversal of all or part of the impairment loss at the end of each reporting period. The amount of any reversal is restricted to the carrying value of the relevant assets if the original impairment had not occurred (i.e., after taking into normal depreciation had no impairment occurred).

The impairment loss is allocated to reduce the carrying amount of the assets of the cash generating unit (group of units) in pro rata on the basis of the carrying amount of each asset in the unit (group of units). These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognised.

4.7 Trade receivables

Trade receivables are amounts due from customers for goods sold performed in the ordinary course of business. They are generally due for settlement within 30-90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost. Refer Note 28 for a description of the Company's impairment policies.

4.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated selling expenses. The amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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4 Summary of significant accounting policies (continued)

4.9 Financial instruments

Classification of financial assets

The Company classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL); and
- Amortised cost.

These classifications are on the basis of business model of the Company for managing the financial assets, and contractual cash flow characteristics.

The Company measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or other comprehensive income.

Initial measurement

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of comprehensive income. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value.

Classification of financial liabilities

The Company designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed and its performance is evaluated on a fair value basis.

All other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset so that the net amount reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Reclassifications

Financial assets are reclassified when the Company changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short-term or long-term. Financial liabilities are not reclassified.

Subsequent measurement

Subsequent measurement of financial assets is as follows:

Debt instruments

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in statement of comprehensive income and presented in other gains / (losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

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4 Summary of significant accounting policies (continued)

4.9 Financial instruments (continued)

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in statement of comprehensive income and presented net within other gains / (losses) in the period in which it arises.

De-recognition

The Company derecognises a financial asset when, and only when the contractual rights to the cash flows from financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset.

Financial liabilities are derecognised when the obligations specified in the contract is discharged, cancelled or expires. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability.

The Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 28 details how the Company determines impairment methodology for trade and other receivables.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

4.10 Short-term deposit

Short-term deposits include placements with banks and other short-term highly liquid investments with original maturities of more than three-month but not more than twelve months from the purchase date.

4.11 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash in hand, bank balances and deposits with original maturities of three months or less, if any.

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4 Summary of significant accounting policies (continued)

4.12 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

4.13 Dividends distribution

Dividend distribution to Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by Company's shareholders.

4.14 Statutory reserve

In accordance with the Regulation of Companies in the Kingdom of Saudi Arabia and the Company's Articles of Association, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals atleast 30% of the share capital.

4.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in statement of comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4.16 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Post-employment obligation

The Company operates post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia after the retirement of employee. End of service payments are based on employees' final salaries and allowances and their cumulative years of service. The Company also provides full medical coverage to Saudi employees and their spouses provided they have completed minimum 25 years of service with the Company and their age is minimum 55 years or the employee reaches the age of sixty.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

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4 Summary of significant accounting policies (continued)

4.16 Employee benefits (continued)

Current and past service costs related to post-employment benefits are recognised immediately in the statement of the comprehensive income while unwinding of the liability at discount rates used are recorded as interest cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income and transferred to retained earnings in the period in which they occur.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are also recognised immediately in the statement of comprehensive income as past service costs.

4.17 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat and tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognised as interest expense. The expense relating to a provision is presented in the statement of the comprehensive income, net of reimbursements.

<u>Decommissioning cost</u>

Provision for decommissioning obligation is recognized when the Company has a liability for restoration work or land rehabilitation. The extent of decommissioning required and the associated costs are dependent on the requirements of current laws and regulations.

Costs included in the provision includes all decommissioning obligations expected to occur over the life of the asset. The provision for decommissioning is discounted to its present value and capitalized as part of the asset under property, plant and equipment and then depreciated as an expense over the expected life of that asset.

Adjustments to the estimated amount and timing of future decommissioning cash flows are a normal occurrence in light of the significant judgments and estimates involved. Such adjustments are recorded as an increase in liability and a corresponding increase in the related asset. Factors influencing those adjustments include:

- developments in technology;
- regulatory requirements and environmental management strategies;
- changes in the estimated extent and costs of anticipated activities, including the effects of inflation; and
- changes in economic sustainability.

4.18 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest rate.

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4 Summary of significant accounting policies (continued)

4.19 Zakat and income tax

The Company is subject to zakat and income tax in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Provision for zakat is accrued and charged to the statement of comprehensive income. Additional amounts payable, if any, at the finalisation of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.20 Revenue recognition

Revenue is recognised upon the satisfaction of performance obligations, which occurs when control transfers to the customer under contracts for sale of goods. Control of the products is determined to be transferred to the customer when the title of lubricating oil and related products passes to the customer, which typically takes place when product is physically transferred into a vessel, pipe or other delivery mechanism. The Company has contracts with customers in which supply of the lubricating oil blending stocks and/or related by-products is the only performance obligation. The Company recognized revenue at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

The Company has concluded that it is the principal in all of its revenue arrangements since it has the primary obligation in all the revenue arrangements, has pricing latitude, and controls the goods before these are transferred to the customer.

4.21 Expenses

Selling and marketing expenses are those arising from the Company's efforts underlying the marketing, selling and distribution functions. All other expenses, excluding cost of sales and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of sales and selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

4.22 Financial income

Financial income is measured using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset.

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5 Property, plant and equipment

(a) The movement in property, plant and equipment is as follows:

	Manufacturing Plants	Buildings and leasehold improvements	Furniture and fixtures	Other machinery and equipment	Motor vehicles	Capital work in progress	Total
Cost							
At January 1, 2020	7,026,227,247	326,335,947	27,367,141	229,713,448	6,096,879	657,122,219	8,272,862,881
Additions	-	-	-	-	-	162,484,996	162,484,996
Disposals	-	-	-	-	(325,000)	-	(325,000)
Transfers	620,370,583	4,071,266	-	2,396,930	783,048	(627,621,827)	-
At December 31, 2020	**7,646,597,830**	**330,407,213**	**27,367,141**	**232,110,378**	**6,554,927**	**191,985,388**	**8,435,022,877**
Accumulated depreciation							
At January 1, 2020	2,290,219,777	262,740,154	26,212,459	181,969,126	5,570,246	-	2,766,711,762
Charge of the year	282,219,718	5,936,929	283,257	7,807,955	529,008	-	296,776,867
Disposals	-	-	-	-	(216,667)	-	(216,667)
At December 31, 2020	**2,572,439,495**	**268,677,083**	**26,495,716**	**189,777,081**	**5,882,587**	**-**	**3,063,271,962**
Net book value:							
December 31, 2020	**5,074,158,335**	**61,730,130**	**871,425**	**42,333,297**	**672,340**	**191,985,388**	**5,371,750,915**
December 31, 2019	4,736,007,470	63,595,793	1,154,682	47,744,322	526,633	657,122,219	5,506,151,119

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5 Property, plant and equipment (continued)

	Manufacturing plants	Buildings and leasehold improvements	Furniture and fixtures	Other machinery and equipment	Motor vehicles	Capital work in progress	Total
Cost							
At January 1, 2019	6,595,348,746	317,140,381	27,367,141	229,687,348	6,096,879	679,533,556	7,855,174,051
Additions	-	-	-	-	-	417,688,830	417,688,830
Transfers	430,878,501	9,195,566	-	26,100	-	(440,100,167)	-
At December 31, 2019	7,026,227,247	326,335,947	27,367,141	229,713,448	6,096,879	657,122,219	8,272,862,881
Accumulated depreciation							
At January 1, 2019	2,017,004,567	256,893,605	25,874,313	173,939,685	4,974,551	-	2,478,686,721
Charge of the year	273,215,210	5,846,549	338,146	8,029,441	595,695	-	288,025,041
At December 31, 2019	2,290,219,777	262,740,154	26,212,459	181,969,126	5,570,246	-	2,766,711,762
Net book value:							
December 31, 2019	4,736,007,470	63,595,793	1,154,682	47,744,322	526,633	657,122,219	5,506,151,119
December 31, 2018	4,578,344,179	60,246,776	1,492,828	55,747,663	1,122,328	679,533,556	5,376,487,330

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5 Property, plant and equipment (continued)

(b) Manufacturing plant includes deferred refinery turnaround costs. The movement in deferred refinery turnaround costs during the year ended December 31, is analyzed as under:

	December 31, 2020	December 31, 2019
Cost:		
At January 1	**113,672,712**	42,649,186
Addition during the year	**-**	71,023,526
At December 31	**113,672,712**	113,672,712
Accumulated depreciation:		
At January 1	**26,291,567**	7,108,199
Depreciation charge during the year	**22,734,544**	19,183,368
At December 31	**49,026,111**	26,291,567
Carrying amount at December 31,	**64,646,601**	87,381,145

(c) Additions during the year in capital work in progress principally relate to the project of expansion for Yanbu refinery. Capital work in progress at December 31, 2020 relates to the development and enhancement works for the Company's refineries in Jeddah and Yanbu. The management expects that the capital work in progress for Jeddah and Yanbu refineries will be completed in the year ending December 31, 2021.

(d) Depreciation charge for the year has been allocated as follows:

	Note	December 31, 2020	December 31, 2019
Cost of sales	23	**295,798,471**	287,259,763
General and administrative expenses	25	**978,396**	765,278
		296,776,867	288,025,041

6 Leases

(i) The Company's leasing activities and how these are accounted for:

The Company leases various lands, pipelines, motor vehicles and catalyst. Rental contracts are typically made for fixed periods of 1 to 30 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

At December 31, 2020, the Company did not have any lease contracts classified as right-of-use asset that are variable in nature. Some leases contain extension options exercisable by the Company before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company. The Company assesses at lease commencement whether it is reasonably certain to exercise the option. The Company does not provide residual value guarantees in relation to any of its leases.

(ii) Amounts recognised in the statement of financial position:

Right-of-use assets	December 31, 2020	December 31, 2019
Lands	**96,736,493**	98,666,775
Pipelines and catalyst	**7,921,531**	11,509,910
Motor vehicles	**4,190,045**	-
	108,848,069	110,176,685

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6 Leases (continued)

(ii) Amounts recognised in the statement of financial position (continued)

Lease liabilities	**December 31, 2020**	**December 31, 2019**
Current	**19,560,029**	10,570,980
Non-current	**98,080,457**	101,941,859
	117,640,486	112,512,839

The additions to the right-of-use assets during the year ended December 31, 2020 was Saudi Riyals 18.5 million (December 31, 2019: Saudi Riyals Nil).

(iii) Amounts recognised in the statement of comprehensive income

	December 31, 2020	**December 31, 2019**
Depreciation charge on right-of-use assets - lands	**5,263,040**	6,200,603
Depreciation charge on right-of-use assets - pipelines and catalyst	**3,588,379**	3,588,379
Depreciation on charge right-of-use assets - motor vehicles	**465,561**	-
	9,316,980	9,788,982
Interest expense (included in finance costs -Note 26)	**5,196,184**	5,542,782
Expense relating to short-term leases (included in cost of sales – Note 23 and general and administrative expenses - Note 25)	**11,149,649**	8,106,209

Depreciation on right-of-use assets for the year has been allocated as follows:

	Note	**December 31, 2020**	**December 31, 2019**
Cost of sales	23	**7,917,815**	7,452,253
General and administrative expenses	25	**1,399,165**	2,336,729
		9,316,980	9,788,982

(iv) The total cash outflow for leases during the year was Saudi Riyals 3.64 million (December 31, 2019: Saudi Riyals 8.64 million).

(v) During the year ended December 31, 2020 the Company has terminated a lease contract and the related lease liabilities and right-of-use assets were written off resulting in a gain of Saudi Riyals 4.41 million.

Extension option

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of land and pipelines, the following factors are normally the most relevant:

- If there are significant penalty payments to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

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6 Leases (continued)

As at December 31, 2020, potential future cash outflows of Saudi Riyals 109.73 million (undiscounted) have been included in the lease liability because it is reasonably certain that the lease will be extended (2019: Saudi Riyals 109.73 million).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, there financial effect of revising lease terms to reflect the effect of exercising extension and termination options was nil in recognised lease liabilities and right-of-use assets (2019 – increase of Saudi Riyals 50.46 million).

7 Intangible assets

	2020	2019
Cost		
At January 1	**30,213,394**	26,461,894
Additions	**2,625,460**	3,751,500
At December 31	**32,838,854**	30,213,394
Accumulated amortization		
At January 1	**9,557,297**	3,483,327
Charge for the year	**2,980,864**	6,073,970
At December 31	**12,538,161**	9,557,297
Carrying amount at December 31	**20,300,693**	20,656,097

Intangible assets comprise of software and its development cost.

8 Employees' home ownership receivables

(a) Employees' home ownership receivables comprise the following:

	Note	2020	2019
Employees' home ownership receivables		**6,589,329**	9,300,419
Less: current portion	12	**(1,953,601)**	(1,937,745)
		4,635,728	7,362,674

In the previous years, the Company had a Home Ownership Program that offered eligible Saudi employees' home ownership opportunities. During 2010, the Company constructed and sold 133 residential houses for outright sale to the employees. Houses were sold to eligible employees and a receivable was recorded against such sale, which does not bear any finance charges and is expected to be collected over a period of 15 years. Deductions are made monthly from the employees' salaries up to 25% of their basic salaries. The Company shall transfer the legal title of those residential houses to the concerned employees at the time of final settlement of the loan.

(b) The movement in employees' home ownership receivable is as follows:

	2020	2019
Balance at January 1	**9,300,419**	11,403,025
Deductions from employees' salary during the year	**(2,768,032)**	(2,324,581)
Finance income due to unwinding	**56,942**	221,975
Balance at December 31	**6,589,329**	9,300,419

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8 Employees' home ownership receivables (continued)

(c) The collection schedule of the aggregate employees' home ownership receivables outstanding at December 31, is summarized as follows:

	2020	**2019**
2020	-	1,983,905
2021	**2,104,959**	1,844,877
2022	**1,569,928**	1,604,582
2023	**1,114,187**	1,488,958
2024	**1,103,155**	1,398,824
2025 and thereafter	**1,002,493**	1,780,323
Less: Unearned finance income	**(305,393)**	(801,050)
	6,589,329	9,300,419

9 Loans to employees

Loans to employee comprise the following:

	Note	**2020**	**2019**
Home loans to employees	9(a)	**16,929,064**	22,129,703
Other loans to employees	9(b)	**2,849,446**	2,650,081
Less: current portion	12	**(6,567,694)**	(5,702,448)
		13,210,816	19,077,336

(a) Home loan to employees

The movement in Home loans to employees balance is as follows:

	2020	**2019**
Balance at January 1	**22,129,703**	25,362,936
New loans disbursed during the year	**1,398,922**	2,719,455
Finance income	**1,072,553**	1,186,384
Discounting effect on new loan	**(793,122)**	(684,895)
Deductions including settlement with employees retired during the year	**(6,878,992)**	(6,454,177)
Balance at December 31	**16,929,064**	22,129,703

Home loans are given to eligible Saudi employees of the Company under a scheme approved by the Board of Directors. Under this scheme, loans are provided to eligible employees for the purpose of purchasing or constructing their residential houses. Such loans, which do not bear any finance charges, are re-payable by the employee as per the agreement with the employee and are secured through the mortgage of related property.

The collection schedule of the aggregate employees' home loan is summarized as follows:

	2020	**2019**
2020	-	4,503,135
2021	**5,956,916**	4,252,961
2022	**4,035,330**	4,002,786
2023	**3,651,013**	3,752,612
2024	**3,458,854**	3,742,605
2025 and thereafter	**2,113,744**	4,763,316
Less: Unearned finance income	**(2,286,793)**	(2,887,712)
	16,929,064	22,129,703

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9 Loans to employees (continued)

(b) Other loans to employees

Such loans are given to eligible Saudi employees of the Company under a scheme approved by the Board of Directors. Under this scheme, the employees are eligible for loans up to 80% of their end of service benefits accrued. Such loans, which do not bear any finance charges, are re-payable by the employees over 36 months and are secured against the related employees' end of service benefits.

The movements in other loans to employees are as follows:

	2020	**2019**
At January 1	**2,650,081**	2,225,485
Loans disbursed during the year	**2,900,029**	2,401,901
Finance income for the year	**87,405**	100,032
Discounting effect on new loan	**(71,118)**	(120,238)
Deductions from payroll	**(2,716,951)**	(1,957,099)
At December 31	**2,849,446**	2,650,081

The collection schedule of the aggregate other loans to employees is summarized as follows:

	2020	**2019**
2020	**-**	1,320,121
2021	**1,410,802**	970,163
2022	**1,036,805**	388,910
2023	**415,626**	-
Less: Unearned finance income	**(54,829)**	(29,113)
	2,808,404	2,650,081

10 Inventories

	2020	**2019**
Finished goods	**173,472,279**	249,588,410
Production in progress	**215,114,740**	190,303,329
Raw material	**79,006,789**	76,681,812
Spare parts and consumables materials	**89,135,350**	87,931,687
	556,729,158	604,505,238
Less: Allowance for slow moving items	**(12,937,706)**	(10,216,144)
	543,791,452	594,289,094

Amounts of inventories recognised as an expense are disclosed in Note 23.

Movement in provision for slow-moving inventories is as follows:

	2020	**2019**
Opening balance	**10,216,144**	9,507,808
Additions	**2,721,562**	708,336
Closing balance	**12,937,706**	10,216,144

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11 Trade receivables

	Note	2020	2019
Trade receivables		**219,490,367**	220,241,317
Related parties	19, 21	**219,804,339**	170,412,845
		439,294,706	390,654,162
Allowance for doubtful account		**(505,641)**	(233,603)
		438,789,065	390,420,559

Trade receivables amounting to Saudi Riyals 367.54 million (2019: Saudi Riyals 322.47 million) have been offset in the statement of financial position. For details, refer Note 19.

Due to the short-term nature of the trade receivables, their carrying amount are considered to approximate their fair value.

Trade receivables are non-derivative financial assets carried at amortised cost and are generally on terms of 30 to 90 days. The carrying value may be affected by changes in the credit risk of the counterparties. It is not the practice of the Company to obtain collateral over third party trade receivables and these are, therefore, unsecured. The vast majority of the Company's trade receivables are concentrated in the Kingdom of Saudi Arabia. As at December 31, 2020, five largest customers accounted for 62% (December 31, 2019: 63%) of the outstanding trade receivables. The Company holds trade receivables with the objective of collecting the contractual cash flows and therefore measure them subsequently at amortised cost.

The Company writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

Movement in provision for impairment of trade receivables is as follows:

	2020	2019
Opening balance	**233,603**	233,603
Charge for the year	**272,038**	-
Closing balance	**505,641**	233,603

Information about the impairment of trade receivables and the Company's exposure to credit risk, market risk and liquidity risk can be found in Note 28.2.

12 Prepayment and other assets

	Note	2020	2019
Net Value Added Tax (VAT) receivables		**108,456,393**	68,389,948
Advances to suppliers		**10,756,656**	11,669,006
Advance tax		**-**	48,649,209
Loans to employees (current portion)	9	**6,567,694**	5,702,448
Prepaid insurance		**4,645,748**	3,278,715
Employees' home ownership receivables (current portion)	8	**1,953,601**	1,937,745
Interest receivable - time deposits		**303,246**	969,593
Prepaid housing allowance		**-**	13,472,689
Others		**5,549,749**	6,428,718
		138,233,087	160,498,071

Loans to employees (current portion), employees' home ownership receivable (current portion), interest receivables and other receivables are generally settled within 12 months from the reporting date. Hence, their carrying amount is considered to be the same as fair value.

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13 Cash and cash equivalents

	2020	2019
Cash in hand	**280,000**	259,999
Cash at banks	**25,503,382**	62,514,799
Time deposits	**647,067,722**	116,250,000
	672,851,104	179,024,798

Time deposit are placed with local commercial banks and yield financial income at prevailing market rates with original maturities of three months or less. It includes a time deposit held for the purpose of employees' end of service benefits amounting to Saudi Riyals 162.97 million. The carrying value at each reporting date is considered to be the same as fair value.

14 Share capital

At December 31, 2020 and 2019 the Company's share capital of Saudi Riyals 441 million consist of 44,100 fully paid shares of Saudi Riyals 10,000 each. The shareholding pattern of Company's share capital as at December 31, 2019 and 2020 is as follows:

	Amount	Percentage holding
Saudi Aramco	308,700,000	70%
JIIC	132,300,000	30%
Total	**441,000,000**	**100%**

15 Statutory reserve

In accordance with the Regulations of Companies' Law in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company should transfer 10% of the net profits for the year to a statutory reserve until such reserve equals at least 30% of its share capital. No transfers are made to the statutory reserve as the reserve has exceeded 30% of the Company's share capital in previous years. This reserve is not available for distribution to shareholders.

16 Long-term borrowings

Long-term borrowings comprise of the following:

	Note	2020	2019
Riyad Bank - Islamic banking facilities (Murabaha)	16(a)	**1,325,452,500**	1,085,452,500
Public Investment Fund (PIF)	16(b)	**828,614,700**	828,614,700
		2,154,067,200	1,914,067,200
Less: current portion of long-term loans		**(1,033,235,550)**	(583,780,050)
		1,120,831,650	1,330,287,150

The current portion of long-term borrowings for the years ended December 31, are as follows:

	2020	2019
Murabaha	**568,976,250**	354,588,750
PIF	**464,259,300**	229,191,300
	1,033,235,550	583,780,050

The breakdown of aggregate maturities of borrowings is as follows:

	2020	2019
2020	**-**	583,780,050
2021	**1,033,235,550**	627,993,000
2022	**810,230,250**	579,192,750
2023	**198,101,400**	123,101,400
2024	**75,000,000**	-
2025	**37,500,000**	-
	2,154,067,200	1,914,067,200

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16 Long-term borrowings (continued)

Currency denomination of the borrowings in Saudi Riyals equivalent is as follows:

	2020	2019
Saudi Riyals	**467,977,500**	467,977,500
United States Dollars (USD)	**1,686,089,700**	1,446,089,700
Total	**2,154,067,200**	1,914,067,200

These facilities bear finance costs at market rates, which are generally based on Saudi Inter Bank Offered Rate ("SIBOR") for Saudi Riyals denominated borrowings and on London Interbank Offered Rate ("LIBOR") for USD denominated borrowings. Finance costs recognized as expense on the above borrowings have been disclosed in Note 26.

(a) Islamic banking facilities (Murabaha) with a local commercial bank

The Company entered into a Murabaha financing arrangement with a local commercial bank on February 24, 2013 to obtain a loan of Saudi Riyals 1,012.5 million and USD 300 million (equivalent of Saudi Riyals 1,125 million) for the purpose of financing its Yanbu Refinery Expansion Project. The principal repayments began from June 30, 2016 and will continue on an un-equal semi-annual instalment basis till December 31, 2022. The facility is subject to financing cost computed by the bank as stipulated in the loan agreement.

Further, the Company entered into a new Murabaha financing arrangement with a local commercial bank on April 28, 2019 to obtain a loan for USD 90 million (equivalent of Saudi Riyals 337.5 million) to finance the settlement of contractor and partial amount of the hydrogen revamp project. The principal repayments will begin from June 30, 2021 and will continue on an un-equal semi-annual instalment basis till June 30, 2025. The facility is subject to financing cost computed by the bank as stipulated in the loan agreement.

During the year 2020, the Company applied for deferral of principal repayments due on June 30, 2020 and December 31, 2020. On July 7, 2020, the approval from the lender was obtained for deferment of both the principal repayments initially due on June 30, 2020 and December 31, 2020 on pro-rata basis over the remaining tenor of the borrowings starting from June 30, 2021.

(b) PIF

The Company obtained long term borrowings from PIF on August 18, 2014 to finance its Yanbu Refinery Expansion Project amounting to USD 412.4 million (equivalent of Saudi Riyals 1,546.5 million). The principal repayments began from December 30, 2017 and will continue on an un-equal semi-annual instalment basis till June 30, 2023.

During the year 2020, the Company applied for deferral of principal repayments due on June 30, 2020 and December 31, 2020. On June 22, 2020, the approval from the lender was obtained and both the principal repayments initially due on June 30, 2020 and December 31, 2020 are now due on June 30, 2021 and December 31, 2021, respectively.

The above loan agreements contain certain covenants, which among other things, require certain financial ratios to be maintained. As at December 31, 2020 the Company was in compliant with all the covenants with both the lenders.

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17 Employee benefit obligations

Employee benefit obligations at December 31, comprise the following:

	Note	2020	2019
Employees' end of service benefits	17(a)	**170,958,946**	173,615,872
Employees' post-retirement health care benefit	17(b)	**122,153,153**	140,650,105
		293,112,099	314,265,977

(a) *Employees' end of service benefits*

The Company has an employment defined benefit plan. The benefits are required by Saudi Labor Law. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The following table summarizes the components of the net benefit expense recognized in statement of comprehensive income and amounts recognized in the statement of financial position.

Movement in the present value of defined benefit obligation:

	2020	2019
At January 1	**173,615,872**	180,850,538
Included in profit and loss:		
Current service cost	**10,720,150**	10,965,903
Interest cost	**5,210,447**	7,923,867
	15,930,597	18,889,770
Included in other comprehensive income:		
Actuarial gain on obligation	**(81,620)**	(2,162,322)
Benefits paid	**(18,505,903)**	(23,962,114)
At December 31	**170,958,946**	173,615,872

Significant assumptions used in determining the employment defined benefit obligation include the following:

	2020	2019
Discount rate	**2.00%**	2.95%
Future salary increase rate	**2.00%**	2.95%

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is shown below:

Discount rate:

	December 31, 2020	December 31, 2019
0.5% increase in discount rate	**(6,954,866)**	(6,869,850)
0.5% decrease in discount rate	**7,526,714**	7,407,476

Future salary growth rate:

	December 31, 2020	December 31, 2019
0.5% increase in future salary growth rate	**7,925,343**	7,809,255
0.5% decrease in future salary growth rate	**(7,390,195)**	(7,307,485)

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17 Employee benefit obligations (continued)

(a) Employees' end of service benefits (continued)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

The expected maturity analysis of undiscounted employee benefit obligations as at December 31, 2020 is as follows:

Less than a year	7,934,413
Between 1 – 5 years	71,354,140
Over 5 years	278,401,195

(b) Employees' post-retirement health care benefit

The Company provides full medical coverage to Saudi employees and their spouses provided they have completed minimum 25 years of service with the Company and their age is minimum 55 years or the employee reaches the age of sixty.

The following table summarizes the components of the net benefit expense recognized in the statement of comprehensive income and amounts recognized in the statement of financial position:

Movement in the present value of defined benefit obligations:

	2020	**2019**
At January 1	**140,650,105**	153,084,393
Included in profit or loss:		
Current service cost	**8,336,676**	9,825,671
Interest cost	**7,590,146**	10,333,122
	15,926,822	20,158,793
Included in other comprehensive income:		
Actuarial gain on obligation	**(33,513,698)**	(31,824,219)
Benefits paid	**(910,076)**	(768,862)
At December 31	**122,153,153**	140,650,105

Significant assumptions used in determining the post-employment defined benefit obligation includes the following:

	2020	**2019**
Discount rate	**3.35%**	5.25%
Medical rate (pre-retirement and post-retirement)	**5.35%**	7.25%

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is shown below:

Discount rate:

	December 31, 2020	**December 31, 2019**
0.5% increase in discount rate	**(15,019,869)**	(19,226,700)
0.5% decrease in discount rate	**18,747,725**	23,338,364

Medical rate (Pre Retirement):

	December 31, 2020	**December 31, 2019**
0.5% increase in medical rate (Pre Retirement)	**6,384,082**	8,874,384
0.5% decrease in medical rate (Pre Retirement)	**(5,178,111)**	(7,992,470)

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17 Employee benefit obligations (continued)

(b) Employees' post-retirement health care benefit (continued)

Medical rate (Post Retirement):

	December 31, 2020	December 31, 2019
0.5% increase in medical rate (Post Retirement)	**11,905,867**	13,360,615
0.5% decrease in medical rate (Post Retirement)	**(9,934,182)**	(11,844,391)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method (present value of defined benefit obligations calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

The expected maturity analysis of undiscounted Employees' post-retirement health care benefit as at December 31, 2020 is as follows:

Less than a year	463,657
Between 1 – 5 years	5,189,351
Over 5 years	144,784,859

18 Other non-current liabilities

	2020	2019
Provision for decommissioning	**30,733,784**	30,079,874
Thrift plan	**6,151,276**	5,781,445
Chronic Medical Circumstance	**1,334,002**	755,008
	38,219,062	36,616,327

Decommissioning provision is made for the refinery closure, reclamation and dismantling obligation of the Jeddah refinery. These obligations are expected to be incurred in the year in which the refinery is expected to be closed. Management estimates the provision based on management's understanding of the current legal requirements in the Kingdom of Saudi Arabia, terms of the license agreements and engineering estimates.

The provision for decommissioning obligation represents the present value of full amount of the estimated future closure and reclamation costs, based on information currently available including closure plans and applicable regulations. Future changes, if any, in regulations and cost assumptions may be significant and will be recognised when determined.

Movement in provision for decommissioning is as follows:

	2020	2019
Opening balance	**30,079,874**	29,425,964
Unwinding of discount	**653,910**	653,910
Closing balance	**30,733,784**	30,079,874

19 Trade payables

	Note	2020	2019
Related parties	21	**729,372,182**	698,549,900
Third parties		**49,399,960**	135,863,671
Other payables		**110,654,069**	114,807,509
		889,426,211	949,221,080

Trade payables are unsecured and are usually paid within 3-12 months of recognition. The carrying amounts of trade payables are considered to approximate their fair values, due to their short-term nature.

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19 Trade payables (continued)

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company has an agreement with Saudi Aramco to purchase feedstock and return the by-product in Jeddah refinery and purchase fuel oil and return the by-product (marine heavy fuel oil) in Yanbu refinery. The settlement of these transactions takes place after 90 days and net payment is made to or received from Saudi Aramco.

The following table presents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as at December 31:

	Effects of offsetting on the statement of financial position		
	Gross amounts	**Gross amounts set off in the statement of financial position**	**Net amounts presented in the statement of financial position**
December 31, 2020			
Related party receivables	**587,345,892**	**(367,541,553)**	**219,804,339**
Related party payables	**1,096,913,735**	**(367,541,553)**	**729,372,182**
December 31, 2019			
Related party receivables	492,879,658	(322,466,813)	170,412,845
Related party payables	1,021,016,713	(322,466,813)	698,549,900

20 Accrued expenses and other liabilities

	Note	**2020**	**2019**
Accrued expenses		**7,266,650**	23,282,069
Yanbu expansion project related accruals		**11,845,856**	123,529,380
Accrued bonus		**20,254,796**	12,952,810
Accrual for rebates and discounts		**20,950,730**	28,912,786
Derivative financial instrument measured at fair value through profit or loss	20.1	**19,676,860**	8,437,501
Others		**5,543,618**	4,961,236
		85,538,510	202,075,782

20.1 The arrangement has not been designated as hedging arrangement since its inception. The Company relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparty include the use of forward pricing standard models using present value calculations and mid-market valuations. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices.

The analysis of derivative financial instruments and the related fair values together with the notional amounts classified by the term to maturity as of December 31, 2020 is as follows:

	Negative fair value		**Notional Amount**	
	2020	**2019**	**2020**	**2019**
Interest rate swaps	**19,676,860**	8,437,501	**520,893,675**	873,485,805

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21 Related party transactions and balances

Related parties comprise the shareholders, affiliated companies, key management personnel and entities controlled, jointly controlled or significantly influenced by such parties. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

Following is the list of related parties with whom the Company has significant transactions and balances:

Name of related party	Nature of relationship
Saudi Arabian Oil Company ("Saudi Aramco")	Shareholder and Ultimate Parent
Jadwa Industrial Investment Company ("JIIC")	Shareholder
Saudi Aramco Mobil Refinery Company Ltd. ("SAMREF")	Affiliate
S-Oil Corporation	Affiliate
Motiva Trading LLC	Affiliate
Aramco Chemical Company ("ACC")	Affiliate
Aramco Far East (Beijing) Business Services Company ("ABS")	Affiliate
Saudi Basic Industries Corporation ("SABIC")	Affiliate
Saudi Aramco Technologies Company ("SATC")	Affiliate

Transactions with key management personnel

Compensation of key management personnel of the Company is as follows:

	2020	2019
Short-term employee benefits	**28,654,197**	36,498,984

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21 Related party transaction and balance (continued)

Significant transactions and balances with related parties in the ordinary course of the business included in the financial statements are summarized below:

Related party	Nature of transaction	Amount of transactions for the year ended		Balance as at December 31,	
		December 31, 2020	December 31, 2019	2020	2019
Due from related parties					
Saudi Aramco	Sales of by products (MHFO, Fuel Oil Blend and Asphalt)	**1,206,051,834**	1,683,058,901	**-**	-
	Sales of other by products and processing fees	**701,307,177**	988,664,394	**100,693,037**	91,709,991
SAMREF	Sales of by products	**271,861,198**	570,756,016	**63,694,898**	78,702,854
S-Oil Corporation	Sales of base oil	**298,119,654**	8,687,906	**41,341,857**	-
Motiva Trading LLC	Sales of base oil	**25,060,873**	-	**13,955,802**	-
ACC	Sales of base oil	**103,256**	-	**118,745**	-
				219,804,339	170,412,845
Due to related parties					
Saudi Aramco	Purchase of feedstock, materials and utilities	**3,118,645,422**	4,616,094,887	**722,532,922**	698,549,900
	Technical and management support services	**22,124,622**	18,774,231	**-**	-
	Lease rental for Jeddah refinery land and Yanbu refinery pipeline	**2,643,514**	2,643,514	**-**	-
SAMREF	Technical and management support services	**930,631**	884,321	**-**	-
S-Oil Corporation	Purchase of base oil	**108,329,568**	10,992,184	**6,839,260**	-
SABIC	Purchase of materials	**50,287**	78,879	**-**	-
ABS	Technical and management support services	**35,090**	-	**-**	-
SATC	Technical and management support services	**300,000**	-	**-**	-
				729,372,182	698,549,900

The Company's revenues derived from sale to Saudi Aramco and other affiliates accounted for approximately 22% and 19% (2019: 25% and 15%) respectively, of the total revenue. For Board of Directors' expenses refer (Note 25).

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22 Sales

The Company derives sales from the transfer of goods at a point in time in the following major product lines:

	2020	2019
Base oil	**2,180,608,749**	2,332,086,941
By-products	**1,006,884,457**	1,605,268,376
	3,187,493,206	3,937,355,317

23 Cost of sales

	Note	2020	2019
Cost of materials		**2,206,323,394**	3,178,525,288
Employee related costs		**177,757,450**	184,673,282
Depreciation on property, plant and equipment	5	**295,798,471**	287,259,763
Depreciation on right-of-use assets	6	**7,917,815**	7,452,253
Amortization of intangible assets		**1,056,473**	906,427
Other		**83,708,719**	72,242,299
		2,772,562,322	3,731,059,312

24 Selling and distribution expenses

	2020	2019
Freight expenses	**73,183,810**	78,850,317
Tank rents	**9,105,607**	6,805,456
Demurrage charges	**9,012,565**	2,861,728
Others	**6,502,312**	5,067,202
	97,804,294	93,584,703

25 General and administrative expenses

	Note	2020	2019
Employee related costs		**125,821,381**	124,889,170
Consultancy charges		**17,638,272**	24,277,991
Donations		**5,291,970**	206,657
Telephone and postage		**2,768,438**	855,920
Rent		**2,044,042**	1,300,753
Depreciation on right-of-use assets	6	**1,399,165**	2,336,729
Insurance		**1,233,755**	917,389
Business travel		**1,025,187**	2,479,617
Depreciation on property, plant and equipment	5	**978,396**	765,278
Amortization of intangible assets		**1,924,391**	5,167,543
Board of Directors' expenses		**167,392**	178,558
Others		**17,167,901**	17,814,228
		177,460,290	181,189,833

26 Finance cost

	Note	2020	2019
Finance costs with respect to:			
- Murabaha (Islamic)		**43,581,074**	52,222,978
- PIF loan (conventional)		**22,164,123**	41,197,030
- Interest on lease liabilities	6	**5,196,184**	5,542,782
- Unwinding of decommissioning provision	18	**653,910**	653,910
		71,595,291	99,616,700

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27 Zakat and income tax

During the year ended December 31, 2017, pursuant to the Royal Decree A/136, all shares in Kingdom-resident companies held directly or indirectly by Saudi Arabian Oil Company (Saudi Aramco) are subject to Saudi Arabian Income Tax, rather than to Zakat. Accordingly, income tax has been recognized for Saudi Aramco owned interest in the Company.

During the year ended December 31, 2020, the shareholders signed an agreement that the Company shall be subject to zakat with respect to JICC's shareholding and income tax with respect to Saudi Aramco's shareholding. The shareholders shall bear the economic burden of any zakat and income tax required under applicable law.

The Company's shareholder, JIIC is partially owned by non-resident foreign partner(s). Accordingly, during the year ended December 31, 2020, the Company recognized zakat on the JIIC's resident partners' interest.

The movement in zakat and income tax payable is as follows:

	Income tax	Zakat	Total
At January 1, 2019	554,559	26,194,879	26,749,438
Charge for the year	-	2,664,164	2,664,164
At December 31, 2019	554,559	28,859,043	29,413,602
Charge for the year	-	860,866	860,866
Payment	-	(7,429,319)	(7,429,319)
At December 31, 2020	**554,559**	**22,290,590**	**22,845,149**

27.1 Components of zakat base

Zakat is payable at 2.58% of approximate zakat base (excluding adjusted net income for the year) and at 2.5% of the adjusted net income for the year. The significant components of the Saudi shareholder's share of approximate zakat base for the years ended December 31 comprised the following:

The significant components of the non-Aramco Saudi shareholder's share of approximate zakat base for the years ended December 31 comprised the following:

	2020	**2019**
Additions:		
Equity at beginning of year	**3,596,889,515**	3,703,511,853
Provision at beginning of year	**308,320,754**	318,897,253
Adjusted income / (loss) for year	**-**	(95,509,917)
Borrowings	**1,079,848,043**	1,914,067,200
Lease liabilities	**117,640,486**	112,512,839
Others	**33,595,318**	138,022,383
	5,136,294,116	6,091,501,611
Deductions:		
Property, plant and equipment	**(5,371,750,915)**	(5,506,151,119)
Right-of-use assets	**(108,848,069)**	(110,176,685)
Intangible assets	**(20,300,693)**	(20,656,097)
Spare parts and consumables materials	**(89,135,350)**	(87,931,687)
	(5,590,035,027)	(5,724,915,588)
Approximate zakat base	**(453,740,911)**	366,586,023
Net zakat base to share subject to zakat (29.07%)	**34,434,640**	106,566,557
Approximate zakat at specified rate	**860,866**	2,664,164

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27 Zakat and income tax (continued)

27.2 Income tax

Income tax liability is calculated at 20% of the adjusted net income attributable to the Saudi Aramco and JIIC foreign shareholders.

The following is a summary of significant differences between financial net income and estimated taxable net income for the years ended December 31:

	2020	2019
Profit / (loss) before zakat and income tax	**81,938,245**	(137,944,715)
Adjusted for:		
- Depreciation and amortization	**(668,029,612)**	(830,643,183)
- Actuarial gain on obligations	**(33,595,318)**	-
- Provisions	**36,453,754**	42,434,798
- Provision utilized	**(19,415,979)**	(24,869,065)
- Leases interest and payments - net	**1,552,840**	-
- Interest on borrowings	**76,984,556**	101,857,509
	(524,111,514)	(849,164,656)
Foreign shareholding	**70.93%**	70.93%
Taxable income	**-**	-
Income tax charge for the year @ 20%	**-**	-

Deferred tax assets are not material to the financial statements and accordingly have not been recorded in the financial statements.

27.3 Status of final assessments

The Company has filed its Zakat declaration up to the financial year end December 31, 2019 with General Authority of Zakat and Tax ("GAZT").

The GAZT had issued an assessment for the years 2005 to 2009 amounting to Saudi Riyals 12.8 million and the Company had filed an objection against this assessment. Subsequently, during the year 2014, the GAZT revised the assessment and reduced the claim to Saudi Riyals 8.1 million. The Company elevated the assessment to the Preliminary Objection Committee ("POC") which accepted most of the items under appeal. It was determined by the POC that a net refund of Saudi Riyals 8.1 million is payable to the Company due to overpayment. Such decision was appealed to the Higher Appeal Committee ("HAC") by the GAZT. The Company is expecting a favorable outcome from HAC's decision. During the year 2020, the GAZT announced an amnesty period, whereby companies can make use of a penalty waiver and withdrawal from open cases by settling the principal amounts. The Company made use of the GAZT's amnesty period which ended on December 31, 2020, to cancel the penalties arising from the withholding tax differences claimed, on the ground that it had settled the principal amount at an earlier stage.

During the year, GAZT has issued an assessment order against the Company amounting to Saudi Riyals 33.3 million for VAT wrong filing penalties and late payment penalties for the months from July 2018 to November 2018. The Company has submitted appeals to General Secretariat of Tax Committees ("GSTC") The appeal cases were withdrawn by the Company based on the GAZT amnesty which allows the taxpayers to waive the imposed penalties with the condition to withdraw the appeal cases. The GAZT has credited the penalties amounting to Saudi Riyals 30.9 million to the Company account in November 2020 VAT return.

In addition, the Company has revised its VAT returns from months ended February 2018 to June 2018. GAZT in this respect has levied late payment penalties amounting to Saudi Riyals 8.77 million. The Company has paid these penalties in protest and has submitted an appeal against these penalties with the Ministry of Energy. The appeal is in initial stage and the Company is expecting a favorable outcome.

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28 Financial instruments

28.1 Fair value measurement of financial instruments

a) Recognised fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2020 and December 31, 2019, all of the Company's financial assets and financial liabilities are currently classified and measured at amortised cost, except for derivative financial instrument measured at fair value through profit or loss.. Further, the carrying value of all the financial assets and liabilities, except for derivative financial instrument measured at fair value through profit or loss. classified as amortised cost approximates to the fair value on each reporting date.

b) Valuation technique

For financial instruments, other than listed securities, discounted cash flow analysis is used to determine the fair value.

c) Valuation process

Interest rate swap transactions usually involve two counterparties, a firm (or other entity) and a financial institution. The most common type of contract requires one counterparty to pay a fixed interest rate for the term of the contract, while the other counterparty pays a variable interest rate for the same term. Therefore, the fair value of the liability shall reflect the non-performance risk, risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk grading determined by management.

28.2 Risk management framework

The Company's top management has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

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28 Financial instruments (continued)

28.2 Risk management framework (continued)

The Company management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the management. There are no changes to the Company's risk management policies due to COVID 19. The Company is continuously monitoring the evolving scenario and any change in the risk management policies will be reflected in the future reporting periods.

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk (currency risk, fair value and cash flow interest risk and price risk)

a) Credit risk

Credit risk arises from cash and cash equivalents, credit exposures to customers, including outstanding receivables from other parties.

- *Risk management*

For banks, only independently rated parties above A-2 ratings are accepted. For trade receivables, management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by line management. Refer to Note 11 for concentration of credit risk on trade receivables.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a trade receivable occurs when the counterparty fails to make contractual payments within 90 days of when they fall due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The Company writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Where recoveries are made, these are recognised in the statement of comprehensive income.

- *Impairment of financial assets*

The Company's exposure to credit risk at the reporting date is as follows:

	2020	**2019**
Trade receivables – third parties	**219,490,367**	220,241,317
Trade receivables – related parties	**219,804,339**	170,412,845
Interest and other receivables (included within prepayments and other assets)	**5,852,995**	7,398,311
Short-term deposit	**-**	167,405,889
Cash at banks	**25,503,382**	62,514,799
Time deposits	**647,067,722**	116,250,000
	1,117,718,805	744,223,161

The Company uses the forward-looking 'expected credit loss' (ECL) model. Cash at banks, short-term deposit and time deposits are placed with banks with sound credit ratings. Other receivables are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment assessment. Based on management's impairment assessment, there is no provision required in respect of these balances for all the years presented.

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28 Financial instruments (continued)

28.2 Risk management framework (continued)

For trade receivables, the Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables based on a provision matrix. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. The historical loss rates are also considered to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified inflation rate, GDP growth rate and GDP growth rate of the countries in which it sells its goods to be the most relevant macro-economic factors of forward looking information that would impact the credit risk of the customers, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The trade receivables balance from the related parties are from the affiliates having the same ultimate shareholder. Based on management's impairment assessment, there is no provision required in respect of these balances for all the periods presented as they are considered to have low credit risk.

Impairment losses on financial assets recognised in the statement of comprehensive income are as follows:

	For the year ended	
	December 31, 2020	**December 31, 2019**
Impairment loss on trade receivables	**505,641**	233,603

The following table provides information about the exposure to credit risk and ECLs for trade receivables from external customers:

December 31, 2020	**Gross carrying amount**	**Weighted average loss rate**	**Loss allowance**
Current (not past due)	**383,968,049**	**0.06%**	**229,137**
1–90 days past due	**54,738,434**	**0.07%**	**39,517**
91–180 days past due	**355,063**	**1.08%**	**3,827**
181–360 days past due	**-**	**81.13%**	**-**
More than 360 days past due	**233,160**	**100 %**	**233,160**
Total	**439,294,706**		**505,641**

December 31, 2019	**Gross carrying amount**	**Weighted average loss rate**	**Loss allowance**
Current (not past due)	375,398,950	0.06%	210,052
1–90 days past due	15,231,559	0.08%	12,335
91–180 days past due	12,647	1.66%	210
181–360 days past due	-	0.36%	-
More than 360 days past due	11,006	1.66%	11,006
Total	390,654,162		233,603

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28 Financial instruments (continued)

28.2 Risk management framework (continued)

b) *Liquidity risk*

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, bank overdraft or reliance on a particular market in which to realise liquid assets. Contractual undiscounted cashflows as of December 31, 2020 and 2019 are:

As at December 31, 2020	**1 year or less**	**1 to 5 years**	**Above 5 years**	**Total**
Borrowings	1,065,212,272	1,142,686,905	-	2,207,899,177
Accrued expenses and other liabilities	85,538,510	-	-	85,538,510
Trade payables	889,426,211	-	-	889,426,211
Lease liabilities	19,684,284	39,837,421	131,209,056	190,730,761
	2,059,861,277	**1,182,524,326**	**131,209,056**	**3,373,594,659**
As at December 31, 2019				
Borrowings	603,258,599	1,374,804,215	-	1,978,062,814
Accrued expenses and other liability	202,075,782	-	-	202,075,782
Trade payables	949,221,080	-	-	949,221,080
Lease liabilities	15,969,091	44,828,470	116,117,818	176,915,379
	1,770,524,552	1,419,632,685	116,117,818	3,306,275,055

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Company's future commitments.

c) *Market risk*

Market risk is the risk that changes in market prices - such as foreign exchange rates and interest rates - will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that is not the Company's functional currency. The Company's transactions are principally in Saudi Riyals, United Arab Emirates Dirhams, Euros and United States Dollars. The management believes that there is no currency risk arising from the transactions in currencies to which the Saudi Riyals is pegged.

The Company's exposure to currency risk arising from currencies to which the Saudi Riyals is not pegged is not material to these financial statements.

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28 Financial instruments (continued)

28.2 Risk management framework (continued)

ii) Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company manages the interest rate risk by regularly monitoring the interest rate profiles of its interest bearing financial instruments. The Company's interest-bearing liabilities, which are mainly bank borrowings, are at floating rates of interest, which are subject to re-pricing. Management monitors the changes in interest rates and believes that the fair value risks to the Company are not significant. The Company have short term deposits and time deposits, interest bearing financial assets at the end of reporting period.

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows:

	2020	**2019**
Financial liabilities, principally borrowings	**2,154,067,200**	1,914,067,200

The Company's main interest rate risk arises from borrowings with variable rates, which expose the company to cash flow interest rate risk. Company policy is to maintain at least 50% of its borrowings at fixed rate using floating-to-fixed interest rate swaps to achieve this when necessary. Generally, the Company enters into long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Company borrowed at fixed rates directly. During 2020 and 2019, the Company's borrowings at variable rate were mainly denominated in Saudi Riyals and USD.

At December 31, 2020, if interest rates had been 1% higher/lower with all other variables held constant, future interest on outstanding loans will increase/decrease by Saudi Riyals 21.54 million (2019: Saudi Riyals 19.14 million).

Transition from LIBOR to risk free rates

In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates. LIBOR reforms and expectation of cessation of LIBOR will impact the Company's current risk management strategy and possibly accounting for certain financial instruments. The Group has long-term borrowings of Saudi Riyal 1,686 million which are exposed to the impact of LIBOR as at December 31, 2020.

As part of the Company's risk management strategy, the Company uses financial instruments to manage exposures arising from variation of interest rates that could affect statement of comprehensive income. Majority of those financial instruments are also referenced to LIBOR.

The Company is assessing the impact and next steps to ensure a smooth transition from LIBOR to the new benchmark rates.

iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have any financial instruments which are subject to other price risk.

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28 Financial instruments (continued)

28.2 Risk management framework (continued)

d) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a proper capital ratio in order to support its business and maximize shareholders' value. The capital structure includes all component of shareholders' equity totalling Saudi Riyals 3,711.56 million at December 31, 2020 (December 31, 2019: Saudi Riyals 3,596.89 million). The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company monitor capital on the basis of the gearing ratio. This ratio is calculated based on the net debt divided by total capital.

	2020	**2019**
Borrowings	**2,154,067,200**	1,914,067,200
Lease liabilities	**117,640,486**	112,512,839
Less: cash and cash equivalents	**(672,851,104)**	(179,024,798)
Net debt (A)	**1,598,856,582**	1,847,555,241
Shareholders' equity (B)	**3,711,562,212**	3,596,889,515
Total capital (A+B)	**5,310,418,794**	5,444,444,756
Gearing ratio (A / (A+B))	**30%**	34%

e) Net debt

	2020	**2019**
Cash and cash equivalents	**672,851,104**	179,024,798
Lease liabilities	**(117,640,486)**	(112,512,839)
Borrowings	**(2,154,067,200)**	(1,914,067,200)
Net debt	**(1,598,856,582)**	(1,847,555,241)

Borrowings of the Company carry variable interest rates.

f) Net debt reconciliation

	Cash and cash equivalents	**Borrowings**	**Leases**	**Total**
January 1, 2019	918,862,470	(2,352,752,700)	-	(1,433,890,230)
Cash flows	(739,837,672)	438,685,500	8,641,063	(292,511,109)
Recognised on adoption of IFRS 16	-	-	(115,611,120)	(115,611,120)
Interest on lease liabilities	-	-	(5,542,782)	(5,542,782)
December 31, 2019	179,024,798	(1,914,067,200)	(112,512,839)	(1,847,555,241)
Cash flows	**493,826,306**	**(240,000,000)**	**3,643,344**	**257,469,650**
Additions to leases	**-**	**-**	**(18,503,646)**	**(18,503,646)**
Interest on lease liabilities	**-**	**-**	**(5,196,184)**	**(5,196,184)**
Derecognition of lease liabilities due to termination of lease contracts	**-**	**-**	**14,928,839**	**14,928,839**
December 31, 2020	**672,851,104**	**(2,154,067,200)**	**(117,640,486)**	**(1,598,856,582)**

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29 Commitments and contingencies

29.1 Commitments

a) At December 31, 2020, the Company had outstanding capital commitments of Saudi Riyals 416 million (December 31, 2019: Saudi Riyals 510 million) in respect of additions to property, plant and equipment at its Jeddah and Yanbu refineries.

b) As at December 31, 2020 the letters of guarantees issued by banks on behalf of the Company amounted to Saudi Riyals 11.3 million (December 31, 2019: Saudi Riyals 12.7 million).

c) A contractor for Yanbu Expansion Project has submitted claims and appeals amounting to Saudi Riyals 182.73 million. After the assessment on the procedural and substantive grounds, the management has rejected these claims and appeals. The Company is expecting a favorable outcome therefore no provision has been recorded in the financial statements.

29.2 Short-term leases

The short-term lease commitment as of December 31, 2020 amounts to Saudi Riyals 4.5 million (December 31, 2019: Saudi Riyals 4.29 million).

30 Corresponding figures

Certain of the prior year amounts have been reclassified to conform with the presentation of the current year.

31 Approval of financial statements

These financial statements of the year ended December 31, 2020 were approved for issue by the shareholders on April 28, 2021.

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(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
AND INDEPENDENT AUDITOR'S REPORT

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
FOR THE YEAR ENDED DECEMBER 31, 2021

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Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saudi Aramco Base Oil Company - Luberef (the "Company") as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited
The Company's financial statements comprise:

- the statement of financial position as at December 31, 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Independent auditor's report to the shareholders of Saudi Aramco Base Oil Company - Luberef (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

April 28, 2022

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31 2021	2020
Assets			
Non-current assets			
Property, plant and equipment	5	**5,122,445,742**	5,371,750,915
Right-of-use assets	6	**101,611,090**	108,848,069
Intangible assets	7	**17,383,652**	20,300,693
Employees' home ownership receivables	8	**2,594,973**	4,635,728
Loans to employees	9	**11,900,415**	13,210,816
Total non-current assets		**5,255,935,872**	5,518,746,221
Current assets			
Inventories	10	**710,061,874**	543,791,452
Trade receivables	11	**862,677,645**	438,789,065
Prepayments and other assets	12	**40,415,231**	138,233,087
Short-term deposit		**145,726,030**	-
Cash and cash equivalents	13	**1,349,486,502**	672,851,104
Total current assets		**3,108,367,282**	1,793,664,708
Total assets		**8,364,303,154**	7,312,410,929
Equity and liabilities			
Equity			
Share capital	14	**441,000,000**	441,000,000
Statutory reserve	15	**220,500,000**	220,500,000
Retained earnings		**3,583,046,248**	3,050,062,212
Total equity		**4,244,546,248**	3,711,562,212
Liabilities			
Non-current liabilities			
Long-term borrowings	16	**2,103,750,000**	1,120,831,650
Lease liabilities	6	**107,534,518**	98,080,457
Employee benefit obligations	17	**321,669,581**	293,112,099
Deferred tax liabilities	27	**54,846,570**	-
Other non-current liabilities	18	**38,174,003**	38,219,062
Total non-current liabilities		**2,625,974,672**	1,550,243,268
Current liabilities			
Trade payables	19	**1,086,671,015**	889,426,211
Accrued expenses and other liabilities	20	**105,077,133**	85,538,510
Current portion of long-term borrowings	16	**146,250,000**	1,033,235,550
Lease liabilities	6	**5,268,474**	19,560,029
Zakat and income tax payable	27	**150,515,612**	22,845,149
Total current liabilities		**1,493,782,234**	2,050,605,449
Total liabilities		**4,119,756,906**	3,600,848,717
Total equity and liabilities		**8,364,303,154**	7,312,410,929

The accompanying notes form an integral part of these financial statements.

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31 2021	2020
Sales	22	**6,760,398,960**	3,187,493,206
Cost of sales	23	**(4,718,622,332)**	(2,772,562,322)
Gross profit		**2,041,776,628**	414,930,884
Selling and distribution expenses	24	**(116,582,767)**	(97,804,294)
General and administrative expenses	25	**(176,933,882)**	(177,460,290)
Other (expenses) income – net		**(5,957,279)**	20,599,446
Fair value gain / (loss) on derivative financial instruments measured at fair value through profit or loss	20	**13,341,071**	(11,239,359)
Operating profit		**1,755,643,771**	149,026,387
Finance income		**5,646,442**	4,507,149
Finance cost	26	**(69,860,511)**	(71,595,291)
Profit before zakat and income tax		**1,691,429,702**	81,938,245
Zakat and income tax	27	**(188,914,671)**	(860,866)
Profit for the year		**1,502,515,031**	81,077,379
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement (loss) gain on defined employee benefit obligations	17	**(37,326,071)**	33,595,318
Deferred tax relating to re-measurement loss		**5,295,076**	-
		(32,030,995)	33,595,318
Total comprehensive income for the year		**1,470,484,036**	114,672,697

The accompanying notes form an integral part of these financial statements.

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Saudi Aramco*	JIIC**	Total
Share capital				
January 1, 2020, December 31, 2020 and December 31, 2021	14	**308,700,000**	**132,300,000**	**441,000,000**
Statutory reserve				
January 1, 2020, December 31, 2020 and December 31, 2021	15	**154,350,000**	**66,150,000**	**220,500,000**
Retained earnings				
Balance at January 1, 2020		2,051,811,032	883,578,483	2,935,389,515
Profit before zakat and income tax		57,356,772	24,581,473	81,938,245
Zakat	27	-	(860,866)	(860,866)
Other comprehensive income	17	23,516,723	10,078,595	33,595,318
Total comprehensive income for the year		80,873,495	33,799,202	114,672,697
Balance at December 31, 2020		2,132,684,527	917,377,685	3,050,062,212
Profit before zakat and income tax		1,184,000,791	507,428,911	1,691,429,702
Zakat and income tax	27	(178,074,393)	(10,840,278)	(188,914,671)
Other comprehensive loss	17	(20,902,379)	(11,128,616)	(32,030,995)
Total comprehensive income for the year		985,024,019	485,460,017	1,470,484,036
Dividends	14	716,397,799	307,027,628	1,023,425,427
Zakat and income tax recovered from shareholders		(64,015,126)	(21,910,301)	(85,925,427)
Balance at December 31, 2021		**2,465,325,873**	**1,117,720,375**	**3,583,046,248**
Total equity at December 31, 2020		2,595,734,527	1,115,827,685	3,711,562,212
Total equity at December 31, 2021		**2,928,375,873**	**1,316,170,375**	**4,244,546,248**

* Saudi Arabian Oil Company ("Saudi Aramco")
** Jadwa Industrial Investment Company ("JIIC")

The accompanying notes form an integral part of these financial statements.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2021	2020
Cash flows from operating activities			
Profit before zakat and income tax		**1,691,429,702**	81,938,245
Adjustments for:			
Depreciation and amortization	5, 6, 7	**340,165,775**	309,074,711
Finance income		**(5,646,442)**	(4,507,149)
Non-cash employee benefit expenses		**44,722**	1,019,943
Finance cost	26	**69,860,511**	71,595,291
Fair value (gain) / loss on derivative financial instruments		**(13,341,071)**	11,239,359
Provision for employee benefits obligations	17	**24,758,770**	31,857,419
Gain on termination of lease contract	6	**-**	(4,413,557)
Gain on sale of property and equipment		**(2,130,515)**	(33,854)
Impairment loss on trade receivables	11	**4,845,900**	272,038
Provision for slow moving inventories	10	**1,599,373**	2,721,562
Changes in operating assets and liabilities:			
Inventories		**(167,869,795)**	47,776,080
Trade receivables		**(428,734,480)**	(48,640,544)
Prepayments and other assets		**98,765,974**	22,479,739
Trade payables		**198,026,666**	(60,419,276)
Accrued expenses and other liabilities		**32,879,694**	(127,776,631)
Cash generated from operations		**1,844,654,783**	334,183,376
Finance income received		**4,609,063**	3,956,596
Employee benefit obligations paid	17	**(33,527,359)**	(19,415,979)
Zakat and income tax paid	27	**(1,102,562)**	(7,429,319)
Net cash inflow from operating activities		**1,814,633,925**	311,294,674
Cash flows from investing activities			
Payments for property, plant and equipment	5	**(80,806,044)**	(162,484,996)
Proceeds from sale of property, plant and equipment		**2,229,977**	142,187
Additions to intangible assets	7	**-**	(2,625,460)
Payments for short-term deposits		**(466,506,102)**	(330,380,751)
Proceeds from short-term deposits		**320,780,072**	497,786,640
Repayment of loans by employees		**4,781,977**	9,595,943
Disbursement of loans to employees		**(4,161,281)**	(3,505,829)
Repayment of employees' home ownership receivables		**2,050,925**	2,768,032
Net cash (outflow) inflow from investing activities		**(221,630,476)**	11,295,766
Cash flows from financing activities			
Proceeds from borrowings	16	**2,250,000,000**	240,000,000
Repayment of borrowings	16	**(2,154,067,200)**	-
Dividends	14	**(937,500,000)**	-
Principal element of lease payments		**(4,837,494)**	(2,532,324)
Finance cost paid		**(69,963,357)**	(66,231,810)
Net cash (outflow) inflow from financing activities		**(916,368,051)**	171,235,866
Net increase in cash and cash equivalents		**676,635,398**	493,826,306
Cash and cash equivalents at the beginning of the year		**672,851,104**	179,024,798
Cash and cash equivalents at the ending of the year	13	**1,349,486,502**	672,851,104

The accompanying notes form an integral part of these financial statements.

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Notes to the financial statements for the year ended December 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Saudi Aramco Base Oil Company – Luberef (the "Company") is a Saudi limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030010447 issued in Jeddah on 3 Ramadan 1396H (corresponding to 29 August 1976). The Company commenced its operations in Jeddah in 1978 and in Yanbu in 1998. The purpose of the Company is to construct, own and operate refineries of lubricating oils and to purchase, sell, transport, market, import and export lubricating oils, additives, lubricating oil blending stocks, by-products and other related petroleum products.

The Head office of the Company is located at the following address:
Saudi Aramco Industrial Area
P.O. Box 5518, Jeddah 21432
Kingdom of Saudi Arabia

The financial statements include the accounts of the Company's head office in Jeddah, its branch in Yanbu and its operations in Hamriyah Free Zone Authority, United Arab Emirates (UAE). The Commercial Registration Number of Yanbu branch is 4700004941. The license certificate number of 11857 for operations in Hamriyah was issued with a status of Free Zone Establishment Company ("the Establishment") by the Government of Sharjah (UAE), on 26 Rabi-ul-Awal 1435H (corresponding to January 27, 2014). The Company has treated the Free Zone Establishment as a branch in these financial statements as it owns 100% paid up capital of the Establishment.

Saudi Arabian Oil Company ("Saudi Aramco") is the immediate and ultimate parent of the Company.

Impact of COVID - 19

The novel Coronavirus (COVID-19) pandemic has spread across various geographies globally, disrupting business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

In response to the spread of COVID-19 in Gulf Cooperation Council ("GCC") and its resulting disruptions to the social and economic activities in those markets over last two years, the Company's management continues to proactively assess its impacts on its operations, specifically possible challenges posed by the outbreak of new variant - Omicron. The preventive measures taken by the Company in 2020 are still in effect, to ensure the health and safety of its employees, customers and the wider community as well as to ensure the continuity of supply of its products throughout its markets. Notwithstanding these challenges, the Company's management believes that any new lockdown measures being reintroduced will not materially affect the underlying demand from the customers for the Company's products and forecast, since in last lockdown the operations remained largely unaffected as the oil industry was exempted from the various bans and constraints imposed by various regulatory authorities including exemption from curfew hours and cargo shipping and flight operations restrictions. Accordingly, the Company's management has considered the potential impacts of COVID-19 on the Company's operations and concluded that as of the date of approval of these financial statements, the COVID-19 pandemic has had no direct material impact on the Company's financial results and no significant changes are required to the judgements and key estimates used in the preparation of the Company's financial statements for the year ended December 31, 2021.

The markets showed signs of recovery during 2021 as governments began to ease restrictions and the improved economic activity translated into increased crude oil demand and higher prices. The increased prices have positively impacted the Company's financial performance during 2021.

The Company continues to monitor the COVID-19 situation closely and at this time the Company management is not aware of any factors that are expected to change the impact of the pandemic on the Company's operations during 2022 or beyond.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Notes to the financial statements for the year ended December 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), that are endorsed in the Kingdom of Saudi Arabia (KSA) and other standards and pronouncement issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The Company has elected to present a single statement of comprehensive income and presents its expenses by function. The Company reports cash flows from operating activities using the indirect method.

2.2 Basis of measurement

These financial statements have been prepared on a historical cost basis, except for the for the following:

- The defined benefit obligation which is recognized at the present value of future obligations using the Projected Unit Credit Method; and
- Derivative financial instrument measured at fair value.

These financial statements are presented in Saudi Riyal, which is the Company's functional and presentation currency. These financial statements have been rounded-off to the nearest Saudi Riyal, unless otherwise stated.

2.3 New standards and amendments applicable from January 1, 2021

There are no new standards applicable to the Company, however, the Company has applied the following amendments to the standards for the first time for their reporting periods commencing on or after 1 January 2021:

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark (IBOR) reform – Phase 2

IBOR reform represents the reform and replacement of interest rate benchmarks by global regulators. The Company has certain contracts, primarily referenced to USD London Interbank offer rates ("USD LIBOR") and Saudi Interbank offer rates (SIBOR). For USD LIBOR, the most applicable tenor (6-month USD LIBOR) for the Company is expected to cease to be published on June 30, 2023.

The amendments provide temporary reliefs which address the financial reporting effects when an IBOR is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on these financial statements of the Company as at the reporting date. The Company intends to use the practical expedients in future periods when they become applicable.

The Company is currently analyzing the exposure to IBOR benchmarks and evaluating the potential impact of the transition. As per the initial transition plan, all contracts and agreements that are based on USD LIBOR and are expiring at the cessation dates, will be renegotiated with counterparties to reflect the alternative benchmarks.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Notes to the financial statements for the year ended December 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

2.3 New standards and amendments applicable from January 1, 2021 (continued)

The following table contains details of all financial instruments of the Company which are based on USD LIBOR as at December 31, 2021:

Financial instruments:

Non-derivative financial instruments	**562,500,000**
Derivative financial instruments	**6,335,789**

Amendment to IFRS 16, 'Leases', Covid 19 - Related rent concessions

The amendment provides the lessees with option to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; and
- there is no substantive change to other terms and conditions of the lease.

The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, the IASB extended the period of application of the practical expedient to June 30, 2022. However, the Company has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

2.4 Standards, interpretations and amendments issued but not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 Critical accounting estimates and judgments

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future period.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The key assumption concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year include:

3.1 Depreciation of property and equipment

The Company's management determines the estimated useful life of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset and physical wear and tear. The management periodically reviews the estimated useful lives, residual values and the depreciation method to ensure that depreciation are consistent with the expected pattern of economic benefit of the assets.

The Company's assets, classified within property, plant and equipment, are depreciated on a straight -ine basis over their economic useful lives.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Notes to the financial statements for the year ended December 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

3 Critical accounting estimates and judgments (continued)

3.2 Right-of-use assets and lease liabilities

For some lease contracts that contains extension options, the Company has applied a judgement to determine the lease term and has considered the extension period in determining the lease term, where the Company has sole discretion to extend the lease term and is reasonably certain to exercise such extension options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The lease liabilities are measured at the discounted value of lease payments, using incremental borrowing rate as the interest rate implicit in the lease cannot be readily determined, which is generally the case for leases in the Company. Incremental borrowing rate is the rate that Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses recent third-party financing offers received by the Company as a starting point, adjusted to reflect changes in financing conditions. See Note 6 for further details.

3.3 Provision for inventory obsolescence

The Company determines its allowance for inventory obsolescence based upon historical experience, current condition, and current and future expectations with respect to its use. The estimate of the Company's allowance for inventory obsolescence could change from period to period, which could be due to assessment of the future usage of inventory.

3.4 Employee benefit obligations

The cost of post-employment defined benefits is the present value of the related obligation, as determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. With respect to determining the appropriate discount rate, yield and duration of high-quality bonds obligation, as designated by an internationally acknowledged rating agency, are extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. See Note 17 for further details.

3.5 Impairment of non-financial assets

Management assesses the impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors which could trigger an impairment review include evidence from internal and external sources related to the changes in technological, market, economic or legal environment in which the entity operates, changes in market interest rates and economic performance of the assets.

3.6 Expected Credit Loss (ECL) measurement on financial assets

Measurement of ECL is a significant estimate that involves the determination of the methodology, models and data inputs. The Company used supportable forward-looking information for measurement of ECL. The most significant information used in determination of ECL is disclosed in Note 28.2.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Notes to the financial statements for the year ended December 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

4 Summary of significant accounting policies

The significant accounting policies applied by the Company in the preparation of the financial statements are set out below. These policies have been consistently applied for all periods presented, unless otherwise stated.

4.1 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the respective entity operates (the "functional currency"). The financial statements are presented in Saudi Riyals, which is also the Company's functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4.2 Current vs non-current classification

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies all other assets as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

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4 Summary of significant accounting policies (continued)

4.3 Property, plant and equipment

Initial recognition

Property, plant and equipment is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the property, plant and equipment will flow to the Company, and the cost of the asset can be measured reliably. Property, plant and equipment is recognised and measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognised as a provision).

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item and such parts have a useful life different from other parts, the Company recognises such parts as individual assets and depreciate them accordingly.

Major spare parts qualify for recognition as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Planned turnaround costs are deferred and depreciated over the period until the date of the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged date of planned turnaround, the previously undepreciated deferred costs are immediately expensed and the new turnaround costs are depreciated over the period likely to benefit from such costs.

Subsequent measurement

The Company adopts the cost model to measure the entire class of property, plant and equipment. After recognition as an asset, an item of property, plant and equipment is carried as its cost less any accumulated depreciation and impairment losses, if any.

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation

Useful lives are determined by management based on the expected usage of the asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated on a straight-line basis over the below useful lives and is recognised in the statement of comprehensive income:

Category	**Useful life - years**
Manufacturing plants	10 - 50
Building and leasehold improvements	20 - 30
Furniture and fixtures	4 - 10
Other machinery and equipment	2 - 15
Motor vehicles	4

The Company has a policy to depreciate refinery turnaround costs over five years.

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4 Summary of significant accounting policies (continued)

4.3 Property, plant and equipment (continued)

De-recognition

Property, plant and equipment is derecognised when it has been disposed or no future economic benefits are expected to arise from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income at the time the item is derecognised.

Capital work-in-progress (CWIP)

Assets in the course of construction or development are capitalised in the CWIP within property, plant and equipment. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of CWIP comprises its purchase price, construction / development cost and any other cost directly attributable to the construction or acquisition of an item intended by management.

CWIP is measured at cost less any recognised impairment. CWIP is not depreciated. Depreciation only commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset category.

Borrowing costs

Borrowing costs directly attributable to the acquisition and or construction of property, plant and equipment assets that necessarily take a substantial period of time to prepare for their intended use and a proportionate share of general borrowings are capitalised to the cost of those property, plant and equipment. All other borrowing costs are expensed as incurred and recognised in finance costs.

4.4 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and restoration costs.

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4 Summary of significant accounting policies (continued)

4.4 Leases (continued)

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Depreciation of right-of-use assets

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Subsequent measurement

Right-of-use assets

The Company adopts the cost model to measure right of use assets. After recognition as an asset, right-of-use assets are carried at its initial recognition amounts less any accumulated depreciation and impairment losses, if any.

Lease liabilities

The lease liability is measured as follows:

a) Increasing the carrying amount to reflect interest on the lease liability;
b) Reducing the carrying amount to reflect the lease payments made; and
c) Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Where the Company is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

4.5 Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

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4 Summary of significant accounting policies (continued)

4.5 Intangible assets (continued)

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets, consisting of computer software and licenses, are recorded at cost, net of accumulated amortisation and impairment losses, if any. Intangible assets are amortised on a straight-line basis over 3 to 15 years.

4.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation / amortisation and are instead tested annually for impairment. Assets subject to depreciation / amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash generating unit).

Non-financial assets that have been fully or partially impaired are reviewed for possible reversal of all or part of the impairment loss at the end of each reporting period. The amount of any reversal is restricted to the carrying value of the relevant assets if the original impairment had not occurred (i.e., after taking into normal depreciation had no impairment occurred).

The impairment loss is allocated to reduce the carrying amount of the assets of the cash generating unit (group of units) in pro rata on the basis of the carrying amount of each asset in the unit (group of units). These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognised.

4.7 Trade receivables

Trade receivables are amounts due from customers for goods sold performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost. Refer Note 28 for a description of the Company's impairment policies.

4.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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4 Summary of significant accounting policies (continued)

4.9 Financial instruments

Classification of financial assets

The Company classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL); and
- Amortised cost.

These classifications are on the basis of business model of the Company for managing the financial assets, and contractual cash flow characteristics.

The Company measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will be recorded in statement of comprehensive income.

Initial measurement

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of comprehensive income. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount.

Classification of financial liabilities

The Company designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed and its performance is evaluated on a fair value basis.

All other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset so that the net amount reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Reclassifications

Financial assets are reclassified when the Company changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short-term or long-term. Financial liabilities are not reclassified.

Subsequent measurement

Subsequent measurement of financial assets is as follows:

Debt instruments

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in statement of comprehensive income and presented in other income / (expenses). Impairment losses are presented as separate line item in the statement of comprehensive income.

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4 Summary of significant accounting policies (continued)

4.9 Financial instruments (continued)

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in statement of comprehensive income and presented as fair value gain / (loss) on financial instruments measured at fair value through profit or loss in the statement of comprehensive income in the period in which it arises.

De-recognition

The Company derecognises a financial asset when, and only when the contractual rights to the cash flows from financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset.

Financial liabilities are derecognised when the obligations specified in the contract is discharged, cancelled or expires. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability.

The Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other income and expenses.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

Impairment of financial assets

The Company assesses the expected credit losses associated with its financial assets carried at amortised cost using expected credit losses model. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 28 for further details.

4.10 Short-term deposits

Short-term deposits include placements with banks and other short-term highly liquid investments with original maturities of more than three-month but not more than twelve months from the purchase date.

4.11 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash in hand, bank balances and deposits with original maturities of three months or less, if any.

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4 Summary of significant accounting policies (continued)

4.12 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

4.13 Dividends distribution

Dividend distribution to Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by Company's shareholders.

4.14 Statutory reserve

In accordance with the Regulation of Companies in the Kingdom of Saudi Arabia and the Company's Articles of Association, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals atleast 30% of the share capital.

4.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in statement of comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4.16 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Post-employment obligation

The Company operates post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia after the retirement of employee. End of service payments are based on employees' final salaries and allowances and their cumulative years of service. The Company also provides full medical coverage to Saudi employees and their spouses provided they have completed minimum 25 years of service with the Company and their age is minimum 55 years or the employee reaches the age of sixty.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

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4 Summary of significant accounting policies (continued)

4.16 Employee benefits (continued)

Current and past service costs related to post-employment benefits are recognised immediately in the statement of the comprehensive income while unwinding of the liability at discount rates used are recorded as interest cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income and transferred to retained earnings in the period in which they occur.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are also recognised immediately in the statement of comprehensive income as past service costs.

4.17 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat and tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognised as interest expense. The expense relating to a provision is presented in the statement of the comprehensive income, net of reimbursements.

Decommissioning cost

Provision for decommissioning obligation is recognized when the Company has a liability for restoration work or land rehabilitation. The extent of decommissioning required and the associated costs are dependent on the requirements of current laws and regulations.

Costs included in the provision includes all decommissioning obligations expected to occur over the life of the asset. The provision for decommissioning is discounted to its present value and capitalized as part of the asset under property, plant and equipment and then depreciated as an expense over the expected life of that asset.

Adjustments to the estimated amount and timing of future decommissioning cash flows are a normal occurrence in light of the significant judgments and estimates involved. Such adjustments are recorded as an increase in liability and a corresponding increase in the related asset. Factors influencing those adjustments include:

- developments in technology;
- regulatory requirements and environmental management strategies;
- changes in the estimated extent and costs of anticipated activities, including the effects of inflation; and
- changes in economic sustainability.

4.18 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest rate.

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4 Summary of significant accounting policies (continued)

4.19 Zakat and income tax

The Company is subject to zakat and income tax in accordance with the regulations of the Zakat, Tax and Customs Authority (the "ZATCA"). Provision for zakat is accrued and charged to the statement of comprehensive income. Additional amounts payable, if any, at the finalisation of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.20 Revenue recognition

Revenue is recognised upon the satisfaction of performance obligations, which occurs when control transfers to the customer under contracts for sale of goods. Control of the products is determined to be transferred to the customer when the title of lubricating oil and related products passes to the customer, which typically takes place when product is physically transferred into a vessel, pipe or other delivery mechanism. The Company has contracts with customers in which supply of the lubricating oil blending stocks and/or related by-products is the only performance obligation. The Company recognized revenue at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

The Company has concluded that it is the principal in all of its revenue arrangements since it has the primary obligation in all the revenue arrangements, has pricing latitude, and controls the goods before these are transferred to the customer, except for Jeddah Feedstock Supply agreement and Asphalt Purchase Agreement for sale of Fuel Oil Blend and Marine Heavy Fuel Oil ("MHFO"), respectively, signed with Saudi Aramco, in which the Company is acting as an agent.

4.21 Expenses

Selling and marketing expenses are those arising from the Company's efforts underlying the marketing, selling and distribution functions. All other expenses, excluding cost of sales and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of sales and selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

4.22 Financial income

Financial income is measured using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset.

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5 Property, plant and equipment

(a) The movement in property, plant and equipment is as follows:

	Manufacturing Plants	Buildings and leasehold improvements	Furniture and fixtures	Other machinery and equipment	Motor vehicles	Capital work in progress	Total
Cost							
At January 1, 2021	7,646,597,830	330,407,213	27,367,141	232,110,378	6,554,927	191,985,388	**8,435,022,877**
Additions	-	-	-	-	-	80,806,044	**80,806,044**
Disposals	-	-	-	-	(4,199,229)	-	**(4,199,229)**
Transfers	76,541,380	291,800	-	11,425,927	-	(88,259,107)	**-**
At December 31, 2021	**7,723,139,210**	**330,699,013**	**27,367,141**	**243,536,305**	**2,355,698**	**184,532,325**	**8,511,629,692**
Accumulated depreciation							
At January 1, 2021	2,572,439,495	268,677,083	26,495,716	189,777,081	5,882,587	-	**3,063,271,962**
Charge of the year	315,767,620	5,950,439	254,149	7,774,679	264,868	-	**330,011,755**
Disposals	-	-	-	-	(4,099,767)	-	**(4,099,767)**
At December 31, 2021	**2,888,207,115**	**274,627,522**	**26,749,865**	**197,551,760**	**2,047,688**	**-**	**3,389,183,950**
Net book value:							
December 31, 2021	**4,834,932,095**	**56,071,491**	**617,276**	**45,984,545**	**308,010**	**184,532,325**	**5,122,445,742**
December 31, 2020	5,074,158,335	61,730,130	871,425	42,333,297	672,340	191,985,388	5,371,750,915

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5 Property, plant and equipment (continued)

	Manufacturing Plants	Buildings and leasehold improvements	Furniture and fixtures	Other machinery and equipment	Motor vehicles	Capital work in progress	Total
Cost							
At January 1, 2020	7,026,227,247	326,335,947	27,367,141	229,713,448	6,096,879	657,122,219	8,272,862,881
Additions	-	-	-	-	-	162,484,996	162,484,996
Disposals	-	-	-	-	(325,000)	-	(325,000)
Transfers	620,370,583	4,071,266	-	2,396,930	783,048	(627,621,827)	-
At December 31, 2020	7,646,597,830	330,407,213	27,367,141	232,110,378	6,554,927	191,985,388	8,435,022,877
Accumulated depreciation							
At January 1, 2020	2,290,219,777	262,740,154	26,212,459	181,969,126	5,570,246	-	2,766,711,762
Charge of the year	282,219,718	5,936,929	283,257	7,807,955	529,008	-	296,776,867
Disposals	-	-	-	-	(216,667)	-	(216,667)
At December 31, 2020	2,572,439,495	268,677,083	26,495,716	189,777,081	5,882,587	-	3,063,271,962
Net book value:							
December 31, 2020	5,074,158,335	61,730,130	871,425	42,333,297	672,340	191,985,388	5,371,750,915
December 31, 2019	4,736,007,470	63,595,793	1,154,682	47,744,322	526,633	657,122,219	5,506,151,119

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5 **Property, plant and equipment** (continued)

(b) Manufacturing plant includes deferred refinery turnaround costs. The movement in deferred refinery turnaround costs during the year ended December 31, is analyzed as under:

	2021	2020
Cost:		
At January 1	**113,672,712**	113,672,712
At December 31	**113,672,712**	113,672,712
Accumulated depreciation:		
At January 1	**49,026,111**	26,291,567
Amortization during the year	**22,832,704**	22,734,544
At December 31	**71,858,815**	49,026,111
Carrying amount at December 31,	**41,813,897**	64,646,601

(c) Additions during the year in capital work in progress principally relate to the normal additions to Yanbu and Jeddah refineries. Capital work in progress at December 31, 2021 relates to the development and enhancement works for the Company's refineries in Jeddah and Yanbu. The management expects that the capital work in progress for Jeddah and Yanbu refineries will be completed in the year ending December 31, 2022.

(d) Depreciation charge for the year has been allocated as follows:

	Note	2021	2020
Cost of sales	23	**329,089,982**	295,798,471
General and administrative expenses	25	**921,773**	978,396
		330,011,755	296,776,867

6 **Leases**

The Company leases various lands, pipelines, motor vehicles and catalyst. Rental contracts are typically made for fixed periods of 1 to 30 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

At December 31, 2021, the Company did not have any lease contracts classified as right-of-use asset that are variable in nature. Some leases contain extension options exercisable by the Company before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The Company assesses at lease commencement whether it is reasonably certain to exercise the option. The Company does not provide residual value guarantees in relation to any of its leases.

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6 Leases (continued)

a) Right-of-use assets

	Lands	Pipelines and catalyst	Vehicles	Total
At January 1, 2020	98,666,775	11,509,910	-	110,176,685
Additions	13,848,039	-	4,655,606	18,503,645
Depreciation	(5,263,040)	(3,588,379)	(465,561)	(9,316,980)
Termination	(10,515,281)	-	-	(10,515,281)
At December 31, 2020	**96,736,493**	**7,921,531**	**4,190,045**	**108,848,069**
Depreciation	**(4,325,476)**	**(1,980,383)**	**(931,120)**	**(7,236,979)**
At December 31, 2021	**92,411,017**	**5,941,148**	**3,258,925**	**101,611,090**

Depreciation is charged to statement of comprehensive income using the straight-line method to allocate their costs over their lease term which are as follows:

Category	**Useful life - years**
Lands	30
Pipelines and catalyst	27
Vehicles	5

Depreciation on right-of-use assets for the year has been allocated as follows:

	Note	2021	2020
Cost of sales	23	**5,837,814**	7,917,815
General and administrative expenses	25	**1,399,165**	1,399,165
		7,236,979	9,316,980

b) Lease liabilities

	2021	2020
At January 1	**117,640,486**	112,512,840
Additions during the year	**-**	18,503,645
Lease payments during the year	**(10,177,394)**	(3,643,344)
Accretion of finance costs during the year	**5,339,900**	5,196,184
Termination	**-**	(14,928,839)
At December 31	**112,802,992**	117,640,486

Lease liabilities	**2021**	**2020**
Current	**5,268,474**	19,560,029
Non-current	**107,534,518**	98,080,457
	112,802,992	117,640,486

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6 Leases (continued)

As at December 31, 2021, potential future cash outflows of Saudi Riyals 109.73 million (undiscounted) have been included in the lease liability because it is reasonably certain that the lease will be extended (2020: Saudi Riyals 109.73 million).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, there were no revision of lease terms due to exercising extension and termination options.

Amounts recognised in the statement of comprehensive income

	For the year ended December 31,	
	2021	**2020**
Depreciation charge on right-of-use assets	**7,236,979**	9,316,980
Interest expense (included in finance costs -Note 26)	**5,339,900**	5,196,184
Expense relating to short-term leases (included in selling and distribution expenses – Note 24)	**7,960,254**	9,105,607
Expense relating to short-term leases (included in general and administrative expenses – Note 25)	-	2,044,042

Depreciation on right-of-use assets for the year has been allocated as follows:

	Note	**2021**	**2020**
Cost of sales	23	**5,837,814**	7,917,815
General and administrative expenses	25	**1,399,165**	1,399,165
		7,236,979	9,316,980

Extension option

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of land and pipelines, the following factors are normally the most relevant:

- If there are significant penalty payments to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

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7 Intangible assets

	2021	2020
Cost		
At January 1	**32,838,854**	30,213,394
Additions	-	2,625,460
At December 31	**32,838,854**	32,838,854
Accumulated amortization		
At January 1	**12,538,161**	9,557,297
Charge for the year	**2,917,041**	2,980,864
At December 31	**15,455,202**	12,538,161
Carrying amount at December 31	**17,383,652**	20,300,693

Intangible assets comprise of software and its development cost.

8 Employees' home ownership receivables

(a) Employees' home ownership receivables comprise the following:

	Note	2021	2020
Employees' home ownership receivables		**4,737,501**	6,589,329
Less: current portion	12	**(2,142,528)**	(1,953,601)
		2,594,973	4,635,728

In the previous years, the Company had a Home Ownership Program that offered eligible Saudi employees' home ownership opportunities. During 2010, the Company constructed and sold 133 residential houses for outright sale to the employees. Houses were sold to eligible employees and a receivable was recorded against such sale, which does not bear any finance charges and is expected to be collected over a period of 15 years. Deductions are made monthly from the employees' salaries up to 25% of their basic salaries. The Company shall transfer the legal title of those residential houses to the concerned employees at the time of final settlement of the loan.

(b) The movement in employees' home ownership receivable is as follows:

	2021	2020
Balance at January 1	**6,589,329**	9,300,419
Deductions from employees' salary during the year	**(2,050,925)**	(2,768,032)
Finance income due to unwinding	**199,097**	56,942
Balance at December 31	**4,737,501**	6,589,329

(c) The collection schedule of the aggregate employees' home ownership receivables outstanding at December 31, is summarized as follows:

	2021	2020
2021	**-**	2,104,959
2022	**2,309,384**	1,569,928
2023	**918,962**	1,114,187
2024	**766,094**	1,103,155
2025	**715,521**	543,452
2026 and thereafter	**715,819**	459,041
Less: Unearned finance income	**(688,279)**	(305,393)
	4,737,501	6,589,329

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9 Loans to employees

Loans to employee comprise the following:

	Note	2021	2020
Home loans to employees	9(a)	**16,899,018**	16,929,064
Other loans to employees	9(b)	**2,276,366**	2,849,446
Less: current portion	12	**(7,274,969)**	(6,567,694)
		11,900,415	13,210,816

(a) Home loan to employees

The movement in home loans to employees' balance is as follows:

	2021	2020
Balance at January 1	**16,929,064**	22,129,703
New loans disbursed during the year	**2,656,977**	1,398,922
Finance income	**695,381**	1,072,553
Discounting effect on new loan	**(629,254)**	(793,122)
Deductions including settlement with employees retired during the year	**(2,753,150)**	(6,878,992)
Balance at December 31	**16,899,018**	16,929,064

Home loans are given to eligible Saudi employees of the Company under a scheme approved by the Board of Directors. Under this scheme, loans are provided to eligible employees for the purpose of purchasing or constructing their residential houses. Such loans, which do not bear any finance charges, are re-payable by the employee as per the agreement with the employee and are secured through the mortgage of related property.

The collection schedule of the aggregate employees' home loan is summarized as follows:

	2021	2020
2021	**-**	5,956,916
2022	**6,197,469**	4,035,330
2023	**3,398,612**	3,651,013
2024	**3,198,694**	3,458,854
2025	**3,123,699**	1,268,246
2026 and thereafter	**3,948,438**	845,498
Less: Unearned finance income	**(2,967,894)**	(2,286,793)
	16,899,018	16,929,064

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9 Loans to employees (continued)

(b) Other loans to employees

Such loans are given to eligible Saudi employees of the Company under a scheme approved by the Board of Directors. Under this scheme, the employees are eligible for loans up to 80% of their end of service benefits accrued. Such loans, which do not bear any finance charges, are re-payable by the employees over 36 months and are secured against the related employees' end of service benefits.

The movements in other loans to employees are as follows:

	2021	**2020**
At January 1	**2,849,446**	2,650,081
Loans disbursed during the year	**1,409,484**	2,900,029
Finance income for the year	**90,985**	87,405
Discounting effect on new loan	**(44,722)**	(71,118)
Deductions from payroll	**(2,028,827)**	(2,716,951)
At December 31	**2,276,366**	2,849,446

The collection schedule of the aggregate other loans to employees is summarized as follows:

	2021	**2020**
2021	**-**	1,410,802
2022	**1,420,140**	1,036,805
2023	**627,997**	456,668
2024	**347,792**	-
Less: Unearned finance income	**(119,563)**	(54,829)
	2,276,366	2,849,446

10 Inventories

	2021	**2020**
Finished goods	**293,306,011**	173,472,279
Production in progress	**215,477,906**	215,114,740
Raw material	**117,400,190**	79,006,789
Spare parts and consumables materials	**98,414,846**	89,135,350
	724,598,953	556,729,158
Less: Allowance for inventory obsolescence	**(14,537,079)**	(12,937,706)
	710,061,874	543,791,452

Amounts of inventories recognised as an expense are disclosed in Note 23.

Movement in provision for inventory obsolescence is as follows:

	2021	**2020**
Opening balance	**12,937,706**	10,216,144
Additions	**1,599,373**	2,721,562
Closing balance	**14,537,079**	12,937,706

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11 Trade receivables

	Note	2021	2020
Trade receivables		**454,997,563**	219,490,367
Related parties	19, 21	**413,031,623**	219,804,339
		868,029,186	439,294,706
Allowance for doubtful account		**(5,351,541)**	(505,641)
		862,677,645	438,789,065

Trade receivables amounting to Saudi Riyals 632.03 million (2020: Saudi Riyals 367.54 million) have been offset in the statement of financial position. For details, refer Note 19.

Due to the short-term nature of the trade receivables, their carrying amount are considered to approximate their fair value.

Trade receivables are non-derivative financial assets carried at amortised cost and are generally on terms of 30 to 90 days. The carrying value may be affected by changes in the credit risk of the counterparties. It is not the practice of the Company to obtain collateral over third party trade receivables and these are, therefore, unsecured. The vast majority of the Company's trade receivables are concentrated in the Kingdom of Saudi Arabia. As at December 31, 2021, five largest customers accounted for 55% (2020: 62%) of the outstanding trade receivables.

The Company writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

Movement in provision for impairment of trade receivables is as follows:

	2021	2020
Opening balance	**505,641**	233,603
Charge for the year	**4,845,900**	272,038
Closing balance	**5,351,541**	505,641

Information about the impairment of trade receivables and the Company's exposure to credit risk, market risk and liquidity risk can be found in Note 28.2.

12 Prepayment and other assets

	Note	2021	2020
Net Value Added Tax (VAT) receivables		**16,763,929**	108,456,393
Loans to employees (current portion)	9	**7,274,969**	6,567,694
Prepaid insurance		**5,077,023**	4,645,748
Advances to suppliers		**3,061,806**	10,756,656
Employees' home ownership receivables (current portion)	8	**2,142,528**	1,953,601
Interest receivable - time deposits		**355,162**	303,246
Others		**5,739,814**	5,549,749
		40,415,231	138,233,087

Loans to employees (current portion), employees' home ownership receivable (current portion), interest receivables and other receivables are generally settled within 12 months from the reporting date. Hence, their carrying amount is considered to be the same as fair value.

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13 Cash and cash equivalents

	2021	2020
Cash in hand	**280,000**	280,000
Cash at banks	**29,322,894**	25,503,382
Time deposits	**1,319,883,608**	647,067,722
	1,349,486,502	672,851,104

Time deposit are placed with local commercial banks and yield financial income at prevailing market rates with original maturities of three months or less. It includes a time deposit held for the purpose of employees' end of service benefits amounting to Saudi Riyals 14.55 million. The carrying value at each reporting date is considered to be the same as fair value.

14 Share capital

At December 31, 2021 and 2020 the Company's share capital of Saudi Riyals 441 million consist of 44,100 fully paid shares of Saudi Riyals 10,000 each. The shareholding pattern of Company's share capital as at December 31, 2021 and 2021 is as follows:

	Amount	Percentage holding
Saudi Aramco	308,700,000	70%
JIIC	132,300,000	30%
Total	**441,000,000**	**100%**

On October 4, 2021, the shareholders approved a dividend of Saudi Riyals 1,023.4 million and the whole balance was paid in the month of November 2021.

15 Statutory reserve

In accordance with the Regulations of Companies' Law in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company should transfer 10% of the net profits for the year to a statutory reserve until such reserve equals at least 30% of its share capital. No transfers are made to the statutory reserve as the reserve has exceeded 30% of the Company's share capital in previous years. This reserve is not available for distribution to shareholders.

16 Long-term borrowings

Long-term borrowings comprise of the following:

	Note	2021	2020
Islamic banking facilities (Murabaha)	16(a)	**2,250,000,000**	1,325,452,500
Public Investment Fund (PIF)		**-**	828,614,700
		2,250,000,000	2,154,067,200
Less: current portion of long-term borrowings		**(146,250,000)**	(1,033,235,550)
		2,103,750,000	1,120,831,650

The current portion of long-term borrowings for the years ended December 31, are as follows:

	2021	2020
Murabaha	**146,250,000**	568,976,250
PIF	**-**	464,259,300
	146,250,000	1,033,235,550

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16 Long-term borrowings (continued)

The breakdown of aggregate maturities of borrowings is as follows:

	2021	2020
2021	-	1,033,235,550
2022	**146,250,000**	810,230,250
2023	**163,125,000**	198,101,400
2024	**196,875,000**	75,000,000
2025	**225,000,000**	37,500,000
2026	**258,750,000**	-
2027	**270,000,000**	-
2028	**315,000,000**	-
2029	**675,000,000**	-
	2,250,000,000	2,154,067,200

Currency denomination of the borrowings in Saudi Riyals equivalent is as follows:

	2021	2020
Saudi Riyals	**1,687,500,000**	467,977,500
United States Dollars ("USD")	**562,500,000**	1,686,089,700
Total	**2,250,000,000**	2,154,067,200

These facilities bear finance costs at market rates, which are generally based on Saudi Inter Bank Offered Rate ("SIBOR") for Saudi Riyals denominated borrowings and on London Interbank Offered Rate ("LIBOR") for USD denominated borrowings. Finance costs recognized as expense on the above borrowings have been disclosed in Note 26.

(a) Islamic banking facilities (Murabaha) with a local commercial bank

On August 19, 2021, the Company entered into a syndicated Islamic loan agreement under Murabaha arrangement with five local banks of Saudi Riyals 1,687.5 million and USD 150 million (equivalent of Saudi Riyals 562.5 million) for the purpose of repayment of previous borrowings placed with a local commercial bank and Public Investment Fund. The principal repayments will begin from June 30, 2022 and will continue on an un-equal semi-annual instalment basis till June 30, 2029. The facility is subject to financing cost computed by the bank as stipulated in the loan agreement.

The new loan agreements contain certain covenants, which among other things, require certain financial ratios to be maintained. As at December 31, 2021 the Company was in compliant with all the covenants with the lenders.

17 Employee benefit obligations

Employee benefit obligations at December 31, comprise the following:

	Note	2021	2020
Employees' end of service benefits	17(a)	**154,834,671**	170,958,946
Employees' post-retirement health care benefit	17(b)	**166,834,910**	122,153,153
		321,669,581	293,112,099

(a) Employees' end of service benefits

The Company has an employment defined benefit plan. The benefits are required by Saudi Labor Law. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

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17 **Employee benefit obligations** (continued)

(a) Employees' end of service benefits (continued)

The following table summarizes the components of the net benefit expense recognized in statement of comprehensive income and amounts recognized in the statement of financial position.

Movement in the present value of defined benefit obligation:

	2021	**2020**
At January 1	**170,958,946**	173,615,872
Included in profit and loss:		
Current service cost	**10,798,763**	10,720,150
Interest cost	**3,447,681**	5,210,447
	14,246,444	15,930,597
Included in other comprehensive income:		
Actuarial loss / (gain) on obligation	**1,707,013**	(81,620)
Benefits paid	**(32,077,732)**	(18,505,903)
At December 31	**154,834,671**	170,958,946

Significant assumptions used in determining the employment defined benefit obligation include the following:

	2021	**2020**
Discount rate	**2.65%**	2.00%
Future salary increase rate	**2.65%**	2.00%

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is shown below:

Discount rate:

	2021	**2020**
0.5% increase in discount rate	**(6,640,896)**	(6,954,866)
0.5% decrease in discount rate	**7,202,141**	7,526,714

Future salary growth rate:

	2021	**2020**
0.5% increase in future salary growth rate	**7,559,841**	7,925,343
0.5% decrease in future salary growth rate	**(7,033,404)**	(7,390,195)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

The expected maturity analysis of undiscounted employee benefit obligations as at December 31, 2021 is as follows:

Less than a year	5,780,105
Between 1 – 5 years	64,192,155
Over 5 years	337,385,061

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17 Employee benefit obligations (continued)

(b) Employees' post-retirement health care benefit

The Company provides full medical coverage to Saudi employees and their spouses provided they have completed minimum 25 years of service with the Company and their age is minimum 55 years or the employee reaches the age of sixty. The employee who have joined the Company after February 28, 2021 will not be eligible for this benefit.

The following table summarizes the components of the net benefit expense recognized in the statement of comprehensive income and amounts recognized in the statement of financial position:

Movement in the present value of defined benefit obligations:

	2021	**2020**
At January 1	**122,153,153**	140,650,105
Included in profit or loss:		
Current service cost	**6,317,359**	8,336,676
Interest cost	**4,194,967**	7,590,146
	10,512,326	15,926,822
Included in other comprehensive income:		
Actuarial loss (gain) on obligation	**35,619,058**	(33,513,698)
Benefits paid	**(1,449,627)**	(910,076)
At December 31	**166,834,910**	122,153,153

Significant assumptions used in determining the post-employment defined benefit obligation includes the following:

	2021	**2020**
Discount rate	**3.30%**	3.35%
Medical rate (pre-retirement and post-retirement)	**5.30%**	5.35%

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is shown below:

Discount rate:

	2021	**2020**
0.5% increase in discount rate	**(21,506,004)**	(15,019,869)
0.5% decrease in discount rate	**25,968,090**	18,747,725

Medical rate (Pre Retirement):

	2021	**2020**
0.5% increase in medical rate (Pre Retirement)	**7,344,226**	6,384,082
0.5% decrease in medical rate (Pre Retirement)	**(6,677,806)**	(5,178,111)

Medical rate (Post Retirement):

	2021	**2020**
0.5% increase in medical rate (Post Retirement)	**17,518,078**	11,905,867
0.5% decrease in medical rate (Post Retirement)	**(15,329,893)**	(9,934,182)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method (present value of defined benefit obligations calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

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17 Employee benefit obligations (continued)

(b) Employees' post-retirement health care benefit (continued)

The expected maturity analysis of undiscounted Employees' post-retirement health care benefit as at December 31, 2021 is as follows:

Less than a year	738,061
Between 1 – 5 years	7,699,104
Over 5 years	177,821,372

18 Other non-current liabilities

	2021	**2020**
Provision for decommissioning	**31,412,804**	30,733,784
Thrift plan	**5,524,482**	6,151,276
Chronic Medical Circumstance	**1,236,717**	1,334,002
	38,174,003	38,219,062

Decommissioning provision is made for the refinery closure, reclamation and dismantling obligation of the Jeddah refinery. These obligations are expected to be incurred in the year in which the refinery is expected to be closed. Management estimates the provision based on management's understanding of the current legal requirements in the Kingdom of Saudi Arabia, terms of the license agreements and engineering estimates.

The provision for decommissioning obligation represents the present value of full amount of the estimated future closure and reclamation costs, based on information currently available including closure plans and applicable regulations. Future changes, if any, in regulations and cost assumptions may be significant and will be recognised when determined.

Movement in provision for decommissioning is as follows:

	2021	**2020**
Opening balance	**30,733,784**	30,079,874
Unwinding of discount	**679,019**	653,910
Closing balance	**31,412,803**	30,733,784

19 Trade payables

	Note	**2021**	**2020**
Related parties	21	**933,265,292**	729,372,182
Third parties		**45,443,237**	49,399,960
Other payables		**107,962,486**	110,654,069
		1,086,671,015	889,426,211

Trade payables are unsecured and are usually paid within 3-12 months of recognition. The carrying amounts of trade payables are considered to approximate their fair values, due to their short-term nature.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company has an agreement with Saudi Aramco to purchase feedstock and sell by-product in Jeddah refinery and purchase fuel oil and sell by-product (marine heavy fuel oil) in Yanbu refinery. The settlement of these transactions takes place after 60 to 90 days and net payment is made to or received from Saudi Aramco.

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19 Trade payables (continued)

The following table presents the recognised financial instruments that are offset, or subject to enforceable netting arrangements as at December 31:

	Effects of offsetting on the statement of financial position		
	Gross amounts	**Amounts set off in the statement of financial position**	**Net amounts presented in the statement of financial position**
December 31, 2021			
Related party receivables	**1,045,062,668**	**(632,031,045)**	**413,031,623**
Related party payables	**1,565,296,337**	**(632,031,045)**	**933,265,292**
December 31, 2020			
Related party receivables	587,345,892	(367,541,553)	219,804,339
Related party payables	1,096,913,735	(367,541,553)	729,372,182

20 Accrued expenses and other liabilities

	Note	2021	2020
Accrued bonus		**38,304,614**	20,254,796
Accrual for rebates and discounts		**37,162,681**	20,950,730
Accrued expenses		**18,146,354**	7,266,650
Derivative financial instrument measured at fair value through profit or loss	20.1	**6,335,789**	19,676,860
Projects related accruals		**-**	11,845,856
Others		**5,127,695**	5,543,618
		105,077,133	85,538,510

20.1 The arrangement has not been designated as hedging arrangement since its inception. The Company relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparty has been explained in note 28.1.

The analysis of derivative financial instruments and the related fair values together with the notional amounts classified by the term to maturity as of December 31, 2021 is as follows:

	Negative fair value		Notional Amount	
	2021	**2020**	**2021**	**2020**
Interest rate swaps	**6,335,789**	19,676,860	**297,135,409**	520,893,675

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21 Related party transactions and balances

Related parties comprise the shareholders, affiliated companies, key management personnel and entities controlled, jointly controlled or significantly influenced by such parties. Related parties also include business entities in which certain directors or senior management have an interest (other related parties). Affiliates of the Company are the entities which are owned by the Ultimate Parent, but are not part of this Company.

Following is the list of related parties with whom the Company has significant transactions and balances:

Name of related party	Nature of relationship
Saudi Arabian Oil Company ("Saudi Aramco")	Shareholder and Ultimate Parent
Jadwa Industrial Investment Company ("JIIC")	Shareholder
Saudi Aramco Mobil Refinery Company Ltd. ("SAMREF")	Affiliate
S-Oil Corporation	Affiliate
Motiva Trading LLC	Affiliate
Aramco Chemical Company ("ACC")	Affiliate
Aramco Far East (Beijing) Business Services Company ("ABS")	Affiliate
Saudi Basic Industries Corporation ("SABIC")	Affiliate
Saudi Aramco Technologies Company ("SATC")	Affiliate

Transactions with key management personnel

Compensation of key management personnel of the Company is as follows:

	2021	2020
Short-term employee benefits	**21,564,271**	28,654,197

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21 Related party transaction and balance (continued)

Significant transactions and balances with related parties in the ordinary course of the business included in the financial statements are summarized below:

Related party	Nature of transaction	Amount of transactions for the year ended December 31, 2021	Amount of transactions for the year ended December 31, 2020	Balance as at December 31, 2021	Balance as at December 31, 2020
Due from related parties					
Saudi Aramco	Sales of by products (MHFO and Fuel Oil Blend)	**2,086,327,877**	1,206,051,834	**-**	-
	Sales of other by products and processing fees	**1,253,765,106**	701,307,177	**141,868,216**	100,693,037
SAMREF	Sales of by products	**629,163,725**	271,861,198	**178,954,086**	63,694,898
S-Oil Corporation	Sales of base oil	**810,633,537**	298,119,654	**70,082,112**	41,341,857
Motiva Trading LLC	Sales of base oil	**129,381,526**	25,060,873	**21,420,870**	13,955,802
ACC	Sales of base oil	**10,665,037**	103,256	**706,339**	118,745
				413,031,623	219,804,339
Due to related parties					
Saudi Aramco	Purchase of feedstock, materials and utilities	**5,842,230,305**	3,118,645,422	**892,587,458**	722,532,922
	Technical and management support services	**22,551,508**	22,124,622	**18,044,753**	-
	Lease rental for Jeddah refinery land and Yanbu refinery pipeline	**2,643,514**	2,643,514	**-**	-
SAMREF	Technical and management support services	**1,136,378**	930,631	**-**	-
S-Oil Corporation	Purchase of base oil	**380,099,849**	108,329,568	**22,633,081**	6,839,260
SABIC	Purchase of materials	**-**	50,287	**-**	-
ABS	Technical and management support services	**-**	35,090	**-**	-
SATC	Technical and management support services	**300,000**	300,000	**-**	-
				933,265,292	729,372,182

The Company's revenues derived from sale to Saudi Aramco and other affiliates accounted for approximately 19% and 23% (2020: 22% and 19%) respectively, of the total revenue. For Board of Directors' expenses refer (Note 25).

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22 Sales

The Company derives sales from the transfer of goods at a point in time in the following major product lines:

	2021	2020
Base oil	**4,743,117,949**	2,180,608,749
By-products	**2,017,281,011**	1,006,884,457
	6,760,398,960	3,187,493,206

23 Cost of sales

	Note	2021	2020
Cost of materials		**4,095,718,202**	2,206,323,394
Employee related costs		**187,000,084**	177,757,450
Depreciation on property, plant and equipment	5	**329,089,982**	295,798,471
Depreciation on right-of-use assets	6	**5,837,814**	7,917,815
Amortization of intangible assets		**902,438**	1,056,473
Other		**100,073,812**	83,708,719
		4,718,622,332	2,772,562,322

24 Selling and distribution expenses

	2021	2020
Freight expenses	**94,128,690**	73,183,810
Tank rents	**7,960,254**	9,105,607
Demurrage charges	**3,898,087**	9,012,565
Others	**10,595,736**	6,502,312
	116,582,767	97,804,294

25 General and administrative expenses

	Note	2021	2020
Employee related costs		**116,926,392**	125,821,381
Consultancy charges		**22,553,768**	17,638,272
Telephone and postage		**4,513,532**	2,768,438
Amortization of intangible assets		**2,014,603**	1,924,391
Insurance		**1,681,810**	1,233,755
Depreciation on right-of-use assets	6	**1,399,165**	1,399,165
Business travel		**1,241,623**	1,025,187
Depreciation on property, plant and equipment	5	**921,773**	978,396
Donations		**462,856**	5,291,970
Board of Directors' expenses		**-**	167,392
Rent		**-**	2,044,042
Others		**25,218,360**	17,167,901
		176,933,882	177,460,290

26 Finance cost

	Note	2021	2020
Finance costs with respect to:			
- Murabaha (Islamic)		**54,872,824**	43,581,074
- PIF loan (conventional)		**8,968,767**	22,164,123
- Interest on lease liabilities	6	**5,339,900**	5,196,184
- Unwinding of decommissioning provision	18	**679,020**	653,910
		69,860,511	71,595,291

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27 Zakat and income tax

During the year ended December 31, 2017, pursuant to the Royal Decree A/136, all shares in Kingdom-resident companies held directly or indirectly by Saudi Arabian Oil Company (Saudi Aramco) are subject to Saudi Arabian income tax, rather than to Zakat. Accordingly, income tax has been recognized for Saudi Aramco owned interest in the Company.

The Company is subject to zakat with respect to JIIC's shareholding and income tax with respect to Saudi Aramco's shareholding. During 2020, the shareholders signed an agreement that the shareholders shall bear the economic burden of any zakat and income tax required under applicable law.

The Company's shareholder, JIIC is partially owned by non-resident foreign partner(s). Accordingly, during the year ended December 31, 2021, the Company recognized zakat on the JIIC's resident partners' interest.

27.1 Charge for the year

The charge for the years ended December 31, consists of the following:

	Note	2021	2020
Zakat (reversal) / charge	27.3	**(1,382,292)**	860,866
Income tax expense	27.3	**130,155,317**	-
Deferred tax charge	27.6	**60,141,646**	-
		188,914,671	860,866

27.2 Components of zakat base

Zakat is payable at 2.58% of approximate zakat base (excluding adjusted net income for the year) and at 2.5% of the adjusted net income for the year. The significant components of the Saudi shareholder's share of approximate zakat base for the years ended December 31 comprised the following:

The significant components of the non-Aramco Saudi shareholder's share of approximate zakat base for the years ended December 31 comprised the following:

	2021	2020
Equity at beginning of year	**3,711,562,212**	3,596,889,515
Provision at beginning of year	**369,037,173**	308,320,754
Borrowings	**826,027,397**	1,079,848,043
Lease liabilities	**112,802,992**	117,640,486
Actuarial gain on obligations	**(37,326,071)**	33,595,318
Property, plant and equipment	**(5,122,445,742)**	(5,371,750,915)
Right-of-use assets	**(101,611,090)**	(108,848,069)
Intangible assets	**(17,383,652)**	(20,300,693)
Dividend	**(937,500,000)**	-
Spare parts and consumables materials	**(98,414,846)**	(89,135,350)
Approximate zakat base	**(1,295,251,627)**	(453,740,911)
Net zakat base to share subject to zakat (29.07%)	**112,748,933**	34,434,640
Approximate zakat at specified rate	**12,525,468**	860,866

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27 Zakat and income tax (continued)

27.3 Provision for zakat and income tax

The movement in zakat and income tax payable is as follows:

	Income tax	Zakat	Total
At January 1, 2020	554,559	28,859,043	29,413,602
Charge for the year	-	860,866	860,866
Payment	-	(7,429,319)	(7,429,319)
At December 31, 2020	554,559	22,290,590	22,845,149
Prior year reversal	**-**	**(13,907,760)**	**(13,907,760)**
Charge for the year	**130,155,317**	**12,525,468**	**142,680,785**
Payment	**-**	**(1,102,562)**	**(1,102,562)**
At December 31, 2021	**130,155,317**	**19,805,736**	**150,515,612**

27.4 Income tax

Income tax liability is calculated at 20% of the adjusted net income attributable to the Saudi Aramco and JIIC foreign shareholders.

The following is a summary of significant differences between financial net income and estimated taxable net income for the years ended December 31:

	2021	2020
Profit before zakat and income tax	**1,691,429,702**	81,938,245
Adjusted for:		
- Depreciation and amortization	**(482,704,832)**	(668,029,612)
- Actuarial gain on obligations	**37,326,071**	(33,595,318)
- Provisions	**31,883,062**	36,453,754
- Provision utilized	**(34,251,433)**	(19,415,979)
- Lease interest and payments - net	**(4,837,494)**	1,552,840
- Others	**(15,471,586)**	76,984,556
	1,223,373,490	(524,111,514)
Foreign shareholding	**70.93%**	70.93%
Taxable income	**867,702,115**	-
Adjustment for carried forward losses	**(216,925,529)**	-
Adjusted taxable income	**650,776,586**	-
Income tax charge for the year @ 20%	**130,155,317**	-

27.5 Status of certificates and final assessments

The Company has filed its zakat and income tax return up to the year ended December 31, 2020 and is in the process of filing the zakat and income tax return for the year ended December 31, 2021. The Company does not have any open assessment orders with ZATCA as of December 31, 2021. The zakat and income tax assessments upto December 31, 2015 have been finalized by the ZATCA.

During the year, the ZATCA issued an assessment related for the year 2015 amounting to Saudi Riyals 0.24 million which was settled during the year.

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27 Zakat and income tax (continued)

27.6 Deferred tax asset / (liability)

	At January 1, 2021	(Charged)/credited to profit or loss	(Charged)/credited to other comprehensive income	At December 31, 2021
Difference in accounting and tax base of property, plant and equipment	-	(287,212,054)	-	(287,212,054)
Provisions	-	48,573,735	5,295,076	53,868,811
Carried forward losses	-	176,908,990	-	176,908,990
Leases	-	1,587,683	-	1,587,683
Total	-	(60,141,646)	5,295,076	(54,846,570)

27.7 Reconciliation of income tax expense and the accounting profit for the years ended:

	2021	**2020**
Income before zakat and income tax	**1,691,429,702**	81,938,245
Income tax at the corporate tax rate of 20% (2020: 20%)	**338,285,940**	16,387,649
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Saudi shareholding not subject to income tax @ 29.07%	**(98,349,871)**	(4,764,381)
Property, plant and equipment	**218,738,443**	(20,415,359)
Provisions	**(48,909,698)**	2,416,877
Actuarial gain on obligations	**5,294,852**	(4,765,630)
Carried forward losses	**(220,294,096)**	-
Lease interest and payments - net	**(2,273,901)**	220,277
Others	**(2,194,706)**	10,920,567
At the average effective income tax rate 16% (2020: 0%)	**190,296,963**	-

28 Financial instruments

28.1 Fair value measurement of financial instruments

a) *Recognised fair value measurements*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

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28 Financial instruments (continued)

28.1 Fair value measurement of financial instruments (continued)

b) Recognised fair value measurements (continued)

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2021 and December 31, 2020, all of the Company's financial assets and financial liabilities are currently classified and measured at amortised cost, except for derivative financial instrument measured at fair value through profit or loss. Further, the carrying value of all the financial assets and liabilities, except for derivative financial instrument measured at fair value through profit or loss classified as amortised cost approximates to the fair value on each reporting date.

c) Valuation technique

The valuation techniques applied by the counterparty include the use of forward pricing standard models using the present value of the estimated future cash flows based on observable yield curves.

Interest rate swap transactions usually involve two counterparties, a firm (or other entity) and a financial institution. The most common type of contract requires one counterparty to pay a fixed interest rate for the term of the contract, while the other counterparty pays a variable interest rate for the same term. Therefore, the fair value of the liability shall reflect the non-performance risk, risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk grading determined by management. All these contracts have been designated as level 2 in the financial statement.

28.2 Risk management framework

The Company's top management has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the management.

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk (currency risk, fair value and cash flow interest risk and price risk)

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28 Financial instruments (continued)

28.2 Risk management framework (continued)

d) Recognised fair value measurements

a) Credit risk

Credit risk arises from cash and cash equivalents, credit exposures to customers, including outstanding receivables from other parties.

- *Risk management*

For banks, only independently rated parties above A-3 ratings are accepted. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties.

The credit rating of banks in which the Company holds cash are as follows:

Credit rating	**2021**	**2020**
A1	**1,314,226,498**	314,229,702
A2	**-**	325,915,512
A3	**34,980,004**	32,425,890
Total	**1,349,206,502**	672,571,104

As at December 31, 2021, the remaining cash and cash equivalents balance, amounting to Saudi Riyals 0.28 million, represents cash on hand (2020: Saudi Riyals 0.28 million).

For trade receivables, management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The compliance with credit limits by customers is regularly monitored by line management. Refer to Note 11 for concentration of credit risk on trade receivables.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The Company writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Where recoveries are made, these are recognised in the statement of comprehensive income.

- *Impairment of financial assets*

The Company's exposure to credit risk at the reporting date is as follows:

	2021	**2020**
Trade receivables – third parties	**454,997,563**	219,490,367
Trade receivables – related parties	**413,031,623**	219,804,339
Interest and other receivables (included within prepayments and other assets)	**6,094,976**	5,852,995
Short-term deposit	**145,726,030**	-
Cash at banks	**29,322,894**	25,503,382
Time deposits	**1,319,883,608**	647,067,722
	2,369,056,694	1,117,718,805

Cash at banks, short-term deposit and time deposits are placed with banks with sound credit ratings. Other receivables are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment assessment. Based on management's impairment assessment, there is no provision required in respect of these balances for all the years presented.

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28 Financial instruments (continued)

28.2 Risk management framework (continued)

- *Impairment of financial assets (continued)*

For trade receivables, the Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables based on a provision matrix. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. The historical loss rates are also considered to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified inflation rate, oil prices and GDP growth rate of the countries in which it sells its goods to be the most relevant macro-economic factors of forward-looking information that would impact the credit risk of the customers, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Impairment losses on financial assets recognised in the statement of comprehensive income are as follows:

	For the year ended	
	December 31, 2021	**December 31, 2020**
Impairment loss on trade receivables	**5,351,542**	505,641

The following table provides information about the exposure to credit risk and ECLs for trade receivables from external customers:

December 31, 2021	**Gross carrying amount**	**Weighted average loss rate**	**Loss allowance**
Current (not past due)	**759,466,062**	**0.52%**	**3,951,742**
1–90 days past due	**106,899,967**	**0.53%**	**569,470**
91–180 days past due	**713,644**	**7.58%**	**54,069**
181–360 days past due	**949,514**	**81.75%**	**776,261**
Total	**868,029,186**		**5,351,542**

December 31, 2020	**Gross carrying amount**	**Weighted average loss rate**	**Loss allowance**
Current (not past due)	383,968,049	0.06%	229,137
1–90 days past due	54,738,434	0.07%	39,517
91–180 days past due	355,063	1.08%	3,827
181–360 days past due	-	81.13%	-
More than 360 days past due	233,160	100 %	233,160
Total	439,294,706		505,641

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28 Financial instruments (continued)

28.2 Risk management framework (continued)

b) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, bank overdraft or reliance on a particular market in which to realise liquid assets. Contractual undiscounted cashflows as of December 31, 2021 and 2020 are:

As at December 31, 2021	**1 year or less**	**1 to 5 years**	**Above 5 years**	**Total**
Borrowings	199,319,288	1,125,174,571	1,369,744,176	**2,694,238,035**
Accrued expenses and other liability	105,077,133	-	-	**105,077,133**
Trade payables	1,086,671,015	-	-	**1,086,671,015**
Lease liabilities	19,684,284	39,837,421	131,209,056	**190,730,761**
	1,410,751,720	1,165,011,992	1,500,953,232	**4,076,716,944**
As at December 31, 2020				
Borrowings	1,065,212,272	1,142,686,905	-	2,207,899,177
Accrued expenses and other liability	85,538,510	-	-	85,538,510
Trade payables	889,426,211	-	-	889,426,211
Lease liabilities	19,684,284	39,837,421	131,209,056	190,730,761
	2,059,861,277	1,182,524,326	131,209,056	3,373,594,659

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Company's future commitments.

c) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates and interest rates - will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that is not the Company's functional currency. The Company's transactions are principally in Saudi Riyals, United Arab Emirates Dirhams, Euros and United States Dollars. The management believes that there is no currency risk arising from the transactions in currencies to which the Saudi Riyals is pegged.

The Company's exposure to currency risk arising from currencies to which the Saudi Riyals is not pegged is not material to these financial statements.

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28 Financial instruments (continued)

28.2 Risk management framework (continued)

ii) Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. The Company's interest-bearing liabilities, which are mainly bank borrowings, are at floating rates of interest, which are subject to re-pricing. Management monitors the changes in interest rates and believes that the fair value risks to the Company are not significant. The Company have short term deposits and time deposits, interest bearing financial assets at the end of reporting period.

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows:

	2021	**2020**
Financial liabilities, principally borrowings	**2,250,000,000**	2,154,067,200

The Company's main interest rate risk arises from borrowings with variable rates, which expose the company to cash flow interest rate risk. During 2021 and 2020, the Company's borrowings at variable rate were mainly denominated in Saudi Riyals and USD.

At December 31, 2021, if interest rates had been 1% higher/lower with all other variables held constant, future interest on outstanding loans will increase/decrease by Saudi Riyals 22.5 million (2020: Saudi Riyals 21.54 million).

Transition from LIBOR to risk free rates

In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), announced that the interest benchmark would cease after 2021, except for USD LIBOR which will cease at June 2023. LIBOR is one of the most common series of benchmark interest rates. LIBOR reforms and expectation of cessation of LIBOR will impact the Company's current risk management strategy and possibly accounting for certain financial instruments. The Group has long-term borrowings of Saudi Riyal 562.5 million which are exposed to the impact of LIBOR as at December 31, 2021.

As part of the Company's risk management strategy, the Company uses financial instruments to manage exposures arising from variation of interest rates that could affect statement of comprehensive income. The Company have interest rate swaps which are referenced to LIBOR.

The Company has assessed that there will be no impact on the Company's interest rate swaps due to change in the LIBOR.

iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have any financial instruments which are subject to other price risk.

d) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a proper capital ratio in order to support its business and maximize shareholders' value. The capital structure includes all component of shareholders' equity totalling Saudi Riyals 4,245 million at December 31, 2021 (2020: Saudi Riyals 3,712 million). The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)

Notes to the financial statements for the year ended December 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

28 Financial instruments (continued)

28.2 Risk management framework (continued)

d) Capital management (continued)

The Company monitor capital on the basis of the gearing ratio. This ratio is calculated based on the net debt divided by total capital.

	2021	2020
Borrowings	**2,250,000,000**	2,154,067,200
Lease liabilities	**112,802,992**	117,640,486
Less: cash and cash equivalents	**(1,349,486,502)**	(672,851,104)
Net debt (A)	**1,013,316,490**	1,598,856,582
Shareholders' equity (B)	**4,244,546,248**	3,711,562,212
Total capital (A+B)	**5,257,862,738**	5,310,418,794
Gearing ratio (A / (A+B))	**19%**	30%

e) Net debt

	2021	2020
Cash and cash equivalents	**1,349,486,502**	672,851,104
Lease liabilities	**(112,802,992)**	(117,640,486)
Borrowings	**(2,250,000,000)**	(2,154,067,200)
Net debt	**(1,013,316,490)**	(1,598,856,582)

Borrowings of the Company carry variable interest rates.

f) Net debt reconciliation

	Cash and cash equivalents	Borrowings	Leases	Total
January 1, 2020	179,024,798	(1,914,067,200)	(112,512,839)	(1,847,555,241)
Cash flows	493,826,306	(240,000,000)	3,643,344	257,469,650
Additions to leases	-	-	(18,503,646)	(18,503,646)
Interest on lease liabilities	-	-	(5,196,184)	(5,196,184)
Termination of lease contracts	-	-	14,928,839	14,928,839
December 31, 2020	672,851,104	(2,154,067,200)	(117,640,486)	(1,598,856,582)
Cash flows	**676,635,398**	**(95,932,800)**	**10,177,394**	**590,879,992**
Interest on lease liabilities	**-**	**-**	**(5,339,900)**	**(5,339,900)**
December 31, 2021	**1,349,486,502**	**(2,250,000,000)**	**(112,802,992)**	**(1,013,316,490)**

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Notes to the financial statements for the year ended December 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

29 Commitments and contingencies

29.1 Commitments

a) As at December 31, 2021, the Company had outstanding capital commitments of Saudi Riyals 293 million (2020: Saudi Riyals 416 million) in respect of additions to property, plant and equipment at its Jeddah and Yanbu refineries.

29.2 Contingencies

a) As at December 31, 2021 the letters of guarantees issued by banks on behalf of the Company amounted to Saudi Riyals 11.3 million (2020: Saudi Riyals 11.3 million) and letters of credit issued by banks on behalf of the Company is 4.9 million (2020: nil).

b) A contractor for Yanbu Expansion Project has submitted claims and appeals amounting to Saudi Riyals 222.52 million. After the assessment on the procedural and substantive grounds, the management has rejected these claims and appeals. The Company is expecting a favorable outcome therefore no provision has been recorded in the financial statements.

29.3 Short-term leases

The short-term lease commitment as of December 31, 2021 amounts to Saudi Riyals 10.8 million (2020: Saudi Riyals 4.5 million).

30 Approval of financial statements

These financial statements of the year ended December 31, 2021 were approved for issue by the shareholders on April 19, 2022.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A LIMITED LIABILITY COMPANY)

SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
AND INDEPENDENT AUDITOR'S REPORT

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022

Contents	**Page**

Independent auditor's report to the shareholders of Saudi Aramco Base Oil Company - Luberef

Report on the audit of the special purpose financial statements

Our opinion

In our opinion, the special purpose financial statements present fairly, in all material respects, the financial position of Saudi Aramco Base Oil Company - Luberef (the "Company") as at June 30, 2022, and its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Company's special purpose financial statements comprise:

- the statement of financial position as at June 30, 2022;
- the statement of comprehensive income for the period then ended;
- the statement of changes in equity for the period then ended;
- the statement of cash flows for the period then ended; and
- the notes to the special purpose financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the special purpose financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphases of matter

We draw attention to:

- Note 2.1 to the accompanying special purpose financial statements which describes that the accompanying special purpose financial statements as of and for the six-month period ended June 30, 2022 have been prepared for inclusion in the Company's initial public offering application to be filed with the Capital Market Authority of the Kingdom of Saudi Arabia and should not be used for any other purpose.

- Note 3.7 and Note 32 to the accompanying special purpose financial statements which explain key accounting judgement with respect to the revenue recognition and the basis thereof and the resultant impact of the restatement on the Company's financial statements for the years ended December 31, 2019, 2020 and 2021. Based on the Company's assessment of the revenue recognition criteria for sale of certain products to the majority shareholder, the Company has determined that certain sales that were previously being netted against the cost of revenue should now be presented as revenue in the statement of comprehensive income for the years then ended.

  Our opinion is not modified in respect of the above matters.

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Independent auditor's report to the shareholders of Saudi Aramco Base Oil Company - Luberef (continued)

Responsibilities of management and those charged with governance for the special purpose financial statements

Management is responsible for the preparation and fair presentation of the special purpose special purpose financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the special purpose financial statements

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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Independent auditor's report to the shareholders of Saudi Aramco Base Oil Company - Luberef (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the special purpose financial statements, including the disclosures, and whether the special purpose financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

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CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

Mufaddal A. Ali
License Number 447

September 18, 2022

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at June 30, 2022	As at December 31, 2021
Assets			
Non-current assets			
Property, plant and equipment	5	**4,981,744,289**	5,122,445,742
Right-of-use assets	6	**97,992,600**	101,611,090
Intangible assets	7	**16,230,605**	17,383,652
Employees' home ownership receivables	8(a)	**1,822,452**	2,594,973
Loans to employees	8(b,c)	**8,299,403**	11,900,415
Total non-current assets		**5,106,089,349**	5,255,935,872
Current assets			
Inventories	9	**820,295,223**	710,061,874
Trade receivables	10	**1,464,090,229**	862,677,645
Prepayments and other assets	11	**23,602,530**	40,415,231
Short-term deposit	12	**145,062,852**	145,726,030
Cash and cash equivalents	13	**773,570,662**	1,349,486,502
Total current assets		**3,226,621,496**	3,108,367,282
Total assets		**8,332,710,845**	8,364,303,154
Equity and liabilities			
Equity			
Share capital	14	**441,000,000**	441,000,000
Statutory reserve	15	**220,500,000**	220,500,000
Retained earnings		**3,215,535,355**	3,583,046,248
Total equity		**3,877,035,355**	4,244,546,248
Liabilities			
Non-current liabilities			
Long-term borrowings	17	**2,019,375,000**	2,103,750,000
Lease liabilities	6	**100,019,358**	107,534,518
Employee benefit obligations	18	**283,559,793**	321,669,581
Deferred tax liabilities	28	**168,311,286**	54,846,570
Other non-current liabilities	19	**44,461,800**	38,174,003
Total non-current liabilities		**2,615,727,237**	2,625,974,672
Current liabilities			
Trade payables	20	**1,349,388,200**	1,086,671,015
Accrued expenses and other liabilities	21	**238,190,814**	105,077,133
Current portion of long-term borrowings	17	**168,750,000**	146,250,000
Lease liabilities	6	**14,771,458**	5,268,474
Zakat and income tax payable	28	**68,847,781**	150,515,612
Total current liabilities		**1,839,948,253**	1,493,782,234
Total liabilities		**4,455,675,490**	4,119,756,906
Total equity and liabilities		**8,332,710,845**	8,364,303,154

The accompanying notes form an integral part of these special purpose financial statements.

Ibrahim Qassim Al Buainain	Tareq Abdulaziz Al Nuaim	Mohammed Abdulkarim Al Nafea
Chairman of the Board	President & Chief Executive Officer	Chief Financial Officer

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the six-month period ended June 30, 2022	2021
Revenue	23	6,083,238,087	4,052,194,359
Cost of revenue	24	(4,983,475,634)	(2,957,861,552)
Gross profit		1,099,762,453	1,094,332,807
Selling and distribution expenses	25	(45,447,566)	(49,921,287)
General and administrative expenses	26	(108,250,148)	(89,796,494)
Other income		6,630,886	1,387,753
Fair value gain on derivative financial instruments measured at fair value through profit or loss	21	6,335,789	7,071,485
Operating profit		959,031,414	963,074,264
Finance income		6,769,465	1,815,084
Finance cost	27	(25,842,710)	(26,724,627)
Profit before zakat and income tax		939,958,169	938,164,721
Zakat and income tax	28	(199,853,646)	(115,835,354)
Profit for the period		740,104,523	822,329,367
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement gain (loss) on defined employee benefit obligations	18	20,214,633	(18,663,036)
Deferred tax relating to re-measurement gain (loss)		(2,830,049)	2,647,538
		17,384,584	(16,015,498)
Total comprehensive income for the period		757,489,107	806,313,869
Basic and diluted earnings per share	16	4.39	4.87

The accompanying notes form an integral part of these special purpose financial statements.

Ibrahim Qassim Al Buainain	Tareq Abdulaziz Al Nuaim	Mohammed Abdulkarim Al Nafea
Chairman of the Board	President & Chief Executive Officer	Chief Financial Officer

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Saudi Aramco*	JIIC**	Total
Share capital				
Balance at January 1, 2021 and January 1, 2022	14	308,700,000	132,300,000	441,000,000
Statutory reserve				
Balance at January 1, 2021 and January 1, 2022	15	154,350,000	66,150,000	220,500,000
Retained earnings				
Balance at January 1, 2021		2,132,684,527	917,377,685	3,050,062,212
Profit before zakat and income tax		656,715,305	281,449,416	938,164,721
Zakat	28	9,735,432	(924,741)	8,810,691
Income tax		(123,016,949)	(1,629,096)	(124,646,045)
Other comprehensive loss		(10,451,190)	(5,564,308)	(16,015,498)
Total comprehensive income for the period		532,982,598	273,331,271	806,313,869
Balance at June 30, 2021		2,665,667,125	1,190,708,956	3,856,376,081
Balance at January 1, 2022		2,465,325,873	1,117,720,375	3,583,046,248
Profit before zakat and income tax		657,970,718	281,987,451	939,958,169
Zakat	28	-	(9,526,410)	(9,526,410)
income tax		(189,922,368)	(404,868)	(190,327,236)
Other comprehensive income		11,320,194	6,064,390	17,384,584
Total comprehensive income for the period		479,368,544	278,120,563	757,489,107
Dividends	14	(884,596,752)	(379,112,894)	(1,263,709,646)
Zakat and income tax recovered from shareholders		124,534,979	14,174,667	138,709,646
		(760,061,773)	(364,938,227)	(1,125,000,000)
Balance at June 30, 2022		**2,184,632,644**	**1,030,902,711**	**3,215,535,355**
Total equity at June 30, 2021		3,128,717,125	1,389,158,956	4,517,876,081
Total equity at June 30, 2022		**2,647,682,644**	**1,229,352,711**	**3,877,035,355**

* Saudi Arabian Oil Company ("Saudi Aramco")
** Jadwa Industrial Investment Company ("JIIC")

The accompanying notes form an integral part of these special purpose financial statements.

Ibrahim Qassim Al Buainain	Tareq Abdulaziz Al Nuaim	Mohammed Abdulkarim Al Nafea
Chairman of the Board	President & Chief Executive Officer	Chief Financial Officer

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the six-month period ended June 30, 2022	2021
Cash flows from operating activities			
Profit before zakat and income tax		**939,958,169**	938,164,721
Adjustments for:			
Depreciation and amortization	5, 6, 7	**169,297,981**	169,668,420
Finance income		**(6,769,465)**	(1,815,084)
Non-cash employee expenses		**102,423**	17,841
Finance cost	27	**25,842,710**	26,724,627
Fair value gain on derivative financial instruments		**(6,335,789)**	(7,071,485)
Provision for employee benefits obligations	18	**13,497,921**	13,340,226
Impairment loss on trade receivables	10	**6,675,499**	3,877,070
Provision for slow moving inventories	9	**837,690**	594,912
Changes in working capital:			
Inventories		**(111,071,039)**	(36,961,343)
Trade receivables		**(608,088,083)**	(360,774,489)
Prepayments and other assets		**17,427,619**	30,326,505
Trade payables		**262,703,002**	388,247,494
Accrued expenses and other liabilities		**139,449,470**	(5,074,878)
Cash generated from operations		**843,528,108**	1,159,264,537
Finance income received		**5,733,020**	1,267,880
Employee benefit obligations paid	18	**(31,393,076)**	(11,883,074)
Zakat and income tax paid	28	**(170,886,810)**	(1,102,562)
Net cash inflow from operating activities		**646,981,242**	1,147,546,781
Cash flows from investing activities			
Payments for property, plant and equipment	5	**(16,811,255)**	(58,136,050)
Payments for short-term deposits		**(594,805,220)**	(481,059,916)
Proceeds from short-term deposits		**595,468,398**	320,559,688
Collection against employees' loans		**5,570,779**	3,585,175
Disbursement of employees' loans		**(1,931,036)**	(1,754,176)
Net cash outflow from investing activities		**(12,508,334)**	(216,805,279)
Cash flows from financing activities			
Repayment of borrowings	17	**(61,875,000)**	(515,071,275)
Dividends paid	14	**(1,125,000,000)**	-
Principal element of lease payments		**(456,362)**	252,703
Finance cost paid		**(23,057,386)**	(27,211,590)
Net cash outflow from financing activities		**(1,210,388,748)**	(542,030,162)
Net (decrease) increase in cash and cash equivalents		**(575,915,840)**	388,711,340
Cash and cash equivalents at the beginning of the period		**1,349,486,502**	672,851,104
Cash and cash equivalents at the ending of the period	13	**773,570,662**	1,061,562,444
Supplemental information for non-cash information			
Recognition of provision for decommissioning liability		**7,013,736**	-

The accompanying notes form an integral part of these special purpose financial statements.

Ibrahim Qassim Al Buainain	Tareq Abdulaziz Al Nuaim	Mohammed Abdulkarim Al Nafea
Chairman of the Board	President & Chief Executive Officer	Chief Financial Officer

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Notes to the special purpose financial statements
For the six-month period ended June 30, 2022
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Saudi Aramco Base Oil Company – Luberef (the "Company") is a Saudi limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030010447 issued in Jeddah on Ramadan 3, 1396H (corresponding to 29 August 1976). Subsequent to the six-month period ended, on August 18, 2022, the Company converted from a limited liability company to a joint stock company pursuant to resolution number 1173 dated Muharram 20, 1444H (corresponding to August 18, 2022) issued by the Ministry of Commerce. During 2022, the shareholders of the Company resolved to file an initial public offering application with the Capital Market Authority ("CMA") of the Kingdom of Saudi Arabia to list the Company's shares on Tadawul in the Kingdom of Saudi Arabia.

The Company commenced its operations in Jeddah in 1978 and in Yanbu in 1998. The purpose of the Company is to construct, own and operate refineries of lubricating oils and to purchase, sell, transport, market, import and export lubricating oils, additives, lubricating oil blending stocks, by-products and other related petroleum products.

The Head office of the Company is located at the following address:
Saudi Aramco Industrial Area
P.O. Box 5518, Jeddah 21432
Kingdom of Saudi Arabia

The special purpose financial statements include the financial statements of the Company's head office in Jeddah, its branch in Yanbu and its operations in Hamriyah Free Zone Authority, United Arab Emirates (UAE). The Commercial Registration Number of Yanbu branch is 4700004941. The license certificate number of 11857 for operations in Hamriyah was issued with a status of Free Zone Establishment Company ("the Establishment") by the Government of Sharjah (UAE), on 26 Rabi-ul-Awal 1435H (corresponding to January 27, 2014). The Company has treated the Free Zone Establishment as a branch in these special purpose financial statements as it owns 100% paid up capital of the Establishment.

In the event of the Company's listing on Tadawul, the shareholding of Saudi Aramco will be subject to zakat resulting in no income tax.

Saudi Arabian Oil Company ("Saudi Aramco") is the majority shareholder, immediate and ultimate parent of the Company. The Company is ultimately controlled by the government of Kingdom of Saudi Arabia.

These special purpose financial statements were approved and authorized for issue by the board of directors of the Company on September 7, 2022.

a) Environmental, Social and Governance (ESG)

The Company is exposed to risk of loss from climate changes, human injuries and other natural forces. The Company has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspections, vaccination policies and state of the art refineries to provide a barrier against these risks as at June 30, 2022. Further, the Company's robust precautionary operational measures related to refineries allow a high degree of mitigation against adverse climatic conditions. The Company is committed to ensuring that its refineries are constructed and operated in a way that considers economic, comfort, environmental and energy whole-life impacts.

The Company has signed a memorandum of understanding with a contractor to evaluate producing Green Hydrogen that will be manufactured using electrolysis. This project will reduce carbon emissions and will avail Green Hydrogen to be consumed in Lubricant Value Park "LubeHub".

In addition, the Company has a clear corporate responsibility for cutting emissions to avoid the worst consequences of climate change. Management has recognised that the energy costs could increase over time and that a changing climate could make some materials scarce and more expensive.

Management believes that it's their people who make the Company's brands successful and they want to make sure their employees have a safe and healthy environment to work in. Underpinning the environmental and social commitments is the Company's commitment to 'do the right thing'. Whilst delivering on actions, the Company continues to make sure that they always comply with the standards.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Limited Liability Company)
Notes to the special purpose financial statements
For the six-month period ended June 30, 2022
(All amounts in Saudi Riyals unless otherwise stated)

b) Conflict between Russia and Ukraine

During the six-month period ended June 30, 2022, global commodity prices for certain key raw materials increased significantly due to the ongoing conflict between Russia and Ukraine. The feedstock purchase and sales pricing mechanism is based on formulae, that has external inputs mentioned in the contracts with the parties.

The global energy demand remained robust which resulted in a steady increase in crude oil prices. However, the increase in the feedstock prices has resulted in a reduction in gross margin and profitability in the Company's financial performance during the current period.

2 Basis of preparation

2.1 Statement of compliance

These special purpose financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), that are endorsed in the Kingdom of Saudi Arabia (KSA) and other standards and pronouncement issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The Company has elected to present a single statement of comprehensive income and presents its expenses by function. The Company reports cash flows from operating activities using the indirect method.

During 2022, the shareholders of the Company resolved to file an initial public offering application with the Capital Market Authority ("CMA") of the Kingdom of Saudi Arabia to list the Company's shares on Tadawul in the Kingdom of Saudi Arabia. Accordingly, these special purpose financial statements as of and for the six-month period ended June 30, 2022 have been prepared solely for inclusion in the initial public offering application of the Company to be filed with the CMA of the Kingdom of Saudi Arabia in order to list the Company's shares on Tadawul, in the Kingdom of Saudi Arabia.

Refer to Note 32 that explains the restatement related to the financial statements for the years ended December 31, 2021, 2020 and 2019.

2.2 Basis of measurement

These special purpose financial statements have been prepared on a historical cost basis, except for the for the following:

- The defined benefit obligation which is recognized at the present value of future obligations using the Projected Unit Credit Method; and
- Derivative financial instrument measured at fair value.

These special purpose financial statements are presented in Saudi Riyal, which is the Company's functional and presentation currency. These special purpose financial statements have been rounded-off to the nearest Saudi Riyal, unless otherwise stated.

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2.3 New standards and amendments

New standards and amendments applicable from January 1, 2022

Certain amendments to existing standards became applicable for the current reporting period. The amendments did not have an impact on the special purpose financial statements of the Company and accordingly the Company did not have to change its accounting policies or make any retrospective adjustments.

Standards, interpretations and amendments issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for June 30, 2022 reporting periods and have not been early adopted by the Company. The standards, interpretations and amendments issued relevant to the Company, but are not yet effective are disclosed below.

Title	Key requirements	Effective Date
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 'Presentation of Financial Statements, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.	January 1, 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	January 1, 2024
Definition of Accounting Estimates – Amendments to IAS 8	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.	January 1, 2023

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3 Critical accounting estimates and judgments

The preparation of these special purpose financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future period.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The key assumption concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year include:

3.1 Depreciation of property and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance plan; and (c) the technical or commercial obsolescence arising from changes in market conditions.

The management periodically reviews the estimated useful lives, residual values and the depreciation method to ensure that depreciation are consistent with the expected pattern of economic benefit of the assets. The Company's assets, classified within property, plant and equipment, are depreciated on a straight -line basis over their economic useful lives.

As at June 30, 2022, if the estimated useful life of the property, plant and equipment increased or decreased by 10%, with all other variables held constant, total comprehensive income for the period ended would have been Saudi Riyals 13.25 million lower or Saudi Riyals 18.12 million higher (six-month period ended June 30, 2021: Saudi Riyals 14.23 million lower or Saudi Riyals 17.82 million higher), respectively.

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3.2 Right-of-use assets and lease liabilities

For some lease contracts that contains extension options, the Company has applied a judgement to determine the lease term and has considered the extension period in determining the lease term. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The lease liabilities are measured at the discounted value of lease payments, using incremental borrowing rate as the interest rate implicit in the lease cannot be readily determined, which is generally the case for leases in the Company. Incremental borrowing rate is the rate that Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses recent third-party financing offers received by the Company as a starting point, adjusted to reflect changes in financing conditions. See Note 6 for further details.

At June 30, 2022, if the incremental borrowing rate used to determine discounted present value of lease liabilities increased or decreased by 200 basis points (bps), with all other variables held constant, the total comprehensive income for the period ended would have been Saudi Riyals 0.03 million lower and Saudi Riyals 0.14 million higher (six-month period ended June 30, 2021: Saudi Riyals 0.01 million lower or Saudi Riyals 0.23 million higher), respectively.

3.3 Provision for inventory obsolescence

The Company determines its allowance for inventory obsolescence based upon historical experience, current condition, and current and future expectations with respect to its use. The estimate of the Company's allowance for inventory obsolescence could change from period to period, which could be due to assessment of the future usage of inventory.

At June 30, 2022, if the provision for inventory obsolescence increased/decreased by 10%, with all other variables held constant, the total comprehensive income for the period then ended would have been Saudi Riyals 1.53 million lower/higher (year ended December 31, 2021: Saudi Riyals 1.45 million lower/higher).

3.4 Employee benefit obligations

The cost of post-employment defined benefits is the present value of the related obligation, as determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. With respect to determining the appropriate discount rate, yield and duration of high-quality bonds obligation, as designated by an internationally acknowledged rating agency, are extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. See Note 18 for further details.

3.5 Impairment of non-financial assets

Management assesses the impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors which could trigger an impairment review include evidence from internal and external sources related to the changes in technological, market, economic or legal environment in which the entity operates, changes in market interest rates and economic performance of the assets.

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3.6 Expected Credit Loss (ECL) measurement on financial assets

Measurement of ECLs is a significant estimate that involves determination methodology, models and data inputs. The Company uses supportable forward-looking information for measurement of ECL. Details of ECL measurement methodology are disclosed in Note 29.2. The components that have a major impact on credit loss allowance are probability of default ("PD") and loss given default ("LGD"), as well as models of macro-economic scenarios. The Company regularly reviews and validates the models and inputs of the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

At June 30, 2022, if the allowance for ECL increased/decreased by 10%, with all other variables held constant, total comprehensive income for the period ended would have been Saudi Riyals 1.2 million lower/higher (year ended December 31, 2021: Saudi Riyals 0.54 million lower/higher).

3.7 Key accounting judgement - Revenue recognition

The Company has agreements with Saudi Aramco to purchase feedstock for the Company's Jeddah and Yanbu refineries and to supply certain by-products back to Saudi Aramco after the feedstock has been processed and base oil extracted for sale to its other customers (see Note 22). The Company accounts for these transactions separately as purchases of feedstock from, and sales of by-products to, Saudi Aramco, instead of provision of processing services. This is on the basis of the Company's ability to control, obtaining substantial economic benefit and decision making relating to feedstock used and mix of the products produced which are substantially different from the feedstock purchased.

4 Significant accounting policies

The significant accounting policies applied by the Company in the preparation of the special purpose financial statements are set out below. These policies have been consistently applied for all periods presented, unless otherwise stated.

4.1 Foreign currencies

(i) Functional and presentation currency

Items included in the special purpose financial statements of the Company are measured using the currency of the primary economic environment in which the respective entity operates (the "functional currency"). The special purpose financial statements are presented in Saudi Riyals, which is also the Company's functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The special purpose financial statement includes the financial statements of the Company's branch in Hamriyah Free Zone Authority, United Arab Emirates (UAE). The reporting period of the Company's branch is same as that of the Company i.e. December 31. The Company's branch transactions are principally in United Arab Emirates Dirhams and United States Dollars.

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4.2 Current vs non-current classification

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies all other assets as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

4.3 Property, plant and equipment

Initial recognition

Property, plant and equipment is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the property, plant and equipment will flow to the Company, and the cost of the asset can be measured reliably. Property, plant and equipment is recognised and measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognised as a provision).

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item and such parts have a useful life different from other parts, the Company recognises such parts as individual assets and depreciate them accordingly.

Major spare parts qualify for recognition as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Planned turnaround costs are deferred and depreciated over the period until the date of the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged date of planned turnaround, the previously undepreciated deferred costs are immediately expensed and the new turnaround costs are depreciated over the period likely to benefit from such costs.

Subsequent measurement

The Company adopts the cost model to measure the entire class of property, plant and equipment. After recognition as an asset, an item of property, plant and equipment is carried as its cost less any accumulated depreciation and impairment losses, if any.

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Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation

Useful lives are determined by management based on the expected usage of the asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated on a straight-line basis over the below useful lives and is recognised in the statement of comprehensive income:

Category	**Useful life-years**
Manufacturing plants	10 - 50
Building and leasehold improvements	20 - 30
Furniture and fixtures	4 - 10
Other machinery and equipment	2 - 15
Motor vehicles	4

The Company has a policy to depreciate refinery turnaround costs over five years.

De-recognition

Property, plant and equipment is derecognised when it has been disposed or no future economic benefits are expected to arise from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income at the time the item is derecognised.

Capital work-in-progress (CWIP)

Assets in the course of construction or development are capitalised in the CWIP within property, plant and equipment. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of CWIP comprises its purchase price, construction / development cost and any other cost directly attributable to the construction or acquisition of an item intended by management.

CWIP is measured at cost less any recognised impairment. CWIP is not depreciated. Depreciation only commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset category.

Borrowing costs

Borrowing costs directly attributable to the acquisition and or construction of property, plant and equipment assets that necessarily take a substantial period of time to prepare for their intended use and a proportionate share of general borrowings are capitalised to the cost of those property, plant and equipment. All other borrowing costs are expensed as incurred and recognised in finance costs.

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4.4 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and restoration costs.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Depreciation of right-of-use assets

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Subsequent measurement

Right-of-use assets

The Company adopts the cost model to measure right of use assets. After recognition as an asset, right-of-use assets are carried at its initial recognition amounts less any accumulated depreciation and impairment losses, if any.

Lease liabilities

The lease liability is measured as follows:

a) Increasing the carrying amount to reflect interest on the lease liability;
b) Reducing the carrying amount to reflect the lease payments made; and
c) Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

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Where the Company is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

4.5 Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets, consisting of computer software and licenses, are recorded at cost, net of accumulated amortisation and impairment losses, if any. Intangible assets are amortised on a straight-line basis over 3 to 15 years.

4.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation / amortisation and are instead tested annually for impairment. Assets subject to depreciation / amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash generating unit).

Non-financial assets that have been fully or partially impaired are reviewed for possible reversal of all or part of the impairment loss at the end of each reporting period. The amount of any reversal is restricted to the carrying value of the relevant assets if the original impairment had not occurred (i.e., after taking into normal depreciation had no impairment occurred).

The impairment loss is allocated to reduce the carrying amount of the assets of the cash generating unit (group of units) in pro rata on the basis of the carrying amount of each asset in the unit (group of units). These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognised.

4.7 Trade receivables

Trade receivables are amounts due from customers for goods sold performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost. Refer Note 29 for a description of the Company's impairment policies.

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4.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4.9 Financial instruments

<u>Classification of financial assets</u>

The Company classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL); and
- Amortised cost.

These classifications are on the basis of business model of the Company for managing the financial assets, and contractual cash flow characteristics.

The Company measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will be recorded in statement of comprehensive income.

<u>Initial measurement</u>

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of comprehensive income. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount.

<u>Classification of financial liabilities</u>

The Company designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed and its performance is evaluated on a fair value basis.

All other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

<u>Offsetting financial assets and liabilities</u>

Financial assets and liabilities are offset so that the net amount reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

<u>Reclassifications</u>

Financial assets are reclassified when the Company changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short-term or long-term. Financial liabilities are not reclassified.

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Subsequent measurement

Subsequent measurement of financial assets is as follows:

Debt instruments

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in statement of comprehensive income and presented in other income / (expenses). Impairment losses are presented as separate line item in the statement of comprehensive income.

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in statement of comprehensive income and presented as fair value gain / (loss) on financial instruments measured at fair value through profit or loss in the statement of comprehensive income in the period in which it arises.

De-recognition

The Company derecognises a financial asset when, and only when the contractual rights to the cash flows from financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset.

Financial liabilities are derecognised when the obligations specified in the contract is discharged, cancelled or expires. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability.

The Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other income and expenses.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

Impairment of financial assets

The Company assesses the expected credit losses associated with its financial assets carried at amortised cost using expected credit losses model. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 29 for further details.

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Derivative financial instruments

Derivative financial instruments, including interest rate swaps are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Company does not apply hedge accounting.

4.10 Short-term deposits

Short-term deposits include placements with banks and other short-term highly liquid investments with original maturities of more than three-month but not more than twelve months from the purchase date.

4.11 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash in hand, bank balances and deposits with original maturities of three months or less, if any.

4.12 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

4.13 Dividends distribution

Dividend distribution to Company's shareholders is recognised as a liability in the Company's special purpose financial statements in the period in which the dividends are approved by Company's shareholders.

4.14 Statutory reserve

In accordance with the Regulation of Companies in the Kingdom of Saudi Arabia and the Company's Articles of Association, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals at least 30% of the share capital.

4.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in statement of comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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4.16 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Post-employment obligation

The Company operates post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia after the retirement of employee. End of service payments are based on employees' final salaries and allowances and their cumulative years of service. The Company also provides full medical coverage to Saudi employees and their spouses provided they have completed minimum 25 years of service with the Company and their age is minimum 55 years or the employee reaches the age of sixty.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the statement of the comprehensive income while unwinding of the liability at discount rates used are recorded as interest cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income and transferred to retained earnings in the period in which they occur.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are also recognised immediately in the statement of comprehensive income as past service costs.

4.17 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat and tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognised as interest expense. The expense relating to a provision is presented in the statement of the comprehensive income, net of reimbursements.

Decommissioning cost

Provision for decommissioning obligation is recognized when the Company has a liability for restoration work or land rehabilitation. The extent of decommissioning required and the associated costs are dependent on the requirements of current laws and regulations.

Costs included in the provision includes all decommissioning obligations expected to occur over the life of the asset. The provision for decommissioning is discounted to its present value and capitalized as part of the asset under property, plant and equipment and then depreciated as an expense over the expected life of that asset.

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Adjustments to the estimated amount and timing of future decommissioning cash flows are a normal occurrence in light of the significant judgments and estimates involved. Such adjustments are recorded as an increase in liability and a corresponding increase in the related asset. Factors influencing those adjustments include:

- developments in technology;
- regulatory requirements and environmental management strategies;
- changes in the estimated extent and costs of anticipated activities, including the effects of inflation; and
- changes in economic sustainability.

4.18 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest rate.

4.19 Zakat and income tax

The Company is subject to zakat and income tax in accordance with the regulations of the Zakat, Tax and Customs Authority (the "ZATCA"). Provision for zakat is accrued and charged to the statement of comprehensive income. Additional amounts payable, if any, at the finalisation of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the special purpose financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.20 Revenue recognition

Revenue is recognised upon the satisfaction of performance obligations, which occurs when control transfers to the customer under contracts for sale of goods. Control of the products is determined to be transferred to the customer when the title of lubricating oil and related products passes to the customer, which typically takes place when product is physically transferred into a vessel, pipe or other delivery mechanism. The Company has contracts with customers in which supply of the lubricating oil blending stocks and/or related by-products is the only performance obligation. The Company recognized revenue at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods and revenue from freight and services to Saudi Aramco over a period of time, when the services are rendered.

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The Company has concluded that it is the principal in all of its revenue arrangements since it has the primary obligation in all the revenue arrangements, has pricing latitude, and controls the goods before these are transferred to the customer.

4.21 Expenses

Selling and marketing expenses are those arising from the Company's efforts underlying the marketing, selling and distribution functions. All other expenses, excluding cost of revenue and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of revenue and selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

4.22 Financial income

Financial income is measured using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset.

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5 Property, plant and equipment

(a) The movement in property, plant and equipment is as follows:

	Manufacturing plants	Buildings and leasehold improvements	Furniture and fixtures	Other machinery and equipment	Motor vehicles	Capital work in progress	Total
Cost							
At January 1, 2022	7,723,139,210	330,699,013	27,367,141	243,536,305	2,355,698	184,532,325	8,511,629,692
Additions	-	-	-	-	-	23,824,991	23,824,991
Transfers	8,675,128	-		352,144		(9,027,272)	-
At June 30, 2022	**7,731,814,338**	**330,699,013**	**27,367,141**	**243,888,449**	**2,355,698**	**199,330,044**	**8,535,454,683**
Accumulated depreciation							
At January 1, 2022	2,888,207,115	274,627,522	26,749,865	197,551,760	2,047,688	-	3,389,183,950
Charge of the period	157,512,000	2,956,215	76,025	3,899,704	82,500	-	164,526,444
At June 30, 2022	**3,045,719,115**	**277,583,737**	**26,825,890**	**201,451,464**	**2,130,188**	-	**3,553,710,394**
Net book value:							
June 30, 2022	**4,686,095,223**	**53,115,276**	**541,251**	**42,436,985**	**225,510**	**199,330,044**	**4,981,744,289**
December 31, 2021	4,834,932,095	56,071,491	617,276	45,984,545	308,010	184,532,325	5,122,445,742
Cost							
At January 1, 2021	7,646,597,830	330,407,213	27,367,141	232,110,378	6,554,927	191,985,388	**8,435,022,877**
Additions	-	-	-	-	-	80,806,044	**80,806,044**
Disposals	-	-	-	-	(4,199,229)	-	**(4,199,229)**
Transfers	76,541,380	291,800	-	11,425,927	-	(88,259,107)	-
At December 31, 2021	**7,723,139,210**	**330,699,013**	**27,367,141**	**243,536,305**	**2,355,698**	**184,532,325**	**8,511,629,692**
Accumulated Depreciation							
At January 1, 2021	2,572,439,495	268,677,083	26,495,716	189,777,081	5,882,587	-	**3,063,271,962**
Charge of the year	315,767,620	5,950,439	254,149	7,774,679	264,868	-	**330,011,755**
Disposals	-	-	-	-	(4,099,767)	-	**(4,099,767)**
At December 31, 2021	**2,888,207,115**	**274,627,522**	**26,749,865**	**197,551,760**	**2,047,688**	-	**3,389,183,950**
Net book value:							
December 31, 2021	**4,834,932,095**	**56,071,491**	**617,276**	**45,984,545**	**308,010**	**184,532,325**	**5,122,445,742**
December 31, 2020	5,074,158,335	61,730,130	871,425	42,333,297	672,340	191,985,388	5,371,750,915

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(b) Manufacturing plant includes deferred refinery turnaround costs. The movement in deferred refinery turnaround costs during the period/year ended, is analyzed as under:

	June 30, 2022	**December 31, 2021**
Cost:		
Opening balance	**113,672,712**	113,672,712
Addition	**-**	-
Closing balance	**113,672,712**	113,672,712
Accumulated depreciation:		
Opening balance	**71,858,815**	49,026,111
Amortization during the period / year	**11,355,003**	22,832,704
Closing balance	**83,213,818**	71,858,815
Carrying amount	**30,458,894**	41,813,897

(c) Additions during the period in capital work in progress principally relate to the normal additions to Yanbu and Jeddah refineries. Capital work in progress at June 30, 2022 relates to the development and enhancement works for the Company's refineries in Jeddah and Yanbu. The management expects that the capital work in progress for Jeddah and Yanbu refineries will be completed within a year.

(d) Depreciation charge for the period has been allocated as follows:

	Note	**For the six-month period ended June 30,**	
		2022	**2021**
Cost of revenue	24	**164,117,427**	163,592,269
General and administrative expenses	26	**409,017**	460,893
		164,526,444	164,053,162

6 Leases

The Company leases various lands, pipelines, motor vehicles and catalyst. Rental contracts are typically made for fixed periods of 1 to 30 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

At June 30, 2022, the Company did not have any lease contracts classified as right-of-use asset that are variable in nature. Some leases contain extension options exercisable by the Company before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The Company assesses at lease commencement whether it is reasonably certain to exercise the option. The Company does not provide residual value guarantees in relation to any of its leases.

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a) Right-of-use assets

	Lands	Pipelines and catalyst	Vehicles	Total
At January 1, 2021	96,736,493	7,921,531	4,190,045	108,848,069
Depreciation	(4,325,476)	(1,980,383)	(931,120)	(7,236,979)
At December 31, 2021	92,411,017	5,941,148	3,258,925	101,611,090
Depreciation	**(2,162,738)**	**(990,192)**	**(465,560)**	**(3,618,490)**
At June 30, 2022	**90,248,279**	**4,950,956**	**2,793,365**	**97,992,600**

Depreciation is charged to statement of comprehensive income using the straight-line method to allocate their costs over their lease term which are as follows:

Category	**Useful life - years**
Lands	30
Pipelines and catalyst	27
Vehicles	5

b) Lease liabilities

	June 30, 2022	December 31, 2021
Opening balance	**112,802,992**	117,640,486
Lease payments during the period / year	**(497,796)**	(10,177,394)
Accretion of finance costs during the period / year	**2,485,620**	5,339,900
Closing balance	**114,790,816**	112,802,992

Lease liabilities	**June 30, 2022**	**December 31, 2021**
Current	**14,771,458**	5,268,474
Non-current	**100,019,358**	107,534,518
	114,790,816	112,802,992

As at June 30, 2022, potential future cash outflows of Saudi Riyals 109.73 million (undiscounted) have been included in the lease liability because it is reasonably certain that the lease will be extended (December 31, 2021: Saudi Riyals 109.73 million), as the Company have incurred significant capital expenditure on the land. The Company has applied the extension option until financial year 2043.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial period, there were no revision of lease terms due to exercising extension and termination options.

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Amounts recognised in the statement of comprehensive income

	For the six-month period ended June 30, 2022	2021
Depreciation charge on right-of-use assets	**3,618,490**	4,124,610
Interest expense (included in finance costs -Note 27)	**2,485,620**	1,875,498
Expense relating to short-term leases (included in selling and distribution expenses – Note 25)	**5,081,284**	3,840,172

Depreciation on right-of-use assets for the period has been allocated as follows:

	Note	For the six-month period ended June 30, 2022	2021
Cost of revenue	24	**2,922,129**	3,428,249
General and administrative expenses	26	**696,361**	696,361
		3,618,490	4,124,610

Extension option

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of land and pipelines, the following factors are normally the most relevant:

- If there are significant penalty payments to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

7 Intangible assets

	June 30, 2022	December 31, 2021
Cost		
Opening balance	**32,838,854**	32,838,854
Additions	**-**	-
Closing balance	**32,838,854**	32,838,854
Accumulated amortization		
Opening balance	**15,455,202**	12,538,161
Charge for the period / year	**1,153,047**	2,917,041
Closing balance	**16,608,249**	15,455,202
Closing carrying amount	**16,230,605**	17,383,652

Intangible assets comprise of software and its development cost.

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8 Employees' loans

(a) Employees' home ownership receivables

	Note	June 30, 2022	December 31, 2021
Employees' home ownership receivables		**4,035,582**	4,737,501
Less: current portion	11	**(2,213,130)**	(2,142,528)
		1,822,452	2,594,973

In the previous years, the Company had a Home Ownership Program that offered eligible Saudi employees' home ownership opportunities. During 2010, the Company constructed and sold 133 residential houses for outright sale to the employees. Houses were sold to eligible employees and a receivable was recorded against such sale, which does not bear any finance charges and is expected to be collected over a period of 15 years. Deductions are made monthly from the employees' salaries up to 25% of their basic salaries. The Company has the legal documents of the property as collateral having fair value higher than the receivable balance to be collected from the employee and shall transfer the legal title of those residential houses to the concerned employees at the time of final settlement of the loan.

The Company shall transfer the legal title of those residential houses to the concerned employees at the time of final settlement of the loan.

The movement in employees' home ownership receivable is as follows:

	June 30, 2022	December 31, 2021
Opening balance	**4,737,501**	6,589,329
Deductions from employees' salary during the period / year	**(772,521)**	(2,050,925)
Finance income due to unwinding	**70,602**	199,097
Closing balance	**4,035,582**	4,737,501

The collection schedule of the aggregate employees' home ownership receivables outstanding is summarized as follows:

	June 30, 2022	December 31, 2021
2022	**1,474,224**	2,309,384
2023	**1,926,200**	918,962
2024	**523,119**	766,094
2025	**432,349**	715,521
2026 and thereafter	**314,816**	715,819
Less: Unearned finance income	**(635,126)**	(688,279)
	4,035,582	4,737,501

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Loans to employee comprise the following:

	Note	June 30, 2022	December 31, 2021
Home loans to employees	8(b)	**13,989,973**	16,899,018
Other loans to employees	8(c)	**1,940,843**	2,276,366
Less: current portion	11	**(7,631,413)**	(7,274,969)
		8,299,403	11,900,415

(b) Home loan to employees

The movement in home loans to employees' balance is as follows:

	June 30, 2022	December 31, 2021
Opening balance	**16,899,018**	16,929,064
New loans disbursed during the period / year	**3,899,775**	2,656,977
Finance income	**709,196**	695,381
Discounting effect on new loan	**(3,832,355)**	(629,254)
Deductions including settlement with employees retired during the period / year	**(3,685,661)**	(2,753,150)
Closing balance	**13,989,973**	16,899,018

Home loans are given to eligible Saudi employees of the Company under a scheme approved by the Board of Directors. Under this scheme, loans are provided to eligible employees for the purpose of purchasing or constructing their residential houses. Such loans, which do not bear any finance charges, are re-payable by the employee as per the agreement with the employee and the Company have the title of the property until the employee has settled all dues. The fair value of the related collateral property is higher the carrying value of the home loan to employees.

The collection schedule of the aggregate employees' home loan is summarized as follows:

	June 30, 2022	December 31, 2021
2022	**4,479,768**	6,197,469
2023	**5,304,988**	3,398,612
2024	**3,267,199**	3,198,694
2025	**2,037,789**	3,123,699
2026 and thereafter	**1,751,488**	3,948,438
Less: Unearned finance income	**(2,851,259)**	(2,967,894)
	13,989,973	16,899,018

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(c) Other loans to employees

Such loans are given to eligible Saudi employees of the Company under a scheme approved by the Board of Directors. Under this scheme, the employees are eligible for loans up to 80% of their end of service benefits accrued. Such loans, which do not bear any finance charges, are re-payable by the employees over 36 months and are secured against the related employees' end of service benefits.

The movements in other loans to employees are as follows:

	June 30, 2022	December 31, 2021
Opening balance	**2,276,366**	2,849,446
Loans disbursed during the period / year	**810,718**	1,409,484
Finance income for the period / year	**68,775**	90,985
Discounting effect on new loan	**(102,419)**	(44,722)
Deductions from payroll	**(1,112,597)**	(2,028,827)
Closing balance	**1,940,843**	2,276,366

The collection schedule of the aggregate other loans to employees is summarized as follows:

	June 30, 2022	December 31, 2021
2022	**555,388**	1,420,140
2023	**698,800**	627,997
2024	**788,430**	347,792
Less: Unearned finance income	**(101,775)**	(119,563)
	1,940,843	2,276,366

Employees' loans carrying value at each reporting date is considered to be the same as fair value.

9 Inventories

	June 30, 2022	December 31, 2021
Finished goods	**226,227,529**	293,306,011
Production in progress	**321,787,957**	215,477,906
Raw material	**188,618,238**	117,400,190
Spare parts and consumables materials	**99,036,268**	98,414,846
	835,669,992	724,598,953
Less: Allowance for inventory obsolescence	**(15,374,769)**	(14,537,079)
	820,295,223	710,061,874

Amounts of inventories recognised as an expense are disclosed in Note 24.

Movement in provision for inventory obsolescence is as follows:

	June 30, 2022	December 31, 2021
Opening balance	**14,537,079**	12,937,706
Additions for the period/year	**837,690**	1,599,373
Closing balance	**15,374,769**	14,537,079

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10 Trade receivables

	Note	June 30, 2022	December 31, 2021
Trade receivables		**755,057,797**	454,997,563
Related parties	22	**721,059,472**	413,031,623
		1,476,117,269	868,029,186
Allowance for expected credit losses		**(12,027,040)**	(5,351,541)
		1,464,090,229	862,677,645

Trade receivables amounting to Saudi Riyals 931.47 million (December 31,2021: Saudi Riyals 632.03 million) have been offset in the statement of financial position. For details, refer Note 20.

Due to the short-term nature of the trade receivables, their carrying amount are considered to approximate their fair value and are generally settled within 12 months from the reporting date.

Movement in provision for impairment of trade receivables is as follows:

	June 30, 2022	December 31, 2021
Opening balance	**5,351,541**	505,641
Charge for the period / year *	**6,675,499**	4,845,900
Closing balance	**12,027,040**	5,351,541

It includes Saudi Riyals 1.31 million charge for the six-month period ended June 30, 2022, pertaining to related parties' balances (year ended December 31, 2021: Saudi Riyals 2.01 million).

Information about the impairment of trade receivables and the Company's exposure to credit risk, market risk and liquidity risk can be found in Note 29.2.

11 Prepayment and other assets

	Note	June 30, 2022	December 31, 2021
Loans to employees	8	**7,631,413**	7,274,969
Advances to suppliers		**5,344,496**	3,061,806
Prepaid insurance		**2,403,211**	5,077,023
Employees' home ownership receivables	8	**2,213,130**	2,142,528
The Interest receivable - time deposits		**543,034**	355,162
Net Value Added Tax (VAT) receivables		**-**	16,763,929
Others		**5,467,246**	5,739,814
		23,602,530	40,415,231

Loans to employees, employees' home ownership receivables, interest receivables and other receivables are generally settled within 12 months from the reporting date. Hence, their carrying amount is considered to be the same as fair value.

12 Short-term deposit

The Company deposited Saudi Riyals 145 million in a 98-day short-term deposit on June 16, 2022 (December 31, 2021: Saudi Riyals 145 million in a 100-day short-term deposit October 10, 2021). This short-term deposit was held by a commercial bank and is due to mature on September 22, 2022. The Company places new short-term deposits upon maturity. The Company had placed short-term deposits on a recurring basis during the six-month period ended June 30, 2022, the last time deposit matured on June 16, 2022.

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13 Cash and cash equivalents

	June 30, 2022	December 31, 2021
Cash in hand	**210,000**	280,000
Cash at banks	**47,053,281**	29,322,894
Time deposits	**726,307,381**	1,319,883,608
	773,570,662	1,349,486,502

Cash at banks and time deposits are placed with banks with sound credit ratings (refer to note 29). The carrying value at each reporting date is considered to be the same as fair value. Time deposits are placed with local commercial banks and yield financial income at prevailing market rates with original maturities of three months or less.

As at June 30, 2022, the Company had deposited Saudi Riyals 726.31 million in short-term deposits having 5 to 41 days maturity period. This time deposits were held by commercial banks and were due to mature from July 5, 2022 to July 27, 2022. Upon maturity, the Company had placed time deposits on a recurring basis during the period, the last time deposit matured on June 30, 2022.

14 Share capital

At June 30, 2022 and December 31, 2021 the Company's share capital of Saudi Riyals 441 million consist of 44,100 fully paid shares of Saudi Riyals 10,000 each. The shareholding pattern of Company's share capital as at June 30, 2022 and 2021 is as follows:

	Amount	Percentage holding
Saudi Aramco	308,700,000	70%
JIIC	132,300,000	30%
Total	**441,000,000**	**100%**

On May 9, 2022, the shareholders approved a dividend of Saudi Riyals 1,263.71 million (Saudi Riyals 25,510 per share) and was paid on May 12, 2022.

On June 30, 2022, the shareholders of the Company resolved to increase the share capital of the Company, through transfer from retained earnings amounting to Saudi Riyals 1,246.5 million and having a par value of Saudi Riyals 10. This will result in revised total share capital amounting to Saudi Riyals 1,687.5 million comprising 168.75 million shares. Subsequent to the six-month period ended June 30, 2022, on August 18, 2022, all the legal formalities in this respect were completed. There were no other subsequent events after June 30, 2022.

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15 Statutory reserve

In accordance with the Regulations of Companies' Law in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company should transfer 10% of the net profits for the year to a statutory reserve until such reserve equals at least 30% of its share capital. No transfers are made to the statutory reserve as the reserve has exceeded 30% of the Company's share capital in previous years. This reserve is not available for distribution to shareholders.

16 Earnings per share

Earnings per share has been calculated by dividing the net profit attributable to the owners of the Company by the weighted average number of shares outstanding during the period.

	For the six-month period ended June 30,	
	2022	**2021**
Net profit attributable to owners of the Company	**740,104,523**	822,329,367
Weighted average number of shares *	**168,750,000**	168,750,000
Basic / diluted earnings per share (Saudi Riyals per share)	**4.39**	4.87

*On August 18, 2022, subsequent to the six-month period ended June 30, 2022, the total share capital was revised to Saudi Riyals 1,687.5 million comprising 168.75 million shares. The weighted average number of shares are retrospectively adjusted to disclose these changes in the number of shares.

17 Borrowings

Long-term borrowings comprise of the following:

	June 30, 2022	**December 31, 2021**
Islamic banking facilities (Murabaha)	**2,188,125,000**	2,250,000,000
Less: current portion of long-term borrowings	**(168,750,000)**	(146,250,000)
	2,019,375,000	2,103,750,000

Currency denomination of the borrowings in Saudi Riyals equivalent is as follows:

	June 30, 2022	**December 31, 2021**
Saudi Riyals	**1,641,093,750**	1,687,500,000
United States Dollars ("USD")	**547,031,250**	562,500,000
	2,188,125,000	2,250,000,000

On August 19, 2021, the Company entered into a syndicated Islamic loan agreement under Murabaha arrangement with five local banks of Saudi Riyals 1,687.5 million and USD 150 million (equivalent of Saudi Riyals 562.5 million). The principal repayments has begun from June 30, 2022 and will continue on an agreed semi-annual instalment basis till June 30, 2029. These facilities bear finance costs at market rates, which are generally based on Saudi Inter Bank Offered Rate ("SIBOR") for Saudi Riyals denominated borrowings and on London Interbank Offered Rate ("LIBOR") for USD denominated borrowings. The spread during the six-month period ended June 30, 2022 on these facilities varied between 0.75% - 1 % per annum (year ended December 31, 2021: 0.75% - 1 % per annum). Moreover, there is no collateral on the Company's assets due to these long-term borrowing agreements.

The above long-term borrowing agreements contain certain covenants, which among other things, require certain financial ratios to be maintained. As at June 30, 2022 and December 31, 2021, the Company was compliant with all the covenants with the lenders.

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Fair value of long-term borrowings is approximately equal to their carrying amounts as they are subject to interest at market rates. Finance costs recognized as expense on the above borrowings have been disclosed in Note 27.

As at June 30, 2022, the Company has an short-term bank facility from a local commercial bank for managing its working capital amounting to Saudi Riyals 40 million (December 31, 2021: Saudi Riyals 348.75 million). The facility is denominated in Saudi Riyals and bears finance costs based on prevailing market rates i.e. SIBOR +1.5%. There are no financial covenants applicable to the Company under such facility with the respective bank. The facility is unsecured. The maturity of the bank facility is within twelve months. Total unused credit facility available to the Company as at June 30, 2022 is approximately Saudi Riyals 40 million (December 31, 2021: Saudi Riyals 348.75 million).

The Company's main interest rate risk arises from borrowings with variable rates, which expose the company to cash flow interest rate risk. During the six-months period ended June 30, 2022 and the year ended December 2021, the Company's borrowings at variable rate were mainly denominated in Saudi Riyals and USD.

The breakdown of aggregate maturities of borrowings is as follows:

	June 30, 2022	**December 31, 2021**
2022	**84,375,000**	146,250,000
2023	**163,125,000**	163,125,000
2024	**196,875,000**	196,875,000
2025	**225,000,000**	225,000,000
2026	**258,750,000**	258,750,000
2027	**270,000,000**	270,000,000
2028	**315,000,000**	315,000,000
2029	**675,000,000**	675,000,000
	2,188,125,000	2,250,000,000

18 Employee benefit obligations

Employee benefit obligations comprise the following:

	Note	**June 30, 2022**	**December 31, 2021**
Employees' end of service benefits	18(a)	**131,970,608**	154,834,671
Employees' post-retirement health care benefit	18(b)	**151,589,185**	166,834,910
		283,559,793	321,669,581

(a) Employees' end of service benefits

The Company has an employment defined benefit plan. The benefits are required by Saudi Labor Law. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The following table summarizes the components of the net benefit expense recognized in statement of comprehensive income and amounts recognized in the statement of financial position.

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Movement in the present value of defined benefit obligation:

	June 30, 2022	December 31, 2021
Opening balance	**154,834,671**	170,958,946
Included in profit and loss:		
Current service cost	**5,198,964**	10,798,763
Interest cost	**2,081,952**	3,447,681
	7,280,916	14,246,444
Included in other comprehensive income:		
Actuarial loss on obligation	**484,634**	1,707,013
Benefits paid	**(30,629,613)**	(32,077,732)
Closing balance	**131,970,608**	154,834,671

Significant assumptions used in determining the employment defined benefit obligation include the following:

	June 30, 2022	December 31, 2021
Discount rate	**4.55%**	2.65%
Future salary increase rate	**4.55%**	2.65%

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is shown below:

Discount rate:

	June 30, 2022	December 31, 2021
0.5% increase in discount rate	**(6,089,737)**	(6,640,896)
0.5% decrease in discount rate	**6,626,706**	7,202,141

Future salary growth rate:

	June 30, 2022	December 31, 2021
0.5% increase in future salary growth rate	**6,593,797**	7,559,841
0.5% decrease in future salary growth rate	**(6,117,796)**	(7,033,404)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

The expected maturity analysis of undiscounted employee benefit obligations as at June 30, 2022 is as follows:

Less than a year	4,919,199
Between 1 – 5 years	60,754,968
Over 5 years	467,599,969

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(b) Employees' post-retirement health care benefit

The Company provides full medical coverage to Saudi employees and their spouses provided they have completed minimum 25 years of service with the Company and their age is minimum 55 years or the employee reaches the age of sixty. The employees who joined the Company after February 28, 2021 will not be eligible for this benefit.

The following table summarizes the components of the net benefit expense recognized in the statement of comprehensive income and amounts recognized in the statement of financial position:

Movement in the present value of defined benefit obligations:

	June 30, 2022	December 31, 2021
Opening balance	**166,834,910**	122,153,153
Included in profit or loss:		
Current service cost	**3,414,388**	6,317,359
Interest cost	**2,802,617**	4,194,967
	6,217,005	10,512,326
Included in other comprehensive income:		
Actuarial (gain) loss on obligation	**(20,699,267)**	35,619,058
Benefits paid	**(763,463)**	(1,449,627)
Closing balance	**151,589,185**	166,834,910

Significant assumptions used in determining the post-employment defined benefit obligation includes the following:

	June 30, 2022	December 31, 2021
Discount rate	**4.85%**	3.30%
Medical rate (pre-retirement and post-retirement)	**6.85%**	5.30%

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is shown below:

Discount rate:

	June 30, 2022	December 31, 2021
0.5% increase in discount rate	**(19,495,900)**	(21,506,004)
0.5% decrease in discount rate	**23,556,855**	25,968,090

Medical rate (Pre Retirement):

	June 30, 2022	December 31, 2021
0.5% increase in medical rate (Pre Retirement)	**6,424,238**	7,344,226
0.5% decrease in medical rate (Pre Retirement)	**(5,837,010)**	(6,677,806)

Medical rate (Post Retirement):

	June 30, 2022	December 31, 2021
0.5% increase in medical rate (Post Retirement)	**15,914,417**	17,518,078
0.5% decrease in medical rate (Post Retirement)	**(13,905,418)**	(15,329,893)

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The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method (present value of defined benefit obligations calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

The expected maturity analysis of undiscounted Employees' post-retirement health care benefit as at June 30, 2022 is as follows:

Less than a year	769,074
Between 1 – 5 years	7,977,476
Over 5 years	177,851,843

19 Other non-current liabilities

	June 30, 2022	**December 31, 2021**
Provision for decommissioning	**38,753,495**	31,412,804
Thrift plan	**4,629,605**	5,524,482
Chronic Medical Circumstance	**1,078,700**	1,236,717
	44,461,800	38,174,003

Decommissioning provision is made for the refinery closure, reclamation and dismantling obligation of the Jeddah refinery. These obligations are expected to be incurred in the year in which the refinery is expected to be closed. Management estimates the provision based on management's understanding of the current legal requirements in the Kingdom of Saudi Arabia, terms of the license agreements and engineering estimates.

The provision for decommissioning obligation represents the present value of full amount of the estimated future closure and reclamation costs, based on information currently available including closure plans and applicable regulations. Future changes, if any, in regulations and cost assumptions may be significant and will be recognised when determined.

Movement in provision for decommissioning is as follows:

	June 30, 2022	**December 31, 2021**
Opening balance	**31,412,804**	30,733,784
Addition during the period*	**7,013,736**	-
Unwinding of discount	**326,955**	679,020
Closing balance	**38,753,495**	31,412,804

* During the six-month period ended, the management has reassessed its reclamation and dismantling obligation of the Jeddah refinery to be Saudi Riyals 42.69 million.

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20 Trade payables

	Note	June 30, 2022	December 31, 2021
Related parties	22	**1,170,686,373**	933,265,292
Third parties		**47,198,860**	45,443,237
Advances from customers		**45,894,039**	8,677,586
Thrift plan obligation		**31,698,262**	31,099,215
Other payables*		**53,910,666**	68,185,685
		1,349,388,200	1,086,671,015

* It majorly pertains to stores and spares' vendors amounting to Saudi 51.28 million.

Trade payables are unsecured and are usually paid within 3-12 months of recognition. The carrying amounts of trade payables are considered to approximate their fair values, due to their short-term nature.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company has an agreement with Saudi Aramco to purchase feedstock and sell by-product in Jeddah refinery and purchase fuel oil and sell by-product (marine heavy fuel oil) in Yanbu refinery. The settlement of these transactions takes place after 60 to 90 days and net payment is made to or received from Saudi Aramco.

The following table presents the recognised financial instruments that are offset, or subject to enforceable netting arrangements:

	Effects of offsetting on the statement of financial position		
	Gross amounts	**Amounts set off**	**Net amounts presented**
June 30, 2022			
Related party receivables	**1,652,529,349**	**(931,469,877)**	**721,059,472**
Related party payables	**2,102,156,250**	**(931,469,877)**	**1,170,686,373**
December 31, 2021			
Related party receivables	1,045,062,668	(632,031,045)	413,031,623
Related party payables	1,565,296,337	(632,031,045)	933,265,292

21 Accrued expenses and other liabilities

	Note	June 30, 2022	December 31, 2021
Net VAT payable	21.1	**90,043,416**	-
Accrued expenses		**87,730,489**	18,146,354
Accrual for rebates and discounts		**40,385,092**	37,162,681
Accrued bonus		**10,397,540**	38,304,614
Derivative financial instrument measured at fair value through profit or loss	21.2	**-**	6,335,789
Others	21.3	**9,634,277**	5,127,695
		238,190,814	105,077,133

21.1 Due to increase in the local sales during the six-month period June 30, 2022, which are subject to 15% VAT rate, the Company has a net VAT payable position as at June 30, 2022.

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21.2 The arrangement has not been designated as hedging arrangement since its inception. The Company relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparty has been explained in Note 29.1.

The analysis of derivative financial instruments and the related fair values together with the notional amounts classified by the term to maturity is as follows:

	Negative fair value		Notional Amount	
	June 30, 2022	**December 31, 2021**	**June 30, 2022**	**December 31, 2021**
Interest rate swaps	-	6,335,789	**183,060,304**	297,135,409

21.3 It pertains to liabilities against unused employees' leaves balance as at June 30, 2022.

22 Related party transactions and balances

Related parties comprise the shareholders, affiliated companies, key management personnel and entities controlled, jointly controlled or significantly influenced by such parties. Related parties also include business entities in which certain directors or senior management have an interest (other related parties). Affiliates of the Company are the entities which are owned by the Ultimate Parent but are not part of this Company. Moreover, the Company is ultimately controlled by the government of the Kingdom of Saudi Arabia.

Following is the list of related parties with whom the Company has significant transactions and balances:

Name of related party	Nature of relationship
Saudi Arabian Oil Company ("Saudi Aramco")	Shareholder and Ultimate Parent
Jadwa Industrial Investment Company ("JIIC")	Shareholder
Saudi Aramco Mobil Refinery Company Ltd. ("SAMREF")	Affiliate
S-Oil Corporation	Affiliate
Motiva Trading LLC	Affiliate
Aramco Chemical Company	Affiliate
Aramco Far East (Beijing) Business Services Company	Affiliate
Saudi Basic Industries Corporation	Affiliate
Saudi Aramco Technologies Company	Affiliate

Agreements with Saudi Aramco

1. Purchase and sale contracts at Jeddah and Yanbu refinery

The Company has agreements with Saudi Aramco for purchase of feedstock for its Jeddah and Yanbu refineries. The Company also has an offtake agreement with Saudi Aramco for sale of certain products. The pricing mechanism for the sale and purchase of these products is based on formulae, that has external inputs mentioned in the contracts.

2. Technical management, support services and leases

Saudi Aramco also provides operational technical, utilities and human resources support to the Company on commercial terms. The Company also has two lease agreements with Saudi Aramco for land rentals in Jeddah and pipelines, which are on commercial terms.

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Agreement with SAMREF

The Company has an agreement for sale of certain products from its Yanbu refinery to SAMREF. The pricing mechanism is based on a formula, that has external inputs mentioned in the contract. The Company also receives technical and management support services from SAMREF which are on commercial terms.

Transactions with key management personnel

Key management personnel include all the heads of departments and key personnel involved in Company's operations. The compensation to key management personnel for the period is shown below:

	For the six-month period ended June 30,	
	2022	**2021**
Short-term employee benefits	**15,732,084**	13,340,226
Provision for employee benefit obligations	**1,261,513**	916,958

All related party transactions were made on terms as specified in the agreements with the related parties. The credit terms with all related parties range from 30 to 90 days.

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22 Related party transaction and balance (continued)

Significant transactions and balances with related parties in the ordinary course of the business included in the special purpose financial statements are summarized below:

Related party	Nature of transaction	Amount of transactions for the six-month period ended		Balance as at	
		June 30, 2022	June 30, 2021	June 30, 2022	December 31, 2021
Due from related parties					
Saudi Aramco	Sales of by-products	**2,528,843,492**	2,103,133,554	**334,929,079**	141,868,216
SAMREF	Sales of by products	**483,291,532**	269,945,058	**206,864,836**	178,954,086
S-Oil Corporation	Sales of base oil	**673,932,807**	201,532,118	**166,407,686**	70,082,112
Motiva Trading LLC	Sales of base oil	**-**	28,141,712	**9,485,386**	21,420,870
Aramco Chemical Company	Sales of base oil	**5,328,705**	-	**3,372,485**	706,339
				721,059,472	413,031,623
Due to related parties					
Saudi Aramco	Purchase of feedstock, materials and utilities	**2,850,158,172**	1,115,458,515	**1,031,868,554**	892,587,458
	Technical and management support services	**12,169,461**	6,075,793	**138,817,819**	18,044,753
	Lease rental for Jeddah refinery land and Yanbu refinery pipeline	**1,321,757**	660,879	**-**	-
SAMREF	Technical and management support services	**-**	951,303	**-**	-
S-Oil Corporation	Purchase of base oil	**17,908,285**	48,053,455	**-**	22,633,081
Saudi Aramco Technologies Company	Technical and management support services	**-**	300,000	**-**	-
				1,170,686,373	933,265,292

The Company's revenues derived from sales to Saudi Aramco and other affiliates accounted for approximately 42% and 19% (six-month period ended June 30, 2021: 52% and 12%) respectively, of the total revenue.

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23 Revenue

The Company derives revenue from the transfer of goods at a point in time and revenue from freight and services to Saudi Aramco over a period of time. The Company has the following major product lines:

	For the six-month period ended June 30,	
	2022	**2021**
Revenue from base oil sales	**2,962,693,648**	2,293,989,846
Revenue from by-products sales	**3,120,544,439**	1,758,204,513
	6,083,238,087	4,052,194,359

During the six-month period ended June 30, 2022, the Company has recognized revenue from freight services amounting to Saudi Riyals 77.7 million (six-month period ended June 30, 2021: Saudi Riyals 40 million).

The management has categorized its geographical operations as follows:

	For the six-month period ended June 30,	
	2022	**2021**
Geographic information		
Revenues from local sales		
Kingdom of Saudi Arabia	**4,130,040,046**	2,528,811,789
Revenues from export sales		
United Arab Emirates	**953,522,054**	907,263,023
Singapore	**458,144,094**	114,343,030
India	**204,191,793**	342,263,167
Egypt	**115,100,611**	16,204,902
Others	**222,239,489**	143,308,448
Total	**6,083,238,087**	4,052,194,359

24 Cost of revenue

	Note	For the six-month period ended June 30,	
		2022	**2021**
Cost of materials		**4,644,218,347**	2,660,298,879
Depreciation on property, plant and equipment	5	**164,117,427**	163,592,269
Employee related costs		**92,525,628**	93,091,651
Depreciation on right-of-use assets	6	**2,922,129**	3,428,249
Amortization of intangible assets		**145,745**	483,346
Others*		**79,546,358**	36,967,158
		4,983,475,634	2,957,861,552

*It includes spare parts consumed, insurance charges, sub-contractor charges, consultancy charges, operational and maintenance charges amounting to Saudi Riyals 6.84 million, Saudi Riyals 5.30 million, Saudi Riyals 4.42 million, Saudi Riyals 3.08 million and Saudi Riyals 2.91 million, respectively.

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25 Selling and distribution expenses

	For the six-month period ended June 30, 2022	2021
Freight expenses	**30,002,903**	39,986,629
Tank rents	**5,081,284**	3,840,172
Demurrage charges	**1,682,372**	794,803
Others*	**8,681,007**	5,299,683
	45,447,566	49,921,287

*It includes export handling fee amounting to Saudi Riyals 3.35 million.

26 General and administrative expenses

	Note	For the six-month period ended June 30, 2022	2021
Employee related costs		**75,804,325**	63,770,671
Consultancy charges		**11,724,526**	7,603,517
Telephone and postage		**2,849,855**	1,824,451
Business travel		**1,103,650**	454,546
Amortization of intangible assets		**1,007,302**	1,007,302
Depreciation on right-of-use assets	6	**696,361**	696,361
Insurance		**685,277**	1,125,256
Depreciation on property, plant and equipment	5	**409,017**	460,893
Others*		**13,969,835**	12,853,497
		108,250,148	89,796,494

*It includes impairment on financial assets amounting to Saudi Riyals 6.68 million.

27 Finance cost

	Note	For the six-month period ended June 30, 2022	2021
Finance costs with respect to:			
- Murabaha (Islamic)		**23,030,135**	17,487,031
- PIF loan (conventional)		**-**	7,307,605
- Interest on lease liabilities	6	**2,485,620**	1,875,498
- Unwinding of decommissioning provision	19	**326,955**	54,493
		25,842,710	26,724,627

28 Zakat and income tax

During the year ended December 31, 2017, pursuant to the Royal Decree A/136, all shares in Kingdom-resident companies held directly or indirectly by Saudi Arabian Oil Company (Saudi Aramco) are subject to Saudi Arabian income tax, rather than to Zakat. Accordingly, income tax has been recognized for Saudi Aramco owned interest in the Company.

The Company is subject to zakat with respect to JIIC's shareholding and income tax with respect to Saudi Aramco's shareholding. During 2020, the shareholders signed an agreement that the shareholders shall bear the economic burden of any zakat and income tax required under applicable law.

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28.1 Charge for the period

The charge for the six-month period ended June 30, consists of the following:

	Note	For the six-month period ended June 30,	
		2022	**2021**
Zakat charge (reversal)	28.2	**9,526,410**	(8,810,691)
Income tax expense	28.3	**79,692,569**	75,643,944
Deferred tax charge	28.6	**110,634,667**	49,002,101
		199,853,646	115,835,354

The increase in the tax expense in the current period is due to increase in deferred tax.

28.2 Components of zakat base

Zakat is payable at 2.58% of approximate zakat base (excluding adjusted net income for the year) and at 2.5% of the adjusted net income for the year.

The significant components of the non-Aramco Saudi shareholder's share of approximate zakat base for the six-month period ended June 30 comprised the following:

	For the six-month period ended June 30,	
	2022	**2021**
Equity at beginning of period	**4,244,546,248**	3,711,562,212
Provision at beginning of period	**341,365,605**	368,516,036
Borrowings	**2,188,125,000**	826,027,397
Lease liabilities	**114,790,816**	117,893,189
Property, plant and equipment	**(4,981,744,289)**	(5,265,833,803)
Right-of-use assets	**(97,992,600)**	(104,723,460)
Intangible assets	**(16,230,605)**	(18,810,045)
Dividend	**(1,125,000,000)**	-
Spare parts and consumables materials	**(99,036,268)**	(93,853,042)
Others	**75,061,203**	(18,663,036)
Approximate zakat base	**643,885,110**	(477,884,552)
Net zakat base to share subject to zakat @ 30% (2021: 29.07%)	**193,165,533**	(138,935,376)
Approximate zakat at specified rate for six-month period	**9,526,410**	5,097,069

28.3 Provision for zakat and income tax

The movement in zakat and income tax payable is as follows:

	Income tax	**Zakat**	**Total**
At January 1, 2021	554,559	22,290,590	22,845,149
Prior year reversal	-	(13,907,760)	(13,907,760)
Charge for the year	130,155,317	12,525,468	142,680,785
Payment	-	(1,102,562)	(1,102,562)
At December 31, 2021	130,709,876	19,805,736	150,515,612
Charge for the period	**79,692,569**	**9,526,410**	**89,218,979**
Payment*	**(158,361,342)**	**(12,525,468)**	**(170,886,810)**
At June, 2022	**52,041,103**	**16,806,678**	**68,847,781**

*During the six-month period ended June 30, 2022, the Company has paid Saudi Riyals 31.54 million quarterly advance tax as per the income tax regulations, which was based on the previous year’s zakat and income tax return.

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28.4 Income tax

Income tax liability is calculated at 20% of the adjusted net income attributable to the Saudi Aramco and JIIC foreign shareholders.

The following is a summary of significant differences between financial net income and estimated taxable net income for the period ended June 30:

	For the six-month period ended June 30,	
	2022	**2021**
Profit before zakat and income tax	**939,958,169**	938,164,721
Adjusted for:		
- Depreciation and amortization	**(145,310,812)**	(240,033,073)
- Actuarial (gain) loss on obligations	**(20,214,633)**	18,663,036
- Provisions	**21,338,065**	17,866,701
- Provision utilized	**(32,445,974)**	(12,196,471)
- Lease interest and payments – net	**1,987,824**	252,703
- Others	**(6,335,789)**	(10,553,982)
	758,976,850	712,163,635
Foreign shareholding	**70.00%**	70.93%
Taxable income	**531,283,795**	505,116,301
Adjustment for carried forward losses	**(132,820,949)**	(126,896,583)
Adjusted taxable income	**398,462,846**	378,219,718
Income tax charge for the period @ 20%	**79,692,569**	75,643,944

In the event of the Company's listing on Tadawul, the shareholding of Saudi Aramco will be subject to zakat resulting in no income tax.

28.5 Status of certificates and final assessments

The Company has filed its zakat and income tax return up to the year ended December 31, 2021. The Company does not have any open assessment orders with the ZATCA as at June 30, 2022. The zakat and income tax assessments up to December 31, 2016 have been finalized by the ZATCA.

During the six-month period, the ZATCA issued an assessment for the financial year 2016 amounting to Saudi Riyals 0.63 million which was settled.

28.6 Deferred tax asset / (liability)

		(Charged)/credited		
	At January 1, 2022	**to profit or loss**	**to other comprehensive income**	**At June 30, 2022**
Difference in accounting and tax base of property, plant and equipment	(287,212,054)	(66,289,798)	-	(353,501,852)
Provisions	53,868,811	(1,279,486)	(2,830,049)	49,759,276
Carried forward losses	176,908,990	(43,829,450)	-	133,079,540
Leases	1,587,683	764,067	-	2,351,750
Total	**(54,846,570)**	**(110,634,667)**	**(2,830,049)**	**(168,311,286)**

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28.7 Reconciliation of income tax expense and the accounting profit for the periods ended:

	For the six-month period ended June 30,	
	2022	**2021**
Income before zakat and income tax	**939,958,169**	938,164,721
Income tax at the corporate tax rate of 20% (2021: 20%)	**187,991,634**	187,632,944
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Saudi shareholding not subject to income tax @ 30% (2021: 29.07%)	**(56,397,490)**	(54,550,526)
- Depreciation and amortization	**(20,343,514)**	(34,049,651)
- Actuarial gain	**(2,830,049)**	2,647,538
- Provisions	**(1,555,107)**	804,233
- Leases interest and payments – net	**278,295**	35,847
Adjustment of brought forward taxable losses	**(26,564,190)**	(25,379,317)
Property, plant and equipment	**66,289,798**	287,212,054
Provisions	**1,279,486**	(49,714,091)
Carried forward losses	**43,847,166**	(194,932,495)
Lease interest and payments – net	**(764,068)**	(1,868,257)
Others	**(904,725)**	6,807,766
At the average effective income tax rate 29% (2021: 19%)	**190,327,236**	124,646,045

29 Financial instruments

29.1 Fair value measurement of financial instruments

a) Recognised fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2022 and December 31, 2021, all of the Company's financial assets and financial liabilities are currently classified and measured at amortised cost, except for derivative financial instrument measured at fair value through profit or loss. Further, the carrying value of all the financial assets and liabilities, except for derivative financial instrument measured at fair value through profit or loss classified as amortised cost approximates to the fair value on each reporting date.

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b) Valuation technique

The valuation techniques applied by the counterparty include the use of forward pricing standard models using the present value of the estimated future cash flows based on observable yield curves.

Interest rate swap transactions usually involve two counterparties, a firm (or other entity) and a financial institution. The most common type of contract requires one counterparty to pay a fixed interest rate for the term of the contract, while the other counterparty pays a variable interest rate for the same term. Therefore, the fair value of the liability shall reflect the non-performance risk, risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk grading determined by management. All these contracts have been designated as level 2 in the financial statement.

29.2 Risk management framework

The Company's top management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the Board of Directors.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the management.

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk (currency risk, fair value and cash flow interest risk and price risk)

a) Credit risk

Credit risk arises from cash and cash equivalents, credit exposures to customers, including outstanding receivables from other parties.

- *Risk management*

The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties.

The credit rating of banks in which the Company holds cash are as follows:

Credit rating	**June 30, 2022**	**December 31, 2021**
A1	**321,345,410**	1,314,226,498
A2	**414,295,090**	-
A3	**-**	34,980,004
BAA1	**37,720,162**	-
Total	**773,360,662**	1,349,206,502

As at June 30, 2022, the remaining cash and cash equivalents balance, amounting to Saudi Riyals 0.21 million, represents cash on hand (December 31, 2021: Saudi Riyals 0.28 million).

The short-term deposit is held with a bank having A2 credit rating and yield financial income at prevailing market rates. The carrying value at each reporting date is estimated to be the same as their fair value.

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For trade receivables, management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The compliance with credit limits by customers is regularly monitored by line management.

For banks, only independently credit rated parties having sound ratings are accepted. For trade receivables, internal risk control department assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by line management.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a trade receivable occurs when the counterparty fails to make contractual payments within 90 days of when they fall due. The Company categorizes a receivable for write-off when a debtor fails to make contractual payments greater than 360 days past due. Where receivables have been written-off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the statement of comprehensive income**.**

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The Company writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Where recoveries are made, these are recognised in the statement of comprehensive income.

- *Impairment of financial assets*

The Company's exposure to credit risk at the reporting date is as follows:

	Note	June 30, 2022	December 31, 2021
Employees' home ownership receivables	8(a)	**4,035,582**	4,737,501
Loans to employees	8(b,c)	**15,930,816u**	19,175,384
Trade receivables – third parties	10	**755,057,797**	454,997,563
Trade receivables – related parties	10	**721,059,472**	413,031,623
Interest and other receivables (included within prepayments and other assets)		**1,849,706**	6,094,976
Short-term deposit	12	**145,062,852**	145,726,030
Cash at banks	13	**47,053,281**	29,322,894
Time deposits	13	**726,307,381**	1,319,883,608
		2,416,356,887	2,392,969,579

Other receivables are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment assessment. Based on management's impairment assessment, there is no provision required in respect of these balances for all the periods presented.

For trade receivables, the Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables based on a provision matrix. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. The provision matrix was developed considering probability of default based on historical collection trends of the Company's customers and credit rating of the Company's related parties assigned by reputed credit rating agencies and loss given default. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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The historical loss rates are also considered to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified inflation rate, oil prices and GDP growth rate of the countries in which it sells its goods to be the most relevant macro-economic factors of forward-looking information that would impact the credit risk of the customers, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Impairment losses on financial assets recognised in the statement of comprehensive income are as follows:

	June 30, 2022	**December 31, 2021**
Impairment loss on trade receivables	**12,027,040**	5,351,541

The following table provides information about the exposure to credit risk and ECLs for trade receivables from external customers:

June 30, 2022	**Gross carrying amount**	**Weighted average loss rate**	**Loss allowance**
Current (not past due)	**1,245,327,502**	**0.45%**	**5,558,942**
1–90 days past due	**222,166,921**	**1.95%**	**4,342,970**
91–180 days past due	**7,349,170**	**14.49%**	**1,065,035**
181–360 days past due	**409,175**	**66.29%**	**271,239**
More than 360 days past due	**864,501**	**91.25%**	**788,854**
Total	**1,476,117,269**		**12,027,040**

December 31, 2021	**Gross carrying amount**	**Weighted average loss rate**	**Loss allowance**
Current (not past due)	759,466,062	0.52%	3,951,742
1–90 days past due	106,899,967	0.53%	569,470
91–180 days past due	713,643	7.58%	54,069
181–360 days past due	949,514	81.75%	776,260
Total	868,029,186		5,351,541

Trade receivables relate to sales made during the period to corporate customers. As at June 30, 2022, trade receivables balance from related parties' is Saudi Riyals 721.06 million (December 31, 2021: Saudi Riyals 413.03 million). Of this amount Saudi Riyals 704.95 million was 'not due' and Saudi Riyals 16.11 million was due '1 to 90 days' (December 31, 2021: Saudi Riyals 721.06 million was 'not due' and nil was due '1 to 90 days') having impairment loss of Saudi Riyals 3.46 million (December 31, 2021: Saudi Riyals 2.15 million). These pertain to corporate related parties that have no history of default and accordingly the probability of default is minimal. For related parties' balances, the Company applies the simplified approach to provide for expected credit losses, which permits the use of the lifetime expected credit loss provision based on a provision matrix. Further, related parties' balances have low credit risk and were not yet due at each reporting date.

Trade receivables are non-derivatives financial assets carried at amortised cost and are generally on terms of 30 to 60 days. The carrying value may be affected by changes in the credit risk of the counterparties. It is not the practice of the Company to obtain collateral over third party trade receivables and these are, therefore, unsecured. The majority of the Company's trade receivables are concentrated in the Kingdom of Saudi Arabia. As at June 30,2022, five largest customers accounted for 60% (December 31, 2021: 55%) of the outstanding trade receivables.

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b) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, bank overdraft or reliance on a particular market in which to realise liquid assets. Contractual undiscounted cashflows are:

As at June 30, 2022	**1 year or less**	**1 to 5 years**	**Above 5 years**	**Total**
Borrowings	267,077,840	1,543,747,343	871,050,596	2,681,875,779
Accrued expenses and other liability	238,190,814	-	-	238,190,814
Trade payables	1,349,388,200	-	-	1,349,388,200
Lease liabilities	10,339,938	34,309,024	125,112,691	169,761,653
	1,864,996,792	**1,578,056,367**	**996,163,287**	**4,439,216,446**

As at December 31, 2021				
Borrowings	199,319,288	1,125,174,571	1,369,744,176	2,694,238,035
Accrued expenses and other liability	105,077,133	-	-	105,077,133
Trade payables	1,086,671,015	-	-	1,086,671,015
Lease liabilities	10,339,938	36,697,182	125,112,691	172,149,811
	1,401,407,374	1,161,871,753	1,494,856,867	4,058,135,994

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Company’s future commitments.

c) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates and interest rates - will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that is not the Company's functional currency. The Company's transactions are principally in Saudi Riyals, United Arab Emirates Dirhams, Euros and United States Dollars. The management believes that there is no currency risk arising from the transactions in currencies to which the Saudi Riyals is pegged.

The Company’s exposure to currency risk arising from currencies to which the Saudi Riyals is not pegged is not material to these special purpose financial statements.

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ii) Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. The Company's interest-bearing liabilities, which are mainly bank borrowings, are at floating rates of interest, which are subject to re-pricing. Management monitors the changes in interest rates and believes that the fair value risks to the Company are not significant. The Company have short term deposits and time deposits, interest bearing financial assets at the end of reporting period.

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows:

	June 30, 2022	**December 31, 2021**
Financial liabilities, principally borrowings	**2,188,125,000**	2,250,000,000

The Company's main interest rate risk arises from borrowings with variable rates, which expose the company to cash flow interest rate risk. During 2022 and 2021, the Company's borrowings at variable rate were mainly denominated in Saudi Riyals and USD.

At June 30, 2022, if interest rates had been 100 bps higher/lower with all other variables held constant, future interest on outstanding loans will increase/decrease by Saudi Riyals 14.53 million (six-month period ended June 30, 2021: Saudi Riyals 13.45 million).

Transition from LIBOR to risk free rates

In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), announced that the interest benchmark would cease after 2021, except for USD LIBOR which will cease at June 2023. LIBOR is one of the most common series of benchmark interest rates. LIBOR reforms and expectation of cessation of LIBOR will impact the Company's current risk management strategy and possibly accounting for certain financial instruments. The Company has long-term borrowings of Saudi Riyal 547.03 million which are exposed to the impact of LIBOR as at June 30, 2022.

As part of the Company's risk management strategy, the Company uses financial instruments to manage exposures arising from variation of interest rates that could affect statement of comprehensive income. The Company have interest rate swaps which are referenced to LIBOR.

The Company has assessed that there will be no impact on the Company's interest rate swaps due to change in the LIBOR.

iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have any financial instruments which are subject to other price risk.

d) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a proper capital ratio in order to support its business and maximize shareholders' value. The capital is managed by the board of directors. The capital structure includes all component of shareholders' equity totalling Saudi Riyals 3,877 million at June 30 ,2022 (December 31, 2021: Saudi Riyals 4,245 million). The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

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The Company monitor capital on the basis of the gearing ratio. This ratio is calculated based on the net debt divided by total capital.

	June 30, 2022	December 31, 2021
Borrowings	**2,188,125,000**	2,250,000,000
Lease liabilities	**114,790,816**	112,802,992
Less: cash and cash equivalents	**(773,570,662)**	(1,349,486,502)
Net debt (A)	**1,529,345,154**	1,013,316,490
Shareholders' equity (B)	**3,877,035,355**	4,244,546,248
Total capital (A+B)	**5,406,380,509**	5,257,862,738
Gearing ratio (A / (A+B))	**28%**	19%

e) Net debt

	June 30, 2022	December 31, 2021
Cash and cash equivalents	**773,570,662**	1,349,486,502
Lease liabilities	**(114,790,816)**	(112,802,992)
Borrowings	**(2,188,125,000)**	(2,250,000,000)
Net debt	**(1,529,345,154)**	(1,013,316,490)

Borrowings of the Company carry variable interest rates.

f) Net debt reconciliation

	Cash and cash equivalents	Borrowings	Leases	Total
January 1, 2021	672,851,104	(2,154,067,200)	(117,640,486)	(1,598,856,582)
Cash flows	676,635,398	(25,969,443)	10,177,394	660,843,349
Interest on borrowings	-	(69,963,357)	-	(69,963,357)
Interest on lease liabilities	-	-	(5,339,900)	(5,339,900)
December 31, 2021	1,349,486,502	(2,250,000,000)	(112,802,992)	(1,013,316,490)
Cash flows	(575,915,840)	80,393,017	497,796	(495,025,027)
Interest on borrowings	-	(18,518,017)	-	(18,518,017)
Interest on lease liabilities	-	-	(2,485,620)	(2,485,620)
June 30, 2022	**773,570,662**	**(2,188,125,000)**	**(114,790,816)**	**(1,529,345,154)**

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30 Commitments and contingencies

30.1 Commitments

a) As at June 30, 2022 the Company had outstanding capital commitments of Saudi Riyals 489.75 million (December 31, 2021: Saudi Riyals 292.35 million) in respect of additions to property, plant and equipment at its Jeddah and Yanbu refineries.

30.2 Contingencies

a) As at June 30, 2022 the letters of guarantees issued by banks on behalf of the Company amounted to Saudi Riyals 11.24 million (December 31, 2021: Saudi Riyals 11.32 million) and letters of credit issued by banks on behalf of the Company is Saudi Riyals 4.95 million (December 31, 2021: Saudi Riyals 4.9 million).

b) A contractor for Yanbu Expansion Project has submitted claims and appeals amounting to Saudi Riyals 222.52 million. After the assessment on the procedural and substantive grounds, the management has rejected these claims and appeals. The Company is expecting a favorable outcome therefore no provision has been recorded in the special purpose financial statements.

30.3 Short-term leases

The short-term lease commitment as of June 30, 2022 amounts to Saudi Riyals 5.41 million (December 31, 2021: Saudi Riyals 10.8 million).

31 Operating segment

The Company is engaged to construct, own and operate refineries of lubricating oils and to purchase, sell, transport, market, import and export lubricating oils, additives, lubricating oil blending stocks, by-products and other related petroleum products. The Company operates in Jeddah and Yanbu region of Saudi Arabia and has an operation in Hamriyah in the United Arab Emirates. For management purposes, the Company is organized as a single business unit aligned with its principal business activity.

The Company has determined that the Company's Board of Directors and the President & CEO, are the Chief Operating Decision Maker ("CODM") and are responsible for making decisions regarding the allocation of resources and assessment of performance of the Company. The CODM monitors the operating results of the Company as a whole for the purpose of making decisions about resource allocation and performance assessment of the Company's business. The CODM evaluates the performance on the basis of revenues, total operating expenses, EBITDA, net income and return on equity.

Geographical information of Company's revenues is disclosed in Note 23. The Company's property, plant and equipment assets are located in Kingdom of Saudi Arabia. Saudi Aramco is the Company's major customer exceeding 10% revenue threshold. See Note 22.

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32 Restatement relating to the annual audited financial statements

The Company has agreements with Saudi Aramco to purchase feedstock for the Company's Jeddah and Yanbu refineries and to supply certain by-products back to Saudi Aramco after the feedstock has been processed and base oil extracted for sale to its other customers. The Company determined in the current period to account for these transactions with Saudi Aramco separately as purchases of feedstock and sales of by-products. This is on the basis of the Company's ability to control, obtaining substantial economic benefit and decision making relating to feedstock used and mix of the products produced which are substantially different from the feedstock purchased. These transactions with Saudi Aramco were previously recorded on a net basis with the sales proceeds of the by-products recorded against the feedstock purchases.

The change does not have any impact on the statement of financial position, statement of changes in equity and statement of cash flows as of and for the years then ended.

The following table sets out the effect of restating revenue and cost of revenue amounts in the statement of comprehensive income for the years ended December 31, 2019, 2020 and 2021:

	As previously reported	Restatement	As restated
Statement of comprehensive income for the year ended December 31, 2019			
Revenue	3,937,355,317	1,683,058,901	5,620,414,218
Cost of revenue	(3,731,059,312)	(1,683,058,901)	(5,414,118,213)
Gross profit	206,296,005	-	206,296,005
Statement of comprehensive income for the year ended December 31, 2020			
Revenue	3,187,493,206	1,206,051,834	4,393,545,040
Cost of revenue	(2,772,562,322)	(1,206,051,834)	(3,978,614,156)
Gross profit	414,930,884	-	414,930,884
Statement of comprehensive income for the year ended December 31, 2021			
Revenue	6,760,398,960	2,086,327,877	8,846,726,837
Cost of revenue	(4,718,622,332)	(2,086,327,877)	(6,804,950,209)
Gross profit	2,041,776,628	-	2,041,776,628

The above restatement does not have any impact on the six-month period ended June 30, 2021 as these are presented based on the aforementioned judgments and the financial statements for that period have not previously been issued.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Closed Joint Stock Company)
Condensed interim financial information (Unaudited)
For the three-month and nine-month periods ended September 30, 2022

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Report on review of condensed interim financial information

To the shareholders of Saudi Aramco Base Oil Company - Luberef
(A Saudi Closed Joint Stock Company)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Saudi Aramco Base Oil Company - Luberef (the "Company") as of September 30, 2022 and the related condensed interim statement of comprehensive income for the three-month and nine-month periods then ended, and the condensed interim statements of changes in equity and cash flows for the nine-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

Emphases of matter

We draw attention to:

- Note 2.1 to the accompanying condensed interim financial information, which describes that the accompanying condensed interim financial information as of and for the three-month and nine-month periods ended September 30, 2022 has been prepared for inclusion in the Company's initial public offering documents to be filed with the Capital Market Authority of the Kingdom of Saudi Arabia and should not be used for any other purpose.

- Note 3 and Note 23 to the accompanying condensed interim financial information which explains the key accounting judgement with respect to the revenue recognition and the basis thereof and the resultant impact of the restatement on the Company's financial statements for the years ended December 31, 2019, 2020 and 2021. Based on the Company's assessment of the revenue recognition criteria for sale of certain products to the majority shareholder, the Company has determined that certain sales that were previously being netted against the cost of revenue should now be presented as revenue in the statement of comprehensive income for the years then ended.

Our conclusion is not modified in respect of the above matters.

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

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CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
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November 10, 2022

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Closed Joint Stock Company)
Condensed interim statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at September 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	4	4,918,092,243	5,122,445,742
Right-of-use assets	5	96,183,356	101,611,090
Intangible assets		15,670,979	17,383,652
Employees' home ownership receivables		1,371,996	2,594,973
Loans to employees		7,974,940	11,900,415
Total non-current assets		5,039,293,514	5,255,935,872
Current assets			
Inventories	6	695,271,757	710,061,874
Trade receivables	7	1,074,478,115	862,677,645
Prepayments and other assets		50,684,970	40,415,231
Short-term deposit	8	-	145,726,030
Cash and cash equivalents	9	1,653,276,668	1,349,486,502
Total current assets		3,473,711,510	3,108,367,282
Total assets		8,513,005,024	8,364,303,154
Equity and liabilities			
Equity			
Share capital	10	1,687,500,000	441,000,000
Statutory reserve		341,988,971	220,500,000
Retained earnings		2,322,331,577	3,583,046,248
Total equity		4,351,820,548	4,244,546,248
Liabilities			
Non-current liabilities			
Long-term borrowings	12	2,019,375,000	2,103,750,000
Lease liabilities	5	100,602,915	107,534,518
Employee benefit obligations		284,385,991	321,669,581
Deferred tax liabilities	19	191,767,600	54,846,570
Other non-current liabilities		44,569,692	38,174,003
Total non-current liabilities		2,640,701,198	2,625,974,672
Current liabilities			
Trade and other payables	13	1,109,231,092	1,086,671,015
Accrued expenses and other liabilities	14	120,326,443	105,077,133
Current portion of long-term borrowings	12	191,554,257	146,250,000
Lease liabilities	5	6,181,710	5,268,474
Zakat and income tax payable	19	93,189,776	150,515,612
Total current liabilities		1,520,483,278	1,493,782,234
Total liabilities		4,161,184,476	4,119,756,906
Total equity and liabilities		8,513,005,024	8,364,303,154

The accompanying notes form an integral part of this condensed interim financial information.

Ibrahim Qassim Al Buainain	Tareq Abdulaziz Al Nuaim	Mohammed A. Al Nafea
Chairman of the Board	President & Chief Executive Officer	Chief Financial Officer

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Closed Joint Stock Company)
Condensed interim statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three-month period ended September 30, 2022 (Unaudited)	Three-month period ended September 30, 2021 (Unaudited)	Nine-month period ended September 30, 2022 (Unaudited)	Nine-month period ended September 30, 2021 (Unaudited)
Revenue	16	**2,721,821,049**	2,378,597,498	**8,805,059,136**	6,430,791,857
Cost of revenue	17	**(2,071,878,842)**	(1,768,890,683)	**(7,055,354,476)**	(4,726,752,235)
Gross profit		**649,942,207**	609,706,815	**1,749,704,660**	1,704,039,622
Selling and distribution expenses		**(26,396,216)**	(29,501,560)	**(71,843,782)**	(79,422,847)
General and administrative expenses	18	**(40,502,759)**	(37,036,404)	**(148,752,907)**	(126,832,898)
Other (expense) income - net		**(13,012,165)**	(37,437)	**(6,381,279)**	1,350,316
Fair value (loss) gain on derivative financial instruments	14	**-**	(120,721)	**6,335,789**	6,950,764
Operating profit		**570,031,067**	543,010,693	**1,529,062,481**	1,506,084,957
Finance income		**8,142,414**	1,736,309	**14,911,879**	3,551,393
Finance costs		**(24,043,934)**	(29,628,154)	**(49,886,644)**	(56,352,781)
Profit before zakat and income tax		**554,129,547**	515,118,848	**1,494,087,716**	1,453,283,569
Zakat and income tax	19	**(79,344,354)**	(55,741,997)	**(279,198,000)**	(171,577,351)
Profit for the period		**474,785,193**	459,376,851	**1,214,889,716**	1,281,706,218
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Re-measurement (loss) gain on defined benefit liabilities		**-**	(9,331,517)	**20,214,633**	(27,994,553)
Deferred tax relating to remeasurement (loss) gain		**-**	1,323,769	**(2,830,049)**	3,971,307
		-	(8,007,748)	**17,384,584**	(24,023,246)
Total comprehensive income for the period		**474,785,193**	451,369,103	**1,232,274,300**	1,257,682,972
Basic and diluted earnings per share	11	**2.81**	2.72	**7.20**	7.60

The accompanying notes form an integral part of this condensed interim financial information.

Ibrahim Qassim Al Buainain	Tareq Abdulaziz Al Nuaim	Mohammed A. Al Nafea
Chairman of the Board	President & Chief Executive Officer	Chief Financial Officer

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Closed Joint Stock Company)
Condensed interim statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Saudi Aramco*	JIIC**	Total
Share capital				
Balance at January 1, 2021, September 30, 2021 and January 1, 2022		308,700,000	132,300,000	441,000,000
Increase in share capital	10	872,550,000	373,950,000	1,246,500,000
Balance at September 30, 2022 (Unaudited)		**1,181,250,000**	**506,250,000**	**1,687,500,000**
Statutory reserve				
Balance at January 1, 2021, September 30, 2021 and January 1, 2022		154,350,000	66,150,000	220,500,000
Transfer from retained earnings		85,042,280	36,446,691	121,488,971
Balance at September 30, 2022 (Unaudited)		**239,392,280**	**102,596,691**	**341,988,971**
Retained earnings				
Balance at January 1, 2021 (Audited)		2,132,684,527	917,377,685	3,050,062,212
Profit before zakat and income tax		1,017,298,498	435,985,071	1,453,283,569
Zakat reversal (charge)		9,735,432	(4,886,089)	4,849,343
Income tax charge		(174,120,837)	(2,305,857)	(176,426,694)
Other comprehensive loss		(15,676,784)	(8,346,462)	(24,023,246)
Total comprehensive income for the period		837,236,309	420,446,663	1,257,682,972
Balance at September 30, 2021 (Unaudited)		**2,969,920,836**	**1,337,824,348**	**4,307,745,184**
Balance at January 1, 2022 (Audited)		2,465,325,873	1,117,720,375	3,583,046,248
Profit before zakat and income tax		1,045,861,401	448,226,315	1,494,087,716
Zakat charge		-	(15,711,501)	(15,711,501)
Income tax charge		(263,081,631)	(404,868)	(263,486,499)
Other comprehensive income		11,320,194	6,064,390	17,384,584
Total comprehensive income for the period		794,099,964	438,174,336	1,232,274,300
Transfer to share capital	10	(872,550,000)	(373,950,000)	(1,246,500,000)
Transfer to statutory reserve		(85,042,280)	(36,446,691)	(121,488,971)
Dividends		(884,596,752)	(379,112,894)	(1,263,709,646)
Zakat and income tax recovered from shareholders		124,534,979	14,174,667	138,709,646
		(760,061,773)	(364,938,227)	(1,125,000,000)
Balance at September 30, 2022 (Unaudited)		**1,541,771,784**	**780,559,793**	**2,322,331,577**
Total equity at September 30, 2021 (Unaudited)		3,432,970,836	1,536,274,348	4,969,245,184
Total equity at September 30, 2022 (Unaudited)		**2,962,414,064**	**1,389,406,484**	**4,351,820,548**

* Saudi Arabian Oil Company ("Saudi Aramco")
** Jadwa Industrial Investment Company ("JIIC")

The accompanying notes form an integral part of this condensed interim financial information.

Ibrahim Qassim Al Buainain	Tareq Abdulaziz Al Nuaim	Mohammed A. Al Nafea
Chairman of the Board	President & Chief Executive Officer	Chief Financial Officer

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Closed Joint Stock Company)
Condensed interim statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Nine-month period ended September 30, 2022 (Unaudited)	2021 (Unaudited)
Cash flows from operating activities			
Profit before zakat and income tax		1,494,087,716	1,453,283,569
Adjustments for:			
Depreciation and amortization		254,492,546	254,442,447
Finance income		(14,911,879)	(3,551,393)
Non-cash employee expenses		125,025	61,672
Finance cost		46,117,117	52,400,605
Interest on lease liabilities	5	3,769,527	3,952,176
Fair value gain on derivative financial instruments		(6,335,789)	(6,950,764)
Provision for employee benefits obligations		20,246,880	18,569,078
Impairment loss on financial assets		5,727,183	3,634,425
Allowance for slow moving inventories	6	910,416	969,648
Changes in working capital:			
Inventories		13,879,701	(193,814,112)
Trade receivables		(217,527,653)	(383,970,818)
Prepayments and other assets		(8,744,129)	(1,079,627)
Trade and other payables		22,791,101	577,168,346
Accrued expenses and other liabilities		21,585,099	19,580,027
Cash generated from operations		1,636,212,861	1,794,695,279
Finance income received		12,812,314	2,272,779
Employee benefit obligations paid		(37,315,837)	(28,113,582)
Zakat and income tax paid		(202,432,855)	(1,102,562)
Net cash inflow from operating activities		1,409,276,483	1,767,751,914
Cash flows from investing activities			
Payments for property, plant and equipment	4	(35,984,904)	(69,631,146)
Investment in short-term deposits		(594,805,219)	(481,059,916)
Withdrawals from short-term deposit		740,531,249	320,559,688
Collection against employees' loans		5,053,809	5,401,760
Disbursement of employees' loans		(564,907)	(3,567,971)
Net cash inflow (outflow) from investing activities		114,230,028	(228,297,585)
Cash flows from financing activities			
Proceeds from borrowings		-	2,250,000,000
Repayments of borrowings		(61,875,000)	(2,154,067,200)
Dividends		(1,125,000,000)	-
Principal element of lease payments		(9,727,705)	(2,600,580)
Finance cost paid		(23,113,640)	(51,373,794)
Net cash (outflow) inflow from financing activities		(1,219,716,345)	41,958,426
Net increase in cash and cash equivalents		303,790,166	1,581,412,755
Cash and cash equivalents at the beginning of the period		1,349,486,502	672,851,104
Cash and cash equivalents at the ending of the period	9	1,653,276,668	2,254,263,859
Supplemental information for non-cash information			
Recognition of provision for decommissioning liability		7,013,736	-

The accompanying notes form an integral part of this condensed interim financial information.

Ibrahim Qassim Al Buainain	Tareq Abdulaziz Al Nuaim	Mohammed A. Al Nafea
Chairman of the Board	President & Chief Executive Officer	Chief Financial Officer

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SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
(All amounts in Saudi Riyals unless otherwise stated)

1. General information

Saudi Aramco Base Oil Company – Luberef (the "Company") is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030010447 issued in Jeddah on 3 Ramadan 1396H (corresponding to 29 August 1976). During year 2022, the Company converted from a limited liability company to a joint stock company pursuant to resolution number 1173 dated Muharram 20, 1444H (corresponding to August 18, 2022) issued by the Ministry of Commerce. During 2022, the shareholders of the Company resolved to file an initial public offering application with the Capital Market Authority ("CMA") of the kingdom of Saudi Arabia to list the Company's shares on Tadawul in the Kingdom of Saudi Arabia. In the event of the Company's listing on Tadawul, the shareholding of Saudi Aramco will be subject to zakat resulting in no income tax.

The Company commenced its operations in Jeddah in 1978 and in Yanbu in 1998. The purpose of the Company is to construct, own and operate refineries of lubricating oils and to purchase, sell, transport, market, import and export lubricating oils, additives, lubricating oil blending stocks, by-products and other related petroleum products.

The Head office of the Company is located at the following address:
Saudi Aramco Industrial Area
P.O. Box 5518, Jeddah 21432
Kingdom of Saudi Arabia

The condensed interim financial information include the financial information of the Company's head office in Jeddah, its branch in Yanbu and its operations in Hamriyah Free Zone Authority, United Arab Emirates (UAE). The Commercial Registration Number of Yanbu branch is 4700004941. The license certificate number of 11857 for operations in Hamriyah was issued with a status of Free Zone Establishment Company ("the Establishment") by the Government of Sharjah (UAE), on 26 Rabi-ul-Awal 1435H (corresponding to January 27, 2014). The Company has treated the Free Zone Establishment as a branch in this condensed interim financial information as it owns 100% paid up capital of the Establishment.

Saudi Arabian Oil Company ("Saudi Aramco") is the majority shareholder, immediate and ultimate parent of the Company. The Company is ultimately controlled by the government of Kingdom of Saudi Arabia.

a) Environmental, Social and Governance (ESG)

The Company is exposed to risk of loss from climate changes, human injuries and other natural forces. The Company has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspections, vaccination policies and state of the art refineries to provide a barrier against these risks and as at September 30, 2022. Further, the Company's robust precautionary operational measures related to refineries allows a high degree of mitigation against adverse climatic conditions. The Company is committed to ensuring that its refineries are constructed and operated in a way that considers economic, comfort, environmental and energy whole-life impacts.

In 2022, the Company has signed a memorandum of understanding with a contractor to evaluate producing Green Hydrogen that will be manufactured using electrolysis. This project will reduce carbon emissions and will avail Green Hydrogen to be consumed in Lubricant Value Park "LubeHub".

In addition, the Company has a clear corporate responsibility for cutting emissions to avoid the worst consequences of climate change. Management has recognised that the energy costs could increase over time and that a changing climate could make some materials scarce and more expensive.

Management believes that it's their people who make the Company's brands successful and they want to make sure their employees have a safe and healthy environment to work in. Underpinning the environmental and social commitments is the Company's commitment to 'do the right thing'. Whilst delivering on actions, the Company continues to make sure that they always comply with the standards.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
(All amounts in Saudi Riyals unless otherwise stated)

b) Conflict between Russia and Ukraine

During the nine-month period ended September 30, 2022, global commodity prices for certain key raw materials increased significantly due to the ongoing conflict between Russia and Ukraine. The feedstock purchase and sales pricing mechanism is based on formulae, that has external inputs mentioned in the contracts with the parties.

The global energy demand remained robust which resulted in a steady increase in crude oil prices. However, the increase in the feedstock prices has resulted in a reduction in gross margin during the current period.

c) Financial position and performance of the Company

During the nine-month period ended September 30, 2022, sale price and quantities increased that principally resulted in increase in revenues and trade receivables. The feedstock purchases increased during the period then ended, due to increase in purchase quantity and price that principally resulted in an increase in cost of revenues and trade payable balances.

2. Basis of preparation

2.1 Statement of compliance

This condensed interim financial information of the Company has been prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2021. IAS 34 states that the condensed interim financial information is intended to provide an update on the latest complete set of annual financial statements. Hence, IAS 34 requires less disclosure in interim financial information than International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia ("IFRS"), and other standards and pronouncements issued by the SOCPA, require in annual financial statements.

Refer to Note 23 that explains the restatement related to the financial statements for the year ended December 31, 2021, 2020 and 2019.

The Company has elected to present a single condensed interim statement of comprehensive income and presents its expenses by function. The Company reports cash flows from operating activities using the indirect method.

During 2022, the shareholders of the Company resolved to file an initial public offering application with the Capital Market Authority ("CMA") of the Kingdom of Saudi Arabia to list the Company's shares on Tadawul in the Kingdom of Saudi Arabia. Accordingly, this condensed interim financial information as of and for the three-month and nine-month periods ended September 30, 2022 have been prepared solely for inclusion in the initial public offering documents of the Company to be filed with the CMA of the Kingdom of Saudi Arabia in order to list the Company's shares on Tadawul, in the Kingdom of Saudi Arabia.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost basis, except for defined benefit obligations which are recognised at the present value of future obligations using the Projected Unit Credit Method, lease liabilities measured at their discounted present value and derivative financial instruments measured at fair value. This condensed interim financial information is presented in Saudi Arabian Riyals ("Saudi Riyals") being the functional and presentation currency of the Company.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
(All amounts in Saudi Riyals unless otherwise stated)

2.3 New and amended standards

Certain amendments to existing standards became applicable for the current reporting period. The amendments did not have an impact on the condensed interim financial information of the Company and accordingly the Company did not have to change its accounting policies or make any retrospective adjustments.

Standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for September 30, 2022 reporting periods and have not been early adopted by the Company. The relevant standards, interpretations and amendments issued, but are not yet effective are disclosed below.

Title	Key requirements	Effective Date
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will undamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	January 1, 2023
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 'Presentation of Financial Statements, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.	January 1, 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	January 1, 2023
Definition of Accounting Estimates – Amendments to IAS 8	The amendment to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	The amendments to IAS 12 'Income Taxes' require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.	January 1, 2023

Management is currently evaluating these amendments and they are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
(All amounts in Saudi Riyals unless otherwise stated)

Significant accounting policies

The accounting policies adopted by the Company for the preparation of the condensed interim financial information are consistent with those followed in preparation of the Company’s annual financial statements for the year ended December 31, 2021.

The condensed interim financial information includes the accounts of the Company's branch in Hamriyah Free Zone Authority, United Arab Emirates (UAE). The reporting period of the Company’s branch is same as that of the Company i.e. December 31.

3. Critical accounting estimates and judgements

In preparing this condensed interim financial information, management has made judgements and estimates that affect determination and application of accounting policies and the reported amounts of assets and liabilities, income and expense and accompanying disclosures. Uncertainty about assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities were the same as those described in the last annual financial statements, except for:

Key accounting judgement - Revenue recognition

The Company has agreements with Saudi Aramco to purchase feedstock for the Company’s Jeddah and Yanbu refineries and to supply certain by-products back to Saudi Aramco after the feedstock has been processed and base oil extracted for sale to its other customers (see Note 15). The Company accounts for these transactions separately as purchases of feedstock from, and sales of by-products to, Saudi Aramco, instead of provision of processing services. This is on the basis of the Company’s ability to control, obtaining substantial economic benefit and decision making relating to feedstock used and mix of the products produced which are substantially different from the feedstock purchased.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
(All amounts in Saudi Riyals unless otherwise stated)

4. Property, plant and equipment

The movement in property, plant and equipment is as follows:

	Manufacturing Plants	Buildings and leasehold improvements	Furniture and fixtures	Other machinery and equipment	Motor vehicles	Capital work in progress	Total
At December 31, 2021 (Audited)							
Cost	7,723,139,210	330,699,013	27,367,141	243,536,305	2,355,698	184,532,325	**8,511,629,692**
Accumulated depreciation	(2,888,207,115)	(274,627,522)	(26,749,865)	(197,551,760)	(2,047,688)	-	**(3,389,183,950)**
Net book value	**4,834,932,095**	**56,071,491**	**617,276**	**45,984,545**	**308,010**	**184,532,325**	**5,122,445,742**
Nine-month ended September 30, 2022 (Unaudited)							
Opening net book value	4,834,932,095	56,071,491	617,276	45,984,545	308,010	184,532,325	5,122,445,742
Additions	-	-	-	-	-	42,998,640	42,998,640
Transfers	9,115,122	284,327	-	352,145	-	(9,751,594)	-
Depreciation charge	(236,867,379)	(4,449,110)	(114,037)	(5,797,863)	(123,750)	-	(247,352,139)
Closing net book value	**4,607,179,838**	**51,906,708**	**503,239**	**40,538,827**	**184,260**	**217,779,371**	**4,918,092,243**
At September 30, 2022 (Unaudited)							
Cost	**7,732,254,332**	**330,983,340**	**27,367,141**	**243,888,450**	**2,355,698**	**217,779,371**	**8,554,628,332**
Accumulated depreciation	**(3,125,074,494)**	**(279,076,632)**	**(26,863,902)**	**(203,349,623)**	**(2,171,438)**	**-**	**(3,636,536,089)**
Net book value	**4,607,179,838**	**51,906,708**	**503,239**	**40,538,827**	**184,260**	**217,779,371**	**4,918,092,243**

At September 30, 2022, if the estimated useful life of the property, plant and equipment increased or decreased by 10%, with all other variables held constant, total comprehensive income for the nine-month period then ended would have been Saudi Riyals 24.58 million lower or Saudi Riyals 25 million higher (nine-month period ended September 30, 2021: Saudi Riyals 20.15 million lower or Saudi Riyals 26.45 million higher), respectively.

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5. Leases

a) Right-of-use assets

	Lands	Pipelines and catalyst	Vehicles	Total
At January 1, 2021 (Audited)	96,736,493	7,921,531	4,190,045	**108,848,069**
Depreciation	(4,325,476)	(1,980,383)	(931,120)	**(7,236,979)**
At December 31, 2021 (Audited)	92,411,017	5,941,148	3,258,925	**101,611,090**
Depreciation	(3,244,106)	(1,485,287)	(698,341)	**(5,427,734)**
At September 30, 2022 (Unaudited)	**89,166,911**	**4,455,861**	**2,560,584**	**96,183,356**

b) Lease liabilities

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Opening Balance	**112,802,992**	117,640,486
Lease payments during the period / year	**(9,787,894)**	(10,177,394)
Interest on lease liabilities during the period / year	**3,769,527**	5,339,900
Closing Balance	**106,784,625**	112,802,992

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Current	**6,181,710**	5,268,474
Non-current	**100,602,915**	107,534,518
	106,784,625	112,802,992

Amounts recognised in the condensed interim statement of comprehensive income

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Depreciation charge on right-of-use assets	**1,809,244**	1,303,124	**5,427,734**	5,427,734
Interest expense (included in finance costs)	**1,283,907**	2,076,678	**3,769,527**	3,952,176
Expense relating to short-term leases (included in selling and distribution expenses)	**2,071,076**	2,208,682	**7,152,360**	6,048,853

At September 30, 2022, if the incremental borrowing rate used to determine discounted present value of lease liabilities increased or decreased by 200 basis points (bps), with all other variables held constant, the total comprehensive income for the nine-month period ended would have been Saudi Riyals 0.06 million lower and Saudi Riyals 0.22 million higher (nine-month period ended September 30, 2021: Saudi Riyals 0.16 million lower or Saudi Riyals 0.36 million higher), respectively.

As at September 30, 2022, potential future cash outflows of Saudi Riyals 109.73 million (December 31, 2021: Saudi Riyals 109.73 million) (undiscounted) have been included in the lease liability because it is reasonably certain that the lease will be extended, as the Company has incurred significant capital expenditure on the land. The Company has applied the extension option until financial year 2043.

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6. Inventories

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Finished goods	**271,855,779**	293,306,011
Production in progress	**237,315,894**	215,477,906
Raw material– feedstock	**102,922,052**	117,400,190
Spare parts and consumables materials	**98,625,527**	98,414,846
	710,719,252	724,598,953
Less: Allowance for inventory obsolescence	**(15,447,495)**	(14,537,079)
	695,271,757	710,061,874

Movement in provision for inventory obsolescence is as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Opening balance	**14,537,079**	12,937,706
Provision for the period / year	**910,416**	1,599,373
Closing balance	**15,447,495**	14,537,079

At September 30, 2022, if the provision for inventory obsolescence increased/decreased by 1%, with all other variables held constant, the total comprehensive income for the period then ended would have been Saudi Riyals 1.54 million lower/higher (year ended December 31, 2021: Saudi Riyals 1.45 million lower/higher).

7. Trade receivables

	Note	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade receivables		**679,355,302**	454,997,563
Related parties	15	**406,201,537**	413,031,623
		1,085,556,839	868,029,186
Allowance for expected credit losses		**(11,078,724)**	(5,351,541)
		1,074,478,115	862,677,645

Trade receivables amounting to Saudi Riyals 634.88 million (December 31, 2021: Saudi Riyals 632.03 million) have been offset in the condensed interim statement of financial position. As at September 30, 2022, five largest customers accounted for 57% (December 31, 2021: 55%) of the outstanding trade receivables.

Movement in provision for impairment of trade receivables is as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Opening balance	**5,351,541**	505,641
Charge for the period / year	**5,727,183**	4,845,900
Closing balance	**11,078,724**	5,351,541

At September 30, 2022, if the allowance for ECL increased/decreased by 10%, with all other variables held constant, total comprehensive income for the nine-month period then ended would have been Saudi Riyals 1.01 million lower/higher (year ended December 31, 2021: Saudi Riyals 0.54 million lower/higher).

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The following table provides information about the exposure to credit risk and ECLs for trade receivables from external customers:

September 30, 2022 (Unaudited)	**Gross carrying amount**	**Weighted average loss rate**	**Loss allowance**
Current (not past due)	**907,239,067**	**0.43%**	**3,913,206**
1–90 days past due	**149,729,463**	**0.45%**	**668,216**
91–180 days past due	**21,673,208**	**6.27%**	**1,358,896**
181–360 days past due	**4,676,117**	**66.86%**	**3,126,269**
More than 360 days past due	**2,238,984**	**89.87%**	**2,012,137**
Total	**1,085,556,839**		**11,078,724**

December 31, 2021 (Audited)	**Gross carrying amount**	**Weighted average loss rate**	**Loss allowance**
Current (not past due)	759,466,062	0.52%	3,951,742
1–90 days past due	106,899,967	0.53%	569,470
91–180 days past due	713,643	7.58%	54,069
181–360 days past due	949,514	81.75%	776,260
Total	868,029,186		5,351,541

Trade receivables are non-derivatives financial assets carried at amortised cost and are generally on terms of 30 to 60 days. It is not the practice of the Company to obtain collateral over third party trade receivables and these are, therefore, unsecured.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a trade receivable occurs when the counterparty fails to make contractual payments within 90 days of when they fall due. The Company categorizes a receivable for write-off when a debtor fails to make contractual payments greater than 360 days past due. Where receivables have been written-off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the condensed interim statement of comprehensive income.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The Company writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Where recoveries are made, these are recognised in the statement of comprehensive income.

Trade receivables relate to sales made during the period to corporate customers. As at September 30, 2022, related parties' trade receivables of Saudi Riyals 406.20 million (December 31, 2021: Saudi Riyals 413.03 million) were not yet due. Of this amount Saudi Riyals 400.44 million was 'not due' and Saudi Riyals 5.77 million was due '1 to 90 days' (December 31, 2021: Saudi Riyals 721.06 million was 'not due' and nil was due '1 to 90 days') having reversal of impairment loss charge for the nine-month ended Saudi Riyals 0.4 million (year ended December 31, 2021: impairment loss charge of Saudi Riyals 2.02 million). These pertain to corporate related parties that have no history of default and accordingly the probability of default is minimal. For related parties' balances, the Company applies the simplified approach to provide for expected credit losses, which permits the use of the lifetime expected credit loss provision based on a provision matrix. Further, related parties' balances have low credit risk and were not yet due at each reporting date.

Due to short-term nature of the trade receivables, their carrying amounts are considered to approximate their fair values. Due from related parties and other receivables are generally settled within 12 months from the reporting date. Hence, their carrying amount is considered to be the same as fair value.

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8. Short-term deposit

The Company deposited Saudi Riyals 146.33 million in a 39-day short-term deposit on September 25, 2022, accordingly, it has been classified under cash and cash equivalents (December 31, 2021: Saudi Riyals 145.73 million in a 100-day short-term deposit October 10, 2021 having maturity date of January 26, 2022). This short-term deposit is held with a commercial bank and is due to mature on November 3, 2022. The Company places new short-term deposits upon maturity. The Company had placed short-term deposits on a recurring basis during the nine-month period ended September 30, 2022, the last time deposit matured on September 22, 2022.

The short-term deposit is held with a bank having sound credit rating and yields financial income at prevailing market rates. The carrying value at each reporting date is estimated to be the same as its fair value.

9. Cash and cash equivalents

	September 30, 2022 (Unaudited)	**December 31, 2021 (Audited)**
Cash in hand	**225,000**	280,000
Cash at banks	**172,554,729**	29,322,894
Time deposits	**1,480,496,939**	1,319,883,608
	1,653,276,668	1,349,486,502

Cash at banks and time deposits are placed with banks with sound credit ratings. Time deposits are placed with local commercial banks and yield financial income at prevailing market rates with original maturities of three months or less.

As at September 30, 2022, the Company had deposited Saudi Riyals 1,480 million in short-term deposits having 4 to 51 days maturity period. This time deposits were held by commercial banks and were due to mature from October 3, 2022 to November 3, 2022. Upon maturity, the Company had placed time deposits on a recurring basis during the period, the last time deposit matured on September 29, 2022.

10. Share capital

At September 30, 2022, the Company's share capital of Saudi Riyals 1,687.5 million consist of 168.75 million fully paid shares of Saudi Riyals 10 each. The shareholding of Company's share capital as at September 30, 2022 is as follows:

Shareholders	**Country of incorporation**	**Shareholding**	**No. of shares**	**Amount**
Saudi Aramco	Kingdom of Saudi Arabia	70%	118,125,000	**1,181,250,000**
JIIC	Kingdom of Saudi Arabia	30%	50,625,000	**506,250,000**
		100%	**168,750,000**	**1,687,500,000**

On June 30, 2022, the shareholders of the Company resolved to increase the share capital of the Company, through transfer from retained earnings amounting to Saudi Riyals 1,246.5 million and revised the par value of each share to Saudi Riyals 10 per share. This has resulted in revised total share capital amounting to Saudi Riyals 1,687.5 million comprising 168.75 million shares. The legal formalities in this respect were completed on August 18, 2022.

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At December 31, 2021, the Company's share capital of Saudi Riyals 441 million consisted of 44,100 fully paid shares of Saudi Riyals 10,000 each. The shareholding of Company's share capital as at December 31, 2021 is as follows:

Shareholders	Country of incorporation	Shareholding	No. of shares	Amount
Saudi Aramco	Kingdom of Saudi Arabia	70%	30,870	**308,700,000**
JIIC	Kingdom of Saudi Arabia	30%	13,230	**132,300,000**
		100%	**44,100**	**441,000,000**

On May 9, 2022, the shareholders approved a dividend of Saudi Riyals 1,263.71 million (Saudi Riyals 28,656 per share) and was paid on May 12, 2022.

In accordance with the Regulations of Companies' Law in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company should transfer 10% of the net profits to a statutory reserve until such reserve equals at least 30% of its share capital. No transfers were made to the statutory reserve as the reserve has exceeded 30% of the Company's share capital in previous years. However, due to increase in share capital in the current period, transfer has been made to the statutory reserve. This reserve is not available for distribution to shareholders.

11. Earnings per share

Earnings per share has been calculated by dividing the net profit attributable to the owners of the Company by the weighted average number of shares outstanding during the period.

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2022 (Unaudited)	**2021 (Unaudited)**	**2022 (Unaudited)**	**2021 (Unaudited)**
Net profit attributable to owners of the Company	**474,785,193**	459,376,851	**1,214,889,716**	1,281,706,218
Weighted average number of shares*	**168,750,000**	168,750,000	**168,750,000**	168,750,000
Basic / diluted earnings per share (Saudi Riyals per share)	**2.81**	2.72	**7.20**	7.60

* On August 18, 2022, the total share capital was revised to Saudi Riyals 1,687.5 million comprising 168.75 million shares. Since this represents a change in the number of basic shares without a corresponding change in resources (i.e. capitalization effect of retained earnings), the weighted average number of basic shares outstanding during all reported periods is adjusted retrospectively.

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12. Borrowings

Long-term borrowings comprise of the following:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Islamic banking facilities (Murabaha)	**2,210,929,257**	2,250,000,000
Less: current portion of long-term borrowings	**(191,554,257)**	(146,250,000)
	2,019,375,000	2,103,750,000

Currency denomination of the borrowings in Saudi Riyals equivalent is as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Saudi Riyals	**1,658,419,368**	1,687,500,000
United States Dollars ("USD")	**552,509,889**	562,500,000
	2,210,929,257	2,250,000,000

On August 19, 2021, the Company entered into a syndicated Islamic loan agreement under Murabaha arrangement with five local banks of Saudi Riyals 1,687.5 million and USD 150 million (equivalent of Saudi Riyals 562.5 million) for the purpose of repayment of previous borrowings placed with a local commercial bank. The principal repayments have begun from June 30, 2022 and will continue on an agreed semi-annual instalment basis till June 30, 2029. These facilities bear finance costs at market rates, which are generally based on Saudi Inter Bank Offered Rate ("SIBOR") for Saudi Riyals denominated borrowings and on London Interbank Offered Rate ("LIBOR") for USD denominated borrowings. The spread during the nine-month period ended September 30, 2022 on these facilities varied between 0.75% - 1 % per annum (year ended December 31, 2021: 0.75% - 1 % per annum). Moreover, there is no collateral on the Company's assets due to these long-term borrowing agreements.

The above long-term borrowing agreements contain certain covenants, which among other things, require certain financial ratios to be maintained. As at September 30, 2022 and December 31, 2021, the Company was compliant with all the covenants with the lenders.

Fair value of long-term borrowings is approximately equal to their carrying amounts as they are subject to interest at market rates. Finance costs recognized as expense on the above borrowings have been disclosed in finance cost.

As at September 30, 2022, the Company has a short-term bank facility from a local commercial bank for managing its working capital amounting to Saudi Riyals 40 million (December 31, 2021: Saudi Riyals 348.75 million). The facility is denominated in Saudi Riyals and bears finance costs based on prevailing market rates i.e. SIBOR +1.5%. There are no financial covenants applicable to the Company under such facility with the respective bank. The facility is unsecured. The maturity of the bank facility is within twelve months. Total unused credit facility available to the Company as at September 30, 2022 is approximately Saudi Riyals 40 million (December 31, 2021: Saudi Riyals 348.75 million).

The Company's main interest rate risk arises from borrowings with variable rates, which expose the company to cash flow interest rate risk. During the three months period ended September 30, 2022 and the year ended December 2021, the Company's borrowings at variable rate were mainly denominated in Saudi Riyals and USD.

At September 30, 2022, if interest rates had been 100 bps higher/lower with all other variables held constant, future interest on outstanding loans will increase/decrease by Saudi Riyals 16.91 million (nine-month period ended September 30, 2021: Saudi Riyals 15.79 million).

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13. Trade and other payables

	Note	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Related parties	15	**958,394,023**	933,265,292
Third parties		**44,895,496**	45,443,237
Thrift plan obligation		**33,092,304**	31,099,215
Advances from customers	13.1	**12,605,357**	8,677,586
Other payables	13.2	**60,243,912**	68,185,685
		1,109,231,092	1,086,671,015

13.1 Movement in advances from customers (contract liability) is as follows:

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Opening	**8,677,586**	6,429,889
Advance payment received	**520,734,612**	397,999,388
Recognised as revenue	**(516,806,841)**	(395,751,691)
Closing	**12,605,357**	8,677,586

13.2 It majorly pertains to stores and spares' vendors amounting to Saudi Riyals 57.4 million (December 31, 2021: Saudi Riyals 66.01 million).

Trade payables are unsecured and are usually paid within 3-12 months of recognition. The carrying amounts of trade payables are considered to approximate their fair values, due to their short-term nature.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company has agreements with Saudi Aramco to purchase feedstock and return by-product in Jeddah refinery and purchase fuel oil and return by-product (marine heavy fuel oil) in Yanbu refinery. Also see Note 3. The settlement of the balance related to these transactions takes place after 60 to 90 days and net payment is made to or received from Saudi Aramco. The balances may be offset in all circumstances and meets the requirements of offsetting in IFRS.

The following table presents the recognised financial instruments that are offset, or subject to enforceable netting arrangements:

	Gross amounts	Amounts set off	Net amounts presented
Effects of offsetting on the condensed interim statement of financial position			
September 30, 2022 (Unaudited)			
Related party receivables	**1,041,083,532**	**(634,881,995)**	**406,201,537**
Related party payables	**1,593,276,018**	**(634,881,995)**	**958,394,023**
Effects of offsetting on the statement of financial position			
December 31, 2021 (Audited)			
Related party receivables	1,045,062,668	(632,031,045)	413,031,623
Related party payables	1,565,296,337	(632,031,045)	933,265,292

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14. Accrued expenses and other liabilities

	Note	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Accrued expenses	14.1	**59,087,826**	18,146,354
Accrual for rebates and discounts		**38,800,672**	37,162,681
Accrued bonus		**15,596,311**	38,304,614
Derivative financial instrument measured at fair value through profit or loss	14.2	-	6,335,789
Others	14.3	**6,841,634**	5,127,695
		120,326,443	105,077,133

14.1 It includes Saudi Riyals 38.57 million (December 31, 2021: Saudi Riyals 10.24 million) accruals for inward transportation charges from Jeddah and Yanbu refineries to its operations in Hamriyah Free Zone. These accrued expenses pertain to increase in quantity transferred, customs charges, agency fee and freight charges during the period.

14.2 The arrangement has not been designated as hedging arrangement since its inception. The Company relies on the counterparty for the valuation of these derivatives.

The analysis of derivative financial instruments and the related fair values together with the notional amounts classified by the term to maturity is as follows:

	Negative fair value		Notional Amount	
	As at September 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)	As at September 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Interest rate swaps	-	6,335,789	**183,060,304**	297,135,409

14.3 It pertains to liabilities against unused employees' leaves balance as at September 30, 2022.

15. Related party transactions and balances

Related parties comprise the shareholders, affiliated companies, key management personnel and entities controlled, jointly controlled or significantly influenced by such parties. Related parties also include business entities in which certain directors or senior management have an interest (other related parties). Affiliates of the Company are the entities which are owned by the Ultimate Parent but are not part of this Company. Moreover, the Company is ultimately controlled by the government of the Kingdom of Saudi Arabia.

Following is the list of related parties with whom the Company has significant transactions and balances:

Name of related party	Nature of relationship
Saudi Arabian Oil Company ("Saudi Aramco")	Shareholder and Ultimate Parent
Jadwa Industrial Investment Company ("JIIC")	Shareholder
Saudi Aramco Mobil Refinery Company Ltd. ("SAMREF")	Affiliate
S-Oil Corporation	Affiliate
Motiva Trading LLC	Affiliate
Aramco Chemical Company	Affiliate
Saudi Aramco Technologies Company	Affiliate
Aramco Lubricants and Retail Company	Affiliate

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Agreements with Saudi Aramco

1. Purchase and sale contracts at Jeddah and Yanbu refinery

The Company has agreements with Saudi Aramco for purchase of feedstock for its Jeddah and Yanbu refineries. The Company also has an offtake agreement with Saudi Aramco for sale of certain products. The pricing mechanism for the sale and purchase of these products is based on formulae, that has external inputs mentioned in the contracts. Also see Note 3.

2. Technical management, support services and leases

Saudi Aramco also provides operational technical, utilities and human resources support to the Company on commercial terms. The Company also has two lease agreements with Saudi Aramco for land rentals in Jeddah and pipelines, which are on commercial terms.

Agreement with SAMREF

The Company has an agreement for sale of other products from its Yanbu refinery to SAMREF. The pricing mechanism is based on a formula, that has external inputs mentioned in the contract. The Company also receives technical and management support services from SAMREF which are on commercial terms.

Transactions with key management personnel

Key management personnel include all the heads of departments and key personnel involved in Company's operations. The compensation to key management personnel is shown below:

	Three-month period ended September 30,		**Nine-month period ended September 30,**	
	2022 (Unaudited)	**2021 (Unaudited)**	**2022 (Unaudited)**	**2021 (Unaudited)**
Short-term employee benefits	**5,410,824**	2,832,977	**21,142,908**	16,173,203
Provision for employee benefit obligations	**525,091**	240,537	**1,786,604**	1,375,045

All related party transactions were made on terms as specified in the agreements with the related parties. The credit terms with all related parties range from 30 to 90 days.

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Significant transactions and balances with related parties in the ordinary course of the business included in the condensed interim financial information are summarized below:

Related party	Nature of transaction	Amount of transaction: Three-month period ended September 30, 2022 (Unaudited)	Three-month period ended September 30, 2021 (Unaudited)	Nine-month period ended September 30, 2022 (Unaudited)	Nine-month period ended September 30, 2021 (Unaudited)	Balance as at September 30, 2022 (Unaudited)	Balance as at December 31, 2021 (Audited)
Due from related parties							
Saudi Aramco	Sales of by-products	**949,688,045**	251,828,162	**3,478,531,537**	2,354,961,716	**140,060,912**	141,868,216
SAMREF	Sales of by products	**261,698,137**	160,212,228	**744,989,669**	430,157,286	**194,179,063**	178,954,086
S-Oil Corporation	Sales of base oil	**286,020,176**	364,571,857	**959,952,983**	566,103,975	**62,147,321**	70,082,112
Motiva Trading LLC	Sales of base oil	**9,485,386**	61,522,036	**9,485,386**	89,663,748	**-**	21,420,870
Aramco Chemical Company	Sales of base oil	**5,548,549**	10,003,407	**10,877,254**	10,003,407	**9,578,014**	706,339
Aramco Lubricants and Retail Company	Sales of base oil	**236,227**	-	**236,227**	-	**236,227**	-
						406,201,537	413,031,623
Due to related parties							
Saudi Aramco	Purchase of feedstock, materials and utilities	**3,333,275,323**	2,981,279,668	**6,183,433,495**	4,096,738,183	**841,767,172**	892,587,458
	Technical and management support services	**5,619,704**	10,758,301	**17,789,165**	16,834,094	**116,626,851**	18,044,753
	Lease rental for Jeddah refinery land and Yanbu refinery pipeline	**660,879**	1,321,757	**1,982,636**	1,982,636	**-**	-
SAMREF	Technical and management support services	**702,484**	-	**702,484**	951,303	**-**	-
S-Oil Corporation	Purchase of base oil	**39,814,998**	147,055,573	**57,723,283**	195,109,028	**-**	22,633,081
Saudi Aramco Technologies Company	Technical and management support services	**-**	-	**-**	300,000	**-**	-
						958,394,023	933,265,292

The Company's revenues derived from sales to Saudi Aramco and other affiliates accounted for approximately 40% and 20% (nine-month period ended September 30, 2021: 37% and 17%) respectively, of the total revenue.

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16. Revenue

The Company derives revenue from the transfer of goods at a point in time and revenue from freight and services to Saudi Aramco over a period of time. The Company has the following major product lines:

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Revenue from base oil sales	**1,446,711,662**	1,261,108,347	**4,409,405,310**	3,555,098,193
Revenue from by-products sales	**1,275,109,387**	1,117,489,151	**4,395,653,826**	2,875,693,664
	2,721,821,049	2,378,597,498	**8,805,059,136**	6,430,791,857

During the nine-month period ended September 30, 2022, the Company has recognized revenue from freight services amounting to Saudi Riyals 122.05 million (nine-month period ended September 30, 2021: Saudi Riyals 65.08 million).

The management has categorized its geographical operations as follows:

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Geographic information				
Revenues from local sales				
Kingdom of Saudi Arabia	**1,830,944,865**	1,538,870,559	**5,987,042,006**	4,067,682,348
Revenues from export sales				
United Arab Emirates	**509,708,016**	506,778,854	**1,562,679,146**	1,414,041,877
India	**242,259,258**	179,908,430	**733,734,856**	522,171,597
Singapore	**40,993,933**	89,250,410	**176,369,667**	203,593,440
Egypt	**55,647,831**	11,591,954	**170,748,442**	27,796,856
United States of America	**10,312,186**	21,670,706	**11,231,440**	88,793,924
Others	**31,954,960**	30,526,585	**163,253,579**	106,711,815
Total	**2,721,821,049**	2,378,597,498	**8,805,059,136**	6,430,791,857

17. Cost of revenue

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Raw materials	**1,899,823,258**	1,617,703,363	**6,544,041,605**	4,278,002,242
Depreciation	**82,647,745**	82,495,144	**246,765,172**	246,087,413
Employee and related costs	**44,373,971**	39,973,310	**136,899,599**	133,064,961
Depreciation on right-of-use assets	**2,159,405**	954,944	**5,081,534**	4,383,193
Amortization	**55,975**	241,665	**201,720**	725,011
Others	**42,818,488**	27,522,257	**122,364,846**	64,489,415
	2,071,878,842	1,768,890,683	**7,055,354,476**	4,726,752,235

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18. General and administrative expenses

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2022 (Unaudited)	**2021 (Unaudited)**	**2022 (Unaudited)**	**2021 (Unaudited)**
Staff cost	**26,900,367**	21,572,843	**102,704,692**	85,343,514
Consultancy charge	**7,184,270**	7,741,752	**18,908,796**	15,345,269
Telephone & postage	**1,750,696**	1,511,176	**4,600,551**	3,335,627
Business travel	**587,183**	326,917	**1,690,833**	781,463
Amortization	**503,651**	503,651	**1,510,953**	1,510,953
Insurance	**437,596**	300,650	**1,122,873**	901,951
Depreciation	**177,950**	230,443	**586,967**	691,336
Others	**2,961,046**	4,848,972	**17,627,242**	18,922,785
	40,502,759	37,036,404	**148,752,907**	126,832,898

19. Zakat and income tax

The Company is subject to zakat with respect to JIIC's shareholding and income tax with respect to Saudi Aramco's shareholding. During 2020, the shareholders signed an agreement that the shareholders shall bear the economic burden of any zakat and income tax required under applicable law. In the event of the Company's listing on Tadawul, the shareholding of Saudi Aramco will be subject to zakat resulting in no income tax.

19.1 Charge for the period

The charge for the period, consists of the following:

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2022 (Unaudited)	**2021 (Unaudited)**	**2022 (Unaudited)**	**2021 (Unaudited)**
Zakat charge (reversal)	**6,185,091**	3,961,348	**15,711,501**	(4,849,343)
Income tax charge	**49,702,949**	41,982,279	**129,395,518**	117,626,223
Deferred tax charge	**23,456,314**	9,798,370	**134,090,981**	58,800,471
	79,344,354	55,741,997	**279,198,000**	171,577,351

The increase in the tax expense in the current period is due to increase in deferred tax charge.

19.2 Provision for zakat and income tax

The movement in zakat and income tax payable is as follows:

	Income tax	**Zakat**	**Total**
At January 1, 2021 (Audited)	554,559	22,290,590	22,845,149
Prior year reversal	-	(13,907,760)	(13,907,760)
Charge for the year	130,155,317	12,525,468	142,680,785
Payment	-	(1,102,562)	(1,102,562)
At December 31, 2021 (Audited)	**130,709,876**	**19,805,736**	**150,515,612**
Charge for the period	129,395,518	15,711,501	145,107,019
Payment*	(189,907,387)	(12,525,468)	(202,432,855)
At September 30, 2022 (Unaudited)	**70,198,007**	**22,991,769**	**93,189,776**

*During the nine-month period ended September 30, 2022, the Company has paid Saudi Riyals 63 million quarterly advance tax as per the income tax regulations, which was based on the previous year's zakat and income tax return.

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19.3 Status of certificates and final assessments

The Company has filed its zakat and income tax return up to the year ended December 31, 2021. The Company does not have any open assessment orders with the Zakat, Tax and Customs Authority ("ZATCA") as of September 30, 2022. The zakat and income tax assessments up to December 31, 2016 and for the year ended December 31, 2018 have been finalized with the ZATCA.

During 2022, the ZATCA issued an assessment for the financial year 2016 amounting to Saudi Riyals 0.63 million which was settled.

19.4 Deferred tax asset / (liability)

	At January 1, 2022 (Audited)	(Charged)/credited to profit or loss	(Charged)/credited to other comprehensive income	At September 30, 2022 (Unaudited)
Difference in accounting and tax base of property, plant and equipment	(287,212,054)	(75,763,775)	-	**(362,975,829)**
Provisions	53,868,811	(1,271,296)	(2,830,049)	**49,767,466**
Carried forward losses	176,908,990	(56,952,405)	-	**119,956,585**
Leases	1,587,683	(103,505)	-	**1,484,178**
Total	(54,846,570)	(134,090,981)	(2,830,049)	**(191,767,600)**

20. Operating segment

The Company is engaged to construct, own and operate refineries of lubricating oils and to purchase, sell, transport, market, import and export lubricating oils, additives, lubricating oil blending stocks, by-products and other related petroleum products. The Company operates in Jeddah and Yanbu region of Saudi Arabia and has an operation in Hamriyah in the United Arab Emirates. For management purposes, the Company is organized as a single business unit aligned with its principal business activity.

The Company has determined that the Company's Board of Directors and the President & CEO, are the Chief Operating Decision Maker ("CODM") and are responsible for making decisions regarding the allocation of resources and assessment of performance of the Company. The CODM monitor the operating results of the Company as a whole for the purpose of making decisions about resource allocation and performance assessment of the Company's business. The CODM evaluate the performance on the basis of revenues, total operating expenses, EBITDA, net income and return on equity. The results reported to the CODM are measured in a manner consistent with those in statement of comprehensive income and statement of financial position and hence, a reconciliation is therefore not presented separately.

Geographical information of Company's revenues is disclosed in Note 16. The Company's property plant and equipment assets are located in Kingdom of Saudi Arabia. Saudi Aramco is the Company's major customer exceeding 10% revenue threshold. See Note 15.

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21. Net debt reconciliation

	Cash and cash equivalents	Borrowings	Leases	Total
January 1, 2021 (Audited)	672,851,104	(2,154,067,200)	(117,640,486)	**(1,598,856,582)**
Cash flows	676,635,398	(25,969,443)	10,177,394	**660,843,349**
Interest on borrowings	-	(69,963,357)	-	**(69,963,357)**
Interest on lease liabilities	-	-	(5,339,900)	**(5,339,900)**
December 31, 2021 (Audited)	**1,349,486,502**	**(2,250,000,000)**	**(112,802,992)**	**(1,013,316,490)**
Cash flows	**303,790,166**	**80,393,017**	**9,787,894**	**393,971,077**
Interest on borrowings	**-**	**(41,322,274)**	**-**	**(41,322,274)**
Interest on lease liabilities	**-**	**-**	**(3,769,527)**	**(3,769,527)**
September 30, 2022 (Unaudited)	**1,653,276,668**	**(2,210,929,257)**	**(106,784,625)**	**(664,437,214)**

22. Commitments and contingencies

22.1 Commitments

a) As at September 30, 2022, the Company had outstanding capital commitments of Saudi Riyals 431.67 million (December 31, 2021: Saudi Riyals 292.35 million) in respect of additions to property, plant and equipment at its Jeddah and Yanbu refineries.

22.2 Contingencies

a) As at September 30, 2022 the letters of guarantees issued by banks on behalf of the Company amounted to Saudi Riyals 2.31 million (December 31, 2021: Saudi Riyals 11.32 million) and letters of credit issued by banks on behalf of the Company is Saudi Riyals 5.89 million (December 31, 2021: Nil).

b) A contractor for Yanbu Expansion Project has submitted claims to the Company amounting to Saudi Riyals 222.52 million (December 31, 2021: Saudi Riyals 222.52 million). After the assessment on the procedural and substantive grounds, the management has rejected these claims. This claim is not filed in any court of law. The Company is not expecting any cash outflow on these claims therefore no provision has been recorded in the condensed interim financial information.

22.3 Short-term leases

The short-term lease commitment as of September 30, 2022 amounts to Saudi Riyals 2.60 million (December 31, 2021: Saudi Riyals 10.82 million).

23. Restatement relating to the annual audited financial statements

The Company has agreements with Saudi Aramco to purchase feedstock for the Company's Jeddah and Yanbu refineries and to supply certain by-products back to Saudi Aramco after the feedstock has been processed and base oil extracted for sale to its other customers. The Company determined in the current period to account for these transactions with Saudi Aramco separately as purchases of feedstock and sales of by-products. This is on the basis of the Company's ability to control, obtaining substantial economic benefit and decision making relating to feedstock used and mix of the products produced which are substantially different from the feedstock purchased. These transactions with Saudi Aramco were previously recorded on a net basis with the sales proceeds of the by-products recorded against the feedstock purchases.

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The following table sets out the effect of restating revenue and cost of revenue amounts in the statement of comprehensive income for the years ended December 31, 2019, 2020 and 2021:

	As previously reported	**Restatement**	**As restated**
Statement of comprehensive income for the year ended December 31, 2019			
Revenue	3,937,355,317	1,683,058,901	5,620,414,218
Cost of revenue	(3,731,059,312)	(1,683,058,901)	(5,414,118,213)
Gross profit	206,296,005	-	206,296,005
Statement of comprehensive income for the year ended December 31, 2020			
Revenue	3,187,493,206	1,206,051,834	4,393,545,040
Cost of revenue	(2,772,562,322)	(1,206,051,834)	(3,978,614,156)
Gross profit	414,930,884	-	414,930,884
Statement of comprehensive income for the year ended December 31, 2021			
Revenue	6,760,398,960	2,086,327,877	8,846,726,837
Cost of revenue	(4,718,622,332)	(2,086,327,877)	(6,804,950,209)
Gross profit	2,041,776,628	-	2,041,776,628

The change does not have any impact on the statement of financial position, statement of changes in equity and statement of cash flows as of and for the years then ended.

The above restatement does not have any impact on the three-month and nine-month periods ended September 30, 2021 as these are presented based on the aforementioned judgments and the condensed interim financial information for the above-mentioned periods has not been previously issued.

24. Approval of condensed interim financial information

This condensed interim financial information was approved and authorized for issue by the board of directors of the Company on November 2, 2022.


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