لوبريف
luberef

A leader in High-Value Downstream

Annual Report 2022

luberef.com

In The Name of Allah

The Most Merciful, The Most Gracious

Custodian of the Two Holy Mosques

King Salman bin Abdulaziz Al Saud

His Royal Highness

Prince Mohammed bin Salman bin Abdulaziz Al Saud

Crown Prince, Prime Minister of Saudi Arabia

Table of Contents

1. LUBEREF

History

1976

Luberef was incorporated as a limited liability company under the name of (Petromin Lubricating Oil Refining Company) between Petromin (70%) and Mobil (30%)

1977

The Jeddah Facility was commissioned with a production capacity of approximately 180 thousand MT of Group I Base Oils

1983 The production capacity at the Jeddah Facility increased to be approximately 220 thousand MT

1991 The production capacity at the Jeddah Facility increased to be approximately 240 thousand MT

1996

Petromin's stake in the Company (70%) was transferred to Saudi Aramco

1997

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 Luberef's total production capacity to approximately 560 thousand MT of Group I Base Oils

2007

Jadwa bought Mobil's 30% stake into Luberef

2013

Luberef 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 Luberef's total production capacity to approximately 575 thousand MT of Group I Base Oils

2017

The Yanbu Growth I Expansion was completed, and added an additional 710,000 MT to the production capacity

2019

Formation of the Aramco Base Oil Alliance and adoption of the Saudi Aramco trademarks

2021

Luberef signed an agreement with Saudi Aramco for additional RCO, which along with transformation project initiatives increased Luberef's production capacity by approximately 90 thousand MT

2022

Luberef was successfully listed on the Saudi Stock Exchange, the IPO was one of the biggest in 2022 and was oversubscribed by 29.5 times.

Chairman's Message

Our results extend beyond base oils as we maintain a strong focus on the safety of our operations with our safety management system which has been in place for more than 10 years

Our efforts yielded a strong operating performance with base oil volume growth, which contributed to outstanding financial performance

Dear Shareholders,

It is my pleasure to present Luberef's annual report for the 2022 financial year, in which we will preview the company's performance and highlight the most important developments.

2022 was a momentous year for Luberef. In a year marked by geo-political tension and economic uncertainty, we continued to focus on our core strengths which led to us being the dominant base oil supplier in the region. We capitalized on the strong crack margin environment by leveraging our high reliability, asset utilization, and execution of transformation program initiatives. Our efforts yielded a strong operating performance with base oil volume growth, which contributed to outstanding financial performance.

We reported record revenues, net income and free cash flows. Our performance is a testament of our high profitability and resilience which is evidenced by our high returns on capital employed. These outstanding results have encouraged the Board to recommend a strong dividend for the second half of 2022, to be approved by the shareholders in the upcoming general assembly.

As an embedded pure play base oil producer, we are uniquely positioned in the base oil market due to our financial strength, geographic location, advantaged value chain position and competitive cost structure. Despite changing market dynamics, we remained prudent with our business decisions, keeping in mind the current shift in demand from GI to GII & GIII base oils. We are focusing on identifying and capturing opportunities presented by this shift in the market. We are committed to focus on creating shareholder value by evaluating long-term growth opportunities that meet our high return targets. As we aim to maintain our track record of value-added growth.

Our results extend beyond base oils as we maintain a strong focus on the safety of our operations with our safety management system which has been in place for more than 10 years, and its success can be seen in our total recordable incident rate, which we have maintained at 0.0 for more than three years, which is an exceptional performance by industry standards.

We are excited to have begun this year as a public company with new shareholders. We realize the additional responsibility and the expectations of shareholders who have placed trust in us. On behalf of the Board of Directors and the Luberef Executive Team, we assure all our shareholders that we will work towards providing sustainable and profitable growth, and increased value for our shareholders. I would like to sincerely thank all our customers, valued partners and most importantly the dedicated Luberef employees for their commitment with excellence.

Mr. Ibrahim Q. Al Buainain

Chairman

CEO's Message

Luberef creates value for shareholders, Luberef cares for the wellbeing of society and takes pride in our corporate social responsibility programs which focus on supporting local communities

Total Recordable Incident

Zero Incidents

Base Oil Production

439 SAR/MT

Unit Cost

Dear Shareholders,

It is with great honour that I take this opportunity to reflect on the many achievements Luberef recorded in 2022. These include our successful listing on the Saudi Stock Exchange and our progress in transformation initiatives execution. 2022 was a great year for Luberef, as it highlighted our uniqueness as an investment opportunity and showcased our ability to generate value for our shareholders.

We achieved record base oil volume sales, revenues, net income and free cash flow. As a result, our Board of Directors have declared a recommendation to pay a dividend of around SAR 840 Mn, or 5.0 SAR per share.

We sustained our excellent operational track record by maintaining a top quartile mechanical availability of nearly 100%, and above industry average base oil capacity utilisation of 88.7% with zero total recordable incident rate.

Remarkable progress has been made in our transformation initiatives as we upgraded our Yanbu Facility successfully to accommodate 50 MBD of feedstock. Currently, we are in discussion with Saudi Aramco to increase our crude oil allocation to achieve more growth in base oil production volumes.

As base oil demand shifts from GI to GII & GIII Base Oils, we are leveraging our Saudi Aramco Base Oil Alliance partners to meet current GIII demand in our primary market , while continuing the execution of Growth II Expansion Project to accommodate the production of high margin GIII base oils.

Five MOUs have been signed to support the development of the LubHub which aims to build speclized industries within the Kingdom. This will increase our docmistic sales volumes as well as further align Luberef with Vision 2030 of the Kingdom.

Luberef is fully committed to the Kingdom's sustainability agenda. Our commitment to lower our environmental footprint can be observed by the achieved 70% flaring reduction in 2022 compared to 2021.

While creating value for shareholders, Luberef cares for the wellbeing of society and takes pride in its corporate social responsibility programs that focus on supporting local communities. A number of programs for local communities have been ongoing for many years, such as our support for people with disabilities marathon and families with needs during Ramadan. New community initiatives are focused on promoting entrepreneurship, supporting community education and health.

Luberef is a well-established and profitable company with a strong market position, a track record of financial resilaince, and a commitment to sustainable business practices. As we look ahead to the future, we will continue to build on our strengths and remain focused on an optimal product mix, higher margin base oils, cash conversion and return on investment. The future is bright for Luberef, and by working together we can realize the great opportunities ahead of us.

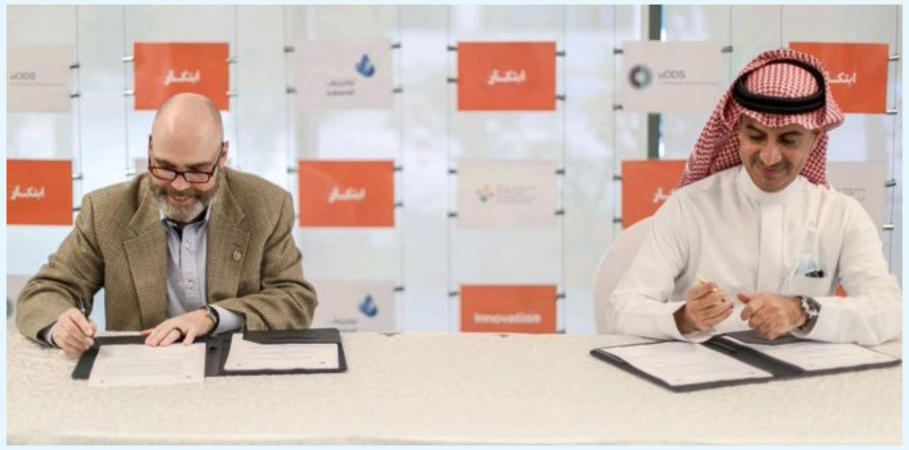
Tareq Alnuaim

President & Chief Executive Officer

Highlights of 2022

Q1

- Luberef signed an MoU with uODS - a subsidiary company of KAUST, to pilot the uODS technology. uODS removes sulfur from heavy fuel oil at mild operating conditions with no hydrogen requirement. The successful implementation of the KAUST developed technology will be a milestone achievement for the Kingdom and will further its environmental vision and ensure a more sustainable future for oil globally.
- Luberef signed a new long term Contract of Affreightment (COA) with one of the well-known ship owners to mitigate the risk of ships availability and enhance business sustainability and regional reach. This is in line with Luberef's long term export and shipping strategies. The contract will facilitate Luberef's ongoing and continuous deliveries to Africa, the Middle East, and India. Additionally, this arrangement will stabilise freight costs compared to spot deals in the market.
- Luberef signed a supply agreement with the Egyptian General Petroleum Corporation (EGPC) to supply up to 45 KT of Aramco DURA 150 bright stocks for 2022. This move testified to the success of Luberef's strategic focus to increase the supplies of Alliance Aramco base oil branded products to Africa.
- Luberef completed loading the first ship from the newly commissioned Port 94 in Yanbu. The collaboration between Luberef and Aramco Western Region Terminal Department resulted in the timely commissioning of this berth in early 2022. Luberef can now export its base oil using both berths 93 and 94, increasing supply chain efficiency and improving Luberef's supply reliability and reach to global markets.
- Luberef has signed an MoU with Air Liquide to evaluate producing Green Hydrogen using electrolysis which will be fed by renewable energy from the Yanbu Industrial City. The project will reduce Luberef's carbon emissions and provide Green Hydrogen for Luberef's Lubricant Value Park project.



Q2

- Luberef signed an MoU with APAR to build a 40KT transformer oil plant at Yanbu LubeHub. APAR is one of the key global industrial players present in more than 125 countries and enjoys a 40% market share of the transformer oils market in KSA. This MoU will support Luberef's LubeHub strategy to diversify from automotive to specialty products and support the localisation of such products in KSA.
- Luberef, Petromin Corporation and GEMS have signed an MoU to develop a used oil management system in KSA to establish an ecosystem to recycle used oil, thereby meeting high standards of base oil products.

Q3

- Board of Director have approved the Final Investment Decision for the Growth II project, which aims to expand the existing units to their maximum potential production capacity and increase Group II Base Oils productions or introduce the production of Group III Base Oils. This will increase Yanbu Facility base oil production capacity to approximately 1.3 million MT per annum. The project is expected to cost around SAR 560 – 750 Million and will come onstream by 2025.

Q4

- Completion of the vacuum distillation unit upgrade and testing in Yanbu to increase the Yanbu facility feedstock capacity from 45 MBD to 50 MBD, which is equivalent to around 80-90K tons of base oils.
- Luberef was successfully listed on the Saudi Stock Exchange. The IPO was one of the biggest in 2022 and was oversubscribed by 29.5 times.

Luberef's Operations

Aramco Base Oil Alliance

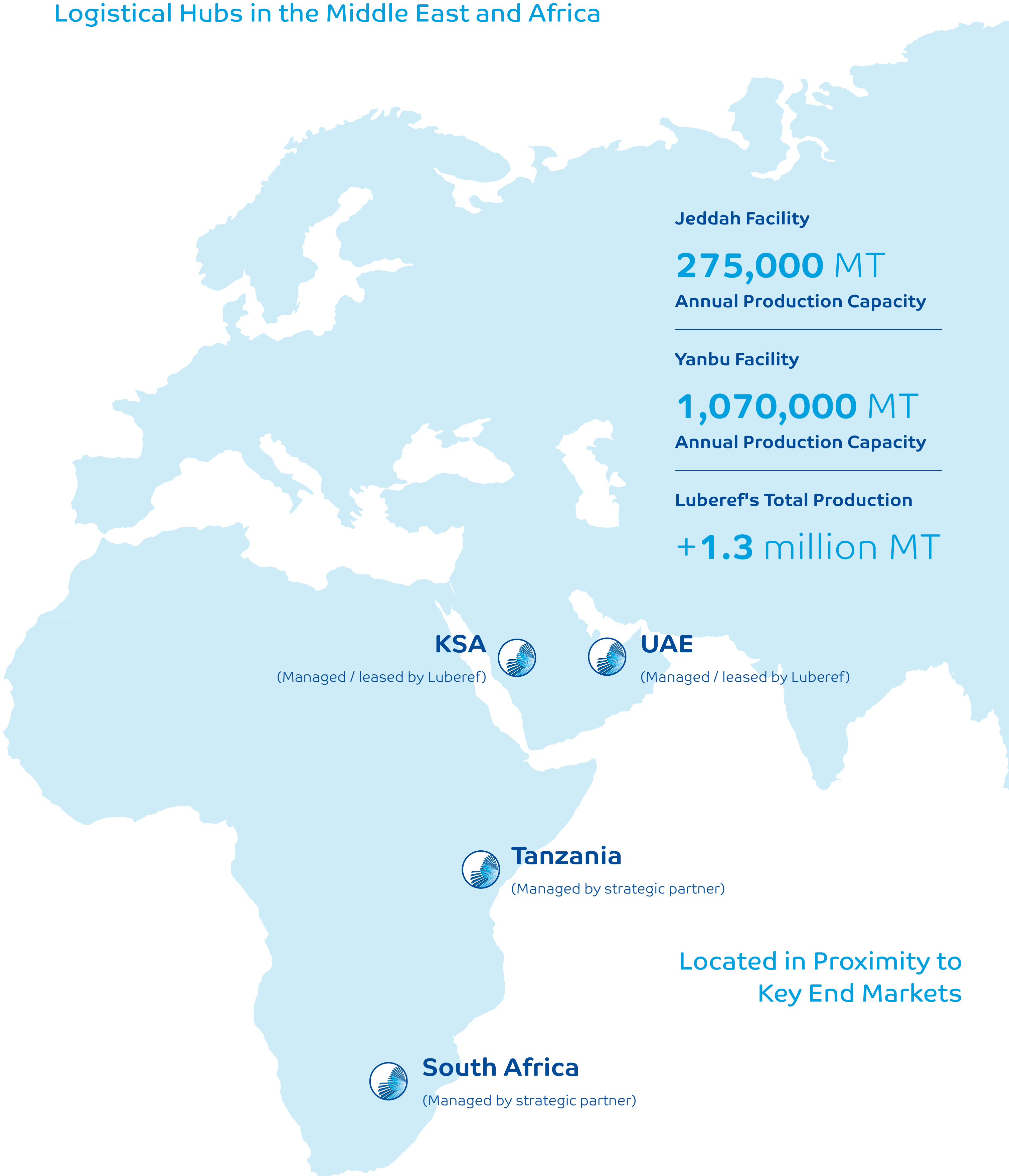
Luberef is one of the largest base oils producers in the world and the only virgin base oils producer in the Kingdom. Luberef's products are sold in the Kingdom and other countries across the MENA region, the Americas and Europe. Luberef produces various Group I and Group II Base Oils and Byproducts, including asphalt, Marine Heavy Fuel Oil (MHFO) and sulfur, as well as white products such as Ultra-Low Sulfur Diesel (ULSD), naphtha and drilling fluid.

Luberef's primary business is the production and distribution of high-quality base oils and other petroleum derivatives. Luberef operates two facilities in Yanbu and Jeddah to produce Group I and Group II Base Oils. The Jeddah Facility has an annual production capacity of approximately 275,000 MT of Group I Base Oils. After the Yanbu Facility ramped up to maximum capacity in 2021, Luberef's total production capacity has increased to more than 1.3 million MT of Group I and Group II Base Oils annually.

As part of Aramco Base Oil Alliance, Luberef procures Group III Base Oils from other Alliance members and resells them in the domestic and Middle East Market. These are used in a wide range of industrial and automotive lubricants by a range of customers. Luberef is a member of the Aramco Base Oil Alliance, along with S-Oil and Motiva, with a marketing zone in the Middle East (including Pakistan) and Africa.

Alliance members market their 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". Luberef has a strong reputation for its quality and reliability in the global lubricants market. It continues to explore newer market opportunities for future growth and expansion in this sector.

Global Marketing Asset Footprint – Key Logistical Hubs in the Middle East and Africa



Jeddah Facility

275,000 MT

Annual Production Capacity

Yanbu Facility

1,070,000 MT

Annual Production Capacity

Luberef's Total Production

+**1.3** million MT

Located in Proximity to Key End Markets

Business Model

Vision

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

Mission

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

Responsible corporate citizenship driven by values

Luberef is a responsible corporate citizen. Luberef impacts society in a positive way with its presence and demonstrates social responsibility. The four key pillars of this value system are:

Safety:

Luberef continuously protects and secures its resources and community with safe operations and a safe workplace.

Excellence:

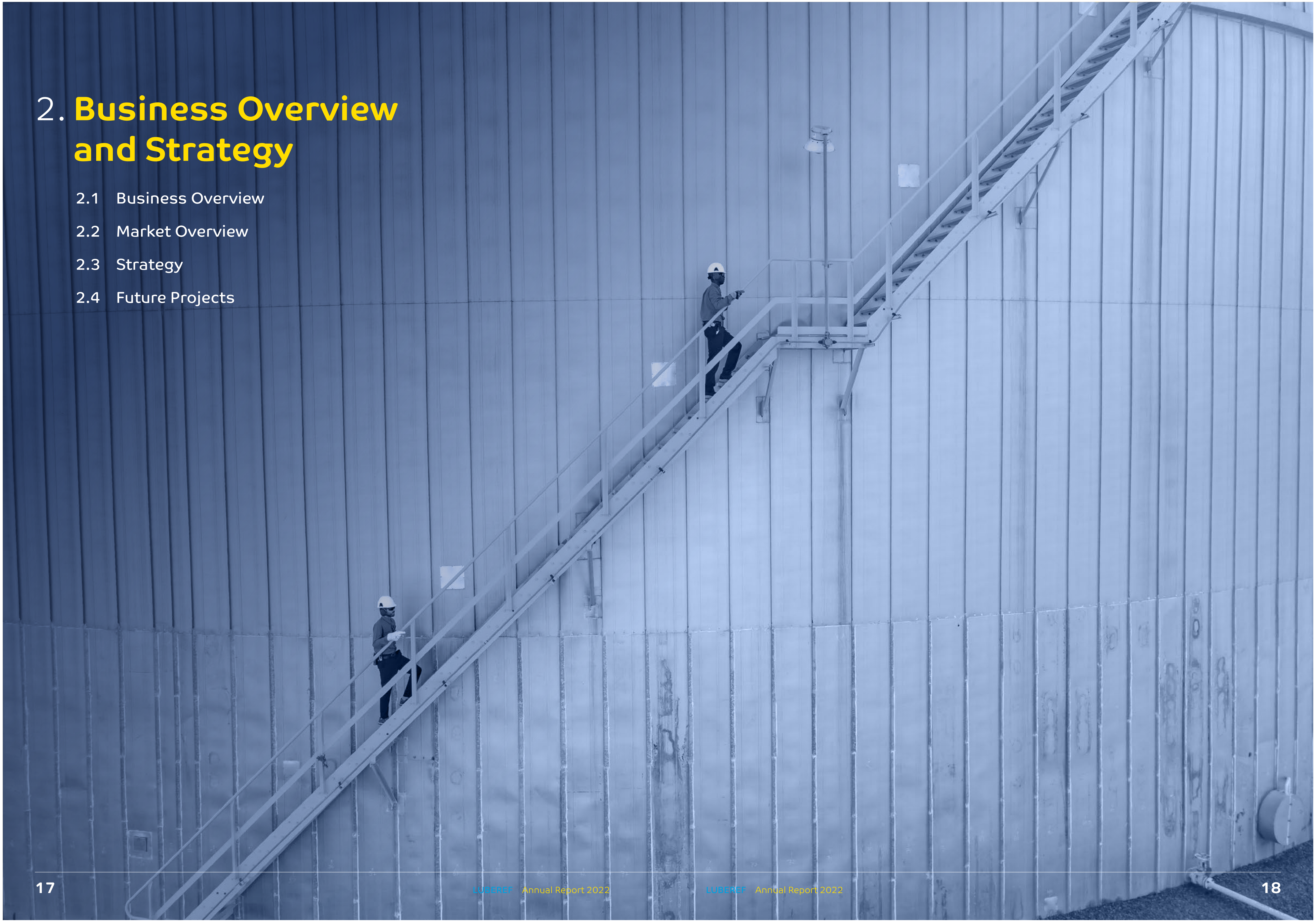
Luberef delivers what it promises and strives to go beyond what is expected to achieve.

Integrity:

Luberef conducts its business ethically and respectfully.

Accountability:

Luberef is accountable to its customers, stakeholders and community and takes responsibility for what it does.



2. Business Overview and Strategy

Business Overview

Luberef draws on its rich experience in the base oil business to bring quality products that offer reliability and consistency on a global scale. Luberef's products are used by a broad range of critical and core industries to make offerings that positively impact the lives of millions of people around the world.

Products Overview

Luberef is one of the largest pure-play producers of high-quality Group I and II Base Oils globally. It also produces various Byproducts such as asphalt, marine heavy fuel oil (MHFO), slack wax, extract and sulfur and white products like ultra-low sulfur diesel (ULSD), naphtha and drilling fluid. Luberef draws on its rich experience in the base oil business to bring quality products that offer reliability and consistency on a global scale. Luberef's products are used by a broad range of critical and core industries to make offerings that positively impact the lives of millions of people around the world.

Base Oils

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.

Product Categories

As a member of the Base Oil Alliance, all alliance members market their products under a global Aramco brand. The brands are aramcoDURA, aramcoPRIMA, and aramcoULTRA brands referring to Group I, II and III.

TABLE: 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™	Good viscosity index, low sulfur	aramcoULTRA 2*
			aramcoULTRA 4*
			aramcoULTRA 6*
			aramcoULTRA 8*

* Not currently produced by Luberef.

Group I Base Oils

408,000 MT

Production in 2022

Group II Base Oils

787,000 MT

Production in 2022

Base Oils alliance trade

62,000 MT

Sales in 2022

Group I and Group II Base Oils

Luberef produces three grades of Group I Base Oils: aramcoDURA 150, aramcoDURA 500 and aramcoDURA BS 150. aramcoDURA 150 and aramcoDURA 500 are produced at the Jeddah Facility. The Yanbu Facility produces aramcoDURA BS 150. These products are primarily sold in end markets in the Kingdom, the UAE, India, Singapore and Africa.

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

Table: Luberef Production of Group I and Group II Base Oils (MT)

Product	2021 ('000 MT)	2022 ('000 MT)	% Change yoy
Group I Base Oils	412	408	(1%)
Group II Base Oils	761	787	3%

Base Oil Alliance Sales

While Luberef does not currently produce Group III Base Oils, it procures them from S-Oil – a Aramco Base Oil Alliance member- and markets these products primarily in the Kingdom and other countries in the MENA region.

Table: Group III Base Oils

Product	2021 ('000 MT)	2022 ('000 MT)	% change yoy
Group III Base Oils*	67	81	21%

* It refers to the sales made by Aramco Base Oil Alliance members (S-Oil and Motiva) in Luberef's zone and it includes minimal alliance Group I sales.

Byproducts

The Byproducts produced by Luberef 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.

Table: Byproducts Production

Product	2021 ('000 MT)	2022 ('000 MT)	% Change yoy
White Products	438	397	(9%)
Other Byproducts	2,113	2,181	3%

Production Facilities

Luberef currently operates two base oil production facilities, the Yanbu Facility and the Jeddah Facility, both strategically located on the west coast of the Kingdom.

Table: Company Facilities, Details and Production Capacity

Facility	Commis-sioning	Capacity (MT/year)		Production* 2021		Production* 2022	
		Base Oil	Byprod-ucts**	Base Oil	Byprod-ucts**	Base Oil	Byprod-ucts**
Yanbu	1997	1,070,000	1,600,000	912,839	1,522,507	952,729	1,588,325
Jeddah	1977	275,000	1,050,000	260,292	1,028,594	241,850	990,257

* Based on current operating products slate.
** Byproducts volumes include White Products.

Yanbu Facility

300,000 MT

Annual Production Capacity in 1997

Yanbu Facility

710,000 MT

Expansion in Annual Production Capacity in 2017

Yanbu Facility

1,070,000 MT

Annual Production Capacity Today

The Yanbu Facility

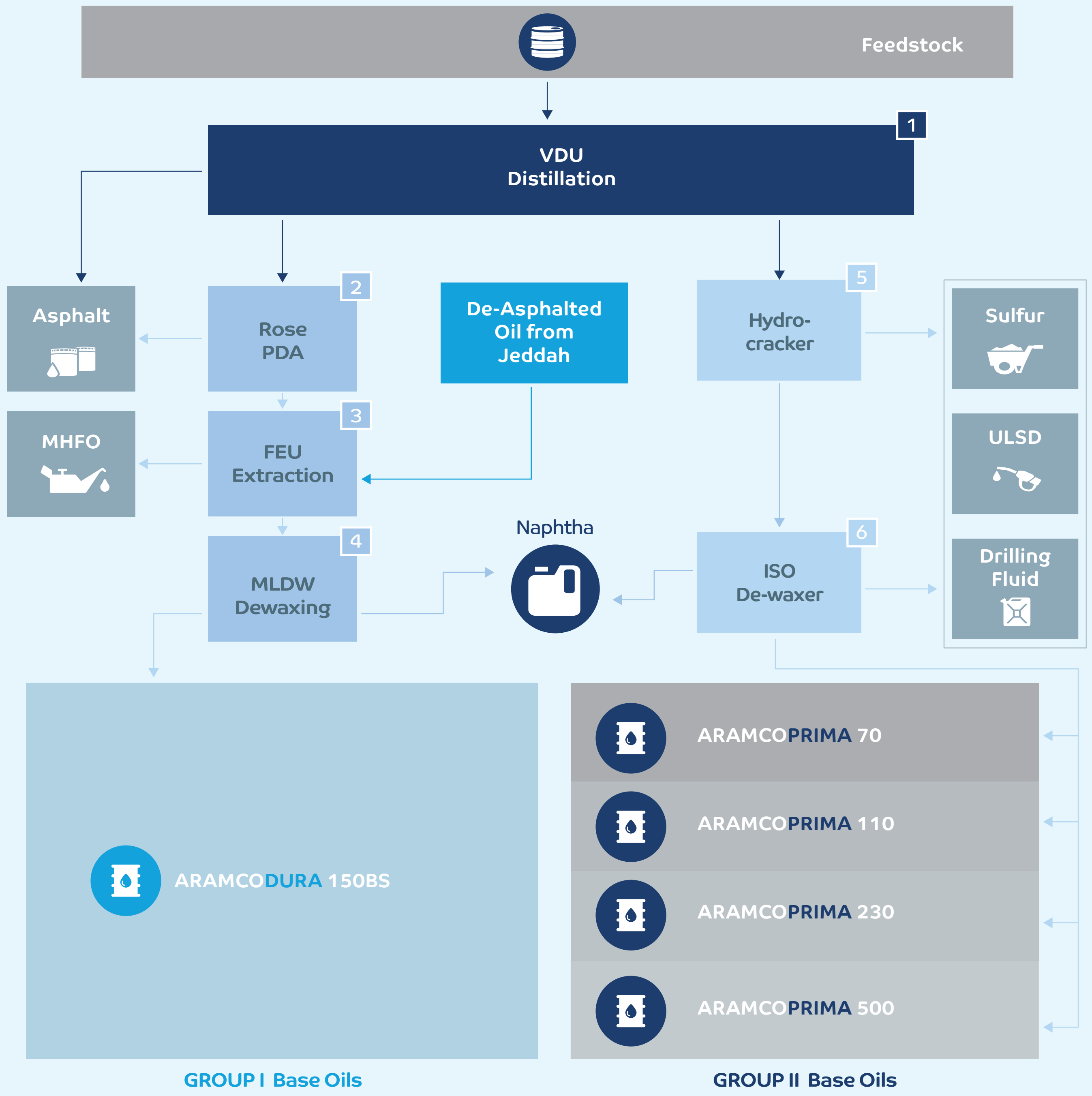
The Yanbu Facility currently produces Group I (aramcoDURA BS 150) and Group II Base Oils, as main products, and ULSD, naphtha, drilling fluids, MHFO, asphalt, bright stock extract and sulfur as Byproducts.

The Yanbu Facility was commissioned in 1997 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 2017.

The Yanbu Growth I Expansion was completed at the end of 2017 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 sulfur 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 Luberef's total base oils production capacity (in both facilities) to approximately 1.255 million MT per year by the end of 2017.

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

Luberef plans to undergo the Yanbu Growth II Expansion project, which is planned to be completed in 2025.



1 **Vacuum Distillation Unit (VDU):** feedstock heated to a high temperature using fired heater

2 **Propane De-Asphalting Unit (PDA):** process has 2 stages: (1) extraction and (2) solvent recovery

3 **Furfural Extracting Unit (FEU):** uses solvent extraction process to remove undesirable components

4 **Mobile Lube Dewaxing Unit (MLDW):** separation section for Group I base oils

5 **Hydrocracker:** distillates produced by VDU are fed to the hydrocracking reactor

6 **ISO De-waxer:** convert wax into base oil through isomerization process using catalyst.

The Jeddah Facility

The Jeddah Facility was originally commissioned in 1977 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.

Jeddah Facility

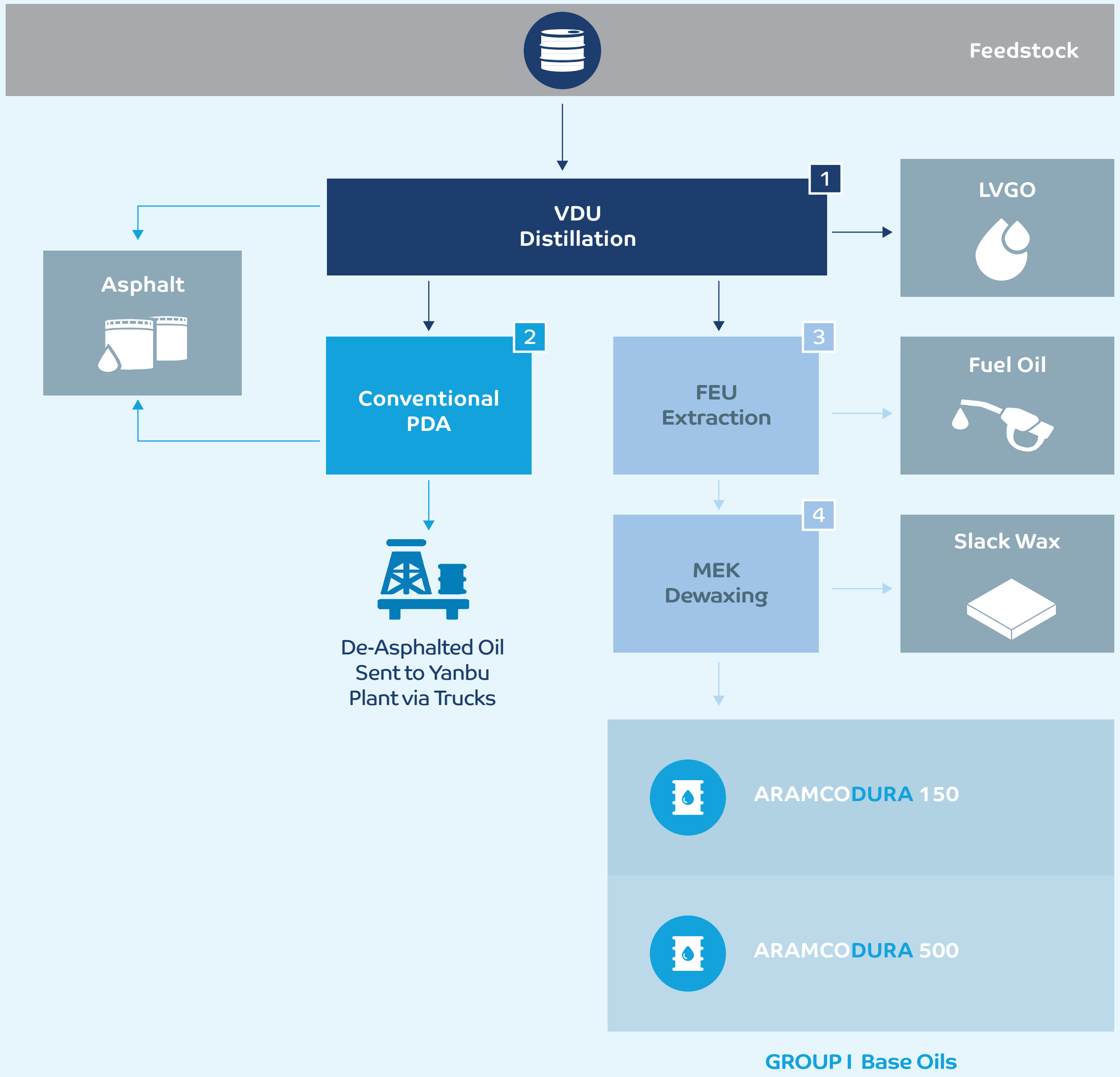
180,000 MT

Annual Production Capacity in 1977

Jeddah Facility

275,000 MT

Annual Production Capacity Today



1 **Vacuum Distillation Unit (VDU):** feedstock heated to a high temperature using fired heater

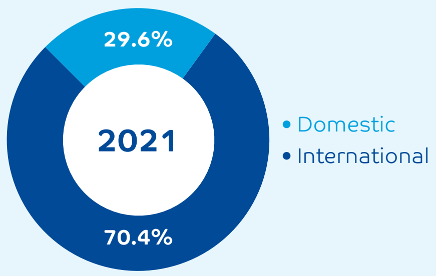
2 **Propane De-Asphalting Unit (PDA):** process has 2 stages: (1) extraction and (2) solvent recovery

3 **Furfural Extracting Unit (FEU):** uses solvent extraction process to remove undesirable components

4 **MEK Dewaxing Unit:** uses mixture of MEK and toluene to crystalize waxes to be removed, producing Group I base oils

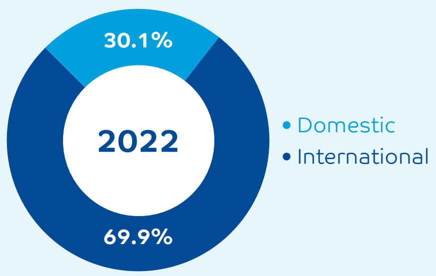
Base Oils Sales

Luberef's base oils are sold mostly in the Kingdom, the MENA region, and India, and remaining volumes are sold globally Luberef manages the sales of base oils sold in its Base oil alliance marketing zone, which is the Middle East, The African continent and Pakistan. Luberef Base oil sales outside the marketing zone are managed through the Base Oil Alliance members, where Motiva is responsible for sales in the Americas, and S-Oil is responsible for sales in Asia and Europe. As part of its Africa penetration strategy, Luberef has started utilizing distributors to sell base oil in South Africa, Tanzania and Sudan.



Domestic
350,516 MT
Base Oil Volume

International
834,052 MT
Base Oil Volume

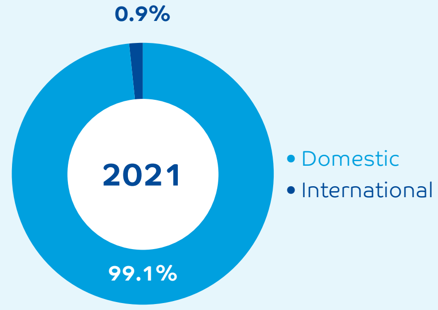


Domestic
376,053 MT
Base Oil Volume

International
871,879 MT
Base Oil Volume

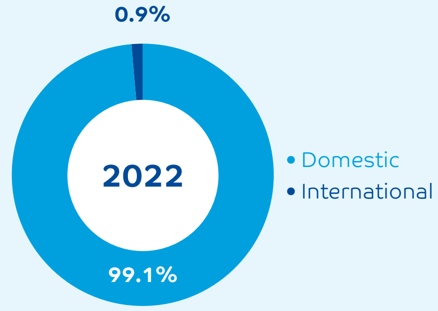
Byproducts Sales

Luberef produces and sells Byproducts such as asphalt, Marine Heavy Fuel Oil (MHFO), slack wax, bright stock extract and sulfur and White Products such as ultra-low sulfur diesel (ULSD), naphtha and drilling fluid. Luberef sells the majority of its Byproducts to Saudi Aramco and its Affiliates.



Domestic
2,515,982 MT
Byproducts Volume

International
23,569 MT
Byproducts Volume

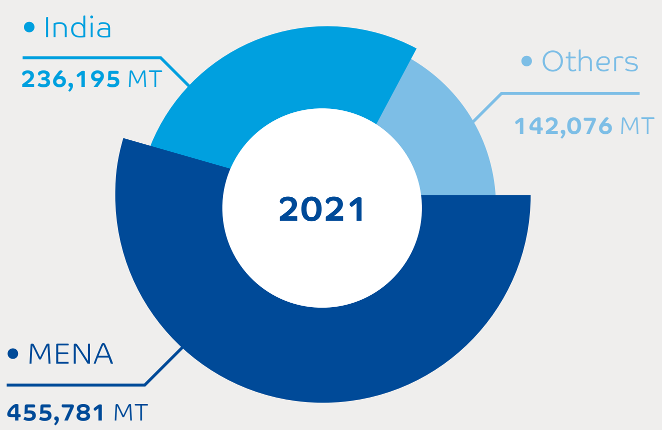


Domestic
2,540,818 MT
Byproducts Volume

International
22,885 MT
Byproducts Volume

International Base Oil Sales

2021



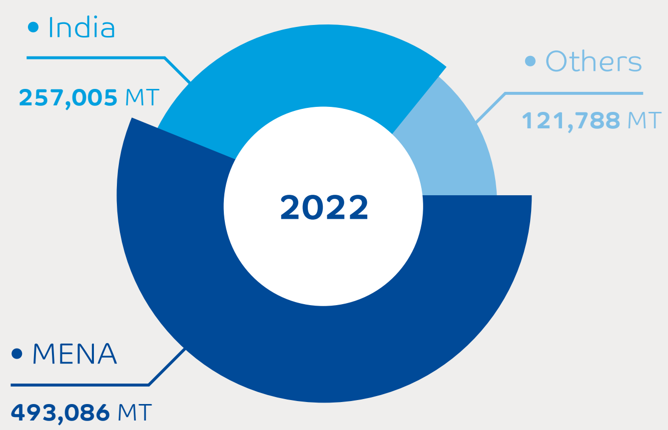
MENA Volume
455,781 MT

India Volume
236,195 MT

Other Volume
142,076 MT

International Base Oil Sales

2022



MENA Volume
493,086 MT

India Volume
257,005 MT

Other Volume
121,788 MT

Market Overview

Global GDP growth

2.9%

from 2022 to 2030

Global lubricant demand

0.8%

during 2022 to 2030

Global base oil demand

Group II

3.5%

Group III

4.8%

between 2022 and 2030

Global Economic Outlook

The global economy is experiencing a number of turbulent challenges. Inflation higher than seen in several decades, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Under this backdrop, the global real GDP is forecasted to grow by 2.9% CAGR from 2022 to 2030. The markets responded well in 2022 with a swift recovery that pushes the global liquids demand and 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 during 2022 to 2030 and the global base oil demand for Group II and Group III is expected to grow at a CAGR of 3.5% and 4.8% between 2022 and 2030, respectively. The prices of base oils are a function of supply and demand dynamics. It is anticipated that despite demand growth, the industry could see pricing pressures, while the 2022 momentum could mean that prices may remain steady or be slightly lower in the near future. The market could witness slow activities coupled by increasing borrowing cost with series of refineries maintenance that could put base oil prices under stress. The global markets, however, expect a reduction in oversupply but ample supplies will be available in all regions.

Note: The source of forecasts in this section is the Market Advisor (IHS Globa).

Regional Markets Outlook

China, Asia Pacific and Middle East regions will be the growth engines for next ten years, while US and Europe may see a contraction based on efficiency drive. Africa can see mixed growth trends in different countries but shows a promising picture growing forward. The prevailing trends in regional markets will impact the lubricants and base oil demand and supply. The demand and supply scenario in Asia Pacific, Middle East and Africa will be much more favourable when it comes to positive price positioning. Long availability and ease in global logistics can support product flow from Asia pacific to other regions impacting the short and long-term market shares. Major blenders are set to take cautious steps in maintaining the regional demand supply balance.

Middle East & KSA Market Outlook

Stronger economics of Middle East and KSA backed by their massive infrastructure investment, healthy population growth and Vision 2030 poses a very promising picture in 2023 and beyond. Major global institutions have projected very strong growth in MENA region that could lead to 3.5%+ in 2023. The strategic location of KSA provides an ample opportunity to capitalize on demand supply challenges, KSA is developing into strong logistic hub mitigating the risk of supply chain as markets have witnessed during COVID-19 times. The Middle East's & KSA demand for Group II and III Base Oils is expected to grow higher than the rest of the regional markets thus presenting a very positive outlook. Based on the demand and supply outlook along with core patch of sales in KSA, Middle-East and Africa, Luberef is set for growth in years to come.

The Middle East's & KSA demand for Group II and III Base Oils is expected to grow higher than the rest of the regional markets thus presenting a very positive outlook. Based on the demand and supply outlook along with core patch of sales in KSA, the Middle East and Africa, Luberef is set for growth in years to come.

Strategy

Growth in key markets with high demand

Luberef is a highly specialised, pure-play base oil producer with global scale assets and a unique position in the Middle East with an established reputation for delivering high-quality products to customers.

In 2022 track record with a mechanical availability

99.7%

High capacity utilization of

88.8%

Luberef aims to grow sales in key end markets with attractive demand outlooks. Luberef'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 2022, Luberef sold approximately 1.2 million MT of base oils (including Group III Base Oils sales), with 30.1% of volumes sold in the KSA, 39.5% in the MENA region excluding KSA, 20.6% in India, and 9.8% 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 2022 and 2030, 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 2022 and 2030, and in Saudi Arabia at a CAGR of 2.2% and 5.9% between 2022 and 2030, respectively. Furthermore, Luberef achieved growth in base oil volumes at a CAGR of 22% from 2017 to 2022, despite global demand for paraffinic base oil decreasing at a CAGR of 1% over this period per Market Consultant data. Luberef'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.

Note: The source of forecasts in this section is the Market Advisor (IHS Globa).

Utilize advantaged cost and value chain positions

Luberef has advantaged positions in the value chain in feedstock, in its assets and operations, and in its customer relationships.

Luberef is supplied with RCO under long term agreements. Luberef considers this feedstock advantageous for use in producing base oils, and RCO is typically sold to Luberef at a price comparable to high sulfur fuel oil, with high sulfur fuel oil market prices typically being on average lower than Brent in 2022. Luberef 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.

Base oil producers cost of productions average, weighted by capacity, in 2021 at approximately SAR 1162/MT per data from the Market Consultant. As part of the same assessment Luberef's unit production cost, excluding feedstock, is over 60% lower than the average of base oil competitors. Luberef's base oil unit production cost, excluding feedstock, was approximately SAR 446 / MT in 2021. Luberef has further improved its operations and reach a unit cost of Production of 439 SAR/MT in 2022.

This cost position is driven by Luberef's asset scale, high utilization of 88.8% in 2022, with mechanical availability for Luberef of 99.7% in 2022, as well as low energy costs for its production assets located in the Kingdom. Luberef'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 Luberef's facilities in Yanbu and Jeddah leads to lower shipping costs and faster access to customers.

Luberef 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.

Focus on high-margin and specialty products

Luberef is focused on converting low value RCO into high-margin, high value base oils. Luberef generates premium base oil crack margins, both domestically and on exports. Luberef historically has outperformed base oil industry crack margin benchmark, our performance has typically ranged from 375 to 750 SAR per metric ton depending on market conditions. Luberef's historical crack margins for the last 10 years was around1,856 SAR per metric ton (based on average margin weighted by Luberef's Group I and Group II Base Oils sales volumes in the Kingdom and export markets for comparison purposes. Luberef's base oils crack margins are calculated as revenues less freight (where applicable for exports), minus feedstock cost).

Maintain operational excellence and financial discipline

Luberef 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. Luberef seeks to regularly train its employees to implement safety practices and had a Total Recordable Incident Rate (TRIR) of 0.0 in 2022. Luberef also maintains financial discipline and has low gearing of 3% at 31 December 2022, maintains low levels of capital expenditures and follows rigorous processes for allocating capital to growth projects.

Future Projects

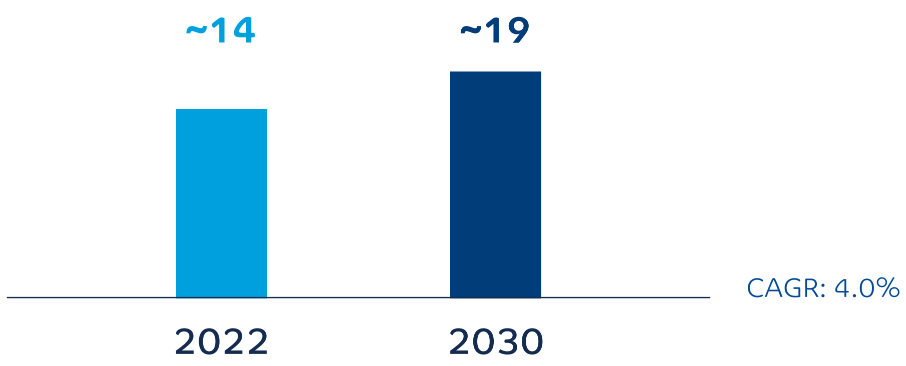
Yanbu Growth II Expansion

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 Luberef's current base oils product portfolio. 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. The key features of this project are;

- Target to increase the Yanbu Facility base oil production capacity to approximately 1.3 million MT per annum in 2025 (270 thousand of Group I, 815 thousand for Group II and 175 thousand for Group III).
- Global for demand for GII & GIII base oils is forecasted to grow by 5 million MT by 2030.
- Yanbu Facility is expected to have the flexibility 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 Board approved the final investment decision for the Yanbu Growth II Expansion in July 2022, and it is planned to start operation in 2025. Luberef expects the investment to range from SAR 563 - 750 million, and to be incurred between 2022 and 2025.

Luberef is proactively pursuing and assessing a number of projects to further optimize its performance and to expand its business and activities

Group II & III Demand Globally Mn MT



Main Project Package

1 Expansion of existing VDU

45MBD › 65MBD

2 Expansion and upgrade of existing HCU

26MBD › 35MBD

3 Expansion and optimization of existing ISO de-waxing unit

19MBD › 29MBD

Business Transformation Initiative

Luberef is currently in the implementation phase of a business transformation program which was initiated in 2021 in line with Saudi Aramco's transformation initiative for its joint ventures. The program is focused on major initiatives in the areas of

- Commercial excellence,
- Yield improvements
- Synergies with Saudi Aramco affiliates
- Capacity increases
- Products upgrades
- Opex Improvements

In 2022 as part of the transformation initiative program Luberef has completed the De-bottleneck upgrade and testing of the VDU in the Yanbu Facility to increase the capacity to 50.0 MBD.

3. Results and Performance

Key 2022 Metrics

Operations

Capacity Utilization

88.8%
(2021: 87.2%)

Mechanical Availability

99.7%
(2021: 99.7%)

Operating Capacity

Base Oils
1,345,000 MT
(2021: 1,345,000 MT)

Byproducts*
2,650,000 MT
(2021: 2,650,000 MT)

Base Oil Production

1,194,792 MT
(2021: 1,173,130 MT)

Group I
407,751 MT
(2021: 412,455 MT)

Group II
787,041 MT
(2021: 760,675 MT)

Sales volume for base oils

1,247,732 MT
(2021: 1,184,568 MT)

Group I
423,048 MT
(2021: 403,233MT)

Group II
805,711 MT
(2021: 756,777 MT)

Group III**
81,442MT
(2021: 66,629 MT)

Sales volume for Byproducts

2,563,703 MT
(2021: 2,539,551 MT)

Crack Margins

2,484 SAR/MT
(2021: 2,248 SAR/MT)

Margins for Byproducts

96 SAR/MT
(2021: 67 SAR/MT)

* Byproducts volumes include White Products.

** It refers to the sales made by Aramco Base Oil Alliance members (S-Oil and Motiva) in the Company's zone and it includes minimal alliance Group I sales.

Financial

EBITDA	ROACE
2,511 SAR Mn	**39**%
(2021: 2,096 SAR mn)	(2021: 30%)

Revenue

2022	10,614Mn
2021	8,847Mn

Profit for the year

2022	1,978Mn
2021	1,503Mn

Total equity

2022	5,083Mn
2021	4,245Mn

Gross profit

2022	2,504Mn
2021	2,042Mn

Total comprehensive income

2022	2,021Mn
2021	1,470Mn

Gearing

2022	3%
2021	17%

Operating profit

2022	2,171Mn
2021	1,756Mn

Earnings per share

2022	11.72
2021	8.90

Cash Dividends

2022	1,125Mn
2021	938Mn

All figures in SAR

ESG

Total Recordable Incident Rate (TRIR)	Flaring reduction
Zero Incidents	**70**%

CFO's Message

With our cost leadership and advantaged value chain position, we will leverage our position to maximize our value capture.

Net Income and Free Cash Flow almost

SAR**2.0** billion

Crack Margin Averaging 2022

2,484
SAR/MT

Gearing Dropping to

3%

Dear Shareholders,

I am delighted to share with you Luberef's first financial performance as a publicly listed company. Our 2022 performance was a testament to our position as a leader in high value downstream, as we have delivered a record revenue, net income and free cash flow.

The year started with low base oil crack margins of around SAR1,616 per metric ton in the first quarter due to high oil prices resulting from geo-political tensions. However, base oil prices increased in the second and third quarters resulting in a healthy margin environment with cracks of SAR2,704 and SAR3,116 per metric ton in the second and third quarter respectively. Prices normalized in the fourth quarter. However, base oil crack margins remained above historical averages at SAR2,655 per metric ton, with 2022 crack margin averaging to SAR 2,484 per metric ton.

Our volume growth of 6% in 2022 has ensured we have fully captured the benefits resulting from the overall healthy crack margin environment experienced in 2022, with our domestic market recording an above average volume growth of 7%. This has translated into a record results with revenues of more than SAR 10.6 billion, net income and free cash flow of around SAR 2.0 billion.

With these outstanding results, our Board of Directors have recommended a strong dividend of around SAR 840 million for the second half of 2022. We maintain a robust financial position with our gearing dropping to 3%, and we continue to generate high returns to our shareholders as can be observed in our ROACE of 39%.

With our cost leadership and advantaged value chain position, we will leverage our position to maximize our value capture. We will continue to operate within our financial framework, as we maintain a strong balance sheet and have a low capex forecast, while operating a high cash conversion asset, gives us the opportunity to generate value to shareholders in terms of future distributions.

2022 was an incredible year for Luberef where we have delivered on all of our promises in terms of volumes and dividend. We plan to continue meeting and exceeding investor expectation in 2023 and will continue to relentlessly pursue our stated objectives, and wish to take this opportunity to thank all our shareholders for their trust.

Mohammed Al Nafea

Chief Financial Officer

Financial Performance

Luberef's financial results reflect the underlying fundamental strengths of its business model and the rich experience and expertise of the management team that is steering Luberef ahead. In 2020, Luberef's performance was deeply impacted because of the pandemic-induced economic slowdown. However, Luberef's performance has shown significant improvement in the last two years, driven by the post-pandemic recovery, healthy crack margins and high capacity utilization.

Business Results (SAR Mn)

Description	2022	2021	% Change	2020	2019
Sales	10,613.9	8,846.7	20%	4,393.5	5,620.4
Cost of sales	(8,110.1)	(6,804.9)	19%	(3,978.6)	(5,414.1)
Gross profit	2,503.8	2,041.8	23%	415.0	206.3
Operating profit	2,171.1	1,755.6	24%	149.0	(57.6)
Profit for the year	1,978.1	1,502.5	32%	81.1	(140.6)
Total comprehensive income for the year	2,020.7	1,470.5	37%	114.7	(106.6)

Comparison of assets and liabilities (SAR Mn)

Description	2022	2021	% Change	2020	2019
Current assets	3,694.9	3,108.4	19%	1,793.7	1,491.6
Non-current assets	4,949.9	5,255.9	(6%)	5,518.7	5,663.4
Total Assets	**8,644.8**	**8,364.3**	**3%**	**7,312.4**	**7,155.1**
Total equity	5.082.8	4,244.5	20%	3,711.6	3,596.9
Current liabilities	1,216.4	1,493.8	(19%)	2,050.6	1,775.1
Non-current liabilities	2,345.6	2,626.0	(11%)	1550.2	1,783.10
Total liabilities	3,562.0	4,119.8	(14%)	3,600.8	3,558.2
Total equity and liabilities	**8,644.8**	**8,364.3**	**3%**	**7,312.4**	**7,155.1**

Luberef's performance has shown significant improvement in the last two years, driven by the post-pandemic recovery, healthy crack margins and high capacity utilization.

Statement of cash flows (SAR Mn)

Description	2022	2021	% Change	2020	2019
(Loss) / profit before zakat and income tax	2,131.6	1,691.4	26%	81.9	(137.9)
Cash generated from operating activities	2,254.7	1,844.7	22%	334.3	128.4
Net cash inflow from operating activities	2,016.9	1,814.6	11%	311.3	21.5
Net cash generated (outflow) / inflow from investing activities	(48.8)	(221.6)	(78%)	11.3	(314.0)
Net cash (outflow) / inflow from financing activities	(1,405.4)	(916.4)	53%	171.2	(447.3)
Net (decrease) / increase in cash and cash equivalents	562.6	676.6	(17%)	493.8	(739.8)
Cash and cash equivalents at the beginning of the year	1,349.5	672.9	101%	179.0	918.9
Cash and cash equivalents at the end of the year	1,912.1	1,349.5	42%	672.9	179.0

Dividends declared and distributed (SAR Mn)

Description	2022	2021	% Change	2020	2019
Net profit/loss before other comprehensive income	1,978.1	1,502.5	32%	81.1	(140.6)
Dividends declared	1,263.7	1,023.4	23%	0.0	0.0
Dividends paid after zakat and tax deduction	1,125.0	937.5	20%	0.0	0.0

Operating and Financial Performance in 2022

Luberef benefitted from a strong margin environment in 2022 and high base oil crack margins while product prices increased. This was due to growing demand and tight supplies in the base oil market, as producers focused their assets to maximize diesel production due to the strong diesel margins.

Revenue

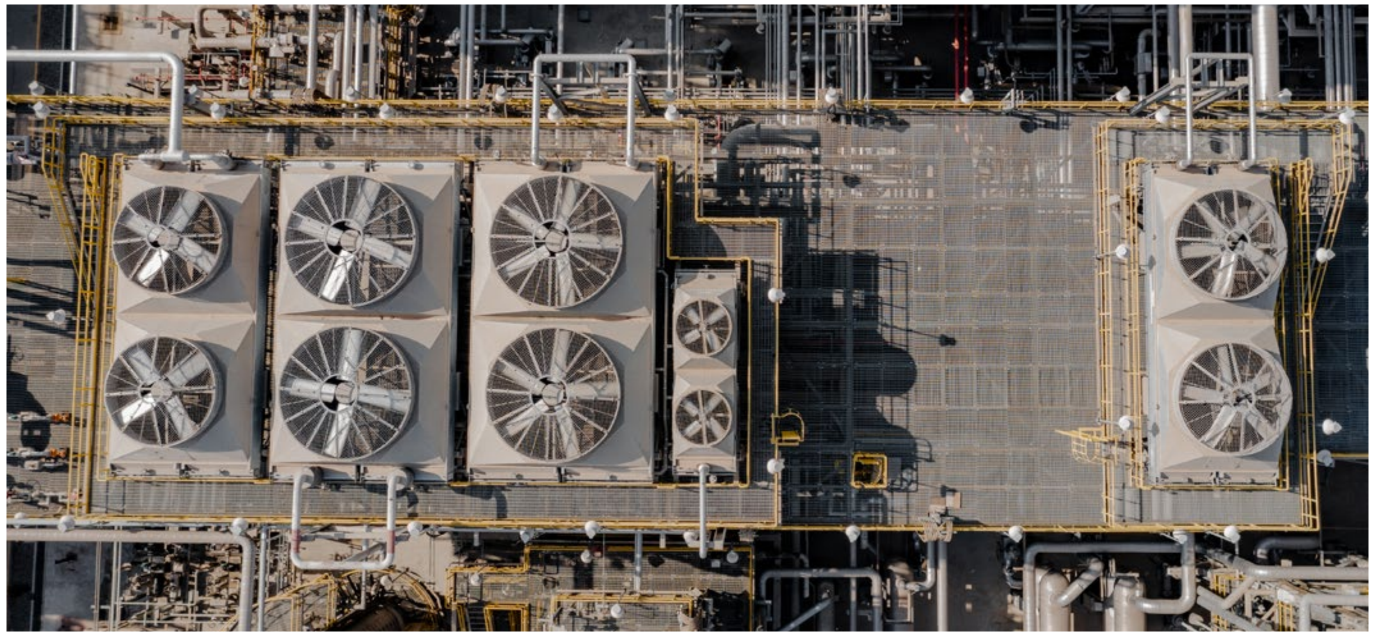
In 2022, Luberef generated SAR 10,613.9 Mn in revenues as compared to SAR 8,846.7 Mn in 2021, a growth of 19.9% yoy due to increased base oil sales volume by 6% and price by 14% that generated overall 20% higher revenue from base oil. Byproducts and white-products combined sales volume increased by 1% and the price by 17% and that generated additional revenue by 18%.

Operating Profit

In 2022, Luberef had operating profit of SAR 2,171.1 Mn as compared to SAR 1,755.6 Mn in 2021, a growth of 23.7% yoy. This was due to increased revenue by 19.9% that was partiality offset by increases feedstock price by 16% and volume by 2%

ROACE

In 2022, Luberef's ROACE was 39% as compared to 30% in 2021. While the numerator NOPAT increased by SAR 450 Mn (29%) due higher crack margin, the denominator net debt was reduced by SAR 715 Mn (82%) due to higher cash balance and repayment of long-term loans that was partially offset by increased equity by SAR 838 Mn.



Gearing

Luberef's gearing ratio stood at 3% as on December 31, 2022, compared to 17% during the same period in 2021. The decrease in gearing resulted from strong operating cash flows owing to higher margins and consistent capacity utilization. This led to steady production and a strong market presence, driving sales volumes.

Overview of total debt portfolio as of December 31, 2022

SAR	Original loan amount	Beginning balance	Additions during the year	Repayments during the year	Non-cash additions during the year	Ending balance	Period of the loans (years)
Long term	2,250,000,000	2,250,000,000		(146,250,000)	1,109,591	2,104,859,591	9
Finance lease		112,802,992		(10,079,110)	5,067,323	107,791,205	
Total		**2,362,802,992**		**(156,329,110)**	**6.176,914**	**2,212,650,796**	

Total debt portfolio as of December 31, 2022 broken down by lenders

Lending party	Amounts in SAR	%
Banks	2,104,859,591	95%
Finance leases	107,791,205	5%
Total	2,212,650,796	100%

Below is a statement that shows the amount for statutory levies both paid and outstanding until the end of financial year 2022

	2022		2021	
	Paid	Outstanding	Paid	Outstanding
item (SAR)				
Zakat	12,525,468.00	28,730,151.00	1,102,562.00	19,805,736.00
Income taxes	221,453,432.00	101,475,685.00	-	130,709,876.00
Others*	91,633,907.17	1,756,392.05	54,660,639.86	1,896,275.54
Total	**325,612,807.17**	**131,962,228.05**	**55,763,201.86**	**152,411,887.54**

Note: * including but not limited to GOSI, labor office fees and visa and passports costs

Reflecting Luberef's commitment to its employees, below is a statement as to the value of any investments made or any reserves set up for the benefit of the employees of Luberef.

Item (SAR)	2022	2021	Change
End of service benefit	135,078,858.00	154,834,671.00	(19,755,813.00)
Post-retirement medical benefits	128,047,534.00	166,834,910.00	(38,787,376.00)
Long-term service awards	902,552	428,700	473,852
Early retirement program	12,538,010.00	-	1,25,38,010.00
Saving plans	57,164,743.08	51,061,939.00	6,228,178.08
Total	**333,731,697.08**	**373,160,220.00**	**(39,428,522.92)**

Current Assets

Current Assets increased from SAR 3,108.4 Mn to SAR 3,694.9 Mn (19%) due to increased cash and receivables offset by reduced inventory.

Non-Current Assets decreased from SAR 5,255.9 Mn to 4,949.9 Mn (6%) basically due to reduced Property, Plant and Equipment by depreciation net of additions.

Current Liabilities reduced from SAR 1,493.8 Mn to SAR 1,216.4 Mn (19%) due to reduced trade payables and Zakat and tax payables offset by an increase in Accruals.

Non-Current Liabilities reduced from SAR 2,626.0 Mn to SAR 2,345.6 Mn (11%) mainly due to repayment of long-term loans by SAR 146 Mn.

Free Cash Flow (FCF) increased by SAR 235.1 Mn (from 1733.8 Mn to 1968.9 Mn) due to improved Cash Generated from Operations (COP) by SAR 202.2 Mn and lower Capex by SAR 32.9 Mn.

Net Cash Out Flow for financing activities was higher than 2021 by SAR 489.1 Mn due repayment of long-term loan installment SAR 146 Mn, purchase of treasury shares worth SAR 57.4 Mn and payment dividend SAR 1,125 Mn compared to 937.5 in 2021.

4. Environmental, Social and Governance

4.1 Luberef’s Approach to Sustainability

Luberef's Approach to Sustainability

Positively Impacting People and the Planet

Luberef leverages its dominant competitive positioning and leadership in downstream business to drive sustainable business growth, stakeholder value creation and profitability. Led by its commitment to creating a better world, Luberef focuses on integrating Environmental, Social and Governance (ESG) considerations into its operational fabric and strategic framework. Luberef strives for excellence in everything it does and believes that its approach to ESG goes beyond individual initiatives. Embedding sustainability principles and practices across its business and value chain enables Luberef to operate responsibly, stay accountable and enhance value creation for all its stakeholders, including shareholders.

Luberef recognises the importance and supports the Kingdom's Vision 2030, which places sustainability at the heart of everything the Kingdom does. As a business and a responsible corporate citizen, Luberef believes it can make a meaningful difference to the Kingdom of Saudi Arabia and its people. Whether fostering its talented and diverse workforce or driving the industry forward and ensuring that sustainability is central to its purpose, in line with Saudi Vision 2030, Luberef prides itself on taking steps to make that vision a reality.

By linking its actions to the holistic and sustainable well-being of people and the planet, Luberef is strengthening the foundations of its long-term future-ready evolution. Luberef aims to maintain its reputation of being a responsible business with accountability for its decisions and a comprehensive evaluation of their long-term implications. Luberef is in the process of developing a robust ESG framework, which will help integrate sustainability principles and practices into its business at every level.

Luberef's Philosophy on Environment, Health and Safety

Luberef's enterprise-wide focus on environment, health and safety supports its 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.

Luberef'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 respond to internal or external incidents by restoring operations in an orderly manner.

Luberef has in place an environmental policy that outlines environmental goals, actions and a performance and monitoring and measurement framework. Luberef's stand on environmental issues also relies on its relationship with Saudi Aramco. Luberef is in the process of developing a strategy that aims to achieve net zero emissions by 2050.

Luberef is diligently working on developing a sustainability framework focused on the environment and the health and safety of its employees and the community. Luberef's initiatives include tracking performance to minimize emissions and flaring. Total flaring and energy efficiency form key components of Luberef's environmental index KPI (Key Performance Indicator), which is part of Luberef's broader corporate KPIs.

Luberef's total flaring targets are reviewed and set annually based on the technical feasibility and historical performance of the respective facility.

The 70% reduction was achieved 2022 was realized by improving the existing monitoring and troubleshooting program. Luberef is also exploring newer opportunities and collaborations for green hydrogen and ways of reducing sulfur content.

Environmental Stewardship

Luberef delivered a 70% reduction in flaring in 2022, as compared to 2021.

Luberef collaborated with KAUST to target up to 85% reduction in sulfur content of its fuel oil and base oils.

As part of Luberef's sustainability efforts, Luberef 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 Yanbu and Jeddah facilities are accredited by the American Association for Laboratory Accreditation (A2LA) for technical compliance in chemical testing (ISO/IEC 17025:2017).

Luberef acknowledges its responsibility in helping achieve this goal, and is committed to playing its part in addressing climate change. Luberef will continue to monitor and report on its progress going forward to reduce its impact on the environment.

Safety, talent management and social initiatives

Luberef's Safety Management System (SMS) has been established since 2011 based on the Dupont Sustainable Solutions program and is focused on safe operations. The systems "Safety First" approach covers all aspects of Luberef's business activities, which help establish a safety culture that has resulted in a TRIR (Total Recordable Incident Rate) of 0.0 for the third successive year in 2022.

Talent engagement and development

Luberef has a comprehensive incentive structure and training programmes to attract and retain talent, motivate its employees and create an empowered workplace that respects diversity of experiences, experiences and capabilities. Luberef has a home ownership programme for its Saudi employees enabling them to own suitable housing units and another initiative that assists employees in financial savings and investments.

The other key highlights are as follows;

- Programmes on workers' safety such as E-Learning, Safety Orientation and Training Plan
- Regular investment in employee training and development related initiatives
- Other monetary and non-monetary support for educational activities such as Certification fee reimbursement and Exam leave

Saudization Requirements and Nitaqat

Like all companies in the Kingdom, Luberef is subject to Saudization requirements. Saudization is a government policy of the KSA that encourages companies to preferentially hire Saudi nationals, and the percentage of Saudi nationals employed is calculated for each Company under the Nitaqat system. The Nitaqat system places Luberef, based on its Saudization level, in different zones/classifications, the highest of which is Platinum.

The following data illustrates the compliance level of Luberef with the Saudization requirements and its classification in the Nitaqat programme as of 31st December 2022.

- Classification: Basic Materials
- Saudization Percentage: 83.76% (82.44%, as of 31 December 2021)
- Nitaqat Classification: Platinum

Luberef’s Corporate Social Responsibility initiatives for 2022

Sponsorship of Events

Initiative to Support the Education Project in MADAK Academy - LUBEREF supported the MADAK Academy Education Endowment Project in Medina Province, by sponsoring a smart lab project conforming to the highest international standards. The total sponsorship amount was 2,400,000 SAR.

Sponsorship ‘Let’s Walk Together’ Initiative - In collaboration with Al-Aoun Center, Luberef sponsored ‘Let’s Walk Together’ initiative for those with autism. The Initiative aims to hightlight the skills and athletic ability of people with disabilities, in order to raise awareness in the society. More than 850 participants from 75 specialized in-house centers attended the event. The event was organized at the Seafront in Jeddah City with total sponsorship amount of 75,000 SAR.

School Bag Initiative - In collaboration with “Waqf Maan”, an endowment Association for Society Development, Luberef sponsored the Project ‘Al Elm Rafaa’ providing 2,000 school bags with all stationery (bag, booklet, notebook, drawing pad, wooden color pens, sharpener, pencils, calculator, book binders, etc.). The intended bags will benefit orphan students, families of inmates, students with disabilities, low-income families from all governorates of the Makkah Province. The total sponsorship amount was 56,000 SAR.

Community Initiatives

Luberef is committed to the development of communities that it operates in. Luberef has initiated several social development initiatives focused on promoting entrepreneurship, supporting housing needs, and facilitating education, including:

- The Tamkeen programme for people with disabilities
- The Eskan programme to support the building of fifteen houses in Yanbu for low-income people with a disability
- The Adaptive Sports programme to support access to sports facilities
- Work customisation and summer training programmes that support talent development of persons with disabilities.

Luberef has done exemplary work supporting the local community in the space of health, education, and safety. During Ramadan, Luberef provided 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. Luberef also assisted the local authorities and schools to facilitate education during the pandemic.

Ramadan Food Bag Initiative - In collaboration with “Waqf Maan”, an endowment Association for Society Development, Luberef and its employees have been contributing for four consecutive years now to help with distribution of food bags to more than 2500 low-income families, orphan families and people with disabilities in Makkah Region. In addition to donation of Luberef staff, Luberef contributed 50,000 SAR for this activity.

Keswa Alsaida Aisha - Keswa Alsaida Aisha aims to provide Eid clothing for the needy families, starting with the campaign in the month of Sha’ban. The Initiative is focused on receiving and collecting used and new clothes through the contributions of community members. Luberef has sponsored this program to support our local community in Jeddah. Luberef also provided a volunteering opportunity for our employees and more than ten employees volunteered for this initiative. The total sponsorship amount was 50,000 SAR.

First Aid “IFRC Training” Project - Luberef sponsored the “IFRC” training to support families of people with disabilities. This was coordinated by the Saudi Red Crescent Authority. The training lasted two days and was attended by 50 people. The total sponsorship amount was 45,000 SAR.

The Saudi National Competition of Equestrians in Yanbu - Luberef has sponsored the Saudi National Competition as part of encouraging community members to engage in equestrian activities, the competition was organized by the Ministry of Sports and held in Yanbu Industrial City. The total sponsorship amount was 30,000 SAR.

Awards and Recognition

Most Improved in Maintenance and Reliability Excellence Award

P&CEO, Saudi Aramco 2022

Luberef's Corporate Social Responsibility Initiatives for 2022

The Initiative for Research & Development with King Abdul Aziz University

This is an ongoing project as Luberef has conducted several meetings with King Abdulaziz University Chemical Engineering College in order to initiate the R&D within our Corporate Social Responsibility (CSR) initiatives. After visiting the university and checking the labs there, we have discovered their need for Liquid - Liquid Extracton Pilot Plant and currently, their ab scale measurement are done using pilot plants. The Luberef team and King Abdul Aziz University Faculty are doing research on the Liquid - Liquid Extraction Pilot Plant and also it will be used as well for students' research and projects.

In 2022, Luberef concluded an agreement with King Abdul Aziz University with the following aims:

- To support eligible King Abdulaziz University students in engineering and chemistry field
- To conduct research through collaboration between Luberef and the University
- To sponsor the chemical engineering lab
- To support graduation projects and training
- To organize visits and trips to Luberef Refinery

Other activities

International Women's Day Event – To celebrate International Women's Day, which was held on March 8, the Public Relations team organized a celebration of women's achievements. Luberef also offered a 15% discount on various salons in both Jeddah and Yanbu to all company employees and their families. A workshop for female employees at Crown Plaza was also arranged to create a stronger bond between the employees.

Governance

Luberef is committed to the principles of good corporate governance and adheres to global standards of corporate governance. 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 Luberef's governance as it cultivates a wide range of opinions and views in the boardroom and facilitates productive and enhanced decision-making.

Luberef strives to operate its business adhering to the highest ethical standards and practices.

Luberef's Professional Conduct Policy guides its business, providing a framework for ethical conduct and integrity throughout the operation of the business. Luberef encourages and expects employees to directly report suspected violations of Luberef's Code of Conduct through appropriate channels.

5. Risk

Risk Management

Risk Management Systems and Approach

Luberef's business, financial condition, results of operations, and future prospects may be materially and adversely affected due to the risk associated with Luberef. This may have implications for Luberef's business in terms of direct or indirect impact on revenue and profitability.

The Board of Directors has overall responsibility for the establishment and oversight of Luberef's risk management framework. The Board is responsible for developing and monitoring Luberef's risk management policies.

Risk Assessment, Measurement and Management

Board of Directors › Audit Committee › Management Team

Process and Framework of Risk Management at Luberef

Luberef's risk management policies are established to identify and analyze the risks faced by Luberef, 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 Luberef's activities. Luberef, 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.

Luberef management monitors compliance with Luberef's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by Luberef. Luberef'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. Luberef is continuously monitoring the evolving scenario and any change in the risk management policies will be reflected in the future reporting periods.

1. On the basis of consultation and discussion, the Board with the help of Management Team need to define the scope and context of Risk Assessment and Management exercise
2. Identify Risks using internal and external frameworks and on the basis of expertise of Board of Directors and Management Team
3. Monitor and Assess Risk using transparent and robust methodologies without influencing the outcomes and inferences
4. If required and as a best practice, engage with independent assurance providers on the effectiveness of internal control systems
5. Report risk and provide guidance to the teams and evaluate the processes for robustness and effectiveness
6. Keep track of industry evolution and macro environment, tweak risk assessment and management frameworks proactively
7. Ongoing discussion on changes in controllable and uncontrollable factors, the implementation of risk related systems and process, with objective measurement and assessment of outcomes

Risk Factors

Risks Related to Luberef's Operations

Luberef's business success, financial performance and profitability are impacted by several factors which are related to the operations of Luberef.

Risks relating to the changes in crack margins – Luberef is 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. The feedstock prices are affected by many factors such as global supply and demand, oil prices, market expectations of future supply and demand, global political conditions, geopolitical conditions and variables including availability and overall economic conditions.

Risks relating to the Jeddah Facility closure and reliance on one facility in the future - As per Luberef's business plan, the Jeddah Facility will close in 2026. The Jeddah Facility's closure may include a full shutdown of its operations and its demolition or mothballing. 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, Luberef could be liable to rectify such impact or damage.

Risks relating to revenue concentration in certain geographies - Luberef has a significant proportion of its operations in, and derive significant amount of its revenue from, the Kingdom and MENA. Luberef sells directly in five countries, being the UAE, Egypt, Jordan, Oman and Pakistan, and sells indirectly through distributors, in South Africa, Tanzania and Sudan. Luberef sells in four countries through S-Oil, being: France, India, Singapore and Turkey, and sells in the Americas through Motiva. Luberef's financial performance will be affected by the conditions in these markets.

Other Non-Operational Risks

- Risks related to macroeconomic environment and Base Oils industry which could impact demand and pricing of Luberef's products
- Risks related to external factors which are broadly uncontrollable in nature such as geopolitical environment, factors related to global economic growth
- Risks such as Legal and regulatory risks, Risks related to the Kingdom and MENA region, and Risks related to abrupt and unexpected changes in rules and policies

6. Corporate Governance

Board of Directors

Mr. Ibrahim Q. Al buainain,

Chairperson

(Non-executive Director)

Mr. Ibrahim Q. Al Buainain, 55, was appointed Chairperson of Luberef in August 2022. He is currently Senior Vice President of Sales, Trading & Supply Planning at Saudi Aramco, having previously served as President and CEO of Aramco Trading Company for six years from 2016. An oil & gas industry veteran with a 30-year portfolio of leadership and management experience, Mr. Al Buainain also serves on a number of other boards including National Shipping Company of Saudi Arabia and Aramco Trading Company. Mr. Al Buainain holds a B.S. degree in Mechanical Engineering, an MBA in Global Management, and a master's degree in Innovation and Global Leadership from the Massachusetts Institute of Technology (MIT).

Other Current Positions:

- Since 2016, a board member in Aramco Trading Company, a limited liability company, operating in oil and gas.
- Since 2018, chairman of Aramco Trading Singapore Pte. Ltd., a limited liability company operating in oil and gas.
- Since 2019, chairman of Aramco Trading Fujairah FZE, a private corporation with share capital operating in oil and gas.
- Since 2019, chairman of Aramco Trading Limited (London), a UAE limited liability company operating in oil and gas.

Luberef is currently managed by a Board consisting of six Directors who were appointed by the Conversion Assembly of shareholders on 14/08/2022, for a period of five years. The Board have the broadest powers to manage Luberef to achieve its objectives. The Board of Directors of Luberef provides leadership guidance and support to the senior management and helps with inputs on strategic leadership and guidance, along with a continuous assessment of market environment, opportunities and risk management framework of Luberef. The Board also oversees Luberef's governance, risk and compliance functions.

- Since 2019, chairman of Rabigh Refining & Petrochemical Company (Petro Rabigh), a listed joint stock company operating in petrochemicals.
- Since 2016, director in National Shipping Company of Saudi Arabia, a listed joint stock company operating in marine transport.
- Since 2019, a director in National Chemicals Carriers Company of Saudi Arabia, a limited liability company operating in marine transport.
- Since 2019, a board member in Petredec, a private limited liability company operating in oil and gas services.
- Since 2022, chairman of Aramco Services Company, private stock corporation, operating in oil and gas services.
- Since 2022, chairman of Saudi Aramco Asia Company, Ltd., a limited liability company operating in oil and gas services.
- Since 2022, chairman of Saudi Petroleum International, Inc., a private stock corporation operating in oil and gas services.
- Since 2022, chairman of Saudi Petroleum Overseas, Ltd., a private limited company operating in oil and gas services.
- Since 2022, Senior vice president of sales, trading and supply planning, in Saudi Aramco.

Selected Previous Positions:

- From 2019 to 2022, a director in Hyundai Oil, a closed joint stock company operating in oil and gas.
- From 2016 to 2022, chief executive officer at Aramco Trading Company, a limited liability company operating in oil and gas.
- From 2014 to 2015, chief executive officer at Saudi Aramco Asia Company, Ltd., a limited liability company operating in oil and gas.
- From 2011 to 2013, chief executive officer at Saudi Aramco Energy Venture Company, a limited liability company operating in oil and gas.

Mr. Abdulatif Saleh A. Al Shami,

Vice Chairperson

(Non-executive Director)

Mr. Abdulatif Saleh A. Al Shami, 60, was appointed Vice Chairperson at Luberef in 2022. He was Yanbu refinery manager at Saudi Aramco, a position he has held from 2017 until December 31, 2022. Prior to taking on this role, Al Shami held a number of other roles at Saudi Aramco, including heading major projects and holding a number of positions at various Saudi Aramco gas plants. Al Shami holds a Bachelor of Science degree in Electrical Engineering from the University of North Carolina and a master's degree in Human Resource Development from the University of Minnesota.

Other Current Positions:

- Since 2021, a board director at Luberef.

Selected Previous Positions:

- From 2017 to 2022, a Yanbu refinery Manager at Saudi Aramco.
- From 2017 to 2021, a member of the board of directors on Saudi Aramco Mobil Refinery Company, a limited liability company operating in the refinery sector.
- In 2016, Yanbu NGL Fractionation Plant manager at Saudi Aramco.
- From 2014 to 2015, technical support and planning manager at Saudi Aramco.
- From 2014 to 2015, Hawiyah NGL plant manager at Saudi Aramco.
- From 2011 to 2013, Uthmaniyah gas plant at Saudi Aramco.
- From 2009 to 2010, Berri gas plant at Jubail at Saudi Aramco.
- From 2007 to 2008, heading grass root karan gas mega projects head, at Saudi Aramco.

Mr. Andrew S. Katz

(Non-executive Director)

Mr. Andrew Katz, 53, was appointed Director at Luberef in August 2022. Mr. Andrew Katz is currently the Manager of Downstream Business Development at Saudi Aramco. He joined Saudi Aramco in 2015 and prior to joining Saudi Aramco, Mr. Katz was a Managing Director and Global Head of Refining and Chemicals at Standard Chartered Bank in Singapore for nine years. He was previously a chemicals industry investment banker with other notable firms based in London and New York. Mr. Katz began his career as a refinery process engineer in the US in 1991. Mr. Katz holds a Bachelor's degree in Chemical Engineering from the Stevens Institute of Technology and an MBA in Finance and Operations Research from the New York University Stern School of Business.

Other Current Positions:

- Since 2021, Manager and Department Head of Downstream Business Development in Saudi Aramco.

Selected Previous Positions:

- From 2019 to 2021, Manager of the Capital Markets and Relations Department at Saudi Aramco.
- From 2018 to 2019, the Manager of the Transaction Execution Department for the acquisition of SABIC at Saudi Aramco.
- In 2018, the Manager of the Transaction and Portfolio Management Department at Saudi Aramco.
- From 2017 to 2018, the Manager of the Downstream Transaction Services Department at Saudi Aramco.
- From 2015 to 2016, the Manager of the Chemicals Business Strategy and Development Department at Saudi Aramco.
- In 2015, a board director at TSRC Corporation, a Taiwan based listed joint stock company, operating in manufacturing and selling synthetic rubber products.
- From 2005 to 2014, Managing Director and Global Head of Chemicals and Refining at Standard Chartered Bank, a limited liability company operating in the banking sector.

Mr. Khalid Dawood Y. Al Faddagh

(Independent Non-Executive Director)

Mr. Khalid Dawood Al faddagh, 67, was appointed Director at Luberef in August 2022. He is currently a member of several Boards, including Vision Invest. Since 2018, he has served as an advisory board member and chairman of the audit and risk committee at Eastern Health Cluster, a government entity operating in the medical care sector. He was previously Saudi Aramco's General Auditor, from 2010-2015. Alfaddagh holds a Bachelor of Science degree in Mechanical Engineering from the University of Technology Baghdad, a master's degree in Mechanical Engineering from the University of Manchester and a PhD in Mechanical Engineering from Imperial College, London.

Other Current Positions

- Since 2018, an advisory board member and chairman audit and risk committee at Eastern Health Cluster, a government entity operating in the medical care sector.
- Since 2018, 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 2019, a member of the risk committee at the Public Investment Fund (PIF), a sovereign wealth fund operating in investments in the Kingdom.
- Since 2019, 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 2021, a member of the risk committee at the General Organization of Social Insurance (GOSI), a social insurance and retirement government fund.
- Since 2022, a member of the audit committee of Banque Saudi Fransi, a listed joint stock company operating in the banking sector.

Selected Previous Positions

- From 2016 to 2019, a member of the audit committee at Saudi Telecom Company (STC), a listed joint stock company operating in the telecom sector.
- From 2017 to 2022, the chairman of the risk and compliance committee at ACWA Power Company, a listed joint stock company operating in energy and water.
- From 2017 to 2022, a member of the audit committee at the Saudi Basic Industries Corporation (SABIC), a listed joint stock company operating in the chemicals sector.
- Since 2019 to 2022, a chairman of the risk committee at Bupa Arabia for Cooperative Insurance Company, a listed joint stock company operating in health insurance.
- From 2017 to 2019, the chairman of the audit committee of Saudi District Cooling Company, a closed joint stock company operating in district cooling sector.
- From 2010 to 2015, General Auditor in Saudi Aramco.
- From 1983 to 2015, various positions in oil and refinery operations, project management and quality control, strategic planning, internal audit and fraud investigation in Saudi Aramco.

Ms. Nabelah Al Tunisi

(Independent Non-Executive Director)

Ms. Nabelah AlTunisi, 63, was appointed Director at Luberef in August 2022. She is currently a board member at Saudi Arabian Mining Company (Ma'aden) and Dar Al-Hekma University, a private university in Jeddah. She was previously the Executive Director of the energy and water sector at NEOM. Prior to this, she was the Chief Engineer for Saudi Aramco, responsible for engineering for all above surface oil and gas facilities. She has more than 25 years of experience with Saudi Aramco, where she has held various technical and management positions for multiple organisations, including central engineering, project management, and supply chain management. AlTunisi holds a Bachelor of Science degree in Electrical Engineering from the University of Portland and a Master of Science in Electrical Engineering from Oregon State University.

Other Current Positions

- Since 2020, an independent board member at Saudi Arabian Mining Company (Maaden), a listed joint stock company operating in the mining sector.
- Since 2019, a trustee at Dar Al Hekma University a private university operating in the education sector.
- Since 2019, an executive director of programs at a government entity operating in project management.

Selected Previous Positions

- From 2018 to 2021, a board member on the Saudi Council of Engineers board, a scientific vocational council.
- From 2018 to 2019, an executive director at NEOM, a closed joint stock company operating in the development sector.
- From 2015 to 2018, a chief engineer at Saudi Aramco.
- From 2012 to 2016, a board member at Saudi Aramco Total Refining and Petrochemical Company (SATORP), a limited liability company operating in refining and petrochemicals.
- From 2012 to 2015, a general manager responsible for oil and gas projects at Saudi Aramco.
- From 2010 to 2012, a manager of materials planning and system department at Saudi Aramco.
- From 2009 to 2010, a technology service department head at Saudi Aramco.
- From 2006 to 2009, a director of FEED for SADARA project at Saudi Aramco.
- From 2006 to 2008, a board member at the Petron Corporation a closed joint stock company located in the Philippines operating in the petroleum sector.
- From 2002 to 2006, a manager of the project management office at Saudi Aramco.
- From 1999 to 2002, a technology division head of the process control system department at Saudi Aramco.
- From 1996 to 1999, facilities planning department at Saudi Aramco.
- From 1984 to 1996, engineering project management division at Saudi Aramco.
- From 1982 to 1984, an engineer in several departments at Saudi Aramco, a listed joint stock company operating in the energy.

Mr. Mohammed Faiz S. AlAhmari

(Non-Executive Director)

Mr. Mohammed Faiz S. AlAhmari, 56, was appointed Director at Luberef in August 2022. He currently serves as the manager of downstream finance at Saudi Aramco. AlAhmari previously held a number of other roles at Saudi Aramco, including as manager of affiliates support, an administrator in financial reporting and tax compliance and as leader of the finance team of the acquisition of SABIC. He holds a bachelor's degree in Accounting from King Fahd University of Petroleum and Minerals and a master's degree in Accounting from the University of Denver.

Other Current Positions

- Since 2021, manager of downstream finance and planning at the Saudi Aramco.

Selected Previous Positions

- From 2011 to 2016, a non-executive board member in Saudi Aramco Jubail Refinery, a limited liability company operating in the oil and gas sector.
- From 2017 to 2021, a manager of affiliates support and financial consulting at Saudi Aramco.
- From 2017 to 2021, a board member in Saudi Aramco Entrepreneurship Investment Ltd (Wa'ed), a limited liability company operating in the investment sector.
- From 2017 to 2021, the vice president of finance at Vela Company, a limited liability company operating in maritime sector.
- From 2019 to 2020, a leader of the finance team of SABIC's acquisition at Saudi Aramco.
- From 2015 to 2020, a board member in Saudi Aramco Power Company, a limited liability company operating in the power sector.
- From 2015 to 2017, an administrator financial reporting and tax compliance at Saudi Aramco.
- From 2005 to 2015, an administrator planning and budgeting at Saudi Aramco.
- From 2008 to 2009, an administrator cash management – treasury at Saudi Aramco.
- From 2004 to 2008, an administrator of projects division at Saudi Aramco.

Senior Executives

Luberef's experienced management team has decades of expertise across the Petroleum sector and Base Oil value chain and is committed to foster operational excellence and innovation. The senior management team has over 170 years of combined experience across operational and financial areas.

Mr. Tareq Alnuaim,

President & CEO

Mr. Tareq Alnuaim, 50, joined Luberef in 2018 as CEO. Prior to this, Alnuaim was the manager of planning and performance management at Saudi Aramco. He has previously held several senior roles at Saudi Aramco, including as the Strategic Transformation Officer and project manager of the Rabigh 2 Project. He holds a bachelor's degree in engineering from Colorado School of Mines, USA, an MBA from King Fahad University of Petroleum and Minerals, and a master's degree in engineering from Massachusetts Institute of Technology (MIT).

Selected Previous Positions

- From 2017 to 2018, the manager of planning and performance management in Saudi Aramco.
- From 2014 to 2017, the vice president of engineering and projects in Rabigh Refining and Petrochemical Company, a listed joint stock company operating in the petrochemicals sector.
- From 2011 to 2014, strategic transformation officer in Saudi Aramco.
- From 2009 to 2011, a project manager at Rabigh 2 Project in Saudi Aramco.
- From 2008 to 2009, assistant to the vice president of engineering services in Saudi Aramco.

Mr. Mohammed AlNafea,

CFO

Mr. Mohammed AlNafea, 41, became CFO of Luberef in 2021. AlNafea has previously held senior finance roles at Saudi Aramco, in the accounting, and planning and forecasting divisions. He holds a bachelor's degree in accounting from Imam Mohammad bin Saud Islamic University and an MBA from Missouri State University.

Selected Previous Positions

- From 2020 to 2021, the head of the general ledger accounting division at Saudi Aramco.
- From 2019 to 2020, the head of the planning and forecasting division at Saudi Aramco.

Mr. Ibrahim Al Faqeeh,

Vice President of Manufacturing

Mr. Ibrahim Al Faqeeh, 56, has been the Vice President of Manufacturing at Luberef since 2011. Prior to this, AlFaqeeh held a number of roles at the Yanbu refinery from 1996, including technical manager, production planning manager and manager of the refinery. He holds a bachelor's degree in chemical engineering from King Abdulaziz University and a master's in mechanical engineering from King Abdulaziz University.

Other Current Positions

- Since 2018, a partner in Safety Dimensions Engineering Consultant, operating in engineering consultancy and safety consultancy.
- Since 2021, a partner in Aman & Asas Contracting Company, a limited liability company, operating in installations of gas line residential.

Selected Previous Positions

- From 2012 to 2019, the vice president of manufacturing, engineering, and project at Luberef.
- From 2013 to 2018, the expansion project asset executive at Luberef.
- From 2008 to 2012, the project manager expansion project scope definition Pre-FEED Phase.
- From 2003 to 2008, the manager of the Yanbu refiner at Luberef
- From 2001 to 2002, the production planning manager at Luberef.
- From 1996 to 1999, the technical manager of the Yanbu refinery at Luberef.

Mr. Fahad A. Al Therwi,

Vice President of Engineering & Projects

Mr. Fahad A. Al Therwi, 54, has been the Vice President of Engineering & Projects at Luberef since 2019. Prior to assuming his current position, AlTherwi was the operations division head at the Jazan refinery at Saudi Aramco. He holds a bachelor's degree in Chemical Engineering from King Fahad University of Petroleum and Minerals.

Selected Previous Positions

- From 2016 to 2019, the operations division head in Jazan refinery at Saudi Aramco.

Mr. Waleed M. Murad,

Director of Sales & Marketing

Mr. Waleed M. Murad, 52, has been the Director of Sales & Marketing at Luberef since 2020. Prior to taking on his current role, Murad was the head of the Aramco Base Oil Alliance at Saudi Aramco and has previously served as head of the Aramco Base Oils strategy execution team. He currently serves as a national base oils and lubricants committee member in the council for Saudi chambers of commerce and industry. Murad holds a bachelor's degree in Mechanical Engineering from King Fahad University of Petroleum and Minerals and a master's degree in Construction Engineering Management from King Fahad University of Petroleum and Minerals.

Other Current Positions

- Since 2021, a national base oils and lubricants committee member in the council for Saudi chambers of commerce and industry
- Since 2020, a Saudi Aramco base oils steering committee member in Saudi Aramco.

Selected Previous Positions

- From 2019 to 2020, head of the Aramco Base Oil Alliance in Saudi Aramco.
- From 2015 to 2019, head of Aramco base oils strategy execution team in Saudi Aramco.
- From 2013 to 2015, head of Aramco Affiliate division in Saudi Aramco.
- From 2012 to 2013, Aramco trading affiliate manager in Saudi Aramco.
- From 2011 to 2012, Luberef affiliate manager in Saudi Aramco.
- From 2009 to 2011, Rabigh project II development project in Saudi Aramco.
- From 2008 to 2009, Petro Rabigh affiliate manager in Saudi Aramco.
- In 2007, Riyadh refinery facility coordinator in Saudi Aramco.
- From 2003 to 2006, business development coordinator in Saudi Aramco.
- From 2001 to 2003, strategy and balanced score card execution coordinator in Saudi Aramco.
- From 1999 to 2001, quality coordinator in Saudi Aramco.
- From 1993 to 1999, fleet manager in Saudi Aramco.

Mr. Saeed Badghaish,

Head of Administration

Mr. Saeed Badghaish, 59, has been the Head of Administration at Luberef since 2021. Prior to this, he was a refinery manager at Luberef from 2009. He holds a bachelor's degree in Mechanical engineering from King Fahad University of Petroleum and Minerals and a master's degree in production engineering from King Abdulaziz University.

Selected Previous Positions

- From 2009 to 2021, refinery manager at Luberef.

Mr. Aasem S. Jamjoom,

Board Secretary and Business Transformation & Risk Manager

Aasem S. Jamjoom, 56, has been the Manager of Business Transformation & Risk since 2020. In addition to this role, he is also the Board Secretary. Jamjoom joined Luberef in 1991, initially as a process engineer and has served as a planning supervisor in a number of roles. He holds a bachelor's degree in Chemical Engineering from King Fahad University of Petroleum and Minerals and an MBA from the University of Business and Technology.

Other Current Positions

- Since 2020, Manager of Corporate Planning ERM at Luberef.
- Since 2020, a company secretary at Luberef.
- Since 2020, board audit committee secretary at Luberef.
- Since 2020, board compensation committee secretary at Luberef.

Selected Previous Positions

- From 2008 to 2020, a business planning supervisor – corporate planning department at Luberef.
- From 2007 to 2007, a turnaround planning superintendent Yanbu – Maintenance department at Luberef.
- From 2005 to 2007, a turnaround planning superintendent Jeddah – Maintenance department at Luberef.
- From 2004 to 2005, an operations superintendent – operation department at Luberef.
- From 1996 to 2004, maintenance planning supervisor – maintenance department at Luberef.
- From 1991 to 1996, process engineer – central at Luberef.
- From 1990 to 1991, production engineer in Petrokemya Arabian Petrochemical Company, a limited liability company.

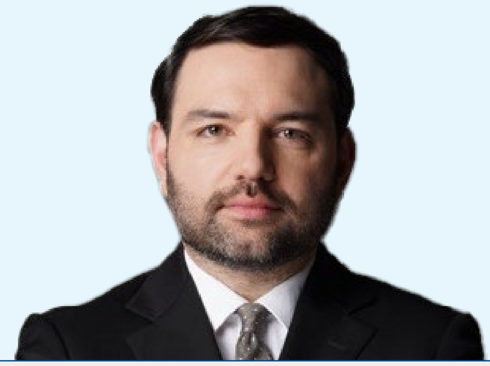
Mr. Abdulrahman H. Alaseeri,

General Auditor

Mr. Abdulrahman Hussein Saeed Alaseeri, 37, had been the General Auditor since April 2021. Mr. Alaseeri is a Certified Fraud Examiner and he has Bachelor's degree of science in accounting, from King Fahd University of Petroleum and Minerals.

Selected Previous Positions

- From 2020 to 2021, a supervisor of revenue account receivables section at Luberef.
- From 2018 to 2019, assistant supervisor for general ledger at Luberef.
- From 2017 to 2019, a member of the claim review committee at Luberef.
- From 2017 to 2018, a senior accountant – treasury section at Luberef.
- In 2014, 2015 and 2018, a member of the bid review committee at Luberef.
- From 2013 to 2016, accounting and finance representative – Luberef expansion program at Luberef.
- From 2013 to 2016, a business administrator for Luberef expansion program control function at Luberef.
- From 2010 to 2012, Accounting and finance representative – Luberef expansion project feed phase at Luberef.
- From 2009 to 2010, an auditor at Deloitte Touche Tohmatsu, a partnership, operating in auditing.
- In 2008, an Associate Auditor at PwC, a partnership, operating in auditing.



Mr. Hassan Z. Khan,

Corporate Legal Counsel, and acting Chief Compliance Officer

Mr. Hassan Zeb Khan, 35, has been the Corporate Legal Counsel, and acting Chief Compliance Officer since December 2020. Mr. Khan has Bar Admission from Khyber Pakhtunkhwa Bar Council, Pakistan. He also has Postgraduate Diploma in Law from University of Oxford and Oxford Brookes University, United Kingdom. He completed his Bachelor's degree in law (Hons) from University of Wales, United Kingdom.

Other Current Positions

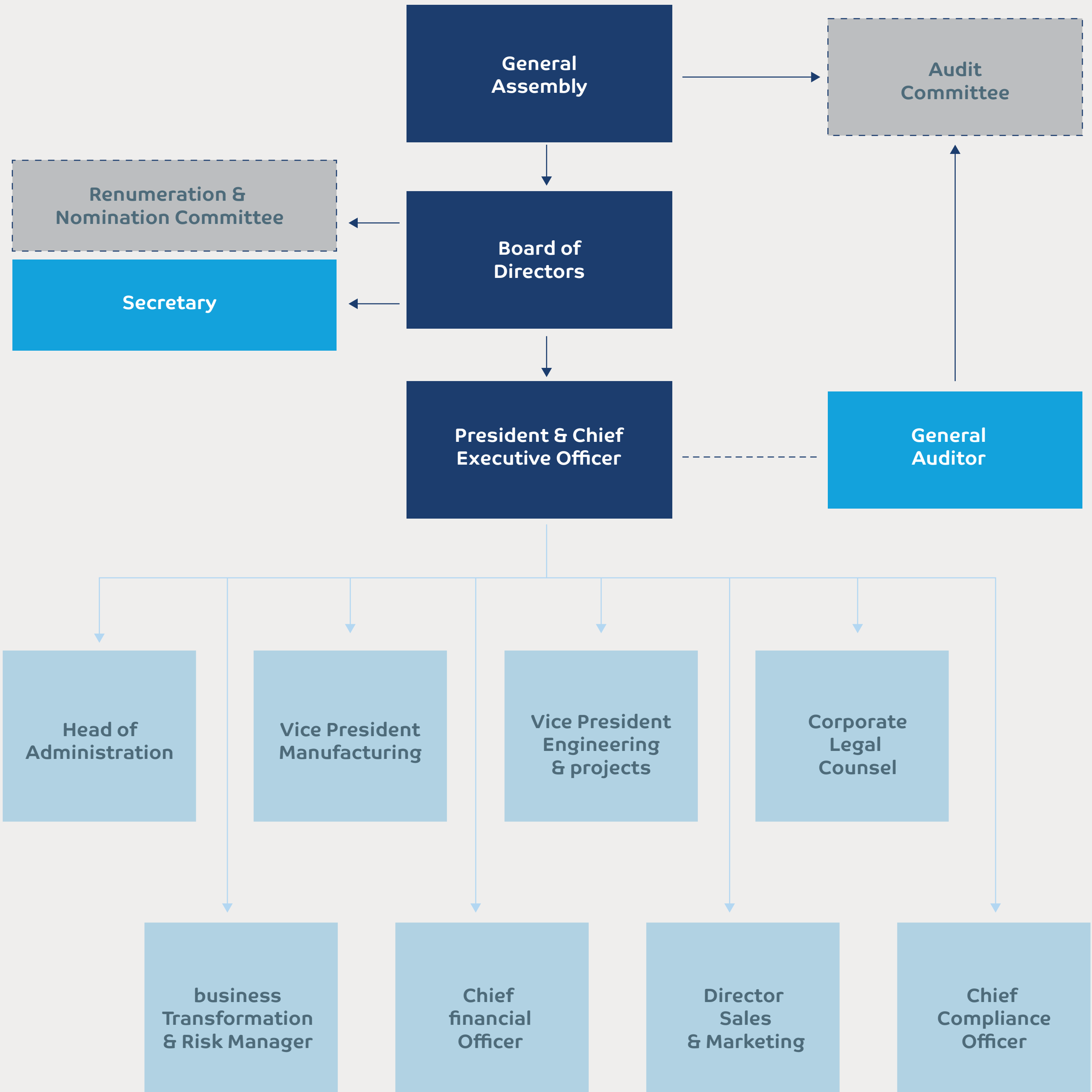
- Since 2020, a member of Luberef's credit committee.
- Since 2017, a member of several claim review teams at Luberef.

Selected Previous Positions

- From 2015 to 2020, a legal advisor at Luberef.
- From 2017 to 2018, a member of the special audit committee at Luberef.
- From 2012 to 2015, 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.

Board Structure

The following chart shows Luberef's organizational structure, including the Board, committees and the functions of the Senior Executives.



Board of Directors

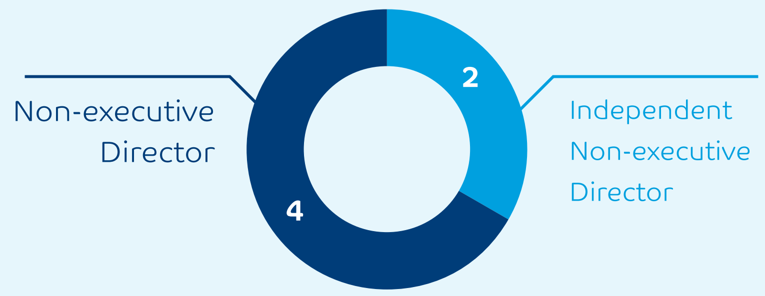
The Board of Directors has the broadest powers and authorities to manage Luberef and its affairs and carry out all actions and deeds to achieve Luberef's objectives, subject to any restrictions imposed by the provisions of the Companies Law or the Bylaws. The Board may delegate any of the Board's powers - within the limits of its authorities - to one 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 Luberef, and revoke such delegation in part or in whole, as well as grant the delegate the right to delegate others.

Board Committees

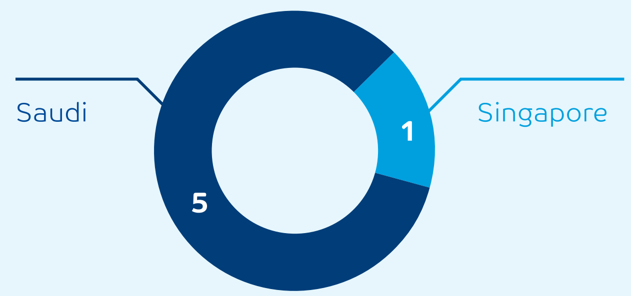
Luberef has an Audit Committee, which was formed by the General Assembly and a Remuneration and Nomination Committee established by the Board of Directors. Each Committee meets regularly, reports its actions and recommendations to the Board and receives reports from management. The responsibilities of each Committee are summarized in the next sections.

Overview of the Board

Independence



Country of nationality



Board evaluations

Luberef's board has a robust and systematic process for conducting self-assessment and incorporating the learnings in Luberef's systems and processes. Our Board, upon the recommendation of the Remuneration and Nomination Committee, defines the ongoing development program for members. The program is based on the annual review of the required skills and abilities, identified weaknesses and strengths of the Board, proposed remedies taking into consideration the changes in the external market environment, contemporary relevant issues and economic developments, in line with Luberef's business interest.

Whereas, our Remuneration and Nomination Committee Charter stipulates that the Committee shall review and evaluate its performance on a regular basis against performance indicators, such as the Committee's effectiveness in carrying out its prescribed duties and responsibilities and reporting to the Board on the results of the evaluation and, where deemed appropriate by the Remuneration and Nomination Committee, proposing improvements in line with Luberef's interest.

With regard to the independent directors, the Board has the authority to interpret and implement the independence provisions stipulated in CMA's rules including the definition and negating factors, such as specifying any materiality threshold for dealings that would trigger negating factors. However, it is the Remuneration and Nomination Committee's duty and responsibility to verify, 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 and where such member is a nominee of Saudi Aramco, upon consultation with Saudi Aramco in accordance with the Management Agreement.

Luberef Board meeting dates and attendees for 2022

S#	Name	Position	Capacity	BOD Meeting			
				LLC BOD #121 April 19, 2022	JSC BOD # 1 Aug 31, 2022	JSC BOD # 2 Sept. 7, 2022	JSC BOD # 3 Dec. 28, 2022
1	Ibrahim Q. Al-Buainain	Chairperson	Non-independent	✓	✓	✓	✓
2	Abdulatif S. Al-Shami	Vice Chairperson	Non-independent	✓	✓	✓	✓
3	Mohammed Al-Ahmari	Director	Non-independent	✓	✓	✓	✓
4	Andrew Steven Katz	Director	Non-independent	✗	✓	✓	✗
5	Khalid Dawood Y. Alfaddagh	Director	Independent	✗	✓	✓	✓
6	Nabelah Mohammad M. Al Tunisi	Director	Independent	✗	✓	✓	✓
7	Tariq Z. Al-Sudairy	Director (LLC)	Non-independent	✓	✗	✗	✗
8	Khalid A. Al-Zamil	Director (LLC)	Non-independent	✓	✗	✗	✗

Note: Mr. Khalid Al-Zamil is not a member of the Board of Directors after the reconfiguration.
Note: Mr. Tariq Al-Sudairy is not a member of the Board of Directors after the reconfiguration.

Annual General Meeting of Shareholders

Luberef accords high priority to have a world-class engagement with all the shareholders, with continuous and open communication. This ensures a healthy environment for sharing updates and discussions to chart future course of action, which is aligned with Luberef's strategic priorities and business objectives.

This engagement plays a key role in understanding shareholders' perspective on key issues and helps the Board of Directors and Executive Management in their business actions. Luberef's shareholders play an important and integral role in Luberef's overall governance framework. These meetings are opportunities for the shareholders to provide their suggestions and remarks to the members of the Board.

Annual General Meeting of Shareholders on April 20, 2022

Luberef held its Annual General Meeting on April 20, 2022 at the Kempinski Al Othman Hotel at Al Kohobar. The following attendees participated in this meeting as company representatives.

Table: Company Representatives at the Annual General Meeting of Shareholders on April 20, 2022

Participant	Designation
Yasser M. Mufti	Partner Representative, Saudi Aramco
Tariq Z. Al-Sudairy	Partner Representative, JIIC
Mr. Ibrahim Qassim K. Al Buainain	Chairman of the Board
Tareq A. Al-Nuaim	President and CEO
Bandar Damdam	Director, Fuel Affiliate Affairs Department
Mohammed A. Alnafea	CFO
Aasem Jamjoom	Company Secretary

Extraordinary General Assembly of Shareholders on September 5, 2022

Luberef held its Extraordinary General Assembly of Shareholders on Monday, 5th September 2022 at the Khoshaim & Associates' head office in Riyadh at 17th Floor, Tower B, Olaya Towers, Olaya District, P.O. Box 230667, Riyadh 11321, KSA.

Luberef's applications for the shareholders' register

During the fiscal year ended on December 31, 2022, Luberef's requests for the shareholders' register are as follows:

Application Date	Application rationle
27 December 2022	Shareholder Data Analysis

Audit Committee Report

Luberef has an Audit Committee, which was formed by the General Assembly. The Audit Committee is composed of three members, who were appointed on September 5, 2022

Members of the Audit Committee

1- **Khalid Al Faddagh, Chairperson (Independent, Non-Executive Director)**

2- **Mohammed Al Ahmari Member (Non-Independent, Non-Executive Director)**

3- **Abdulatif Al Shami, Member (Non-Independent, Non-Executive)**

The Audit Committee's responsibilities include the following:

Financial Reporting

a- Reviewing Luberef'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 Luberef's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess Luberef'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 Luberef'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.

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 Luberef's internal and financial control 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 Luberef, and facilitate its work and the work of its employees and advisors.

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.

Compliance

a- Reviewing reports from regulators on Luberef's compliance with regulatory requirements, and ensuring that necessary actions in their respect are taken.

b- Ensuring that Luberef complies with relevant laws, regulations, policies, and instructions.

c- Reviewing related parties' transactions and providing its opinion thereon to the Board.

d- Reviewing Luberef'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.

Whistleblowing

a- Establishing appropriate procedures for the employees to report violations of 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.

Risk Management

a- Reviewing major risks identified by management, and associated response plans.

b- Monitoring development of Luberef's risk management framework and risk performance.

c- Monitoring Luberef'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.

Audit Committee meeting dates and attendees

S#	Name	Position	Capacity	Audit Committee Meeting			
				Before Board's Reconstitution	After Board's reconstitution		
				Meeting # 50 Apr 10, 2022	Meeting # 1 Sep 7, 2022	Meeting # 2 Oct 23, 2022	Meeting # 3 Dec 27, 2022
1	Khalid Dawood Y. Alfaddagh	Chairperson	independent	✗	✓	✓	✓
2	Abdulatif S. Al-Shami	Member	Non-independent	✓	✓	✓	✓
3	Mohammed Al-Ahmari	Member (after reconstitution) Chairperson (before reconstitution)	Non-independent	✓	✓	✓	✓
4	Tariq Z. Al-Sudairy	Member	Non-independent	✓	✗	✗	✗

Note: Mr. Tariq Z. Al-Sudairy is not a board member after the reconstitution.

Internal Audit and Compliance

The internal control procedures and policies were prepared on sound basis by Luberef as a written policy to regulate conflicts of interest and address any potential cases of conflict, including the misuse of Luberef's assets and dealing with Related Parties. In addition, Luberef 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. The Audit Committee is of the opinion that Luberef's Executive Management has maintained an effective internal control system capable of providing reasonable assurances; and that the audits outcome together with the Audit Committee meeting discussions, have all provided reasonable grounds for formulating this opinion.

Remuneration and Nomination Committee

Members of the Remuneration and Nomination Committee

The Remuneration and Nomination Committee is composed of three members, who were appointed pursuant to a resolution of the Board of Directors on September 7, 2022

1- **Nabelah Al Tunisi, Chairperson (Independent, Non-Executive Director)**
2- **Abdulatif Al Shami, Member (Non-Independent, Non-Executive Director)**
3- **Andrew S. Katz, Member (Non-Independent, Non-Executive Director)**

The Remuneration and Nomination Committee's responsibilities include the following:

Remuneration

a- Developing Luberef'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, Luberef'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.

Luberef has a Remuneration and Nomination Committee established by the Board of Directors.

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 Luberef's interest.

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.

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.

Orientation Program to New Board Members

a- Recommending to the Board an orientation program for new Board members, addressing, among other items, Luberef's activity, nature of its business, and its financial and legal aspects.

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 Luberef's strategic objectives and the required skills and qualifications to achieve them.

b- Developing job descriptions for senior executives, reviewing Luberef'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.

Name	Position	Capacity	RNC Meeting # 1 Dec. 27, 2022
Nabelah Mohammad M. Al Tunisi	Chairperson	Independent	✓
Abdulatif S. Al-Shami	Member	Non-independent	✓
Andrew Steven Katz	Member	Non-independent	×

Compensation and Other Interests

Remuneration of Directors

Luberef has a policy which aims to ensure that its Directors and Executives are paid in a fair, justified and competitive manner. This approach is integral to promote a conducive environment for business performance and our long-term objectives. This policy is aligned with interest of Luberef and its shareholders, while attracting, retaining, and motivating the talent.

Table: Board Remuneration

Amount in SAR	Fixed Remuneration							Variable Remuneration								
	Specific Amount	Allowance for attending Board of Directors meeting	Total allowance for attending committee meetings	In-kind Benefits	Remuneration for technical, managerial and consultative work	Remuneration of the Chairman, Managing Director, or Secretary, if member	Total	Percentage of profits	Periodic Remuneration	Short-term incentive plans	Long-term incentive plans	Granted shares (value)	Total	End-of-service Award	Aggregate amount	Expenses Allowance
Independent Directors																
Mr. Khalid Dawood Al Faddagh	-	191,780	56,250	-	-	-	248,030	-	-	-	-	-	-	-	248,030	-
Ms. Nabelah Mohammad Al Tunisi	-	191,780	18,750	-	-	-	210,530	-	-	-	-	-	-	-	210,530	-
Total	-	383,560	75,000	-	-	-	458,560	-	-	-	-	-	-	-	458,560	-
Non-executive Directors																
Mr. Ibrahim Qassim K. Al Buainain	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Abdulatif Saleh A. AlShami	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Andrew S Katz	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Mohammed AlAhmari	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	**383,560**	**75,000**	-	-	-	**458,560**	-	-	-	-	-	-	-	**458,560**	-

Remuneration of Senior Management Team

The remuneration of Luberef's senior executives during the financial years 2021 and 2022 is as follows;

	2022	2021	% change
5 Senior Executives (including the CEO and CFO)*	9,457,274	7,093,577	33%

* 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.

Shareholding of Directors

	Beginning of the year	End of the year	Net change
	Number of Shares	Number of Shares	Number of Shares
Ibrahim Qassim K. Al Buainain	-	-	-
Abdulatif Saleh A. AlShami	-	-	-
Andrew S Katz	-	-	-
Mohammed AlAhmari	-	-	-
Khalid Dawood Y. Alfaddagh	-	-	-
Nabelah Mohammad M. Al Tunisi	-	-	-

Shareholding of Senior Management Team

	Beginning of the year	End of the year	Net change
	Number of Shares	Number of Shares	Number of Shares
Tareq A. AlNuaim	-	-	-
Mohammed A. Alnafea	-	-	-
Waleed M. Murad	-	-	-
Fahad A. Al Therwi	-	-	-
Ibrahim A. Al Faqeeh	-	150*	150
Saeed A. Badghaish	-	150*	150
Aasem S. Jamjoom	-	150*	150
Abdulrahman H. Alaseeri	-	150*	150
Hassan Z. Khan	-	150*	150

* On 28/12/2022, Luberef granted 150 shares as IPO celebratory grant to all its employees [including employed executives], and such shares will be vested after a 1-year vesting period according to the grant's conditions.

Governance, Risk and Compliance

Corporate Governance

Luberef has developed a governance system in accordance with the Corporate Governance Regulations (CGRs) issued by the CMA. The CGRs prescribe the rules and standards for the management of Luberef, and ensures that Luberef's governance standards are in line with best practices. The CGRs also regulate the various relationships between the Board, Senior Executives, Shareholders and other stakeholders, by establishing clear 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. Furthermore, the CGRs ensure that the Board acts in the best interest of the Shareholders and that it presents a clear and fair view of the financial condition of Luberef and the results of its operations at all times. The provisions of the CGRs are mandatory, except for those provisions referred to as guiding provisions.

In addition to the CGRs issued by the CMA, the Board has also approved the adoption of Saudi Aramco's global compliance and ethics program, and implementation of the same on a gradual basis. These Saudi Aramco policies, which are subject to modification as they are implemented, impose additional requirements on Luberef which are not required under Saudi law but meet international investors' expectations.

Key Corporate Governance Requirements

The key corporate governance requirements that Luberef 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).

Corporate Governance Manual and Internal Policies

Luberef's governance system comprises of the following charters and internal policies related to Luberef's governance:

1- Audit Committee Charter, which was approved by a resolution of Luberef's general assembly on 05/09/2022
2- Remuneration and Nomination Committee Charter, which was approved by a resolution of Luberef's general assembly on 05/09/2022
3- Competition Standards, which were approved by a resolution of Luberef's general assembly on 05/09/2022
4- Remuneration Policy, which was approved by a resolution of Luberef's general assembly on 05/09/2022
5- Board Membership Policy, which was approved by a resolution of Luberef's general assembly on 05/09/2022
6- Professional Conduct Policy, which was approved by a resolution of the Board on 31/08/2022
7- Disclosure Policy and Procedures, which was approved by a resolution of the Board on 31/08/2022
8- Dividend Policy, which was approved by a resolution of the Board on 31/08/2022
9- Board Policy Procedures, which was approved by a resolution of the Board on 31/08/2022
10- Conflict of Interest Policy, which was approved by a resolution of the Board on 31/08/2022
11- General Assembly Procedures, which was approved by a resolution of the Board on 31/08/2022
12- Reporting Violations/ Whistleblowing Policy, which was approved by a resolution of the Board on 31/08/2022
13- Stakeholder Management Policy, which was approved by a resolution of the Board 31/08/2022

Luberef has adopted corporate governance policies and procedures in accordance with the Corporate Governance Regulations and regularly evaluates additional policies and procedures that are suitable. Additionally, Luberef has implemented a Code of Business Conduct that provides guidelines on several areas, including health, safety, environmental protection, competition and antitrust, anti-bribery and anti-corruption, insider trading, and compliance with applicable laws.

Risk Assessment and Management

The Board regularly assesses potential risks that could impact Luberef's business model and future performance. Luberef's risk management framework and risk factors are detailed in the previous section of this Annual Report.

Corporate Governance Compliance

As at the date of this Annual Report, the Board of Directors declares that Luberef is compliant in all material respects with the mandatory provisions of the Corporate Governance Regulations. Furthermore, the Board of Directors declare that Luberef 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 Luberef after Listing, including but not limited to:

- Article (14)(c) which provides that the shareholders shall be allowed through Luberef'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 Luberef 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, Luberef 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.

Dividend Distribution Policy

Luberef's 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 Luberef's Shareholders on a semi-annual or quarterly basis, in accordance with the regulations set by the CMA.

Luberef is under no obligation to declare and distribute any dividends and any decision to do so will depend on, amongst other things, Luberef's historic and anticipated profitability and cash flows, financing and capital requirements, general economic and market conditions, Luberef's Zakat and tax position, as well as other legal and regulatory considerations including any undertakings under the financing agreements to which Luberef 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.

Dividend Distribution Policy: Luberef'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 Luberef. 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 Luberef 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 Luberef, 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 Luberef's dividends distribution policy.

Dividends declared and distributed (SAR Mn)

Description	2022	2021
Net profit/loss before other comprehensive income	1,978.1	1,502.5
Dividends paid after zakat and tax deduction	1,125.0	937.5

Financial Statements - Note 15-2

Related Party Transactions

Luberef is deeply integrated within the Saudi Aramco's system and as part of its normal course of business, Luberef enters into various related party contracts and transactions. These principally include sales and purchases, and providing and receiving services. Such transactions are made on specific terms within the relevant regulatory framework in the Kingdom. There are no transactions in which any of Luberef's Directors or Senior Executives or an immediate family member thereof had or will have a direct or indirect interest or were not entered into on an arm's length basis. For compensation-related transactions with Luberef's Directors and Senior Executives, the details are provided separately in this Annual Report. For more information on Luberef's related party transactions, see Consolidated Financial Statements — Note 23.

Declarations based on Corporate Governance Regulations

Board of Directors Declarations

The Board of Directors confirm the following:

a- Records of accounts have been properly prepared.

b- Internal control system is built on sound basis and is effectively implemented.

c- There are no significant doubts concerning Luberef's ability to continue carrying out its activity

Luberef applies the provisions of the Corporate Governance Regulations issued by the Capital Market Authority except for the following:

Article/Paragraph No.	Article/Paragraph Text	Reason for Non-Implementation
Article 67: Composition of the Risk Management Committee	Luberef's Board shall, by resolution therefrom, form a committee to be named the "Risk Management Committee".	Guiding article * Audit Committee is currently carrying out the competencies of Risk Committee as provided for in its Regulations adopted by the General Assembly
Article 68: Competencies of the Risk Management Committee	The competencies of the risk management committee shall include the following: (as provided for in Article 71 of the Regulations).	Guiding article * Audit Committee is currently carrying out the competencies of Risk Committee as provided for in its Regulations adopted by the General Assembly
Article 69: Meetings of the Risk Management Committee	The risk management committee shall convene periodically at least once every six months, an as may be necessary.	Guiding Article
Article 92: Formation of a Corporate Governance Committee	If the Board forms a corporate governance committee, it shall assign to it the competences stipulated in Article (92) of these Regulations. Such committee shall oversee any matters relating to the implementation of governance, and shall provide the Board with its reports and recommendations at least annually.	Guiding Article

- No penalty, punishment, precautionary measure or preventive restriction has been imposed on Luberef by the Capital Market Authority or any supervisory, regulatory, or judicial body.
- No convertible debt instruments, contractual securities, preemptive right or similar rights were issued or granted by Luberef during the fiscal year 2022.
- Luberef has not made any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted by Luberef during the fiscal year 2022.
- Luberef has not made any recovery, purchase or cancellation of any redeemable debt instruments during the fiscal year 2022.
- No member of the Board of Directors or senior executives of Luberef has made any waiver of any remuneration.
- No shareholder of Luberef has waived any rights to dividends.
- Luberef did not receive notification of any interests belonging to persons other than Board Members and Senior Executives in regards of shares eligible to vote, or a change in those rights during the year 2022.
- The annual financial statements of Luberef has been prepared in accordance with the International Financial Reporting Standards (IFRS) and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA), as endorsed in the Kingdom of Saudi Arabia for financial reporting.
- The Company has treasury shares of 580 thousand by the end of 2022, with a value of SAR 57,420,000.
  Financial Statements - Note 15-3
- The Executive Management has presented to the Board of Directors an annual report containing all the necessary information on the activities of the investors. Luberef has also disclosed all the questions of the shareholders and\or the supervisory authorities that they answered during the meeting of the General Assembly, and published it on its website, and there are no suggestions or notes form the shareholders about Luberef and its performance other than what was disclosed.

7. Financial statements

2022 Financial Statements

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
AND INDEPENDENT AUDITOR'S REPORT

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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, 2022, 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, 2022;
- 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 International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Our audit approach

Overview

Key audit matter	• Revenue recognition

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

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pwc

Independent auditor's report to the shareholders of Saudi Aramco Base Oil Company - Luberef (continued)

Our audit approach (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Revenue recognition	
The Company generates revenue from sale of base oil and by-products to domestic as well as export customers. The revenue from sale of goods is recognized at a point in time when control of the goods is transferred to the customer, and revenue from freight is recognized over a period of time of the shipping. Revenue recognition is considered a key audit matter in view of the significance of the amount and judgement involved in the revenue recognition process with respect to certain related party contracts. *Refer to Note 3.5, Note 4.20 and Note 24 to the accompanying financial statements for judgements, accounting policies and related disclosures.*	Our audit procedures included the following: • Understood and evaluated the accounting policy with respect to revenue recognition and checked its appropriateness with respect to International Financial Reporting Standard 15 Revenue from Contracts with Customers ("IFRS 15"). • Assessed the design and implementation of the Company's controls over revenue recognition. • Obtained an understanding of the nature of revenue contracts entered into by the Company and tested a representative sample of sales contracts to confirm our understanding and assess whether the management's application of IFRS 15 requirements was appropriate. • Inspected revenue transactions recorded during the year, on a sample basis, with invoices, sales contracts and goods delivery notes to assess whether the related revenue was recognised in accordance with IFRS 15. • Involved internal accounting specialists to assess the key contractual sales arrangements with the related parties and to evaluate the appropriateness of the management's judgment involved in revenue recognition. • Tested on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying supporting documents to assess whether revenue was recognised in the correct period. • Reviewed the adequacy and appropriateness of the disclosures included in the notes to the accompanying financial statements.

3

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Independent auditor's report to the shareholders of Saudi Aramco Base Oil Company - Luberef (continued)

Other information

Management is responsible for the other information. The other information comprises information included in the annual report of the Company, (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 By-laws, 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, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

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.

4

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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 (continued)

- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

February 21, 2023

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2022	2021
Assets			
Non-current assets			
Property, plant and equipment	5	**4,819,031,974**	5,122,445,742
Right-of-use assets	6	**94,374,111**	101,611,090
Intangible assets	7	**18,114,450**	17,383,652
Employees' home ownership receivables	8	**1,950,015**	2,594,973
Loans to employees	9	**16,482,646**	11,900,415
Total non-current assets		**4,949,953,196**	5,255,935,872
Current assets			
Inventories	10	**583,888,377**	710,061,874
Trade receivables	11	**1,023,142,016**	862,677,645
Prepayments and other assets	12	**27,554,656**	40,415,231
Short-term deposits	13	**148,200,192**	145,726,030
Cash and cash equivalents	14	**1,912,078,489**	1,349,486,502
Total current assets		**3,694,863,730**	3,108,367,282
Total assets		**8,644,816,926**	8,364,303,154
Equity and liabilities			
Equity			
Share capital	15	**1,687,500,000**	441,000,000
Statutory reserve	16	**418,308,217**	220,500,000
Treasury shares	15	**(57,420,000)**	-
Retained earnings		**3,034,443,369**	3,583,046,248
Total equity		**5,082,831,586**	4,244,546,248
Liabilities			
Non-current liabilities			
Long-term borrowings	18	**1,940,625,000**	2,103,750,000
Lease liabilities	6	**97,451,267**	107,534,518
Employee benefit obligations	19	**263,126,392**	321,669,581
Deferred tax liabilities	29	**-**	54,846,570
Other non-current liabilities	20	**44,416,885**	38,174,003
Total non-current liabilities		**2,345,619,544**	2,625,974,672
Current liabilities			
Trade and other payables	21	**674,488,529**	1,086,671,015
Accrued expenses and other liabilities	22	**237,096,902**	105,077,133
Current portion of long-term borrowings	18	**164,234,591**	146,250,000
Lease liabilities	6	**10,339,938**	5,268,474
Zakat and income tax payable	29	**130,205,836**	150,515,612
Total current liabilities		**1,216,365,796**	1,493,782,234
Total liabilities		**3,561,985,340**	4,119,756,906
Total equity and liabilities		**8,644,816,926**	8,364,303,154

The accompanying notes form an integral part of these financial statements.

Ibrahim Qassim Al Buainain	Tareq Abdulaziz Al Nuaim	Mohammed A. Al Nafea
Chairman of the Board	President & Chief Executive Officer	Chief Financial Officer

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2022	2021 (Restated)
Revenue	24, 33	**10,613,892,189**	8,846,726,837
Cost of revenue	25, 33	**(8,110,136,727)**	(6,804,950,209)
Gross profit		**2,503,755,462**	2,041,776,628
Selling and distribution expenses	26	**(96,984,359)**	(116,582,767)
General and administrative expenses	27	**(216,679,818)**	(176,933,882)
Other expenses - net	27	**(25,319,898)**	(5,957,279)
Fair value gain on derivative financial instruments measured at fair value through profit or loss	22	**6,335,789**	13,341,071
Operating profit		**2,171,107,176**	1,755,643,771
Finance income		**34,904,415**	5,646,442
Finance cost	28	**(74,401,947)**	(69,860,511)
Profit before zakat and income tax		**2,131,609,644**	1,691,429,702
Zakat and income tax	29	**(153,527,478)**	(188,914,671)
Profit for the year		**1,978,082,166**	1,502,515,031
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement gain (loss) on employee benefit obligations	19	**47,918,248**	(37,326,071)
Deferred tax relating to re-measurement gain (loss)	29	**(5,295,076)**	5,295,076
		42,623,172	(32,030,995)
Total comprehensive income for the year		**2,020,705,338**	1,470,484,036
Basic and diluted earnings per share	17	**11.72**	8.90

The accompanying notes form an integral part of these financial statements.

Ibrahim Qassim Al Buainain	Tareq Abdulaziz Al Nuaim	Mohammed A. Al Nafea
Chairman of the Board	President & Chief Executive Officer	Chief Financial Officer

7

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Treasury shares	Retained earnings	Total equity
Balance as at January 1, 2021	441,000,000	220,500,000	-	3,050,062,212	3,711,562,212
Profit for the year	-	-	-	1,502,515,031	1,502,515,031
Other comprehensive loss for the year	-	-	-	(32,030,995)	(32,030,995)
Total comprehensive income for the year	-	-	-	1,470,484,036	1,470,484,036
Dividends announced (Note 15)	-	-	-	(1,023,425,427)	(1,023,425,427)
Zakat and income tax recovered from shareholders	-	-	-	85,925,427	85,925,427
Dividends – net	-	-	-	(937,500,000)	(937,500,000)
Balance as at December 31, 2021	**441,000,000**	**220,500,000**	-	**3,583,046,248**	**4,244,546,248**
Profit for the year	-	-	-	**1,978,082,166**	**1,978,082,166**
Other comprehensive income for the year	-	-	-	**42,623,172**	**42,623,172**
Total comprehensive income for the year	-	-	-	**2,020,705,338**	**2,020,705,338**
Transfer of share capital (Note 15)	**1,246,500,000**	-	-	**(1,246,500,000)**	-
Acquisition of treasury shares (Note 15)	-	-	**(57,420,000)**	-	**(57,420,000)**
Transfer to statutory reserve (Note 16)	-	**197,808,217**	-	**(197,808,217)**	-
Dividends announced (Note 15)	-	-	-	**(1,263,709,646)**	**(1,263,709,646)**
Zakat and income tax recovered from shareholders	-	-	-	**138,709,646**	**138,709,646**
Dividends – net	-	-	-	**(1,125,000,000)**	**(1,125,000,000)**
Balance as at December 31, 2022	**1,687,500,000**	**418,308,217**	**(57,420,000)**	**3,034,443,369**	**5,082,831,586**

The accompanying notes form an integral part of these financial statements.

Ibrahim Qassim Al Buainain	Tareq Abdulaziz Al Nuaim	Mohammed A. Al Nafea
Chairman of the Board	President & Chief Executive Officer	Chief Financial Officer

8

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2022	2021
Cash flows from operating activities			
Profit before zakat and income tax		**2,131,609,644**	1,691,429,702
Adjustments for:			
Depreciation and amortization	5, 6, 7	**340,276,166**	340,165,775
Finance income		**(34,904,415)**	(5,646,442)
Non-cash employee expenses		**279,371**	44,722
Finance cost	28	**74,401,947**	69,860,511
Property, plant and equipment written off	5	**24,464,285**	-
Fair value gain on derivative financial instruments	22	**(6,335,789)**	(13,341,071)
Provision for employee benefits obligations	19	**26,995,840**	24,758,770
Loss (gain) on disposals of property and equipment		**130,200**	(2,130,515)
Impairment loss on trade receivables	11	**5,727,183**	4,845,900
Provision for slow moving inventories	10	**13,987,972**	1,599,373
Changes in working capital:			
Inventories		**112,185,525**	(167,869,795)
Trade receivables		**(166,191,554)**	(428,734,480)
Prepayments and other assets		**6,758,806**	98,765,974
Trade payables		**(413,060,958)**	198,026,665
Accrued expenses and other liabilities		**138,355,558**	32,879,694
Cash generated from operations		**2,254,679,781**	1,844,654,783
Finance income received		**33,784,364**	4,609,063
Employee benefit obligations paid	19	**(37,620,781)**	(33,527,359)
Zakat and income tax paid	29	**(233,978,900)**	(1,102,562)
Net cash inflow from operating activities		**2,016,864,464**	1,814,633,925
Cash flows from investing activities			
Payments for property, plant and equipment	5	**(44,664,344)**	(80,806,044)
Proceeds from sale of property and equipment		**-**	2,229,977
Payments for intangible assets	7	**(3,272,622)**	-
Investment in short-term deposits		**(1,034,296,820)**	(466,506,102)
Withdrawals from short-term deposits		**1,031,822,658**	320,780,072
Collection against employees' loans		**8,760,003**	6,832,902
Disbursement of employees' loans		**(7,179,591)**	(4,161,281)
Net cash outflow from investing activities		**(48,830,716)**	(221,630,476)
Cash flows from financing activities			
Repayment of borrowings	18	**(145,140,409)**	(2,154,067,200)
Proceeds from borrowings		**-**	2,250,000,000
Purchase of treasury shares	15	**(57,420,000)**	-
Dividends paid	15	**(1,125,000,000)**	(937,500,000)
Principal element of lease payments		**(10,001,899)**	(4,837,494)
Finance cost paid		**(67,879,453)**	(69,963,357)
Net cash outflow from financing activities		**(1,405,441,761)**	(916,368,051)
Net increase in cash and cash equivalents		**562,591,987**	676,635,398
Cash and cash equivalents at the beginning of the year		**1,349,486,502**	672,851,104
Cash and cash equivalents at the end of the year	14	**1,912,078,489**	1,349,486,502
Supplemental information for non-cash information			
Recognition of provision for decommissioning liability	20	**7,013,736**	-

The accompanying notes form an integral part of these financial statements.

Ibrahim Qassim Al Buainain	Tareq Abdulaziz Al Nuhim	Mohammed A. Al Nafea
Chairman of the Board	President & Chief Executive Officer	Chief Financial Officer

9

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Saudi Aramco Base Oil Company – Luberef (the "Company") is a Saudi Joint Stock Company. registered 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 Company is registered under Commercial Registration No. 4030010447 issued in Jeddah on 3 Ramadan 1396H (corresponding to 29 August 1976). The Company was converted from a limited liability company to a closed joint stock company pursuant to resolution number 1173 dated Muharram 20, 1444H (corresponding to August 18, 2022) issued by the Ministry of Commerce. On December 28, 2022, the Company completed its Initial Public Offering ("IPO") and its ordinary shares were listed on the Saudi Stock Exchange ("Tadawul") accordingly the Company has been categorised as a Saudi Joint Stock Company. The Company is currently under process, to update its status in the commercial registration certificate from closed joint stock company to joint stock company.

In connection with the IPO, Jadwa Industrial Investment Company ("JIIC") sold an aggregate of 50.625 million ordinary shares that comprise of 30% of the Company's share capital. In addition, concurrent with the IPO, the Company acquired 580,000 of its ordinary shares from JIIC for a cash payment of Saudi Riyal 57.42 million, which are classified as treasury shares (Note 15). These shares will be used by the Company for its incentive and employee share purchase plans.

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 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 these financial statements 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.

These financial statements were approved and authorized for issue by the board of directors of the Company on February 16, 2023.

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 December 31, 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 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 social 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.

10

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

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.

b) Conflict between Russia and Ukraine

The Russian-Ukrainian conflict started in February 2022 resulting in a steep increase in crude oil and natural gas prices. The global commodity prices for certain key raw materials increased significantly due to the ongoing conflict between Russia and Ukraine. No significant operational costs were recognised in these financial statements, directly associated with the Russian-Ukrainian conflict. The Company does not have sales or purchase agreement with parties operating in sanctioned countries. Management will keep monitoring the situation and further developments. Based on the current assessment, no significant adjustments were required in the financial statements for the year ended December 31, 2022.

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 pronouncements 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;
- Lease liabilities which are recognized at the present value of future lease payments; 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

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 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 December 31, 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:

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

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
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	January 1, 2024

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.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

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 rate of property, plant and equipment

The Company's management determines the estimated useful life of its property, plant and equipment for calculating depreciation 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 is 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 December 31, 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 year ended would have been Saudi Riyals 28.67 million higher or Saudi Riyals 42.79 million lower (December 31, 2021: Saudi Riyals 27.63 million higher or Saudi Riyals 35.61 million lower), respectively.

3.2 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 December 31, 2022, if the provision for inventory obsolescence increased/decreased by 10%, with all other variables held constant, the total comprehensive income for the year then ended would have been Saudi Riyals 2.85 million lower/higher (December 31, 2021: Saudi Riyals 1.45 million lower/higher).

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

3.3 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.

3.4 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 30.2. 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 December 31, 2022, if the allowance for ECL increased/decreased by 10%, with all other variables held constant, total comprehensive income for the year ended would have been Saudi Riyals 1.11 million lower/higher (December 31, 2021: Saudi Riyals 0.54 million lower/higher).

3.5 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 23). 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 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.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

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 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.

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.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

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.

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).

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.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

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 and services rendered 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.

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

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.

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.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

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.

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.

Treasury shares are recognized as a deduction from equity at the amount of consideration paid by the Company for their acquisition, including any directly attributable transaction costs incurred.

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 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.

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.

Employees' thrift plan

The Company operates a thrift plan to encourage its employees to make savings in a manner that will warrant an increase in their income and contribute to securing their future according to the established plan. The saving contributions from the participants are deposited in a separate bank account other than the Company's normal operating bank accounts.

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.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

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.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

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") however subsequent to the IPO, the Company is subject to zakat only. 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 base oil and/or related by-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 base oil 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 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.

4.21 Expenses

Cost of revenue

Production costs and direct manufacturing expenses are classified as cost of revenue. This includes raw material, direct labor and other attributable overhead costs and freight costs incurred for freight services.

Selling and distribution expenses

Selling and marketing expenses are those arising from the Company's efforts underlying the marketing, selling and distribution functions.

General and administrative expenses

General and administrative expenses pertain to operation expenses which are not directly related to the production of any goods. These also include allocations of general overheads which are not specifically attributed to cost of revenue or selling and distribution expenses.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

Allocation of overheads among cost of revenue, selling and distribution expenses, and general and administrative expenses, where required, is 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.

4.23 Finance cost

Finance cost is recognised for the interest due to the lender of all financial liabilities measured at amortised cost, using the effective interest rate. Effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability. Additionally, the finance cost also includes time value of money for all the lease liabilities recognised. Finance cost is also recognised due to passage of time whenever a provision or liability has been discounted to its present value.

4.24 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the net income attributable to the ordinary shareholder of the Company; and
- by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

4.25 Share-based compensation

The cost of an equity-settled award granted to employees is measured by reference to the fair value of the equity instrument on the date the award is granted. This cost is recognized as an employee benefit expense in the statement of comprehensive income with a corresponding increase in equity. The cost of the equity-settled award is recognized over the vesting period, which is the period over which the employees render the required service for the award.

In determining the fair value of an equity-settled award, an appropriate valuation method is applied. Service and non-market performance conditions are not taken into account in determining the fair value of the award, but during the vesting period the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of awards that are expected to vest. Any market performance conditions and non-vesting conditions are taken into account in determining the award's fair value.

4.26 Segmental reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Board of Directors and the President & Chief Executive Officer ("CEO) who makes decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis and are reported to the Company's Board of Directors and the President & CEO, being Chief Operating Decision Maker ("CODM") of the Company.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

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	-	-	-	-	-	51,678,080	**51,678,080**
Disposals	(141,412)	-	-	-	-	-	**(141,412)**
Write-offs*	-	-	-	-	-	(24,464,285)	**(24,464,285)**
Transfers	14,479,538	284,327	-	352,144	-	(15,116,009)	-
At December 31, 2022	**7,737,477,336**	**330,983,340**	**27,367,141**	**243,888,449**	**2,355,698**	**196,630,111**	**8,538,702,075**
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 year	316,587,906	5,917,594	151,815	7,675,048	165,000	-	**330,497,363**
Disposals	(11,212)	-	-	-	-	-	**(11,212)**
At December 31, 2022	**3,204,783,809**	**280,545,116**	**26,901,680**	**205,226,808**	**2,212,688**	-	**3,719,670,101**
Net book value:							
December 31, 2022	**4,532,693,527**	**50,438,224**	**465,461**	**38,661,641**	**143,010**	**196,630,111**	**4,819,031,974**
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**

25

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

* During the year, the Company has partially written off capital work in progress related to manufacturing plant due to change in scope for design and specification.

(b) Manufacturing plants includes deferred refinery turnaround costs. The movement in deferred refinery turnaround costs during the year ended, is analyzed as under:

	2022	2021
Cost:		
Opening and closing balance	**113,672,712**	113,672,712
Accumulated depreciation:		
Opening balance	**71,858,815**	49,026,111
Amortization during the year	**22,710,004**	22,832,704
Closing balance	**94,568,819**	71,858,815
Carrying amount	**19,103,893**	41,813,897

(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, 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 year has been allocated as follows:

	Note	2022	2021
Cost of revenue	25	**329,732,693**	329,089,982
General and administrative expenses	27	**764,670**	921,773
		330,497,363	330,011,755

6 Leases

The Company leases various lands, pipelines and motor vehicles. 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, 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.

26

a) Right-of-use assets

	Lands	Pipelines	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	**(4,325,475)**	**(1,980,383)**	**(931,121)**	**(7,236,979)**
At December 31, 2022	**88,085,542**	**3,960,765**	**2,327,804**	**94,374,111**

Depreciation is charged to the 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	27
Vehicles	5

b) Lease liabilities

	2022	2021
Opening balance	**112,802,992**	117,640,486
Lease payments	**(10,079,110)**	(10,177,394)
Interest on lease liabilities	**5,067,323**	5,339,900
Closing balance	**107,791,205**	112,802,992

Lease liabilities	**2022**	**2021**
Current	**10,339,938**	5,268,474
Non-current	**97,451,267**	107,534,518
	107,791,205	112,802,992

As at December 31, 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 year, there were no revision of lease terms due to exercising extension and termination options.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

Amounts recognised in the statement of comprehensive income

	For the year ended December 31,	
	2022	2021
Depreciation charge on right-of-use assets	**7,236,979**	7,236,979
Interest expense (included in finance costs -Note 28)	**5,067,323**	5,339,900
Expense relating to short-term leases (included in selling and distribution expenses – Note 26)	**9,510,905**	7,960,254

Depreciation on right-of-use assets for the year has been allocated as follows:

	Note	2022	2021
Cost of revenue	25	**5,844,257**	5,837,814
General and administrative expenses	27	**1,392,722**	1,399,165
		7,236,979	7,236,979

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

	2022	2021
Cost		
Opening balance	**32,838,854**	32,838,854
Additions	**3,272,622**	-
Closing balance	**36,111,476**	32,838,854
Accumulated amortization		
Opening balance	**15,455,202**	12,538,161
Charge for the year	**2,541,824**	2,917,041
Closing balance	**17,997,026**	15,455,202
Closing carrying amount	**18,114,450**	17,383,652

Intangible assets comprise of software and its development cost.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

8 Employees' home ownership receivables

(a) Employees' home ownership receivables comprise the following:

	Note	2022	2021
Employees' home ownership receivables		**3,299,551**	4,737,501
Less: current portion	12	**(1,349,536)**	(2,142,528)
		1,950,015	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.

(b) The movement in employees' home ownership receivable is as follows:

	2022	2021
Opening balance	**4,737,501**	6,589,329
Deductions from employees' salary during the year	**(1,552,573)**	(2,050,925)
Finance income due to unwinding	**114,623**	199,097
Closing balance	**3,299,551**	4,737,501

(c) The collection schedule of the aggregate employees' home ownership receivables outstanding is summarized as follows:

	2022	2021
2022	**-**	2,309,384
2023	**1,427,000**	918,962
2024	**1,237,901**	766,094
2025	**679,744**	715,521
2026 and thereafter	**580,028**	715,819
Less: Unearned finance income	**(625,122)**	(688,279)
	3,299,551	4,737,501

9 Loans to employees

Loans to employee comprise the following:

	Note	2022	2021
Home loans to employees	9(a)	**17,422,099**	16,899,018
Other loans to employees	9(b)	**1,381,901**	2,276,366
Less: current portion	12	**(2,321,354)**	(7,274,969)
		16,482,646	11,900,415

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

(a) Home loans to employees

The movement in home loans to employees' balance is as follows:

	2022	2021
Opening balance	**16,899,018**	16,929,064
New loans disbursed during the year	**6,283,025**	2,656,977
Finance income	**1,174,503**	695,381
Discounting effect on new loan	**(1,466,668)**	(629,254)
Deductions including settlement with employees retired during the year	**(5,467,779)**	(2,753,150)
Closing balance	**17,422,099**	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:

	2022	2021
2022	**-**	6,197,469
2023	**1,420,832**	3,398,612
2024	**1,467,199**	3,198,694
2025	**1,497,789**	3,123,699
2026 and thereafter	**16,687,538**	3,948,438
Less: Unearned finance income	**(3,651,259)**	(2,967,894)
	17,422,099	16,899,018

(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:

	2022	2021
Opening balance	**2,276,366**	2,849,446
Loans disbursed during the year	**981,168**	1,409,484
Finance income for the year	**84,529**	90,985
Discounting effect on new loan	**(220,511)**	(44,722)
Deductions from payroll	**(1,739,651)**	(2,028,827)
Closing balance	**1,381,901**	2,276,366

The collection schedule of the aggregate other loans to employees is summarized as follows:

	2022	2021
2022	**-**	1,420,140
2023	**1,107,538**	627,997
2024	**345,955**	347,792
2025	**70,183**	-
Less: Unearned finance income	**(141,775)**	(119,563)
	1,381,901	2,276,366

Employees' loans carrying value at each reporting date is considered to be the same as fair value.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

10 Inventories

	2022	2021
Finished goods	**224,504,427**	293,306,011
Production in progress	**200,251,469**	215,477,906
Raw material - feedstock	**89,830,583**	117,400,190
Spare parts and consumables materials	**97,826,949**	98,414,846
	612,413,428	724,598,953
Less: Allowance for inventory obsolescence	**(28,525,051)**	(14,537,079)
	583,888,377	710,061,874

Amounts of inventories recognised as an expense are disclosed in Note 25.

Movement in provision for inventory obsolescence is as follows:

	2022	2021
Opening balance	**14,537,079**	12,937,706
Additions for the year*	**13,987,972**	1,599,373
Closing balance	**28,525,051**	14,537,079

* During the year, the Company has provided for spare parts and consumables materials amounting to Saudi Riyals 11.06 million which were damaged due to heavy rain in Jeddah and the Company has filed an insurance claim related to it.

11 Trade receivables

	Note	2022	2021
Trade receivables		**664,463,277**	454,997,563
Related parties	23	**369,757,463**	413,031,623
		1,034,220,740	868,029,186
Allowance for expected credit losses		**(11,078,724)**	(5,351,541)
		1,023,142,016	862,677,645

Trade receivables amounting to Saudi Riyals 444.37 million (December 31, 2021: Saudi Riyals 632.03 million) have been offset in the statement of financial position. For details, refer Note 21.

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:

	2022	2021
Opening balance	**5,351,541**	505,641
Charge for the year *	**5,727,183**	4,845,900
Closing balance	**11,078,724**	5,351,541

* It includes Saudi Riyals 0.97 million charge for the year ended December 31, 2022, pertaining to related parties' balances (December 31, 2021: Saudi Riyals 2.02 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 30.2.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

12 Prepayment and other assets

	Note	2022	2021
Advances to suppliers		**9,296,864**	3,061,806
Prepaid housing allowance		**8,314,423**	-
Prepaid insurance		**5,032,587**	5,077,023
Loans to employees	9	**2,321,354**	7,274,969
Employees' home ownership receivables	8	**1,349,536**	2,142,528
Net Value Added Tax (VAT) receivables		**-**	16,763,929
Others		**1,239,892**	6,094,976
		27,554,656	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.

13 Short-term deposit

The Company deposited Saudi Riyals 146.85 million in a 94-day short-term deposit on November 3, 2022 on which interest income accrued amounts to Saudi Riyals 1.35 million (December 31, 2021: Saudi Riyals 145.73 million in a 100-day short-term deposit on October 10, 2021). This short-term deposit was held by a commercial bank and is due to mature on February 5, 2023. The Company places new short-term deposits upon maturity. The Company had placed short-term deposits on a recurring basis during the year ended December 31, 2022, the last time deposit matured on November 3, 2022.

14 Cash and cash equivalents

	2022	2021
Cash in hand	**110,000**	280,000
Cash at banks	**128,807,946**	29,322,894
Time deposits	**1,783,160,543**	1,319,883,608
	1,912,078,489	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 December 31, 2022, the Company had deposited Saudi Riyals 1,775.5 million on which interest income accrued amounts to Saudi Riyals 7.66 million (December 31, 2021: Saudi Riyals 1,319.88 million) in short-term deposits having 18 days to 90 days maturity period. These time deposits are held by commercial banks and are due to mature from January 2, 2023 to February 5, 2023. Upon maturity, the Company places time deposits on a recurring basis and the last time deposit matured on December 29, 2022.

15 Share capital

15.1 Issued and paid-up capital

	2022	2021
Ordinary shares of Saudi Riyals 10 each (December 31, 2021: Saudi Riyals 10,000 each)	**1,687,500,000**	441,000,000
Issued share and paid-up capital		
Number of shares	**168,750,000**	44,100

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

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.

15.2 Dividend

On May 9, 2022, the shareholders approved a dividend of Saudi Riyals 1,263.71 million representing Saudi Riyals 28,656 per share (December 31, 2021: Saudi Riyals 1,023.43 million representing Saudi Riyals 23,207 per share). Subsequently, on February 16, 2023, the Board of Directors recommended a final dividend of Saudi Riyals 5 per share amounting to Saudi Riyals 841.29 million.

15.3 Treasury shares

On December 28, 2022, the Company acquired 580,000 ordinary shares from JIIC for cash consideration of Saudi Riyals 57.42 million, which continue to be held at December 31, 2022 (December 31, 2021: Nil). These shares are held by the Company as treasury shares for the purposes of issuing them to the Company's employees upon the vesting of the grant award (Note 15.4).

15.4 Share-based compensation

This share-based compensation relates to a grant of ordinary shares awarded on December 28, 2022 to the Company's eligible employees under the plan terms of the grant. The grant is subject to a 12-month vesting period from its grant date and is subject to a service condition during the vesting period. The grant will be settled with the employees in shares on vesting. The fair value of the grant was determined by reference to the market value of the Company's ordinary shares on the date of grant for equity-settled awards. The participants in the grant are entitled to dividend equivalents, if dividends are declared to ordinary shareholders, during the vesting period. Such dividend equivalents will be paid in cash on vesting of the grant. The value of the share-based compensation expense is immaterial for the year ended December 31, 2022 accordingly the management has not recognized the charge to the statement of comprehensive income and has not created the share-based payment reserve.

	2022
Number of shares	87,000
Weighted average fair value (Saudi Riyals per share)	100

16 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws, the Company must set aside 10% of its annual net income as the statutory reserve until it reaches 30% of the share capital. This reserve is not available for distribution to shareholders.

17 Earnings per share

	2022	**2021**
Net profit attributable to owners of the Company	**1,978,082,166**	1,502,515,031
Weighted average number of shares *	**168,743,644**	168,750,000
Basic / diluted earnings per share (Saudi Riyals per share)	**11.72**	8.90

* 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 years is adjusted retrospectively. Weighted average number of shares are adjusted to reflect the effect of treasury shares held by the Company.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

Potential ordinary shares during the year ended December 31, 2022 related to employees' share-based compensation in respect of a grant that was awarded to the Company's eligible employees under the plan terms of the grant (Note 15.4). The grant did not have a significant dilution effect on basic earnings per share for the year ended December 31, 2022. There were no issuances involving potential ordinary shares for the year ended December 31, 2021.

18 Borrowings

Long-term borrowings comprise of the following:

	2022	**2021**
Islamic banking facilities (Murabaha)	**2,104,859,591**	2,250,000,000
Less: current portion of long-term borrowings	**(164,234,591)**	(146,250,000)
	1,940,625,000	2,103,750,000

Currency denomination of the borrowings in Saudi Riyals equivalent is as follows:

	2022	**2021**
Saudi Riyals	**1,578,652,410**	1,687,500,000
United States Dollars ("USD")	**526,207,181**	562,500,000
	2,104,859,591	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 year ended December 31, 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 the Company to maintain net debt to equity and certain other financial ratios. As at December 31, 2022 and 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 Note 27.

As at December 31, 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 December 31, 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 year ended December 31, 2022 and 2021, the Company's borrowings at variable rate were mainly denominated in Saudi Riyals and USD.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

The breakdown of aggregate maturities of borrowings is as follows:

	2022	2021
2022	-	146,250,000
2023	**164,234,591**	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
	2,104,859,591	2,250,000,000

19 Employee benefit obligations

Employee benefit obligations comprise the following:

	Note	2022	2021
Employees' end of service benefits	19(a)	**135,078,858**	154,834,671
Employees' post-retirement health care benefit	19(b)	**128,047,534**	166,834,910
		263,126,392	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.

Movement in the present value of defined benefit obligation:

	2022	2021
Opening balance	**154,834,671**	170,958,946
Included in profit or loss:		
Current service cost	**10,397,927**	10,798,763
Interest cost	**4,163,905**	3,447,681
	14,561,832	14,246,444
Included in other comprehensive income:		
Actuarial loss on obligation	**1,776,209**	1,707,013
Benefits paid during the year	**(36,093,854)**	(32,077,732)
Closing balance	**135,078,858**	154,834,671

Significant assumptions used in determining the employment defined benefit obligation include the following:

	2022	2021
Discount rate	**4.80%**	2.65%
Future salary increase rate	**4.80% - 5.00%**	2.65%

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is shown below:

Discount rate:

	2022	2021
0.5% increase in discount rate	**(5,434,079)**	(6,640,896)
0.5% decrease in discount rate	**5,870,272**	7,202,141
Future salary growth rate:		
0.5% increase in future salary growth rate	**4,876,522**	7,559,841
0.5% decrease in future salary growth rate	**(4,564,065)**	(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 December 31, 2022 is as follows:

Less than a year	8,427,145
Between 1 – 5 years	66,172,184
Over 5 years	412,317,145

(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:

	2022	2021
Opening balance	**166,834,910**	122,153,153
Included in profit or loss:		
Current service cost	**6,828,775**	6,317,359
Interest cost	**5,605,233**	4,194,967
	12,434,008	10,512,326
Included in other comprehensive income:		
Actuarial (gain) loss on obligation	**(49,694,457)**	35,619,058
Benefits paid during the year	**(1,526,927)**	(1,449,627)
Closing balance	**128,047,534**	166,834,910

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

Significant assumptions used in determining the post-employment defined benefit obligation includes the following:

	2022	2021
Discount rate	**5.65%**	3.30%
Medical rate (pre-retirement and post-retirement)	**7.65%**	5.30%

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is shown below:

	2022	2021
Discount rate:		
0.5% increase in discount rate	**(15,762,205)**	(21,506,004)
0.5% decrease in discount rate	**18,957,425**	25,968,090
Medical rate (Pre Retirement):		
0.5% increase in medical rate (Pre Retirement)	**4,672,328**	7,344,226
0.5% decrease in medical rate (Pre Retirement)	**(4,254,923)**	(6,677,806)
Medical rate (Post Retirement):		
0.5% increase in medical rate (Post Retirement)	**13,529,702**	17,518,078
0.5% decrease in medical rate (Post Retirement)	**(11,790,423)**	(15,329,893)

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, 2022 is as follows:

Less than a year	768,098
Between 1 – 5 years	7,909,112
Over 5 years	213,080,304

(c) Employees' thrift plan

The movement in employees' thrift plan is as follows:

	2022	2021
Opening balance	**36,623,697**	33,233,298
Contribution for the year	**15,631,226**	14,374,884
Withdrawals during the year	**(14,998,910)**	(10,984,485)
Closing balance	**37,256,013**	36,623,697

	Note	2022	2021
Non-current	20	**4,467,304**	5,524,482
Current	21	**32,788,709**	31,099,215
		37,256,013	36,623,697

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

20 Other non-current liabilities

	2022	2021
Provision for decommissioning	**39,080,450**	31,412,804
Employees' thrift plan	**4,467,304**	5,524,482
Chronic Medical Circumstance	**869,131**	1,236,717
	44,416,885	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:

	2022	2021
Opening balance	**31,412,804**	30,733,784
Addition during the year*	**7,013,736**	-
Unwinding of discount	**653,910**	679,020
Closing balance	**39,080,450**	31,412,804

* During the year ended December 31, 2022, the management has reassessed its expected costs for dismantling obligation of the Jeddah refinery is Saudi Riyals 42.69 million in 2026.

21 Trade and other payables

	Note	2022	2021
Related parties	23	**506,405,952**	933,265,292
Third parties		**64,757,755**	45,443,237
Advances from customers		**22,389,736**	8,677,586
Employees' thrift plan		**32,788,709**	31,099,215
Other payables		**48,146,377**	68,185,685
		674,488,529	1,086,671,015

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 feedstock 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
December 31, 2022			
Related party receivables	**814,125,221**	**(444,367,758)**	**369,757,463**
Related party payables	**950,773,710**	**(444,367,758)**	**506,405,952**
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

22 Accrued expenses and other liabilities

	Note	2022	2021
Accrued expenses		**112,666,571**	18,146,354
Net VAT payable	22.1	**55,306,385**	-
Accrual for rebates and discounts		**42,955,800**	37,162,681
Accrued bonus		**20,795,081**	38,304,614
Derivative financial instrument measured at fair value through profit or loss	22.2	**-**	6,335,789
Others	22.3	**5,373,065**	5,127,695
		237,096,902	105,077,133

22.1 Due to increase in the local sales during the year ended December 31, 2022, which are subject to 15% VAT rate, the Company has a net VAT payable position as at December 31, 2022.

22.2 The arrangement has not been designated as hedging arrangement since its inception, which is Shariah compliant. The Company relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparty has been explained in Note 30.1.

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	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Interest rate swaps	**-**	6,335,789	**67,459,568**	297,135,409

22.3 It pertains to liabilities against unused employees' leaves balance as at December 31, 2022.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

23 Related party transactions and balances

Related parties comprise the shareholders and key management personnel of the Company, 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). 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:

Shareholder and Ultimate Parent

Saudi Arabian Oil Company ("Saudi Aramco")

Entities under common control

Saudi Aramco Mobil Refinery Company Ltd. ("SAMREF")
S-Oil Singapore Pte. Ltd
S-Oil Corporation
Motiva Trading LLC
Aramco Chemical Company
Aramco Lubricants and Retail Company
Saudi Aramco Technologies Company

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.

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 year is shown below:

	2022	2021
Short-term employee benefits	**28,352,851**	21,564,271
Provision for employee benefit obligations	**2,341,254**	946,519

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.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

23 Related party transactions and balances (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, 2022	2021	Balance as at December 31, 2022	2021
Due from related parties					
Saudi Aramco	Sales of by products	**3,686,719,134**	3,340,092,983	**121,653,295**	141,868,216
SAMREF	Sales of by products	**932,250,283**	629,163,725	**147,221,722**	178,954,086
S-Oil Singapore Pte. Ltd.	Sales of base oil	**1,245,278,582**	810,633,537	**68,819,553**	70,082,112
S-Oil Corporation	Sales of base oil	**25,249,545**	-	**24,647,153**	-
Motiva Trading LLC	Sales of base oil	**19,313,597**	129,381,526	**-**	21,420,870
Aramco Chemical Company	Sales of base oil	**19,254,706**	10,665,037	**6,174,172**	706,339
Aramco Lubricants and Retail Company	Sales of base oil	**11,915,644**	-	**1,241,568**	-
Jadwa Industrial Investment Company (former shareholder)	Acquisition of treasury shares	**57,420,000**	-	**-**	-
	Recovery of IPO related expenses	**25,610,249**	-	**-**	-
				369,757,463	413,031,623
Due to related parties					
Saudi Aramco	Purchase of feedstock, materials and utilities	**6,725,480,901**	5,842,230,305	**468,739,601**	892,587,458
	Technical and management support services	**23,028,674**	22,551,508	**25,972,188**	18,044,753
	Lease rental for Jeddah refinery land and Yanbu refinery pipeline	**2,643,514**	2,643,514	**-**	-
	Dividends	**884,596,752**	716,397,799	**-**	-
SAMREF	Technical and management support services	**1,193,197**	1,136,378	**-**	-
S-Oil Corporation	Purchase of base oil	**328,127,183**	380,099,849	**11,694,163**	22,633,081
Saudi Aramco Technologies Company	Technical and management support services	**300,000**	300,000	**-**	-
				506,405,952	933,265,292

The Company's revenues derived from sales to Saudi Aramco and entities under common control accounted for approximately 35% and 21% (December 31, 2021: 38% and 18%) respectively, of the total revenue.

41

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

24 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:

	2022	2021 (Restated)
Revenue from base oil sales*	**5,769,513,250**	4,743,117,949
Revenue from by-products sales	**4,844,378,939**	4,103,608,888
	10,613,892,189	8,846,726,837

*During the year ended December 31, 2022, the Company has recognized revenue from freight services amounting to Saudi Riyals 78.98 million (December 31, 2021: Saudi Riyals 91.68 million).

The management has categorized its geographical operations as follows:

	2022	2021 (Restated)
Geographic information		
Revenues from local sales		
Kingdom of Saudi Arabia	**6,739,626,387**	5,623,800,635
Revenues from export sales		
United Arab Emirates	**2,093,437,857**	1,824,084,433
India	**980,422,565**	784,718,099
Egypt	**202,198,769**	35,753,499
Singapore	**200,336,167**	250,178,179
Others	**397,870,444**	328,191,992
Total	**10,613,892,189**	8,846,726,837

25 Cost of revenue

	Note	2022	2021 (Restated)
Cost of materials		**7,388,310,545**	6,182,046,079
Depreciation on property, plant and equipment	5	**329,732,693**	329,089,982
Employee related costs		**185,035,981**	187,000,084
Depreciation on right-of-use assets	6	**5,844,257**	5,837,814
Amortization of intangible assets		**527,221**	902,438
Provision for inventory obsolescence	10	**13,987,972**	1,599,373
Others		**186,698,058**	98,474,439
		8,110,136,727	6,804,950,209

26 Selling and distribution expenses

	2022	2021
Freight expenses	**70,068,769**	94,128,690
Tank rents	**9,510,905**	7,960,254
Demurrage charges	**4,090,577**	3,898,087
Export pipeline handing fee	**5,316,528**	4,365,868
Others	**7,997,580**	6,229,868
	96,984,359	116,582,767

42

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

27 General and administrative expenses

	Note	2022	2021
Employee related costs		**141,886,628**	116,926,392
Consultancy charges		**39,047,707**	22,553,768
Telephone and postage		**5,637,371**	4,513,532
Amortization of intangible assets		**2,014,603**	2,014,603
Depreciation on right-of-use assets	6	**1,392,722**	1,399,165
Insurance		**1,433,202**	1,681,810
Depreciation on property, plant and equipment	5	**764,670**	921,773
Impairment loss on financial assets	11	**5,727,183**	4,845,900
Others		**18,775,732**	22,076,939
		216,679,818	176,933,882

27.1 Other expenses majorly pertains to capital work in progress written off related to manufacturing plant due to change in scope for design and specification amounting to Saudi Riyals 24.46 million (December 31, 2021: Nil).

28 Finance cost

	Note	2022	2021
Finance costs with respect to:			
- Murabaha (Islamic)		**68,680,714**	54,872,824
- Public Investment Fund loan (conventional)		**-**	8,968,767
- Interest on lease liabilities	6	**5,067,323**	5,339,900
- Unwinding of decommissioning provision	20	**653,910**	679,020
		74,401,947	69,860,511

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 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.

On December 28, 2022, the Company was listed on Tadawul, thereafter, the shareholding of Saudi Aramco is subject to zakat only and deferred tax liabilities recorded by the Company have been reversed.

29.1 Charge for the year

The zakat and income tax charge (reversal) for the year ended December 31 consists of the following:

	Note	2022	2021
Zakat charge (reversal)	29.2	**21,449,883**	(1,382,292)
Income tax expense	29.3	**192,219,241**	130,155,317
Deferred tax (reversal) charge	29.6	**(60,141,646)**	60,141,646
		153,527,478	188,914,671

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

29.2 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 year ended December 31 comprised the following:

	2022	2021
Equity at beginning of year	**4,244,546,248**	3,711,562,212
Treasury shares	**(57,420,000)**	-
Provision at beginning of year	**307,003,559**	369,037,173
Borrowings	**2,104,859,591**	826,027,397
Lease liabilities	**107,791,205**	112,802,992
Re-measurement gain (loss) on employee benefit obligations	**47,918,248**	(37,326,071)
Property, plant and equipment	**(4,819,031,974)**	(5,122,445,742)
Right-of-use assets	**(94,374,111)**	(101,611,090)
Intangible assets	**(18,114,450)**	(17,383,652)
Dividend	**(1,125,000,000)**	(937,500,000)
Spare parts and consumables materials	**(97,826,949)**	(98,414,846)
Approximate zakat base	**600,351,367**	(1,295,251,627)
Zakat base (excluding adjusted net income) at specified rate*	**189,271,368**	(388,269,787)
Adjusted net income at specified rate*	**668,723,956**	501,018,720
Approximate zakat at specified rate for year	**21,449,883**	12,525,468

* The Company has calculated zakat on JIIC shareholding up to December 28, 2022, the date of listing on Tadawul, and thereafter the Company is subject to zakat only.

29.3 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 year	**192,219,241**	**21,449,883**	**213,669,124**
Payment*	**(221,453,432)**	**(12,525,468)**	**(233,978,900)**
At December 31, 2022	**101,475,685**	**28,730,151**	**130,205,836**

*During the year ended December 31, 2022, the Company has paid Saudi Riyals 94.64 million quarterly advance tax as per the income tax regulations, which was based on the previous year's zakat and income tax return.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

29.4 Income tax

Income tax liability is calculated at 20% of the adjusted net income attributable to the Saudi Aramco and JIIC foreign shareholders upto the date of listing.

The following is a summary of significant differences between financial net income and estimated taxable net income for the year ended December 31:

	2022	2021
Profit before zakat and income tax	**2,131,609,644**	1,691,429,702
Adjusted for:		
- Depreciation and amortization	**(290,724,488)**	(482,704,832)
- Provisions	**47,423,761**	31,883,062
- Provision utilized	**(39,104,405)**	(34,251,433)
- Lease interest and payments – net	**(5,011,787)**	(4,837,494)
- Others	**(6,335,789)**	21,854,485
	1,837,856,936	1,223,373,490
Foreign shareholding*	**70% - 70.93%**	70.93%
Taxable income	**1,281,551,994**	867,702,115
Adjustment for carried forward losses	**(320,387,999)**	(216,925,529)
Adjusted taxable income	**961,163,995**	650,776,586
Income tax charge for the year @ 20%*	**192,219,241**	130,155,317

* The Company has calculated income tax at the rate 20% up to December 28, 2022, the date of listing on Tadawul, on Saudi Aramco and JIIC's foreign shareholders and thereafter the Company is only subject to zakat.

29.5 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 December 31, 2022. The zakat and income tax assessments up to December 31, 2016 and for the year ended December 31, 2018 have been finalized by the ZATCA.

During 2022, the ZATCA issued an assessment for the financial year 2016 amounting to Saudi Riyals 0.63 million which was settled.

29.6 Deferred tax asset / (liability)

	At January 1, 2022	(Charged)/credited to profit or loss	(Charged)/credited to other comprehensive income	At December 31, 2022
Difference in accounting and tax base of property, plant and equipment	(287,212,054)	287,212,054	-	-
Provisions	53,868,811	(48,573,735)	(5,295,076)	-
Carried forward losses	176,908,990	(176,908,990)	-	-
Leases	1,587,683	(1,587,683)	-	-
Total	**(54,846,570)**	**60,141,646**	**(5,295,076)**	**-**

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

	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)

29.7 Reconciliation of income tax expense and the accounting profit for the years ended:

	2022	2021
Profit before zakat and income tax	**2,131,609,644**	1,691,429,702
Income tax at the corporate tax rate of 20% (2021: 20%)	**426,321,929**	338,285,940
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Saudi shareholding not subject to income tax @ 29.07%- 30% (2021: 29.07%)	**(127,896,579)**	(98,349,871)
Property, plant and equipment	**(327,913,482)**	218,738,443
Provisions	**49,738,445**	(48,909,698)
Carried forward losses	**112,835,910**	(220,294,096)
Lease interest and payments – net	**886,033**	(2,273,901)
Others	**(1,894,661)**	3,100,146
At the average effective income tax rate 9% (2021: 16%)	**132,077,595**	190,296,963

30 Financial instruments

30.1 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).

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

As at December 31, 2022 and 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.

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.

30.2 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.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

The credit rating of banks in which the Company holds cash are as follows:

Credit rating	**2022**	**2021**
A1	**1,876,878,799**	1,314,226,498
A3	**35,089,690**	34,980,004
Total	**1,911,968,489**	1,349,206,502

As at December 31, 2022, the remaining cash and cash equivalents balance, amounting to Saudi Riyals 0.11 million, represents cash on hand (December 31, 2021: Saudi Riyals 0.28 million).

The short-term deposit is held with a bank having A1 credit rating and yields financial income at prevailing market rates. The carrying value at each reporting date is estimated to be the same as their fair value.

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	**2022**	**2021**
Employees' home ownership receivables	8	**3,299,551**	4,737,501
Loans to employees	9	**18,804,000**	19,175,384
Trade receivables – third parties	11	**664,463,277**	454,997,563
Trade receivables – related parties	11	**369,757,463**	413,031,623
Other receivables (included within prepayments and other assets)	12	**1,239,892**	6,094,976
Short-term deposits	13	**148,200,192**	145,726,030
Cash at banks	14	**128,807,946**	29,322,894
Time deposits	14	**1,783,160,543**	1,319,883,608
		3,117,732,864	2,392,969,579

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

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.

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:

	2022	2021
Impairment loss on trade receivables (Note 11)	**5,727,183**	4,845,900

The following table provides information about the exposure to credit risk and ECLs for trade receivables from external customers:

	Gross carrying amount	Weighted average loss rate	Loss allowance
December 31, 2022			
Current (not past due)	**819,700,667**	**0.45%**	**3,653,655**
1–90 days past due	**169,513,671**	**0.46%**	**774,740**
91–180 days past due	**40,274,541**	**6.51%**	**2,621,896**
181–360 days past due	**2,380,071**	**75.44%**	**1,795,512**
More than 360 days past due	**2,351,790**	**94.95%-100%**	**2,232,921**
Total	**1,034,220,740**		**11,078,724**
December 31, 2021			
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%-100%	776,260
Total	868,029,186		5,351,541

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

Trade receivables relate to sales made during the year to corporate customers. As at December 31, 2022, trade receivables balance from related parties' is Saudi Riyals 369.76 million (December 31, 2021: Saudi Riyals 413.03 million). Of this amount Saudi Riyals 362.06 million was 'not past due' and Saudi Riyals 6.53 million was due '91 to 180 days past due' (December 31, 2021: Saudi Riyals 721.06 million was 'not past due') having impairment loss of Saudi Riyals 0.97 million (December 31, 2021: 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 majority balances 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 December 31,2022, five largest customers accounted for 55% (December 31, 2021: 55%) of the outstanding trade receivables.

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:

	1 year or less	1 to 5 years	Above 5 years	Total
As at December 31, 2022				
Borrowings	293,580,708	1,634,990,920	693,315,560	**2,621,887,188**
Accrued expenses and other liability excluding VAT payable	181,790,517	-	-	**181,790,517**
Trade payables	674,488,529	-	-	**674,488,529**
Lease liabilities	10,339,938	32,352,787	117,226,785	**159,919,510**
	1,160,199,692	**1,667,343,707**	**810,542,345**	**3,638,085,744**
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.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

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.

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:

	2022	2021
Financial liabilities, principally borrowings	**2,104,859,591**	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 December 31, 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 21.05 million (December 31, 2021: Saudi Riyals 22.50 million).

Transition from LIBOR to risk free rates

Interbank offered rate (IBOR) reform represents the reform and replacement of interest rate benchmarks by global regulators. The Company has a single contract in USD London Interbank offer rates ("USD LIBOR") for long-term borrowing of Saudi Riyal 526.21 million which is exposed to the impact of LIBOR as at December 31, 2022.

As per the initial transition plan, the USD LIBOR based borrowing contract is under renegotiation with counterparty, to reflect the alternative benchmark i.e., Term Secured Overnight Financing Rate ("Term SOFR").

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 USD LIBOR.

The Company has assessed that there will be no impact on the Company's interest rate swaps due to change in the USD LIBOR.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

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 5,083 million at December 31 ,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.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated based on the net debt divided by total capital.

	2022	2021
Borrowings	**2,104,859,591**	2,250,000,000
Lease liabilities	**107,791,205**	112,802,992
Less: short-term deposits	**(148,200,192)**	(145,726,030)
Less: cash and cash equivalents	**(1,912,078,489)**	(1,349,486,502)
Net debt (A)	**152,372,115**	867,590,460
Shareholders' equity (B)	**5,082,831,586**	4,244,546,248
Total capital (A+B)	**5,235,203,701**	5,112,136,708
Gearing ratio (A / (A+B))	**3%**	17%

e) Net debt

	2022	2021
Short-term deposits	**148,200,192**	145,726,030
Cash and cash equivalents	**1,912,078,489**	1,349,486,502
Lease liabilities	**(107,791,205)**	(112,802,992)
Borrowings	**(2,104,859,591)**	(2,250,000,000)
Net debt	**(152,372,115)**	(867,590,460)

Borrowings of the Company carry variable interest rates.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

f) Net debt reconciliation

	Short-term deposits	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	145,726,030	676,635,398	(25,969,443)	10,177,394	806,569,379
Interest on borrowings	-	-	(69,963,357)	-	(69,963,357)
Interest on lease liabilities	-	-	-	(5,339,900)	(5,339,900)
December 31, 2021	145,726,030	1,349,486,502	(2,250,000,000)	(112,802,992)	(867,590,460)
Cash flows	2,474,162	562,591,987	209,395,702	10,079,110	784,540,961
Interest on borrowings	-	-	(64,255,293)	-	(64,255,293)
Interest on lease liabilities	-	-	-	(5,067,323)	(5,067,323)
December 31, 2022	**148,200,192**	**1,912,078,489**	**(2,104,859,591)**	**(107,791,205)**	**(152,372,115)**

31 Commitments and contingencies

31.1 Commitments

a) As at December 31, 2022 the Company had outstanding capital commitments of Saudi Riyals 416.76 million (December 31, 2021: Saudi Riyals 292.35 million) in respect of additions to property, plant and equipment at its Jeddah and Yanbu refineries.

31.2 Contingencies

a) As at December 31, 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 4.41 million (December 31, 2021: Saudi Riyals 4.9 million) for various business needs.

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.

31.3 Short-term leases

The short-term lease commitment as of December 31, 2022 is Nil (December 31, 2021: Saudi Riyals 10.8 million).

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

32 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 Al-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 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 24. 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 23.

33 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.

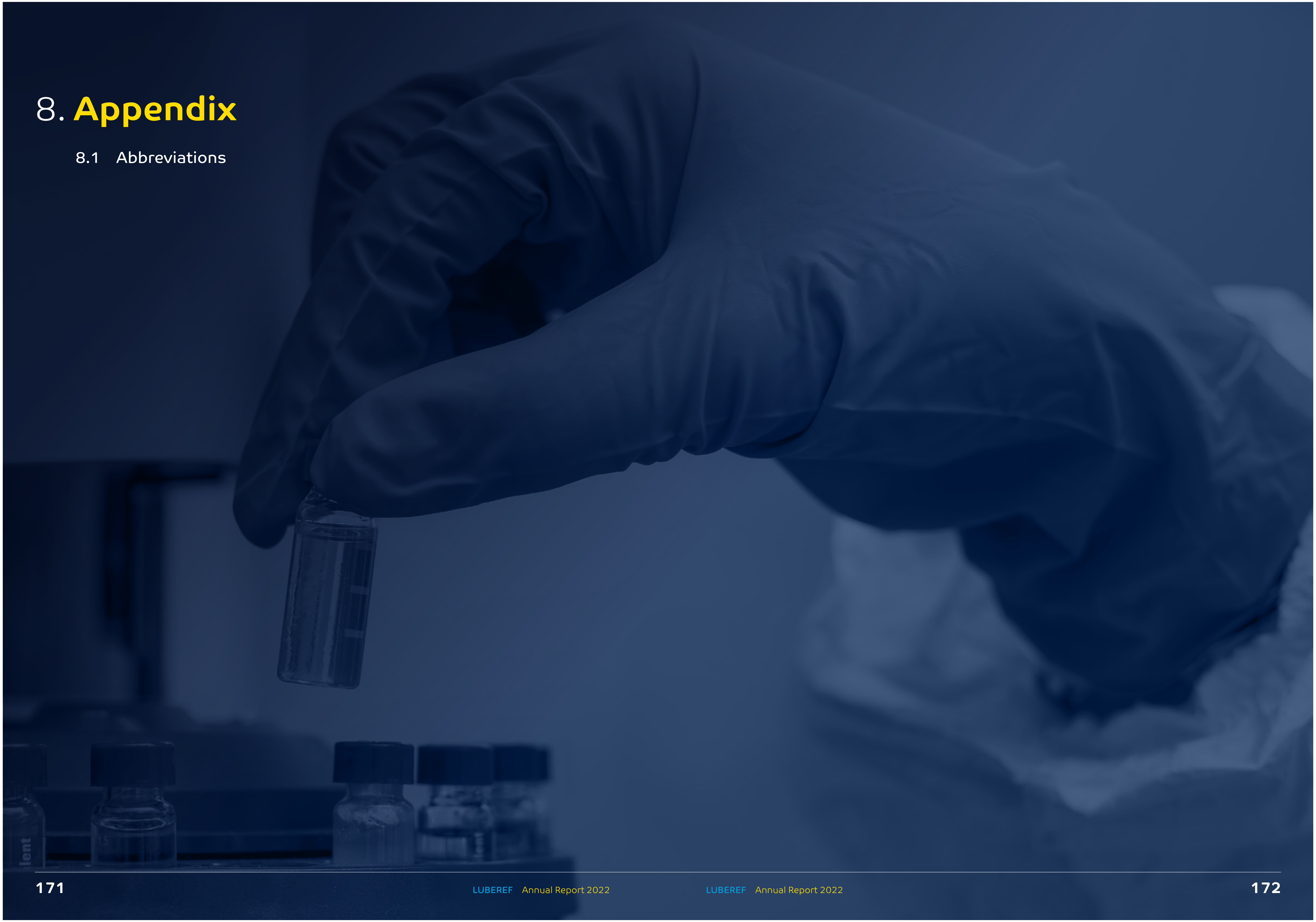
The change does not have any impact on the statement of financial position, statement of changes in equity and statement of cash flows as of and for the year then ended.

The following table sets out the effect of restating revenue and cost of revenue amounts in the statement of comprehensive income for the year ended December 31, 2021:

	As previously reported	Restatement	As restated
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

8. Appendix

8.1 Abbreviations



Abbreviations

MENA	The Middle East and North Africa.
SAMREF	Saudi Aramco Mobil Refinery Company Ltd. (SAMREF), a Saudi limited liability company registered under commercial registration no. (4700001240) in Yanbu.
SOCPA	Saudi Organization for Chartered and Professional Accountants.
ZATCA	The Saudi Arabian Zakat, Tax and Customs Authority.
BS	Bright stock.
FEU	Furfural solvent extraction unit.
HCU	Hydrocracker unit.
LVGO	Light vacuum gas oil.
MBD	Thousand barrels per day.
MHFO	Marine heavy fuel oil.
MLDW	Mobil lube de-waxing unit.
MT	Metric ton.
PDA	Propane de-asphalting unit.
RCO	Reduced crude oil, the main feedstock used by Luberef.
ULSD	Ultra-low sulfur diesel.

Saudi Aramco Base Oil Company (Luberef)

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