

Petro Rabigh

General Company and Transaction FAQ

ABOUT THE COMPANY

1. What is Petro Rabigh and what does it offer?

Petro Rabigh is a world-scale, fully integrated refining and petrochemicals facility established in 2005 through a joint venture with Saudi Aramco and Sumitomo Chemicals. The company listed 25% of its share capital through an Initial Public Offering on the Saudi Stock Exchange in 2008.

The company was originally established as a basic topping refinery with crude oil processing facilities. It subsequently expanded its offering and facilities through a two-phased approach:

- Phase 1 (2009) – Expanded the original Rabigh refinery through the development of an integrated refinery and petrochemicals complex based on a HOFCC (High olefins fluid catalytic cracker) and an ethane cracker, which constitutes one of the largest integrated complexes of this type ever built at one time.
- Phase 2 (2018) – The Expansion Facilities include the addition of an aromatics complex and an expanded cracker facility to produce a broad range of petrochemical products, including specialty petrochemicals with the aim to create synergies with the existing production facilities, while introducing new products to Saudi Arabia.

2. What is Petro Rabigh's main lines of business?

Petro Rabigh is focused on the development, construction and operation of an integrated petroleum refining and petrochemicals complex, including the manufacturing of refined petroleum products, petrochemical products and other hydrocarbon products.

The company produces some of the world's most widely used products that touch all facets of modern life, from hand sanitizers that keep us safe to the fuel that powers global commerce, through the aviation and automotive industries.

3. What differentiates Petro Rabigh from its competitors?

First, Petro Rabigh's strength and competitive advantages are rooted in its unique business model, strong asset base, diversified products and operational agility. Today, the company owns and operates a world-scale integrated refining and petrochemicals complex and has direct access to established supply and export infrastructure through its strategic location on the Western Coast of the Kingdom.

Second, the company enjoys competitive cost advantages relative to global petrochemicals producers. The primary feedstock to Petro Rabigh's cracker is ethane, which is allocated on a long-term basis at domestic regulated prices, which remain among the lowest by global standards. This allows the company to operate at significant cash cost competitive margins over international petrochemicals competitors, making it among the lowest-cost ethylene producers globally.

And third, since the establishment of the Rabigh refinery, the facility has played a strategic role in the supply of refined products to the Western region of Saudi Arabia. In addition to its market leading position in refined products, the company plays a significant role in the development of the petrochemicals industry in the Kingdom, being the second largest producer of petrochemicals in the domestic market.

4. How was the business impacted by the Covid-19 pandemic?

The impact of the pandemic has been felt by businesses around the globe – big and small – and the petrochemical industry is no different. With the restriction on travel and constraints on mobility, the demand for refined products fell sharply.

However, while the demand for refined products was significantly impaired, there was a high demand for petrochemical products as a result of the pandemic. This resulted in a rebalancing of the demand for the company's products, and combined with reduction in costs and operational efficiencies, ensured that Petro Rabigh closed out 2021 on a positive financial footing.

5. How did the company perform in 2021?

2021 has seen a significant improvement in petrochemical pricing, and particularly in the west. Petro Rabigh sales revenues improved significantly over 2020 levels as a result of the strong performance seen in these petrochemical markets.

In 2021, despite the global pandemic, Petro Rabigh witnessed a strong recovery in the business due to improved efficiencies, reduced costs, and restoration of demand for petrochemical products. Further, all accumulated losses have been amortized.

The combination of these factors ensured that 2022 began with a strong foundation and the company is well positioned to capture opportunities, ensure greater margins, and move towards increased profitability.

ABOUT THE TRANSACTION

6. What is the transaction structure?

The proposed transaction is a capital increase by way of a Rights Issue. The rationale behind it is to enable the company to optimize and improve its equity position, increase its share capital, and bring down debt levels, and ensure that the company is well-positioned to meet its objectives.

The transaction will take place as a Rights Issue offered to the Company's shareholders through the issuance of 795,000,000 new shares at an offer price of SAR 10 per share, with total offer size of SAR 7,950,000,000, increasing the share capital of Petro Rabigh to SAR 16,710,000,000 from SAR 8,760,000,000.

Each Registered Shareholder is granted 0.907534 Rights for each (1) Current Share held by them at the close of trading on the date of the EGM relating to the Capital Increase and who are registered in the Company's shareholder register with Edaa at the end of the second trading day following the date of the EGM.

The Rights will be placed in the portfolios of Registered Shareholders after the EGM as will be announced by the Company. Each Right shall grant its holder eligibility to subscribe for one New Share at the Offer Price.

7. How will the proceeds be used?

After the deduction of the offering expenses, the net proceeds will be used for the repayment of the amounts due under the Rabigh Shareholder Loan Agreement by capitalizing the amounts due to the Founding Shareholders thereunder and the partial repayment of the Equity Bridge Loans. For more information about the mechanism by which the Founding Shareholders will capitalize the amount due to them, please refer to the rights issue prospectus.

The Company will use 75% of the Offering Proceeds, which amount to SAR 5,962,500,000, to repay the entire original principal amount of SAR 4,575,000,000 and accrued interest amounting to SAR 1,387,500,000 under the Rabigh 1 Shareholder Loan Agreement. This will reduce the total liabilities of the Company, and accrued interest, under the Rabigh 1 Shareholder Loan Agreement.

While the cash proceeds which represent 24% of the Offering Proceeds, which amount to SAR 1,927,500,000, will be used to partially repay the amounts under Equity Bridge Loans. Following the partial repayment of the Equity Bridge Loans, the total amount due from the Company under the Equity Bridge Loans will be SAR 9,322,500,000.

8. What impact will this Transaction have on current shareholders? Will ownerships be diluted?

Rights will be issued to all registered shareholders (as at the end of the second trading day following the Extraordinary General Meeting), and such shareholders will have the ability to subscribe for new shares at the offer price of SAR10 per share, at a discount to the TERP (Theoretical Ex-Rights Price).

Registered Shareholders who do not fully participate in the subscription will be subject to a decrease in their shareholding percentage in the Company as well as a decline in the value of their current Shares (Please refer to the rights issue prospectus for more details). The non-participating shareholder will be compensated however, by the rump offering proceeds in excess of the offering price in accordance to the offering terms stipulated in the prospectus.

9. Who has the right to attend the Extraordinary General Meeting and vote for the increase of Issuer's capital by offering Rights?

Shareholders who are registered in the Company's shareholder register at Edaa at the end of trading on the Extraordinary General Meeting Day shall have the right to attend the Extraordinary General Meeting and vote on the increase in the Company's share capital by way of rights issue.

10. Who will be granted the rights?

All shareholders who own Shares in the Company at the end of the trading period of the day on which the Extraordinary General Meeting approving the Capital Increase has convened, and who are registered in the Company's shareholder register maintained with Edaa as at the close of the second trading day following the Extraordinary General Meeting, i.e., the Eligibility Date.

11. What impact will the Transaction have on the share price?

The opening price of the shares post rights is adjusted and is calculated as follows:

(The market value of the Company at the end of the day on the day on which Extraordinary General Meeting approves the Capital Increase + (plus) the value of the Rights) / (that is, divided by) (the total number of shares at the end of the day on which the Extraordinary General Meeting approves the Capital Increase + (plus) the number of New Shares offered for subscription) = (equals) the expected price per share on the opening day following the day on which the Extraordinary General Meeting approves the Capital Increase. Generally, and independently from the transaction, the share price could be affected by fluctuations resulting from several uncontrollable factors, such as, without limitation: material news, key Company announcements, capital market conditions for equity, or any regulatory changes affecting the company's operations.

12. What is the company strategy post transaction? How will the completion of the transaction contribute to that?

Petro Rabigh will always remain committed to long-term value creation for its shareholders, stakeholders and communities. This transaction is an important lever to ensure that the company is well-positioned to meet its strategic priorities.

The company is focused on ensuring its assets are maximizing outputs and reducing plant shutdowns to a minimum, to capture future opportunities regionally and internationally.

13. What will be the dividend policy going forward?

The Rights Issue will have no impact on Petro Rabigh's current dividend policy. The company's dividend policy is reviewed by the company's Board of Directors regularly and is based on operational and financial performance and meeting certain distribution ratios mandated by senior lenders.