

For Immediate Release

Saudi Arabian Oil Company
Sumitomo Chemical Company, Limited

Saudi Aramco/Sumitomo Chemical signing ceremony

DHAHRAN, SAUDI ARABIA (May 9, 2004) – The Saudi Arabian Oil Company (Saudi Aramco) and Sumitomo Chemical Co., Ltd. (Sumitomo) today signed a comprehensive Memorandum of Understanding related to the planned development of a large, integrated refining and petrochemical complex in the Red Sea town of Rabigh (“Rabigh Project” or “Project”).

Once implemented, the proposed Rabigh Project would be one of the largest integrated refining and petrochemical projects ever to be built at one time. A total of 2.2 million tons of olefins, along with large volumes of gasoline and other refined products, would be produced. The cost for the direct Project investment is currently estimated to be U.S.\$4.3 billion; however, this estimate is subject to change based on the results of a Joint Feasibility Study that will be undertaken by Saudi Aramco and Sumitomo. In addition, this project is expected to create third-party investment opportunities in the private sector for utilities and other related infrastructure.

For the companies, the Project represents an opportunity for the world’s largest producer of hydrocarbons to partner with an outstanding, world-class petrochemical producer to achieve economies of scale unsurpassed by any other project previously undertaken. For the Kingdom of Saudi Arabia, it presents an opportunity for increased industrialization and a platform for broad downstream conversion industry development in the Kingdom. This Project represents a concrete example of the Kingdom’s strategy of attracting foreign investment to expand its economy and provide increased job opportunities for Saudi nationals. It is also consistent with the objective of creating opportunities for private local investment in service and other related industries.

Sumitomo has identified petrochemicals, particularly polyolefins, as one of its core businesses, and it considers securing a stable supply of feedstock that is competitively priced as necessary for strengthening its medium- and long-term competitiveness. This Project is closely in accord with that strategy and constitutes an important step forward in enhancing the global competitiveness of the company’s petrochemical operations. Although Sumitomo has been operating a large-scale complex in a petroleum-refining center, Singapore, since 1984, this Project is the company’s first attempt to establish a foothold in an oil and gas-producing country, thereby assuring the basic feedstock supply for the Project. The Project will, therefore, open a new stage in Sumitomo’s worldwide business strategy.

Background

Saudi Aramco currently owns and operates a topping refinery at Rabigh with a nominal crude distillation capacity of 400,000 barrels per day. The existing site and infrastructure will serve as the base platform for the development of the proposed Rabigh Project.

Saudi Aramco studied various upgrade alternatives for the refinery since the company became its owner in June, 1995. These studies led to the conclusion that the best alternative to capture the synergies of the existing large crude capacity, together with significant investment in site and infrastructure, would be to expand the site into a large, fully-integrated refinery and petrochemical complex.

Agreement of the Parties

The parties have successfully negotiated a Memorandum of Understanding that sets forth the agreement between Saudi Aramco and Sumitomo regarding the key parameters of the Project, the Project configuration, and a broad range of the major technical, commercial, legal, and financial terms.

As the next step in the Project development process, the parties have agreed to undertake a comprehensive Joint Feasibility Study which will, among other things, confirm the capital and operating costs of the proposed Project. The definitive documents to implement the Project will be negotiated in parallel with the Joint Feasibility Study.

The Project

Saudi Aramco and Sumitomo have agreed to form a Joint Venture company with equal ownership. In addition to its world-class capabilities in hydrocarbon production and refining, and its decades-long collaboration with the Kingdom's petrochemicals industry, Saudi Aramco will supply the Rabigh Project with 400,000 barrels per day of crude oil, 95 million standard cubic feet per day of ethane and 10,000 to 15,000 barrels per day of butane. Sumitomo will provide its extensive and proprietary petrochemical technology and marketing base to the venture.

The initial plans for the Project include, as the centerpiece of the expanded site, a high olefins yield fluid catalytic cracker complex integrated with a world scale, ethane based cracker, producing approximately 1.3 million tons per year of ethylene, 900,000 tons per year of propylene, and 80,000 barrels per day of gasoline as well as other refined products. Petrochemical units are to be included to convert all of the olefin production to downstream products. The Project would be targeted for startup in late 2008.

The following olefin derivative units are included in the Project configuration:

- 1) Two LLDPE units, one of which will be Sumitomo's proprietary Easy Processing Polyethylene unit. The total capacity is expected to be approximately 750,000 – 900,000 tons per year;
- 2) Two polypropylene units with a total capacity of 700,000 tons per year, producing a full range of polypropylene polymers – homopolymer, block copolymer, random, and terpolymer. A polypropylene compounding unit with a capacity to be confirmed during the Joint Feasibility Study is also included;
- 3) A propylene oxide unit utilizing Sumitomo's proprietary oxidation technology or other propylene derivative units with a capacity to be confirmed during the Joint Feasibility Study; and
- 4) Other ethylene conversion units such as Mono-Ethylene Glycol (MEG) and Alfa-olefin are proposed as candidates to consume the balance of the ethylene. The selection and size of these derivative units will be confirmed during the Joint Feasibility Study.

The companies will retain a Project Management Services Contractor and other necessary advisors to proceed as quickly as possible with the execution of the Project.

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Note to editors: Additional information about Saudi Aramco or Sumitomo Chemical can be found on the following websites:

www.saudiaramco.com

www.sumitomo-chem.co.jp/english/