

LUKONNECT

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From the Director's desk

Year 2020 has arrived and we celebrate completion of 10 glorious years at LUKOIL Marine Lubricants DMCC serving the industry with the same zeal, enthusiasm and most importantly leading the way for others to follow.

Credited with several Firsts – i.e. LUKOIL NAVIGO 100 MCL, iCOLUBE (Intelligent Cylinder Oil Lubrication) and several others, LUKOIL Marine Lubricants have successfully established itself as the most trusted and technologically innovative solution provider to the industry.

LML was also the first company, to obtain a full set of permits and approvals of key OEMs in the ship engine market for oils meeting 2020 MARPOL requirements.

Company's global market share grew to 14 percent by 2019 making LUKOIL Marine Lubricants one among the four largest global players in the marine lubricants business – all this was achieved just in 10 years!



It's been a hugely eventful last decade and we've witnessed a dramatic churn in the way the auto lubes industry evolved as well.

The evolution of synthetic lubricants and the manner in which it has rapidly grown from a niche segment to a mainstream market is largely due to the evolving nature of the automobile industry.

Coupled with the arrival of hybrid technology and the gradual presence of electric cars and consumer awareness has made the challenge for conventional lubricants even stronger. We now enter an era of technological excellence – an era that LUKOIL is perfectly poised to shine in.

Driving growth over the next decade will be heavy duty vehicles as well as light passenger vehicles. An increasing

lifespan of vehicles across all categories will also sustain the lubricants industry.

At LUKOIL, we've been investing considerable resources in development of technology to meet and exceed the expectations of the new wave of automobile engines.

A manifestation of this mindset is the new generation of GENESIS, our flagship, fully synthetic range of automotive engine oils. Our partners in the region mirror our philosophy of being future-ready and first-to-market with the best the consumer expects.

Here's to a bright 2020 and a mutually rewarding year and decade ahead.

June Manoharan
Director
LUKOIL Marine Lubricants DMCC

Inside

Distributor activities from:

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UAE

LUKOIL's EXCLUSIVE UAE DISTRIBUTOR ROLLS OUT MULTI-TIERED MARKETING INITIATIVES

LUKOIL makes a splash in Ras Al Khaimah; inks partnership with RAK Motors for complete workshop exterior and interior branding



AMAZ and EVERCARE workshop, Dubai commission turnkey workshop branding



LUKOIL participated in a fun event recently, the MILAD FUN DRIVER in the UAE. An outdoor activation, the road show enabled an incisive interaction with 85 avid petrol-heads



OMAN

SBA further cements LUKOIL's presence in OMAN

SBA organizes trade partner meetings



Major fleet customers and customers from the ministry also attended the program.

With SBA's increasing network presence across the country, it is geared to position LUKOIL as the preferred brand of lubricants in every vertical - passenger cars, commercial vehicles as well as industrial.

In order to increase market penetration, facilitate market understanding and to tap future opportunities in the market, Suhail Bahwan Automobiles LLC. recently organized business partner meets for select group of LUKOIL retailers in major locations - Salalah, Sohar and Sur.



LUKOIL's digital presence is growing in leaps and bounds, thanks to a well-executed digital marketing campaign deployed by SBA in Oman.



Oman Rally



Renault teams up with LUKOIL to organize mileage rally in Oman.

Hitting the road with LUKOIL



Taking the brand to the customer in a crowded market like Oman warrants a more assertive, direct approach. SBA rolled out a nationwide road show recently by placing LUKOIL branded kiosks at strategic locations around the country - the aim was to educate and familiarize the customers with the brand and the products. The initiative has proven extremely successful and brand awareness levels have risen dramatically as a result of this activation.

OUR "SYNTHETICS" FOR RACERS

A NEW PRODUCT, LUKOIL GENESIS RACING 5W-50, HAS APPEARED IN LUKOIL'S PRODUCT LINE OF ENGINE OILS FOR PASSENGER CARS IN THE RETAIL SECTOR. THE PRODUCT'S NAME SPEAKS FOR ITSELF: POTENTIAL BUYERS ARE THE OWNERS OF SPORTS CARS, PARTICIPATING IN DIFFERENT TYPES OF MOTORSPORTS SUCH AS DRIFT, DRAG RACING, SPRINT, RALLY, ETC. PRODUCT MANAGEMENT DEPT. HEAD VLADISLAV TUGUSOV SPEAKS ABOUT THE DEMAND THE NEW PRODUCT ENJOYS IN THE RUSSIAN MARKET.



With its GENESIS product line LUKOIL aims to cover all mass segments of high performance synthetic products in the retail sector. The 5W-50 engine oil for sports cars is the last among these segments, and until recently LUKOIL wasn't featured among its suppliers. Compared to other categories of products, Russia's market for lubricants used in racing cars isn't so big. One major player holds a dominating position, while all other brands supply significantly smaller quantities.

However, demand for this type of products is rising. In the first place, these oils are widely used by the owners of customized cars. In Russia, as a rule, these are German and Japanese cars.

LUKOIL GENESIS RACING 5W-50 synthetic engine oil is fit for use in heavy duty sports cars with a turbocharger or a turbocompressor, operating in extremely difficult conditions. The product can be used in any type of engine whose producer approves the use of the 5W-50 oil.

The oil's formula has been specifically adapted to high temperature operation modes. The product composition includes Group IV (polyalphaolefins) and Group V (esters) base oils. Esters provide exceptional operational properties: low vaporability, excellent adhesion on metal surfaces, unique low temperature properties and resistance to oxidation even at extremely high temperatures.



CHAMPIONS CHOOSE LUKOIL



LUKOIL products are successfully used in sports cars of LUKOIL Racing team. For instance, GENESIS SPECIAL VN 5W-30 oil has been used for several years for maintenance of Cupra TCR (Seat's sports package) and Audi RS3 LMS cars, which have won numerous races in oval track racing championships. Apart from that, the team recently started to use GENESIS SPECIAL 0W-40 oil in the maintenance of its new car, Hyundai i30 N TCR. Another product, GENESIS SPECIAL 10W-60, is supplied for maintenance of BMW E92 Eurofighter and Nissan 200 SX cars competing in the drift class, as well as in the customized VAZ 2110 Sport car with a methanol-fuelled 1,600 horsepower Toyota engine, competing in the drag racing class. For gasoline engines For diesel engines G D Extremely high loads

KSA

DELMON signs up 3-year lubricant supply contract with QANBAR Readymix

LUKOIL distributor in KSA successfully signed up a 3-year lubricant supply contract with QANBAR Readymix, one of the largest suppliers of concrete products in KSA construction industry for more than 30 years. As per this contract LUKOIL products will be supplied exclusive to the customers existing 5 workshops located in different region of KSA. Bulk supply facility has been established at these 5 workshops of customer by Delmon with the support from LUKOIL Dubai office.



LUKOIL conducts brand Introduction seminar for QANBAR Readymix

A brand introduction seminar was conducted at QANBAR Readymix site office as part of signing 3 years lubricant supply contract. The event was attended by the administration & technical/ maintenance team of QANBAR along with delegates from LUKOIL & DELMON.

PAKISTAN

OTO KEEPS THE LUKOIL FLAG FLYING HIGH IN PAKISTAN

A picture speaks a thousand words – here's a hand-picked selection of images that showcase the results of LUKOIL's partner in Pakistan. Over the past year, OTO has managed and deployed a series of strategic brand building initiatives aimed at strengthening LUKOIL's presence across the country.

From signage programmes to workshop branding to strategically placed hoardings

and billboards, OTO certainly knows how to paint the town red.

In addition to the branding programmes, a series of trade affinity-building workshops and road shows were conducted across the country. It takes a certain kind of resolve to sustain this kind of momentum. We congratulate OTO on their initiatives.



Shamin Lubricants, Islamabad



Mughals Oil Traders, Karachi



Kohistan Workshop, Faisalabad



Trade meet, AL-Jannat Auto Hafizabad



Road show for farmers and mechanics, Qila Ahmedabad - Narowal



Umbrella road show, Gujranwala



Van branding, Hafizabad and Islamabad



LUKOIL MARINE LUBRICANTS CEMENTS REPUTATION OF INNOVATOR COMPANY

STARTING IN 2020, THE GLOBAL MARITIME SHIPPING INDUSTRY PLAYERS WILL BE OBLIGED TO FOLLOW STRICT ENVIRONMENTAL RULES MARPOL* REGULATING THE SULFUR CONTENT IN MARINE FUEL. WHY IS THIS A NEW CHALLENGE TO MARINE LUBRICANT PRODUCERS, AND HOW EXACTLY HAS LUKOIL BRACED ITSELF TO ADDRESS IT FIRST, EXPLAINS LUKOIL MARINE LUBRICANTS GENERAL DIRECTOR VIKTOR ZHURAVSKY



Viktor Zhuravsky, General Director LUKOIL Marine Lubricants

? Starting on Jan. 1, 2020, all seagoing vessels will have to use the fuel containing less than 0.5 percent of sulfur. How will this affect LUKOIL Marine Lubricants (LML) and other suppliers of marine lubricants?

Actually, there are two alternatives for shipowners in their effort to meet the new environmental requirements set by the MARPOL. The first one is to install the so-called scrubbers aboard their vessels. These are cumbersome units designed to clean exhaust gasses. Their key shortcomings are the high price, installation-related technological restrictions, and impact on ship stability. The second option is to switch to using the low-sulfur fuel (less than 0.5 percent). By the way, LUKOIL was among the first global companies that launched production of low-sulfur bunker fuel at their oil refineries.

According to our assessments, approximately a quarter of the global fleet will continue to use high-sulfur fuel, and install scrubbers. Consequently, the remaining three quarters will choose or have already chosen the new low-sulfur products.

These changes will significantly impact lubricant producers. They needed to make timely preparations, and that is exactly what we did in 2015-2017 when we started developing and testing cylinder oils specifically adapted for use of new low-sulfur fuel. That is how such products as NAVIGO MCL Ultra and NAVIGO MCL Extra appeared in the market.

In the early 2000s, the market had already featured lubricants with a similar base number. That is why a great deal of producers calmly reacted to forthcoming changes assuming that after the new restrictions take effect in 2020 they will again be able to use those products without developing anything new.

Stefan Claussen, LML Technical and Marketing Director, had foreseen the problems with 15-20 years old lubricants technology when switching to new types of fuel that were simply non-existent back in the early 2000s. Eventually, LML – as always – didn't follow the competitors' example. Our Technical Dept. thoroughly analyzed the specifics of new fuels, paying attention to the actual lack of clearly defined and understandable international standards. Ultimately, we understood the apparent necessity to develop and implement new types of

MARINE



Seatrade Maritime Awards 2019

LUKOIL Marine recently sponsored the prestigious "Shipping Company of the Year" award. The accolade was won by Oman Shipping for their outstanding achievements. June Manoharan, Director LUKOIL Marine presented the award.

oil. Later, key manufacturers of marine engines reached the same conclusion after testing the obsolete lubricants under real conditions with the new types of fuel.

Presently, LML is the only company, which has obtained a full set of permits and approvals of key OEMs in the ship engine market for oils meeting 2020 MARPOL requirements.

Besides that, LML is the only company in the market possessing two years of experience in using these oils in the zones of special emissions control: the Baltic Sea, the North Sea, along the U.S. and Canadian coasts where similar restrictions on fuel have been in effect for a long time.

? | As he did many times before, LML's technical "guru" Stefan Claussen has again identified an industry-wide problem and proposed a solution...

Indeed, Stefan is a real "guru" whose influence spreads across the entire industry. We have always understood that and completely trusted his ideas. Around 10 years ago, the falling volumes of maritime shipping and rising fuel prices forced shipowners to switch their fleets to the slow steaming operation mode. Thus they were able to make substantial savings on fuel. This obviously led to slower cargo delivery times, but was also supposed to enable market players to prevent long periods of vessel demurrage.

Meanwhile, the slow steaming itself caused a technical problem. The man who in 2010 precisely assessed the consequences of the new "economical propulsion" of ships was Stefan. "The engines are designed to operate at a power, which is close to nominal. When constantly running at slow speed, the engines don't get enough heat, and eventually get hit by cold corrosion. In order to solve this problem, oil properties need to be changed, and the oil's base number increased," he asserted. Having learned about our plans, other market players didn't take the cold corrosion threat seriously.

LML began tests on MAN and Wartsila engines in an effort to gain approvals for the new LUKOIL NAVIGO 100 MCL cylinder oil, which was developed to solve the problem. The testing was in full swing when a growing number of shipowners started reporting the same difficulties that we had been forecasting initially. Our tests took a year and a half to complete and achieved undisputed success. We were the pioneers who offered a solution to the market. This changed the market's perception of us as a company: from the youngest player we turned into an innovations and technology partner.

? | LML's other milestone project was the development in 2014 of the intelligent cylinder oil lubrication (iCOLube) system which is installed on board. What advantages did this project provide to the Company?

With the emergence of iCOLube we became the first lubricants manufacturer to produce customized equipment in addition to oils and provide integrated services. The project also provided a timely response to new challenges. In the bunkering market, numerous new players appeared, blending fuels aboard bunkering barges. At the same time, the quality of these products, and their sulfur content began to differ substantially in different ports, by different suppliers. Under such conditions, one type of cylinder oil could not efficiently perform its work. Over 24 hours of operation an engine of a large seagoing vessel releases thousands of tons of exhaust gasses, which contain hundreds of tons of carbon dioxide, 100-150 tons of water, tens of thousands of tons of nitrogen and sulfur oxides. If the sulfur content in fuel is high, it will inevitably help create hundreds of litres of sulfuric acid, which eats through everything on its path. The problem solver is a cylinder oil with an increased base number, acting as the acid neutralizer.

However, when switching to low-sulfur fuel consumers can potentially encounter an equally dangerous occurrence – alkaline corrosion.

In other words, to ensure normal operation one ought to have available on board different types of oil at all times. These oils should be adaptable to different modes of engine operation and different types of fuel. We recognized the creation of an iCOLube (intelligent Cylinder Oil lubrication) unit as the solution. The unit was designed to regulate the base number during the engine's operation.

Thanks to iCOLube, shipowners provide optimum operational conditions, substantially reduce their spending on lubricants and help preserve the environment. Having said this, we do not intend to earn money on iCOLube, since the unit itself is the most efficient tool for promotion of our marine lubricants and supporting customer loyalty to the LUKOIL brand.

? | Is the growth of LML's share in the marine lubricants market in 2019 related to the promotion of NAVIGO MCL Ultra and Extra products that hold a lot of promise?

Indeed, in 2017-2019 the Company's share in the global market grew from 12 percent to 14 percent. We are among the four largest global players in the marine lubricants business. However, under current economic conditions growth is not a goal in itself. The Company is focused on sustaining and developing a high quality portfolio of clients. Growth at any rate undermines our own opportunities for making gradual progress, for investing in R&D and reduces the Company's capability to respond to numerous challenges posed by the modern world. The size of the global market of marine lubricants continues to shrink. The reasons behind the drop include new technologies, environmental requirements, sanctions and trade wars. Despite that, we are optimistic about the future.

Maritime transport accounts for about 90 percent of global cargo shipping! This is the most efficient and cheapest mode of cargo delivery. It has no matching alternative, which is unlikely to appear in the foreseeable future.

³International Convention for the Prevention of Pollution from Ships (MARPOL – abbreviated from maritime pollution)