

RABIGH REFINING AND PETROCHEMICAL COMPANY
(Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**
For the three-month period ended
31 March 2009



KPMG Al Fozan & Al Sadhan

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**REVIEW REPORT ON
THE INTERIM CONDENSED FINANCIAL STATEMENTS**

The Shareholders
Rabigh Refining & Petrochemical Company
Rabigh, Saudi Arabia

We have reviewed the accompanying interim balance sheet of Rabigh Refining & Petrochemical Company (the Company) as at 31 March 2009 and the related interim statements of income and cash flows for the three-month period then ended and the attached condensed notes from 1 to 15 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

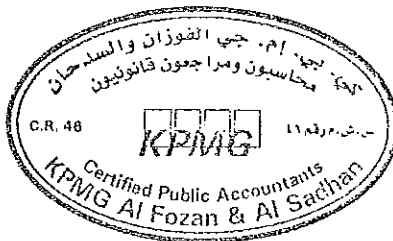
We conducted our review in accordance with auditing standard on interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A review is limited primarily to analytical procedures applied to financial data and inquiries of Company personnel responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company.

For KPMG Al Fozan & Al Sadhan:

Tareq Abdulrahman Al Sadhan
License No. 352

Jeddah, April 21, 2009G
Corresponding to Rabi-II 25, 1430H



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RABIGH REFINING AND PETROCHEMICAL COMPANY
(Saudi Joint Stock Company)

INTERIM BALANCE SHEET
As at 31 March 2009
(Expressed in Saudi Riyals '000')

	<u>Note</u>	31 March 2009 (Unaudited)	31 March 2008 (Unaudited)
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents		1,074,219	2,247,192
Trade Receivables		2,840,664	--
Inventories		1,363,636	--
Advances to suppliers		52,420	263,172
Prepayments and other current assets		109,379	102,325
Total current assets		5,440,318	2,612,689
Non-current assets			
Property, plant and equipment	4	1,465,487	260,827
Leased Assets	5	6,463,304	--
Construction in progress	6	32,428,649	26,633,282
Long term investment	7	3,296,500	2,720,768
Total non-current assets		43,653,940	29,614,877
Total assets		49,094,258	32,227,566
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Accounts payable	8	6,171,079	1,094,035
Accrued expenses and other current liabilities		563,202	687,027
Zakat and income tax		--	3,451
Current portion of finance lease obligation		132,378	--
Total current liabilities		6,866,659	1,784,513
Non-current liabilities:			
Long-term loans	9	21,900,000	20,006,250
Loan from founding shareholders	10	4,575,000	--
Finance lease obligations		6,506,464	--
Provision for deferred employee service awards		7,350	1,050
Employees' termination benefits		3,634	1,231
Total non-current liabilities		32,992,448	20,008,531
Total liabilities		39,859,107	21,793,044
<u>SHAREHOLDERS' EQUITY</u>			
Share capital	11	8,760,000	8,760,000
Statutory reserve		2,409,000	2,409,000
Employee Share Ownership Plan		(31,500)	(31,500)
Accumulated losses		(1,902,349)	(702,978)
Total shareholders' equity		9,235,151	10,434,522
Total liabilities and shareholders' equity		49,094,258	32,227,566

The accompanying notes 1 to 15 form
an integral part of these financial statements.

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RABIGH REFINING AND PETROCHEMICAL COMPANY
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INTERIM STATEMENT OF INCOME
For the three-month period ended 31 March 2009
(Expressed in Saudi Riyals '000')

	31 March 2009 (Unaudited)	31 March 2008 (Unaudited)
Revenue – Refines	5,629,223	--
Cost of sales – Refines	<u>(5,522,186)</u>	<u>--</u>
Gross profit	107,037	--
General and administrative expenses	<u>(145,936)</u>	<u>(110,594)</u>
Net operating (loss)	(38,899)	(110,594)
Interest and other income	8,736	28,061
Foreign currency gain	<u>1,473</u>	<u>422</u>
Net (loss) before zakat and income tax	<u>(28,690)</u>	<u>(82,111)</u>
Loss per share (see Note 13)	<u>(0.03)</u>	<u>(0.10)</u>

The accompanying notes 1 to 15 form
an integral part of these financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS
For the three-month period ended 31 March 2009
(Expressed in Saudi Riyals '000')

	31 March 2009 (Unaudited)	31 March 2008 (Unaudited)
Cash flows from operating activities:		
Net loss for the period	(28,690)	(82,111)
Depreciation	164,132	--
Provision for deferred employee service awards	1,575	1,050
Provision for employees' termination benefits	33	1,231
Changes in operating assets and liabilities:		
Trade receivables	(492,172)	--
Inventories	(389,528)	--
Advances to suppliers	37,829	157,707
Prepayments and other current assets	18,009	(12,069)
Accounts payable	(500,975)	(24,791)
Accrued expenses and other liabilities	134,807	241,581
Lease liabilities – current portion	1,851	--
Total adjustments	(1,053,129)	282,598
Employee termination benefits – paid	(15)	--
Net cash (used in)/provided by operating activities	(1,053,144)	282,598
Cash flows from investing activities:		
Property, plant and equipment	(4,369)	(260,827)
Construction in progress	(1,000,164)	(2,820,607)
Leased Assets	334	--
Long term investment	54,641	(269,926)
Net cash used in investing activities	(949,558)	(3,351,360)
Cash flows from financing activities:		
Proceeds from issue of share capital (net)	--	4,567,500
Long-term loans	--	562,500
Loan from founding shareholders	1,575,000	--
Finance lease obligations	(32,168)	--
Net cash provided by financing activities	1,542,832	5,130,000
Net (decrease) / increase in cash and cash equivalents	(459,870)	2,061,238
Cash and cash equivalents at beginning of the period	1,534,089	185,954
Cash and cash equivalents at end of the period	1,074,219	2,247,192

The accompanying notes 1 to 15 form
an integral part of these financial statements.

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RABIGH REFINING AND PETROCHEMICAL COMPANY
(Saudi Joint Stock Company)

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month period ended 31 March 2009
(Expressed in Saudi Riyals '000')

1. GENERAL

- 1.1 Rabigh Refining and Petrochemical Company ("the Company" or "PetroRabigh") is a company registered in Saudi Arabia under Commercial Registration No. 4602002161 issued from Ministry of Commerce, Jeddah, on 15-08-1426H (19 September 2005). The founding shareholders of the Company agreed on 28-03-1428H (corresponding to 16 April 2007) to change the legal status of the Company from Limited Liability Company to a Joint Stock Company with an increased share capital of SR 6,570 million under the revised Commercial Registration issued by the Ministry of Commerce, Riyadh with effective date of 22-10-1428H (03 November 2007).
- 1.2 The Company launched an Initial Public Offering of 219 million shares, equivalent to 25% of its post-issue enlarged capital, at SR 21 per share from 5 to 12 January 2008 ("the IPO") based on approval of application for admission of the shares to the Official List by the Capital Market Authority. The net proceeds from the IPO after deducting the offering expenses will be used by the Company to finance its operation. Following the successful IPO, the total authorized capital was increased from 657 million to 876 million shares at a par value of SR 10 per share under the revised Commercial Registration issued by the Ministry of Commerce, Riyadh with effective date of 14-01-1429H (23 January 2008).
- 1.3 The objects for which the Company is formed are the development, construction and operation of an integrated petroleum refining and petrochemical complex, including the manufacturing of refined petroleum products, petrochemical products and other hydrocarbon products.
- 1.4 These interim condensed financial statements are presented for the three-month period from 1 January to 31 March 2009, with comparatives for the same three-month period in 2008. The Company has been in the plant construction and pre-operational phase throughout the year except the operations of Refined products which started effective 1 October 2008.
- 1.5 The Company's registered office is located at the following address:
- Rabigh Refining and Petrochemical Co.
P.O. Box 666 Rabigh 21911
Kingdom of Saudi Arabia

RABIGH REFINING AND PETROCHEMICAL COMPANY
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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month period ended 31 March 2009
(Expressed in Saudi Riyals '000')

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

The interim financial statements were authorized for issue by the Board of Directors on 21 April 2009.

(b) Basis of measurement

These interim financial statements have been prepared under the historical cost convention using the accrual basis of accounting and the going concern concept.

The accompanying interim condensed financial statements include all adjustments comprising mainly of normal recurring accruals considered necessary by the Company's management to present a fair statement of financial position, results of operations and cash flows. These interim condensed financial statements should be read in conjunction with the annual audited financial statements of the Company for the year ended 31 December 2008.

(c) Functional and presentation currency

The functional currency of the Company has been determined by management to be the US Dollar. However, these financial statements are presented in Saudi Riyals (SR) in accordance with the SOCPA standards. All financial information presented in SR has been rounded to the nearest thousand, except where indicated.

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-month period ended 31 March 2009
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2. BASIS OF PREPARATION (continued)

Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements mainly comprise the Leased Assets (see Note 5) and Employee Share Ownership Plan (see Note 12).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements. Significant accounting policies adopted by the Company are summarized as follows:

(a) Trade receivables

Trade receivables are carried at original amounts less provision made for doubtful accounts. A provision for doubtful accounts is established when there is a significant doubt that the Company will be able to collect all amounts due according to the original terms of agreement.

(b) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in process, cost includes an appropriate share of production overheads based on normal operating capacity.

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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(c) Long-term investment

Long-term investment is recorded at cost.

(d) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition or construction of each asset. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the Statement of Income when incurred.

Depreciation is calculated on a straight-line basis to write off the cost of these assets over their estimated useful lives, which are as follows:

	<u>Years</u>
Buildings, roads and infrastructure	8 - 25
Plant, machinery and operating equipment	6 - 25
Motor and construction equipment	5 - 20
Furniture and IT equipment	3 - 14

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Leased assets

The Company accounts for tangible assets obtained under finance lease arrangements, including some "build-operate-transfer" contracts; by capitalizing the assets and the related liability (lease obligations). The amounts to be capitalized are determined on the basis of the lower of fair value of assets at the inception of the lease and the discounted value of minimum lease payments. Finance charges are allocated to each accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Leased assets are amortized over the shorter of the lease term and their estimated useful lives.

Payments under operating leases are recognized in the Statement of Income on a straight-line basis over the lease term.

(f) Construction in progress

Construction in progress represents expenses incurred for the development, construction and preparation of the Company's integrated petroleum refining and petrochemical complex. All the costs which are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management, including interest on borrowings obtained to finance construction of the plant, are charged to construction in progress.

(g) Employees' termination benefits

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to the Statement of Income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

(h) Revenue recognition

Revenue from sale of products is recognized upon delivery or shipment of products.
Revenue from services (port charges) is recognized when services are rendered.

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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Employee share ownership plan

The employee service cost of share options granted to employees under the employee share ownership plan (ESOP) is measured by reference to the fair value of the Company's shares on the date on which the options are granted. This cost is recognized as an employee expense, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of shares that will ultimately vest. The Statement of Income charge for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Shares purchased in the IPO by the bank acting as trustee for the ESOP are carried at cost as a deduction from shareholders' equity until the options vest and the underlying shares are transferred to the employee.

On the vesting date of an individual option, the difference between the employee service cost and the purchase cost of the shares is taken directly to retained earnings as an equity adjustment.

(j) Foreign currency translation

Transactions denominated in foreign currencies are translated to the functional currency of the Company (US Dollars) at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognized in the Statement of Income.

For the purposes of preparation of the financial statements, the Company restates all financial information from US Dollars to Saudi Riyals using a fixed exchange rate of SR 3.75 / US\$ 1.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Zakat and Income Tax

Zakat and income tax are computed in accordance with Saudi Arabian fiscal regulations, are accrued and charged to retained earnings.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less.

4. PROPERTY, PLANT AND EQUIPMENT - NET

	31 March 2009 (Unaudited)	31 March 2008 (Unaudited)
Buildings, roads and infrastructure	413,474	86,121
Plant, machinery and operating equipment	972,388	174,706
Motor and construction equipment	46,392	--
Furniture & IT equipment	33,233	--
	<u>1,465,487</u>	<u>260,827</u>

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5. LEASED ASSETS

Leased assets at March 31 acquired under finance lease terms and detailed as under:

	31 March 2009 (Unaudited)	31 March 2008 (Unaudited)
Desalination and power plants	6,180,762	--
Marine terminal facilities	<u>282,542</u>	<u>--</u>
	<u>6,463,304</u>	<u>--</u>

6. CONSTRUCTION IN PROGRESS

Construction in progress at March 31 is detailed as under:

	31 March 2009 (Unaudited)	31 March 2008 (Unaudited)
Plants	26,162,754	22,183,421
Utilities	4,516,039	3,396,430
Interest on borrowings	<u>1,749,856</u>	<u>1,053,431</u>
	<u>32,428,649</u>	<u>26,633,282</u>

The Company expects to complete the plant construction within the second Quarter of 2009 within the revised budgeted total cost of SR 34 billion.

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7. LONG TERM INVESTMENT

	31 March 2009 (Unaudited)	31 March 2008 (Unaudited)
Investment in RAWEC:		
- Equity participation	8,556	425
- Subordinated loans	49	8,231
- Long term loans	<u>3,287,895</u>	<u>2,712,112</u>
	<u>3,296,500</u>	<u>2,720,768</u>

The Company has a 1% equity stake in Rabigh Arabian Water and Electric Company ("RAWEC") based on Shareholders' Agreement and Equity Support Agreement. In addition, the Company provided loan finance under a Facilities Agreement. The long term loan amount is being amortized through monthly settlements from RAWEC.

8. ACCOUNTS PAYABLE

	31 March 2009 (Unaudited)	31 March 2008 (Unaudited)
Trade accounts payable:		
- to related parties	5,765,677	26,623
- to third parties	<u>305,993</u>	<u>883,010</u>
	6,071,670	909,633
Other payables to related parties	<u>99,409</u>	<u>184,402</u>
	<u>6,171,079</u>	<u>1,094,035</u>

The above balances result principally from the crude oil feedstock supply agreement with Saudi Aramco and payments made by the two Founding Shareholders on behalf of the Company in respect of seconded employees and other charges.

RABIGH REFINING AND PETROCHEMICAL COMPANY
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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

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9. LONG TERM LOANS

The Company has entered into loan facility agreements, secured through guarantees of the Founding Shareholders, with various commercial banks and financial institutions in order to finance approximately 60% of the estimated costs of the Rabigh Development Project. The financing agreements include certain covenants, which, among other things, require certain financial ratios to be maintained.

The total facilities available under these term loan agreements of SR 21.9 billion were drawn down in full by 31 December 2008. Repayments under the loan facilities are expected to commence in 2010 and will run up to 2021.

10. LOANS FROM FOUNDING SHAREHOLDERS

	31 March 2009 (Unaudited)	31 March 2008 (Unaudited)
Saudi Arabian Oil Company	2,287,500	--
Sumitomo Chemical Co.	<u>2,287,500</u>	<u>--</u>
	<u>4,575,000</u>	<u>--</u>

Loans from the Founding Shareholders are availed of as part of the existing credit facility for the development, design, construction and operation of the project. Further amounts of SR 787.5 million were drawn down from each Founding Shareholder during the quarter to 31 March 2009. Repayment of the principal and the accrued commission to the Founding Shareholders shall be made in 2010 when the first repayment to the commercial banks and financial institutions' has been made as referred to in Note 9.

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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2009
(Expressed in Saudi Riyals '000')

11. SHARE CAPITAL AND STATUTORY RESERVE

The Company's share capital of SR 8.76 billion at 31 March 2009 (2008: SR 8.76 billion) consists of 876 million fully paid and issued shares of SR 10 each (2008: 876 million shares of SR 10 each).

The net proceeds from the issuance of new shares during the IPO in January 2008 resulted in a share premium of SR 2,409 million, which has been transferred to Statutory Reserve in accordance with the Company's Articles of Association.

12. EMPLOYEE SHARE OWNERSHIP PLAN

The Board of Directors has approved the implementation and operation of an Employee Share Ownership Plan ("ESOP"), which provides 5-year service awards to certain levels of staff.

To implement this, the Company arranged for a commercial bank to subscribe for 1.5 million shares during the IPO at the offer price of SR 21 per share. These "ESOP shares" are held by the bank in trust for the staff that will become eligible for an award under the plan. Any of the ESOP shares that do not become issuable to eligible employees will be dealt with by the bank in accordance with Company's instructions, and any disposal proceeds will be for the account of the Company.

Until these ESOP shares become vested and are transferred to the staff member, they are accounted for as a deduction from shareholders' equity

13. LOSS PER SHARE

Loss per share for the three-month period ended March 31, 2009 is computed by dividing the net loss for such period by the weighted-average number of ordinary shares outstanding during the period ended of 876 million shares (2008: 820 million shares).

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14. CONTINGENCIES AND COMMITMENTS

The Company has the following commitment as at the period ended 31 March 2009.

	31 March <u>2009</u> (Unaudited)	31 March <u>2008</u> (Unaudited)
Letter of Guarantee	<u>104,775</u>	<u>104,775</u>

15. ZAKAT AND INCOME TAX

Status of assessments

Following its review of the Company's Zakat declaration for 2006, the DZIT issued a Zakat assessment on 4 December 2007 amounting to approximately SR 25 million. The Company is not in agreement with the DZIT assessment, and filed a preliminary objection with the DZIT on 2 February 2008. In response to the Company's objection, the DZIT had requested additional documents to enable them to reconsider their assessment. The Company has provided the DZIT with the additional information

However, the DZIT has now requested further information in relation to the 2006 tax year in addition to a request pertaining to the 2007 tax year. The Company is in the process of preparing a response to the outstanding DZIT requests detailed above.

Management believes its position regarding the DZIT adjustments to be robust in the area of interpretation, and that it is too soon to be able to estimate a probable settlement amount. Any settlement amount eventually agreed with DZIT will not impact upon the future earnings of the Company, as it will be recoverable from a Founding Shareholder - Saudi Arabian Oil Company.