

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**
For the three-month period ended
31 March 2012



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REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Shareholders,
Rabigh Refining and Petrochemical Company,
Rabigh, Kingdom of Saudi Arabia.

Scope of Review

We have reviewed the accompanying interim balance sheet of Rabigh Refining & Petrochemical Company (the Company) as at 31 March 2012, the related interim statements of income, cash flows and changes in shareholders' equity for the three-month period then ended and the attached condensed notes from 1 to 12 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 the Auditing Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons 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.

Conclusion

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.

For KPMG Al Fozan & Al Sadhan

Ebrahim Oboud Baeshen
License No. 382



Jeddah, Jumada Al-awwal 24, 1433H
Corresponding to April 16, 2012

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)

INTERIM BALANCE SHEET (UNAUDITED)

As at 31 March 2012

(Expressed in Saudi Arabian Riyals '000)

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents		2,648,390	3,405,672
Trade receivables		9,416,435	8,641,102
Inventories		3,858,297	3,715,022
Current portion of long-term loan	4	177,489	160,719
Prepayments and other current assets		313,869	329,676
Total current assets		16,414,480	16,252,191
Non-current assets			
Property, plant and equipment		29,700,186	31,011,483
Leased assets		331,933	351,285
Intangible assets		304,187	287,621
Investment	4	8,556	8,556
Term loans	4	2,684,943	2,856,701
Total non-current assets		33,029,805	34,515,646
Total assets		49,444,285	50,767,837
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Current liabilities			
Current portion of finance lease obligations		10,593	9,844
Current portion of long-term loans	5	1,606,433	1,278,496
Trade and other payables		14,735,833	14,155,451
Accrued Zakat		14,367	111,434
Accrued expenses and other current liabilities		863,874	910,960
Total current liabilities		17,231,100	16,466,185
Non-current liabilities			
Long-term loans	5	19,015,070	20,621,504
Loan from Founding Shareholders	5	4,575,000	4,575,000
Finance lease obligations		357,750	368,342
Provision for deferred employee service		25,373	19,918
Employees' end of service benefits		38,420	23,464
Total non-current liabilities		24,011,613	25,608,228
Total liabilities		41,242,713	42,074,413
Shareholders' equity			
Share capital	6	8,760,000	8,760,000
Statutory reserve	6	2,436,458	2,429,869
Employee Share Ownership Plan		(31,936)	(31,450)
Accumulated losses		(2,962,950)	(2,464,995)
Total shareholders' equity		8,201,572	8,693,424
Total liabilities and shareholders' equity		49,444,285	50,767,837

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME (UNAUDITED)

For the three-month period ended 31 March 2012

(Expressed in Saudi Arabian Riyals '000)

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
Sales		15,998,123	15,053,323
Cost of sales		<u>(15,616,673)</u>	<u>(14,114,174)</u>
Gross profit		381,450	939,149
General and administrative expenses		(209,792)	(203,849)
Marketing and selling expenses		<u>(20,268)</u>	<u>(25,734)</u>
Total expenses		<u>(230,060)</u>	<u>(229,583)</u>
Operating income		151,390	709,566
Interest and other income		56,935	61,524
Financial charges		<u>(92,480)</u>	<u>(72,618)</u>
Net income for the period		<u>115,845</u>	<u>698,472</u>
Earnings per share	8	<u>0.13</u>	<u>0.80</u>

The accompanying notes 1 to 12 form an integral part
of these interim condensed financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the three-month period ended 31 March 2012

(Expressed in Saudi Arabian Riyals '000)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Net income for the period	115,845	698,472
<i>Adjustment to reconcile net income to net cash (used in) from operating activities</i>		
Allowance for doubtful debts	14,205	--
Depreciation	529,492	496,396
Amortization	13,715	10,166
Provision for deferred employee service awards and Employees Share Ownership Plan	1,603	1,572
Provision for employees end of service benefits	7,679	13,754
	<u>682,539</u>	<u>1,220,360</u>
Changes in operating assets and liabilities		
Increase in trade receivables	(370,791)	(2,188,717)
Decrease (increase) in inventories	171,246	(888,601)
Increase in prepayments and other current assets	(22,130)	(103,308)
(Decrease) increase in trade and other payables	(653,647)	2,621,379
Increase in accrued Zakat	--	37,111
Increase in accrued expenses and other current liabilities	137,196	143,301
	<u>(55,587)</u>	<u>841,525</u>
Employees end of service benefits paid	(1,220)	(1,125)
Net cash (used in) from operating activities	<u>(56,807)</u>	<u>840,400</u>
Cash flows from investing activities		
Additions to property, plant and equipment	(40,193)	(19,610)
Net movement in loans balances	37,648	38,523
Net cash (used in) from investing activities	<u>(2,545)</u>	<u>18,913</u>
Cash flows from financing activities		
Repayment of finance lease obligations	(2,540)	(2,127)
Net (decrease) increase in cash and cash equivalents	(61,892)	857,186
Cash and cash equivalents at 1 January	<u>2,710,282</u>	<u>2,548,486</u>
Cash and cash equivalents at 31 March	<u>2,648,390</u>	<u>3,405,672</u>

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
For the three-month period ended 31 March 2012
(Expressed in Saudi Arabian Riyals '000)

	Share capital	Statutory reserve	Employee Share Ownership Plan	Accumulated losses	Total
Balance at 1 January 2012	8,760,000	2,436,458	(31,965)	(3,078,795)	8,085,698
Vesting of shares under ESOP	--	--	29	--	29
Net income for the period	--	--	--	115,845	115,845
Balance at 31 March 2012	8,760,000	2,436,458	(31,936)	(2,962,950)	8,201,572
Balance at 1 January 2011	8,760,000	2,429,869	(31,450)	(3,148,622)	8,009,797
Net income for the period	--	--	--	698,472	698,472
Zakat charge for the period	--	--	--	(37,111)	(37,111)
Zakat reimbursable from shareholders	--	--	--	22,266	22,266
Balance at 31 March 2011	8,760,000	2,429,869	(31,450)	(2,464,995)	8,693,424

The accompanying notes 1 to 12 form an integral part of these interim condensed financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

31 March 2012

(Expressed in Saudi Arabian Riyals '000)

1. REPORTING ENTITY AND OPERATIONS

Rabigh Refining and Petrochemical Company ("the Company" or "PetroRabigh") is a company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4602002161 issued from the Ministry of Commerce, Jeddah, on 15 Shaaban 1426H (corresponding to 19 September 2005). The Founding Shareholders of the Company resolved on 28 Rabi Al Awal 1428H (corresponding to 16 April 2007) to change the legal status of the Company from a Limited Liability Company to a Joint Stock Company with an increased share capital of SR 6,570 million registered under the revised Commercial Registration issued by the Ministry of Commerce, Riyadh with effective date of 22 Shawal 1428H (corresponding to 3 November 2007).

The Company launched an Initial Public Offering (IPO) of 219 million shares, equivalent to 25% of its post-issue enlarged capital, at SR 21 per share from 5 to 12 January 2008, on approval of application for admission of the shares to the official list by the Capital Market Authority. Following the 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 Muharram 1429H (corresponding to 23 January 2008).

The Company is engaged in 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.

The Company commenced its refined and petrochemical products operation effective 1 October 2008 and 1 July 2009 respectively.

The Company's registered office is located at the following address:

Rabigh Refining and Petrochemical Company
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 (UNAUDITED)

31 March 2012

(Expressed in Saudi Arabian Riyals '000)

2. BASIS OF PREPARATION

Statement of compliance

These interim condensed financial statements have been prepared in accordance with the Standard for Interim Financial Information issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis of measurement

These interim condensed financial statements have been prepared under the historical cost convention except for available for sale investment which is stated at fair value, 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 balance sheet, results of operations and cash flows. These interim condensed financial statements for the three-month period ended 31 March 2012 ('the period') should be read in conjunction with the Company's audited financial statements as at and for the year ended 31 December 2011.

The Company follows a fiscal year ending 31 December.

Functional and presentation currency

The functional currency of the Company has been determined by the management as the United States Dollars (US Dollars). However, these interim condensed financial statements are presented in Saudi Arabian Riyals (SR). All financial information presented in SR has been rounded to the nearest thousands, except where indicated.

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, incomes 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. Actual results may differ from these estimates.

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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

31 March 2012

(Expressed in Saudi Arabian Riyals '000)

2. BASIS OF PREPARATION (continued)

Use of estimates and judgments (continued)

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.

The key areas requiring significant management judgments and estimates are as follows:

Impairment of accounts receivable

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due.

Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognized in the statement of income. The recoverable amount is the higher of an asset's net selling price and the value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

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31 March 2012

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2. BASIS OF PREPARATION (continued)

Impairment of available for sale investments

The Company exercises judgement to consider the impairment of available for sale investments as well as their underlying assets. This includes the assessment of objective evidence which causes other than temporary decline in the value of investments. Any significant and prolonged decline in the fair value of the equity investment below its cost is considered as objective evidence for the impairment. The determination of what is 'significant' and 'prolonged' requires judgement. The Company also considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Impairment of non-financial assets

The Company assesses, at each reporting date or more frequently if events or changes in circumstances indicate, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost to sell, and its value in use, and is determined for the individual asset, unless the asset does not generate cash inflows which are largely independent from other assets or groups. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate source is used, such as observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets exist, it is based on discounted future cash flow calculations.

RABIGH REFINING AND PETROCHEMICAL COMPANY
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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

31 March 2012

(Expressed in Saudi Arabian Riyals '000)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used for the preparation of the annual financial statements of the Company as at and for the year ended 31 December 2011 and are summarized below. Certain comparative amounts have been reclassified wherever necessary to facilitate comparison.

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.

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.

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 finished goods and work in process, cost includes an appropriate share of production overheads based on normal operating capacity.

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

RABIGH REFINING AND PETROCHEMICAL COMPANY
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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

31 March 2012

(Expressed in Saudi Arabian Riyals '000)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. 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.

Expenditure incurred on testing and inspection are capitalized as part of the respective items of property, plant and equipment and amortized over the period of four years.

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

	<u>Years</u>
Buildings and infrastructure	8 – 25
Plant, machinery and operating equipment	6 – 23
Vehicles and related equipment	3 – 6
Furniture and IT equipment	3 – 14

Capital projects in progress are stated at cost.

RABIGH REFINING AND PETROCHEMICAL COMPANY
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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

31 March 2012

(Expressed in Saudi Arabian Riyals '000)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leased assets

Leases for which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, leased assets are depreciated over the shorter of the lease term and their following estimated useful lives:

	<u>Years</u>
Desalination and power plant	17
Marine terminal facilities	30
Medical equipment	3

Other leases classified as operating leases are not recognized in the balance sheet.

Lease payments

Minimum lease payments made under the finance leases are apportioned between the finance expense and the reduction of outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made under operating leases are recognized in statement of income on a straight line basis over the term of the lease.

RABIGH REFINING AND PETROCHEMICAL COMPANY
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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

31 March 2012

(Expressed in Saudi Arabian Riyals '000)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets are non-monetary assets which have no physical existence but are independently identifiable and capable of production or supply of future economic benefits and the Company has earned the right due to events which have occurred in the past. They are acquired for cash and measured at the purchase price and all other directly attributable costs. Intangible assets are stated at cost less accumulated amortization and impairment loss, if any.

Amortization is recognized in the statement of income on a straight line basis over the estimated period of benefits associated with intangible assets, from the date that they are available for use.

The estimated period of benefits associated with intangible assets are as follows:

	<u>Years</u>
Software	5
Licenses	15 - 22.5

Investment

The Company has an investment in equity securities which is not for trading purposes and the Company does not have significant influence or control and accordingly is classified as available for sale. The investment is initially recognized at cost, being the fair value of the consideration given including associated acquisition charges.

Subsequent to initial recognition, it is measured at fair value and net unrealized gains or losses other than impairment losses, are recognized in the shareholders' equity. In case fair value of equity securities is not readily available, the cost is taken as reliable basis for subsequent measurement of fair value of securities.

Impairment losses are recognised through the statement of income. Impairment is not reversed through the statement of income and subsequent gains are recognized in shareholders' equity.

Trade and other payables

Liabilities are recognised for amounts to be paid for goods or services received, whether billed by the supplier or not.

RABIGH REFINING AND PETROCHEMICAL COMPANY
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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

31 March 2012

(Expressed in Saudi Arabian Riyals '000)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognized if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

Zakat and income tax

Zakat and income tax are provided for in accordance with Saudi Arabian fiscal regulations. Zakat is debited to the Saudi founding shareholders and the general public, while income tax is debited to the foreign founding shareholders' equity account.

Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is usually based upon the employee's length of service and the completion of a minimum service period. Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the balance sheet date. The charge for the period is transferred to the statement of income on an actual basis.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Share Ownership Plan (continued)

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.

Revenue recognition

Revenue from sale of products is recognized upon delivery or shipment of products.

Revenue from port services is recognized when services are rendered.

Expenses

Selling and marketing expenses are those arising from the Company's efforts underlying the marketing, selling and distribution functions. All other expenses, excluding direct costs and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of sales and selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

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 purpose of preparation of these financial statements in Saudi Riyals, the Company uses the conversion rate from US Dollars to Saudi Arabian Riyals at a fixed exchange rate of SR 3.75 / US Dollar 1.

Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

RABIGH REFINING AND PETROCHEMICAL COMPANY
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4. INVESTMENT AND TERM LOANS BALANCES

	<u>2012</u>	<u>2011</u>
Long-term investment (RAWEC)	<u>8,556</u>	<u>8,556</u>
Long-term loan:		
Current portion (RAWEC) (Note 4.2)	<u>177,489</u>	<u>160,719</u>
Non-current portion		
RAWEC loan facilities (Note 4.2)	2,679,212	2,856,701
Loans to employees (Note 4.3)	<u>5,731</u>	<u>--</u>
	<u>2,684,943</u>	<u>2,856,701</u>
	<u>2,862,432</u>	<u>3,017,420</u>

- 4.1 The Company has entered into various agreements namely Water and Energy Conversion Agreement (WECA), Facility Agreement and RAWEC Shareholders' Agreement (the agreements) with Rabigh Arabian Water and Electricity Company (RAWEC), a Saudi limited liability company (the Contractor) and other developers, to develop a plant, on build, own, operate and transfer basis, that will utilise fuel oil, steam condensate and sea water to produce desalinated water, steam and electric power, to be supplied to the Company under WECA dated 7 August, 2005 as amended subsequently on 30 October 2011. Through these agreements, the Company provided a portion of project finance through drawdowns over the construction period of the project. The project achieved commercial closing date on 1 June 2008. The Company also hold 1% shares in the capital of RAWEC.
- 4.2 The Company has also provided a loan under a Facilities Agreement in the total amount of SR 3.9 billion which carries interest at 5.765% per annum and is being settled through offsetting of monthly utilities related payments to RAWEC from 30 June 2008 to 30 November 2023. The loan is secured by a charge over all the assets of the RAWEC.
- 4.3 The Company has launched an Employee Home Ownership Program which is offered to eligible Saudi employees to provide free home loans. The cost of the land is advanced to employees free of cost as long as the employee serves the Company for a minimum period of five (5) years while the construction cost of the house is amortized and repayable only at 90% of the loan to the Company over a period of seventeen (17) years free of interest. Ownership of the housing unit is transferred to the employee upon full payment of the amounts due.

RABIGH REFINING AND PETROCHEMICAL COMPANY
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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

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5. LONG-TERM BORROWINGS

5.1 Loans from banks and financial institution

The Company has entered in a Consortium Loan Agreement with various commercial banks and financial institutions for development, design, construction and operation of Rabigh development project. The facilities available under the loan agreement have been utilized in full and drawdowns made which finished in 1 July 2008.

Bi-annual repayments commenced from June 2011 till the year of maturity, as mentioned above. The consortium loan agreement include financial and operational covenants, which among other things, require certain financial ratios to be maintained.

The loan is secured by following:

- Cash and cash equivalents with a carrying value of SR 2,648 million;
- Property, plant and equipment with a carrying value of SR 29,700 million; and
- Guarantees from the Founding Shareholders.

Repayments under the loan facilities commenced from June, 2011 and will run up to 2021. The loan facilities are classified in the balance sheet as follows:

	<u>2012</u>	<u>2011</u>
Current portion	1,606,433	1,278,496
Non-current portion	<u>19,015,070</u>	<u>20,621,504</u>
	<u>20,621,503</u>	<u>21,900,000</u>

5.2 Loan from founding shareholders

Saudi Arabian Oil Company	2,287,500	2,287,500
Sumitomo Chemical Company	<u>2,287,500</u>	<u>2,287,500</u>
	<u>4,575,000</u>	<u>4,575,000</u>

Loans from the founding shareholders are availed as part of the Credit Facility Agreement. Repayment shall be made on demand, but not before the first repayment made as per the Consortium Loan Agreement and considering financial completion date. The loan is secured by promissory note issued by the Company in favour of each shareholder equivalent to drawdowns.

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6. SHARE CAPITAL AND STATUTORY RESERVE

The Company's share capital of SR 8.76 billion at 31 March 2012 (31 March 2011: SR 8.76 billion) consists of 876 million fully paid and issued shares of SR 10 each (31 March 2011: 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. Further in accordance with the Company's Articles of Association and the Regulation for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer each year at least 10% of its net income to statutory reserve until such reserve equal 50 % of its share capital. This reserve is not available for distribution.

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7. ZAKAT AND INCOME TAX

Charge for the period

Zakat charge for the period ended 31 March 2012 amounts to Nil (31 March 2011: SR 37.1 million). In view of the adjusted tax losses relating to foreign shareholders, no income tax has been accrued for the period.

Status of assessments

Following its review of the Company's Zakat declaration for 2006, the Department of Zakat and Income Tax (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 requested additional documents to enable them to reconsider their assessment. The Company provided the DZIT with the additional information.

However, the DZIT requested further information in relation to the 2006 financial year in addition to a request pertaining to the 2007 financial year. The Company provided the DZIT with this additional information. On 23 May 2010, the Company received a revised assessment from DZIT for the period 2006 increasing the amount to SR 32 million and new assessment for the year 2008 amounting to SR 2 million. The Company has filed an objection position paper and supporting documents regarding the assessment on 14 July 2010. The DZIT has also requested further additional information including supporting documentation for the years 2006 to 2008.

In response to the objections submitted, the DZIT has issued an amended assessment dated February 22, 2012, for 2006 to 2008 financial years by reducing a marginal Zakat liability in 2008 financial year only. The company is not in agreement with the amended assessment and considering to request the DZIT to transfer the assessments to Preliminary Appeal Committee. Management believes its position regarding the DZIT adjustment 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 on the future earnings of the Company, as it will be recoverable from a founding shareholder - Saudi Arabian Oil Company. The DZIT has also issued queries for 2009 and 2010 financial years requiring certain information pertaining to the elements of financial statements. The Company is preparing responses to these queries. The declaration for 2011 financial year with due date of submission April 29, 2012 is under preparation.

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8. EARNINGS PER SHARE

Earnings per share for the three-month period ended 31 March 2012 have been computed by dividing the net income for the period by the weighted-average number of ordinary shares outstanding during the respective period of 876 million shares (2011: 876 million shares).

9. SEGMENT REPORTING

The Company operates an integrated petroleum refining and petrochemical complex. The primary format for segment reporting is based on business segments (refined products and petrochemicals) is determined on the basis of management's internal reporting structure. The Company does not distinguish financial and non-financial information beyond gross profit or loss as the operating and financial accounting systems are structured to produce financial and operational information appropriate for an integrated petroleum refining and petrochemical complex. Accordingly, assets and liabilities are also not split into segments. In the opinion of management providing information beyond gross profit or loss levels will not affect the decisions of the users of the financial statements in view of its nature of operations. The segment information relating to the three-month period ended March 31 is as follows:

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9. SEGMENT REPORTING (continued)

	<u>Refined products</u>	<u>Petrochemicals</u>	<u>Total</u>
<u>2012</u>			
Sales	13,734,880	2,263,243	15,998,123
Cost of sales	<u>(13,827,804)</u>	<u>(1,788,869)</u>	<u>(15,616,673)</u>
Gross (loss) profit	<u>(92,924)</u>	<u>474,374</u>	<u>381,450</u>
<u>2011</u>			
Sales	12,677,378	2,375,945	15,053,323
Cost of sales	<u>(12,636,399)</u>	<u>(1,477,775)</u>	<u>(14,114,174)</u>
Gross profit	<u>40,979</u>	<u>898,170</u>	<u>939,149</u>

10. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions mainly represent purchase and sales of goods and services which are undertaken at contractual terms and approved by management from the following entities:

<u>Name of entity</u>	<u>Relationship</u>
Saudi Arabian Oil Company	Founding Shareholder
Sumitomo Chemical Company Limited	Founding Shareholder
Sumitomo Chemical Engineering Company Limited	Associate of Founding Shareholder
Sumitomo Chemical Asia Pte Limited	Associate of Founding Shareholder
Rabigh Conversion Industry Management Services Co.	Associate of Founding Shareholder
Sumika Alchem Company Limited	Associate of Founding Shareholder
Sumika Chemical Analysis Service Limited	Associate of Founding Shareholder

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10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Significant transactions with the founding shareholders and associates arise from purchase of crude oil feedstock, sale of refined and petrochemical products, credit facilities, terminal lease, secondment, service refinery complex lease and community lease agreements. In addition to the loan from founding shareholders, as set out in Note 5, the above mentioned transactions result in receivables and payables balances with the related parties as set out in the balance sheet in trade and non-trade receivables, trade and other payables and accrued expenses and other current liabilities amounting to SR 9,071.6 million (2011: 8,336.9 million), SR 14,262.9 million (2011: 13,672.3 million) and SR 463.4 million (2011: 562.8 million) respectively. These transactions are summarized as follows:

<u>Nature of transaction</u>	<u>Amount of transactions</u>	
	<u>31 March 2012</u>	<u>31 March 2011</u>
<u>Saudi Aramco</u>		
Purchase of feedstock	14,285,073	13,842,746
Sale of refined products	13,734,880	12,677,378
Interest expense	12,363	10,349
Seconded' and services costs	17,584	74,875
<u>Sumitomo Chemical and its Associates</u>		
Purchase of goods	13,983	52,412
Sale of petrochemical products	1,722,535	1,998,443
Interest expense	12,363	10,349
Seconded' and services costs	12,388	23,249

The land used for the Refinery and Petrochemical Plant is on operating lease from one of the founding shareholders for a period of 99 years.

Transactions with key management personnel

Key management personnel of the Company comprise key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. Transactions with key management personnel on account of salaries and other short-term benefits amounts to SR 2.7 million (2011: SR 2.1 million), are included in seconded and services cost above.

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11. CONTINGENCIES AND COMMITMENTS

11.1 Contingency

During year ended December 31, 2011, the Company has deposited an amount of SR 198 million in a bank - current account against claims relating to foreign contractors which were involved in the construction projects of the plant. The amount deposited will remain in the account until the payment or settlement of above-mentioned liabilities.

	<u>2012</u>	<u>2011</u>
Letter of Guarantee	-	104,775

11.2 Commitments

As at 31 March, 2012, capital commitments contracted for but not incurred for the construction of the petrochemical plant and facilities amounts to SR 106.3 million (2011: SR 130.4 million).

Non-cancellable operating lease rentals are as follows:

	<u>2012</u>	<u>2011</u>
Less than one year	575,441	592,595
Between one to five years	2,121,133	2,154,525
More than five years	8,907,812	9,426,314
	<u>11,604,386</u>	<u>12,173,434</u>

12. APPROVAL AND AUTHORIZATION FOR ISSUE

These interim condensed financial statements were approved and authorised for issue by the Board Audit Committee, as delegated by the Board of Directors, on 24 Jumada Al-awwal 1433H (corresponding to 16 April 2012).