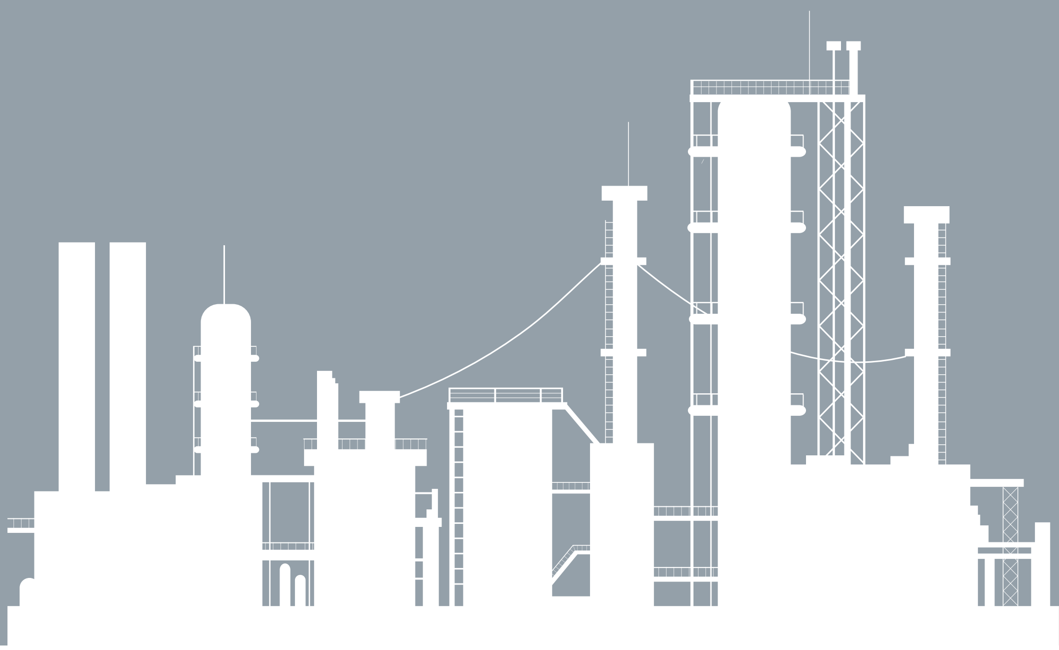
بتــــرو رابــغ
Petro Rabigh

Annual Report 2008



Rabigh Refining & Petrochemical Co.

www.petrorabigh.com

شركة رابغ للتكرير والبتروكيماويات
Rabigh Refining & Petrochemical Co.

Board of Director Report

for the year ended on December 31, 2008

Directed to the,

Second Ordinary General Assembly

Jeddah 13/6/1430H 6/6/2009G

The Custodian of the Two Holy Mosques

King Abdullah Bin Abdul Aziz Al Sa'ud

King of Saudi Arabia Kingdom

The Crown Prince

Sultan bin Abdul Aziz Al Sa'ud

First Deputy Prime Minister
Ministry of Defence and
Aviation, General Inspector

Members of Board of Directors for Rabigh Refining & Retrochemical Company

Abdulaziz F. Al-Khayyal
Chairman of the Board

Hiromasa Yonekura
Deputy Chairman of the Board

Saad F. Al-Dosari
Board Member

Toshiki Matsumura
Board Member

Osamu Ishitobi
Board Member

Motassim A. Al-Ma'ashouq
Board Member

Ahmad Al-Humaid
Board Member

Saud Al-Ashgar
Board Member

Resolution submitted for voting
to the Second Ordinary General Assembly

The Board of Directors recommends that the ordinary general assembly approves the following:

1- The Board of Directors report for the year ending December 31, 2008;

2- The financial statements for the year ending December 31, 2008;

3- Releasing the Board of Directors liabilities for the year ending December 31, 2008;

4- Approval of Remuneration system for the Board of Directors for their services in 2008; and

5- Approval of the Appointment of outside Auditors for the year 2009..

First

The Board of Directors Report

for the year ended on December 31, 2008

Directed to

Second Ordinary General Assembly

Jeddah 13/6/1430H Corresponding to 6/6/2009G

Contents of 2008 Board of Directors Report

Contents

To the Shareholders of Rabigh Refining and Petrochemical Company

Greetings,

On behalf of all the Directors of the Board, I am glad to present to you the annual report of the Company for the year 2008.

2008 was a significant and important year in the development of Petro Rabigh. The construction of the Company's new facilities was essentially completed during this year and the Company acquired the Rabigh Refinery from Saudi Aramco on October 1st, 2008. Since then, Petro Rabigh has been operating and maintaining the existing refinery with no discernable impact on the operations as an orderly and smooth handover was effectively planned, managed and executed.

Early in the 2008, the Company also completed a successful IPO of 25% of its capital thus bringing the Company's total capital to 8,760 Million SAR. Since then, the Company has been listed on Tadawul and the Company has successfully complied with all listing and reporting requirements that come with being a publicly traded company.

As with any major industrial construction project, the complexity of planning and managing the construction of the Company's new facilities is a daunting and challenging task. The Company's project was further complicated by the fact that construction was occurring within Saudi Aramco's existing Rabigh Refinery and at a time where demand for skilled labor and reputable contractors was at its peak due to the many projects being executed in the Gulf area and the world at the same time. Nevertheless, I am happy to report that from a safety standpoint, the Company's safety performance exceeded industry standards. Yet, challenges remain for the Company in the years ahead. The successful and safe start-up of the Company's new facilities and their integration into the existing Rabigh Refinery operations remains the most important objective for the Company in 2009. The Company's aim is to achieve commercial operation by the end of the first quarter 2009, but I remind all our shareholders that the successful start-up of such a mammoth integrated refining and petrochemical complex is a major challenge.

Further, the global financial crisis and the steep decline in demand for refining and petrochemical products, has placed substantial downward pressure on operating margins in both these industries. Nevertheless, I remain confident that our Company is well-positioned to weather this storm successfully.

Finally, and on behalf of the Directors of Petro Rabigh, I look forward to continuing to retain your trust in our Company and to achieving the Company's objectives in the coming years.

Best regards,

Chairman of the Board

Abdulaziz F. Al-Khayyal

1. Company Business and Formation:

Rabigh Refining and Petrochemical Company ("Petro Rabigh") was established as a limited liability company in Saudi Arabia under Commercial Registration No.4602002161 on 15-08-1426H (September 19, 2005G). The objective of the Company is to construct and operate an integrated refining and petrochemical complex with a production capacity of 130 million bbl per year of refined products such as Naphtha, Gasoline, Jet Fuel and Diesel Fuel Oil and 2.4 million tons per year of petrochemical products such as Polyethylene, Polypropylene, Mono Ethylene Glycol, and Propylene Oxide.

The Company was converted into a joint stock company pursuant to the Minister of Commerce and Industry's Resolution No. 262/Q dated 22/10/1428H (3/11/2007G). From January 5th to the 12th, 2008, the Company launched an Initial Public Offering (the "IPO") of 219 million shares, to increase its share capital from 6,570 Million SAR to 8,760 Million SAR. The net proceeds from the IPO, after deducting the offering expenses, were used by the Company to finance its operation and construction activities. Following the successful IPO, a revised Commercial Registration was issued by the Ministry of Commerce and Industry on 14-01-1429H (January 23, 2008).

2. Acquisition of Saudi Aramco's Rabigh Refinery:

On October 1st, 2008 and in compliance with the various agreements establishing the venture, the Company acquired Saudi Aramco's Rabigh Refinery assets and hydrocarbon inventories. On this date, the Company began operating the existing Rabigh Refinery and Saudi Aramco's operation of the Rabigh Refinery was formally transferred to the Company.

3. Construction of the Company's New Facilities:

The start-up of Company's New Facilities was originally scheduled for the 4th quarter of 2008. However, start-up has been delayed to the 1st quarter of 2009 due to the delay in the completion of construction work that was generally caused by the tight labor market and the shortage in skilled labor. The construction activities were substantially completed by the end of December and the Project is in its start-up and commissioning phase. The ethane and butane gas pipelines, from Yanbu to Rabigh, that provide the Company with its feedstock, are now fully operational. All process plants have now been completed and handed over to the Company's operation team. Construction manpower, which peaked at nearly 40,000, is now below 2,000. Startup preparation activities are well under way and hydrocarbon has been introduced to several facilities as part of this exercise.

Power, Water and Steam:

The Company executed the Water and Energy Conversion Agreement with, Rabigh Arabian Water and Electricity Company (RAWEC), whereby power, water and steam will be provided to the Company.

The construction of RAWEC's facilities is complete and all major utilities (i.e., steam, water and power) are being supplied to the Company by RAWEC.

4. Safety & Environment Protection:

The overall construction safety performance of the Company and its contractors is well below the upper limit of indices established for the Project as per internationally recognized standards. Safety precautions during commissioning and startup are being implemented to reduce safety incidents during this transitional period. Safety reviews were conducted prior to the introduction of hazardous materials, steam and hydrocarbon. Contractor employees were trained and certified by attending Company's safety training courses including the work permit system.

5. Preparation for Start-up:

Commissioning and start-up of this integrated complex is a major undertaking and the Company's primary focus. Preparations for plans, procedures and risk assessments have been completed and further preparation efforts will continue with the aim of achieving start-up in the 1st quarter of 2009.

Formation of business infrastructures such as supply chain management system and the IT system is underway and substantial progress has been made in developing and testing these infrastructures.

Safety standards and procedures have been established and implemented to safeguard life, health and property and to ensure an environmentally friendly operation.

6. Workforce & Training:

The Company made significant efforts towards the recruitment and development of a skilled work force. The Company has made significant progress towards the training of its employees especially in the operation and maintenance aspects of the plants. In addition, as part of the Company's mission in hiring and qualifying the national labor force, three training programs were established: the Apprenticeship Program, the College Development Program for Non-Employees and the Professional Development Program for college graduates. Total employee numbers have reached about 2000 employees by the end of December 31, 2008, with the Saudization percentage at 80%.

7. Marketing & Sales :

The Company has entered into marketing agreements with both founding shareholders (Saudi Aramco Oil Company and Sumitomo Chemical Company), to market and sell its refined and petrochemical products. Saudi Aramco will market and sell all refined products produced by the Company, while Sumitomo Chemical Asia (a fully owned subsidiary of Sumitomo Chemical) will market the Company's petrochemical products outside the Middle East. The Company will market its petrochemical products that are targeted for sale in the Middle East. The Company believes it will strongly benefit from the existing marketing and distribution networks of both of the founding shareholders.

8. Financial Summary:

While the construction of the new facilities is continuing, the Company acquired the Rabigh Refinery Assets and hydrocarbon inventories and took over the refinery operations on October 1 2008.

The total assets of the Company, as of the end of 2008, increased to US$12.8 billion, compared with US$7.2 billion at the end of 2007. This increase is due to an increase in the value of construction in progress and leased assets. Construction in progress as of the end of 2008 amounted to US$8.4 billion, an increase of US$2.0 billion from the previous year.

Long term loans by way of lending facilities from senior lenders amounted to US$5.84 billion and subordinated loan from the two founding shareholders amounted to $0.8 billion.

Shareholders' capital cash injection amounted to US$2.98 billion, including the $1.22 billion from IPO. Retained earnings recorded accumulated losses of US$500 million at the end of 2008 as a result of accumulated operating losses for pervious years. Net shareholders' equity amounted to US$2.47 billion.

The Company incurred a gross loss of US$166 million and a net loss of US$ 335 million before tax. Compared with 2007 financial results, the general and administrative costs increased as the activities of the Company developed and as the commercial operation of the Company began.

Balance Sheet ($Thousand)

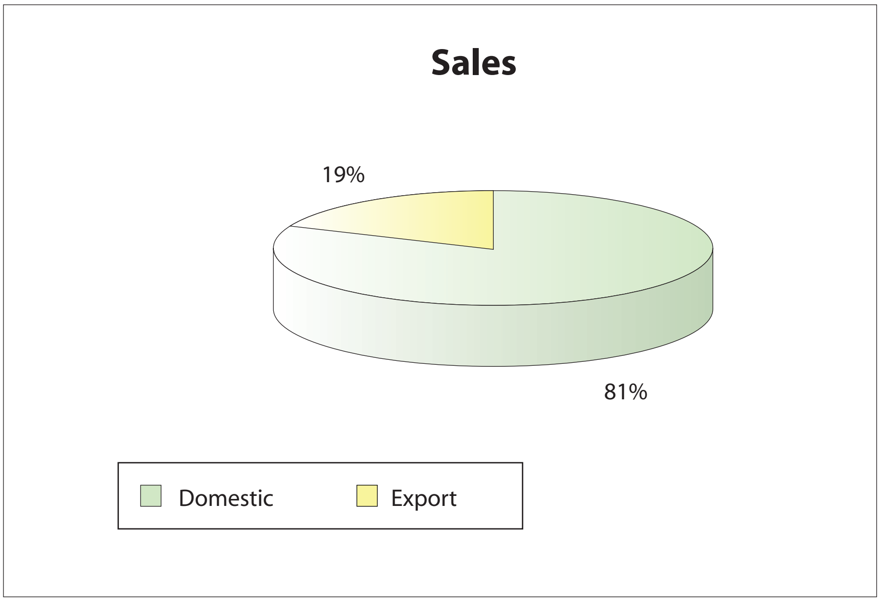
	2008	2007	2006
Current Assets	1,353,154	185,890	799,725
PPE & Other non-current Assets	11,431,603	7,003,605	2,179,191
Total Asset	**12,784,757**	**7,189,495**	**2,978,916**
Current Liabilities	1,928,260	417,139	520,542
Long term Loans & Other Liabilities	8,386,140	5,602,139	2,325,542
Equity	2,470,357	1,587,495	653,374
Total Liability & Equity	**12,784,757**	**7,189,495**	**2,978,916**

Profit & Loss Statement ($ Thousand)

	2008	2007	2006
Revenue-*Refinery*	1,744,891		
Cost of Good Sold-*Refinery*	(1,910,729)		
Gross Loss	**(165,838)**		
General & Admin. Expense	(181,244)	(112,773)	(69,348)
Other Income (Loss)-net	12,084	(5,245)	22,722
Net Loss	**(334,998)**	**(118,018)**	**(46,626)**

9. Geographical Sales Analysis:

All refined products are marketed and sold through Saudi Aramco. The below graph illustrates the sales of refined products produced by the Company in 2008 by geographical location. No petrochemical products were produced in 2008.



9.1 Operational Results:

The worldwide financial crisis, triggered by the subprime crisis, has caused severe damage to the global real economy. All major stock markets have plummeted since October 2008. The crude oil price (Brent), which was over $90/bbl at the beginning of October, went down below $40/bbl by the end of December 2008. Global demand in the 4th quarter 2008 was extremely weak, not only for petrochemical products but also for refined products, especially naphtha. One of the industrial sectors which suffered from this financial crisis was the petrochemical sector that experienced and unprecedented drop in petrochemical prices and demand. As a result, the price for naphtha, which is the feedstock for the majority of the petrochemical industry, collapsed and at one point in time, the price of naphtha was lower than that of crude oil. Despite such low prices, the volume of transactions for the purchase of refined products reduced drastically during this period. This has had a significant impact on to the profitability of the Company in the 4th quarter 2008. Further, the worldwide refining sector suffered significant downward pressure on refining margins. These factors, in addition to the delay in the start-up of the Company's new facilities, have negatively impacted the Company's financial position.

10. Dividend Distribution Policy:

Dividends distribution is based on the recommendation of the Board and approval by the General Assembly based on the result of the cash flow and restrictions in dividend distribution required by the lenders to the Company's long-term loan facilities. The Company does not project any distributions in the next two years.

11. Board of Directors:

The Company Board of Directors is comprised of eight members and its current composition will remain for five years starting from the date of the conversion of the Company to a joint stock company. During 2008, the Board of Directors met four times. Below is a listing of the names of each of the board members and the number of meetings each attended.

Name	Title	Meeting Attended
Abdulaziz F. Al-Khayyal	Chairman	Four
Hiromasa Yonekura	Deputy Chairman	Four
Saad F. Al-Dosari	Executive Director	Four
Toshiki Matsumura	Chief Financial Officer	Four
Motassim A. Al-Ma'ashouq	Non-Executive Director	Four
Osamu Ishitobi	Non-Executive Director	Four
Saud Abd Ar-Rahman Al-Ashgar	Independent Director	Four
Ahmed Salih Al-Humaid	Independent Director	Four

11.1. Other Memberships:

The listed below directors are also directors in other companies:

Name	Title	Company
Abdulaziz F. Al-Khayyal	Sr. Vice President Director	Saudi Aramco S-Oil Corporation
Hiromasa Yonekura	President	Sumitomo Chemical / Japan-Singapore Petrochemical Co. Chiba Styrene Monomer Company
Osamu Ishitobi	Sr. Vice President	Sumitomo Chemical
Saud Abd Ar-Rahman Al-Ashgar	Outside Director	S-Oil Corporation

11.2. Fees & Remuneration:

The detail of the Board meeting expense, remuneration and company executive salaries are tabulated below:

(SAR Thousand)

	Executive Board members	Non Executive Board members	Five of the senior executives who received the highest bonuses and compensation plus the Chief Executive and Chief Financial Officer, if not including
Salaries and compensation	2,143	Nil	SAR 6,538
Allowances	Nil	1,763 SAR	Nil
Periodic annual remuneration	Nil	Nil	-
Incentive plans	Nil	-	Nil
Any compensation or benefits other in-kind pay a monthly or annual	Nil	SAR 375	Nil

11.3. Audit Committee:

The audit committee oversees financial, risk management and internal controls aspects of the Company's operations. Its responsibilities include the review and discussion of the Company's interim and annual financial statements. The internal audit committee oversees the Company's external auditors and reviews the effectiveness of the Company's external and internal audit functions and has the authority to engage such external experts, as it feels necessary to fulfill its obligations of stewardship on the financial affairs of the Company.

The audit committee also has the responsibility of reviewing the effectiveness of the Company's system of internal controls, accounting information systems and finance department competencies and capabilities in light of compliance with generally accepted accounting standards. Below is a table listing the names of the audit committee members.

Name	Title
Moatassim Al-Ma'ashouq	Chairman
Osamu Ishitobi	Member
Saud Abd Ar-Rahman Al-Ashgar	Member
Ahmed Salih Al-Humaid	Member

11.4. Remuneration, Nomination, and Compensation Committee:

The committee will decide on how the Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of Board. The main duties of this committee include, among other things, the following:

- Recommending the nomination of the Independent Directors to the Board;
- Annually reviewing the requirement of the skills needed on the Board and the time that a Director should dedicate to the Board's Functions;
- Verifying annually the independence of the Independent Directors and the absence of any conflict of interests if the Directors serve as in an incumbent directors on the Board of Directors of any other company; and
- Recommending to the Board clear policies for the remuneration for the Directors and seniors executive officers using the performance criteria.

Below is a table listing the names of the Remuneration, Nomination and Compensation Committee members.

11.5. Board of Directors Shares Ownership:

The below table list the number of shares owned by the Directors and their families:

Name	Beg of Year 2007	End. of Year 2008
Abdulaziz F. Al-Khayyal	126	126
Saud A. Al-Ashgar	24,000	85,400
Saad F. Al-Dosari	126	126
Ahmed Salih Al-Humaid	210	210
Motassim A. Al-Ma'ashouq	168	168

11.6. Contracts with Interest to Board of Directors:

The Board of Directors declares that none of its members have any material interest in any of the contracts that Company has entered.

12. Long-Term Loans:

The Company has entered into long-term loan agreements with various banks to provide $5,840 million of funds. All the loan repayments, including the founding shareholder subordinated loan, are expected to start after the operation commencement and will last up to 2021. The below table summarizes the Company's outstanding loans:

($ Million)

Name	Dec 31, 2008	Dec 31, 2007
Japan Bank for International Cooperation	2,500	2,500
Commercial Banks	1,740	1,740
Public Investment Fund	1,000	545
Islamic Financial Institution	600	400
Saudi Aramco	400	
Sumitomo Chemical	400	
	6,640	**5,185**

13. Accruals for Government Institutions:

The Company's Zakat base is negative and the Company is also in a net loss position. Thus, there is no Zakat liability for the year ending December 31, 2008. The Zakat charge for this twelve month period account has been estimated in accordance with DZIT regulations. The estimate is subject to agreement with the DZIT after the Zakat return for the period has been filed.

Following its review of the Company's Zakat declaration for 2006, the DZIT issued a deficiency tax assessment on December 4, 2007, amounting to approximately USD 6.7 million (SAR 25 million). The Company did not agree with the DZIT assessment, and filed a preliminary appeal with the DZIT on February 2, 2008. DZIT requested additional documents and the Company has submitted requsted documents to DZIT via its Tax and Zakat advisors.

The following are the accrued liability which consists of accrued withholding taxes and the Company contribution to GOSI.

($ Thousand)

	2008	2007
Department of Zakat & Income Tax ***(withholding Tax)***	8,572	7,717
General Association for Social Insurance	469	255
Total	**9,041**	**7,972**

14. Investment for the Benefits of Employees:

The Company has introduced an employee share scheme. This incentive program allocated 800 shares for each regular employee effective February 1, 2008, and will be granted at the end of 5 years of continuous service. The equivalent of 1.5 million shares are presently managed by RIYAD Capital under an open ended mutual fund which has offered to subscribe and hold such shares "on trust" for the employees as part of an Administrative Service Agreement. The shares, as service awards to employees, are amortized evenly over a period of 5 years and allocated for distribution to eligible employees until the vesting period has been fully met.

15- Company Governance:

The company is committed to apply all rules listed in Corporate Governance Regulation. The following are the rules that have not yet been implemented along with their reasons.

Article # 6: Voting rights:-

No.	Rules	Applied in complete	Applied partially	Not applied	Reason and details
(D	Did the company went over the annual reports for investors or individual that the act on behalf of other like investment funs for knowing their actual voting and their acts for any conflict of interest might have influence their essential right for their investment		x		We went over some of the annual report for some investor we will be sending letter to all fund manager to know their scheme in voting

Article # 15: Nominating Committee and equivalents:-

No.	Rules	Applied in complete	Applied partially	Not applied	Reason and details
(B	Did the General Assembly of the company - based on a proposal by the Board of Directors established rules to select the members of the remuneration, nomination and compensation committee and the duration of their member sheep and the work scheme of the committee			x	This review will be conducted one year before the end period of the current BOD.
(C	Tasks of the remuneration, nominations and compensation committee and the responsibility and rewards:				
2	did the committee reviewed the requirements of the skills of the Board members and prepare a description to the Board member abilities and required background for them to work as board members and decide the required time to be devoted for the jobs			x	Since there is no vacancy to fill such a job of the Board of Director, this item had not been reviewed yet
3	Did the committee review the structure of the Board of Directors and recommend changes			x	We will assess the situation
4	Did the committee determine the board strength and weakness and recommended the corrective actions to be taken to the company advantage			x	This review will be conducted one year before the end period .of the current BOD
5	The independent BOD members should insure no conflict of interest between the company and other companies that they are working for		x		We will make sure this will take place before the second AGM but to the best of our knowledge no conflict of .interest took place

16. Corporate Social Responsibility

The Company's management recognizes the significance of Corporate Social Responsibility (CSR), as well as realizing and maintaining a healthy return to its shareholders. Accordingly, the Company started several CSR initiatives that support the education sector in the Rabigh area such as providing Bachelor degree scholarships in Japanese universities, conducting summer training programs, equipping schools in the Rabigh area with science & language labs, and providing reliable and safe school transportation services.

In addition, the Company has provided job opportunities for local residents through direct hiring and support services contracts. Business development was also a major CSR accomplishment during year 2008, where many contracts were awarded to Rabigh-based firms.

Social development initiatives were also established by providing support services, such as providing irrigation and drinkable water, for several organizations in Rabigh.

17. Board of Directors Declarations:

The Board of Directors declares the following:

- Accounting records have been kept properly and correctly;
- The internal controls of the Company are in compliance with generally accepted accounting standards and applied effectively; and
- There is no doubt in regards to the Company's ability to continue its operation.

18. Recommendation to the General Assembly:

The Board of Directors recommends that the ordinary general assembly approves the following:

- The Board of Directors report for the year ending December 31, 2008;
- The financial statements for the year ending December 31, 2008;
- Releasing the Board of Directors liabilities for the year ending December 31, 2008;
- The Compensation system for the Board of Directors for their services.
- The Appointment of the external Auditors for the year 2009.

Second

The Financial Statements

for the year ended on December 31, 2008

Directed to the;

First Ordinary General Assembly

Jeddah 13/6/1430H Corresponding 6/6/2009G

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Rabigh Refining & Petrochemical Company
Rabigh, Saudi Arabia

We have audited the accompanying financial statements of Rabigh Refining & Petrochemicals Company ("the Company") which comprise the balance sheet as at 31 December 2008 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended and the attached notes (1) through (26) which form an integral part of these financial statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article 123 of the Regulations for Companies and the Company's Articles of Association. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements taken as a whole:

1) present fairly, in all material respects, the financial position of the Company as at 31 December 2008 and the results of its operations, cash flows and changes in shareholders' equity for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company; and

2) comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of the financial statements.

For KPMG Al Fozan & Al Sadhan:

Tareq A. Al Sadhan
License No. 352

Jeddah on Safar 22, 1430H
Corresponding to 17 February 2009

RABIGH REFINING AND PETROCHEMICAL COMPANY
(Saudi Joint Stock Company)

BALANCE SHEET
As at 31 December 2008

(Expressed in Saudi Riyals '000')

	Note	31 December 2008	31 December 2007
ASSETS			
Current assets			
Cash and cash equivalents	5	1,534,089	185,954
Trade receivables	6	2,348,492	--
Inventories	7	974,108	--
Advances to suppliers		90,249	420,879
Prepayments and other current assets	8	109,001	90,256
Total current assets		5,055,939	697,089
Non-current assets			
Property, plant and equipment	9	1,541,274	--
Leased assets	10	6,547,614	--
Construction in progress	11	31,428,485	23,812,675
Long term investment	12	3,337,627	2,450,842
Total non–current assets		42,855,000	26,263,517
Total assets		47,910,939	26,960,606
		==========	==========
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable	13	6,647,415	1,118,826
Accrued expenses and other current liabilities	14	421,132	445,446
Current portion of finance lease obligation	10e	130,527	--
Total current liabilities		7,199,074	1,564,272
Non-current liabilities:			
Long-term loans	15	21,900,000	19,443,750
Loan from founding shareholders	16	3,000,000	--
Finance lease obligations	10e	6,538,632	--
Provision for deferred employee service awards	18	5,775	--
Employees' termination benefits		3,617	--
Total non-current liabilities		**31,448,024**	**19,443,750**
Total liabilities		**38,647,098**	**21,008,022**
		==========	==========

The accompanying notes 1 to 26 form an integral part of these financial statements.

	Note	31 December 2008	31 December 2007
SHAREHOLDERS' EQUITY			
Share capital	17	8,760,000	6,570,000
Statutory reserve	17	2,409,000	--
Employee Share Ownership Plan	18	(31,500)	--
Accumulated losses		(1,873,659)	(617,416)
Total shareholders' equity		**9,263,841**	**5,952,584**
Total liabilities and shareholders' equity		**47,910,939**	**26,960,606**
		==========	==========

RABIGH REFINING AND PETROCHEMICAL COMPANY
(Saudi Joint Stock Company)

STATEMENT OF INCOME
For the year ended 31 December 2008

(Expressed in Saudi Riyals '000')

	Note	31 December 2008	31 December 2007
Revenue – Refinery		6,543,342	--
Cost of Sales – Refinery		(7,165,236)	--
Gross loss from sales		(621,894)	--
General and administrative expenses	19	(679,664)	(422,898)
Operating loss		(1,301,558)	(422,898)
Interest and other income	20	45,525	20,460
Foreign currency loss		(210)	(40,129)
Net loss for the year		**(1,256,243)**	**(442,567)**
		==========	==========
Loss per share	22	**SR (1.46)**	**SR (0.75)**
		==========	==========

The accompanying notes 1 to 26 form an integral part of these financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY

(Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2008

	(Expressed in Saudi Riyals '000') 31 December 2008	31 December 2007
Cash flows from operating activities:		
Net loss for the year	(1,256,243)	(442,567)
Adjustments to reconcile net loss to net cash		
provided by operating activities:		
Depreciation	272,904	--
Provision for deferred employee service awards	5,775	--
Provision for employees' termination benefits	3,656	--
Changes in operating assets and liabilities:		
(Increase) in trade receivables	(2,348,492)	--
(Increase) in inventories	(974,108)	--
Decrease in advances to suppliers	330,630	482,033
(Increase) in prepayments and other current assets	(18,745)	(74,468)
Increase/(decrease) in accounts payable	5,528,589	(698,086)
(Decrease)/increase in accrued expenses and		
other liabilities	(24,314)	323,410
	1,519,652	(409,678)
Zakat paid	--	(13,087)
Employee termination benefits – paid	(39)	--
Net cash provided/(used in) by operating activities	1,519,613	(422,765)

The accompanying notes 1 to 26 form an integral part of these financial statements.

	(Expressed in Saudi Riyals '000')	
	31 December 2008	31 December 2007
Cash flows from investing activities:		
Additions to construction in progress	(8,237,801)	(15,971,898)
Other purchases of property, plant and equipment	(1,002,505)	--
Additions to long term investment	(886,785)	(2,119,651)
Net cash (used in) investing activities	(10,127,091)	(18,091,549)
Cash flows from financing activities:		
Proceeds from issue of share capital (net)	4,567,500	3,945,000
Net movement in long-term loans	2,456,250	12,675,000
Loans received from founding shareholders	3,000,000	--
Repayment of finance lease obligations	(68,137)	--
Net cash provided by financing activities	9,955,613	16,620,000
Net movement in cash and cash equivalents	1,348,135	(1,894,314)
Cash and cash equivalents at beginning of the period	185,954	2,080,268
Cash and cash equivalents at end of the period	1,534,089	185,954
	============	============

The accompanying notes 1 to 26 form an integral part of these financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(Saudi Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2008

(Expressed in Saudi Riyals '000')

	Capital	Statutory reserve	Other reserve (ESOP)	Accumulated losses	Total
Balance at 1 January 2007	2,625,000	--	--	(174,849)	2,450,151
Capital contributions	3,945,000	--	--	--	3,945,000
Net loss for the year	--	--	--	(442,567)	(442,567)
Balance at 31 December 2007	6,570,000	--	--	(617,416)	5,952,584
Proceeds from IPO issue of shares (see Notes 1, 17 & 18)	2,190,000	2,409,000	(31,500)	--	4,567,500
Net loss for the year	--	--	--	(1,256,243)	(1,256,243)
Balance at 31 December 2008	8,760,000	2,409,000	(31,500)	(1,873,659)	9,263,841
	============	============	============	============	============

RABIGH REFINING AND PETROCHEMICAL COMPANY
(Saudi Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008

(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 (see Note 4) 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 has been 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.

4.4 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.

4.5 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

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 financial statements were authorized for issue by the Board of Directors on 17 February 2009.

(b) Basis of measurement

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

(c) Functional and presentation currency

The accompanying notes 1 to 26 form an integral part of these financial statements.

The functional currency of the Company has been determined by management to be the US Dollar. However, these financial statements are presented in Saudi Arabian 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. 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.

2. BASIS OF PREPARATION (continued)

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 10) and Employee Share Ownership Plan (see Note 18).

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.

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.

The accompanying notes 1 to 26 form an integral part of these financial statements.

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:

	Years
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

(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

The accompanying notes 1 to 26 form an integral part of these financial statements.

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

Revenue from services (port charges) is recognized when services are rendered.

(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 recognised 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 recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 Arabian Riyals using a fixed exchange rate of SR 3.75 / US$ 1.

(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. ARRANGEMENTS WITH SHAREHOLDERS

The accompanying notes 1 to 26 form an integral part of these financial statements.

The Founding Shareholders of the Company are Saudi Arabian Oil Company (“Saudi Aramco”) and Sumitomo Chemical Company of Japan (“Sumitomo Chemical”), which each controlled 50% of the Company prior to the IPO in January 2008.

The Company has entered into various agreements with both of its Founding Shareholders including, among others:

(a) Asset transfer agreement:

The Company entered into an Asset Transfer Agreement on 21 February 2006 with Saudi Aramco for the transfer to the Company of the existing Rabigh Refinery assets and the hydrocarbon inventory. The transfer of the existing refining business under this agreement took place on 1 October 2008, at a final purchase price of SR 952 million.

(b) Crude oil feedstock supply agreement:

On 28 January 2006, the Company entered into a Crude Oil Feedstock Supply Agreement (COSA) with Saudi Aramco for the supply to the Company of its crude oil feedstock requirements, up to a maximum supply of 400,000 bpd, solely for use in the Rabigh Project. The price at which Saudi Aramco sells the crude feedstock to the Company is based, amongst other variable market factors, on the various international crude prices. The COSA is valid for 30 years commencing on the date of transfer of the Rabigh Refinery on 1 October 2008.

(c) Refined products lifting and marketing agreement:

On 2 March 2006, the Company signed a Refined Products Lifting & Marketing Agreement (RPLMA) with Saudi Aramco as sole “Marketer” of refined products from the Rabigh Refinery. The RPLMA is valid for 10 years from the Rabigh Refinery transfer date of 1 October 2008, and is further extendable for another 5 year period. Pursuant to this agreement, Saudi Aramco will lift and market globally, on behalf of the Company as “Seller”, the refined products from the Rabigh Complex. As of 31 December 2008, trade receivables represents the amount due from Saudi Aramco.

(d) Credit facility agreement:

On 18 March 2006, the Company entered into a Credit Facility Agreement (CFA) with both of its Founding Shareholders. Under the provisions of this agreement, the Founding Shareholders agreed to grant to the Company a loan facility up to a maximum aggregate amount of SR 6,205,670 for the development, design, construction and operation of the integrated petroleum refining and petrochemical project. The commitment of the lenders in respect of this facility shall expire on 1 July 2011. Repayment of the principal and the accrued commission to the Founding Shareholders shall not be made before the first scheduled loan repayments to the commercial banks and financial institutions has been made.

(e) Terminal lease agreement:

The Company also entered into a Terminal Lease Agreement with Saudi Aramco on 2 March 2006 in respect of the existing Rabigh Marine Terminal. Under this agreement, the Company has been granted certain exclusive rights by Saudi Aramco to use and operate the Rabigh Terminal Facilities

The accompanying notes 1 to 26 form an integral part of these financial statements.

and the Rabigh Terminal Site for a term of 30 years effective from 1 October 2008.

(f) Services agreement:

The Company has entered into two Services Agreements with each of its Founding Shareholders that with Saudi Aramco dated 8 May 2006, and with Sumitomo Chemical dated 27 May 2006. Each of these agreements has an initial term of 5 years with effect from 1 August 2005, and may be renewed thereafter for consecutive additional periods of one year each.

These agreements cover the provision of various support services to the Company during the plant construction and initial operations phase of the Rabigh Project – such as Accounting & Finance; Human Resources; Engineering, Procurement and Construction; Legal; Information Technology; General Management; Technical Support; and Pre-marketing Support. These agreements also cover the ongoing technical support needed for continuous operations and ongoing enhancements such as refining process know-how provided by Saudi Aramco; petrochemical know-how provided by Sumitomo Chemical; and marketing technical services, engineering and safety best practices and training provided by both Founding Shareholders. The Company shall pay for these services at prices specified in each service authorization for the services to be provided.

5. CASH AND CASH EQUIVALENTS

	31 December 2008	31 December 2007
Cash on hand	215	129
Cash at bank on current accounts	1,533,874	20,253
Short term bank deposits	--	165,572
	1,534,089	185,954
	============	============

6. TRADE RECEIVABLES

As at 31 December 2008, there were no overdue debts with respect to the Company's allowed credit periods. All the receivables are due from Saudi Aramco (see Note 4(c)).

The accompanying notes 1 to 26 form an integral part of these financial statements.

7. INVENTORIES

	31 December 2008	31 December 2007
Finished goods	749,596	--
Semi-finished goods	98,982	--
Work-in-process	40,637	--
Spare parts and consumables	84,893	--
	974,108	--

8. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2008	31 December 2007
Custom duty deposits	4,322	27,886
Accrued interest receivable	57	1,655
Due from related parties	24,904	2,870
Prepayments and other receivables	79,718	57,845
	109,001	90,256

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings, roads & infrastructure	Plant, machinery & operating equipment	Motor and construction equipment	Furniture and IT equipment	Total
Cost					
Refinery assets transferred from Saudi Aramco (Note 4(a))	302,331	618,414	2,797	28,488	952,030
Transfers from construction in progress	150,866	462,802	--	8,323	621,991
Other purchases	--	--	50,475	--	50,475
At 31 December 2008	453,197	1,081,216	53,272	36,811	1,624,496
Accumulated depreciation					
Charge for the year	20,377	55,316	5,549	1,980	83,222
At 31 December 2008	20,377	55,316	5,549	1,980	83,222
Net book value					
At 31 December 2008	432,820	1,025,900	47,723	34,831	1,541,274
At 31 December 2007	--	--	--	--	--

The accompanying notes 1 to 26 form an integral part of these financial statements.

10. LEASED ASSETS

a) Leased assets at 31 December 2008 (2007: Nil) acquired under finance lease terms and detailed as under:

	Desalination and power plants	Marine terminal facilities	Total
Cost			
Capitalised in the year	6,448,476	288,820	6,737,296
At 31 December 2008	6,448,476	288,820	6,737,296
Accumulated depreciation			
Charge for the year	(186,543)	(3,139)	(189,682)
At 31 December 2008	(186,543)	(3,139)	(189,682)
Net leased assets	6,261,933	285,681	6,547,614

b) The Company has entered into agreements with Rabigh Arabian Water and Electricity Company (see also Note 12) for the construction and operation of a Desalination and Power Plant for the Petrochemical Complex. Under these agreements, the Company is to make guaranteed minimum capacity payments to RAWEC each month over a 25 year period.

These payments are accounted for as finance lease payments for the Plant, which will be transferred to the Company at the end of the 25 year period. The aggregate present value of the leased assets was estimated to be SR 6,342,126,000 which has been capitalized as leased assets cost. The total (undiscounted) minimum lease payments will be SR 11,854.6 million.

c) The Company has also taken over the interest and obligations of Saudi Aramco in a similar agreement (with another company) in respect of the Desalination plant for the Refinery Complex, with a remaining term of 17 years. The aggregate present value of the leased asset was estimated to be SR 106,350,000 which has also been capitalized as leased assets cost. The total (undiscounted) minimum lease payments will be SR 165.5 million.

d) Marine terminal facilities are acquired under a finance lease agreement from Saudi Aramco over a period of 30 years (see Note 4(e)). The total (undiscounted) minimum lease payments will be SR 573.75 million.

The accompanying notes 1 to 26 form an integral part of these financial statements.

e) At 31 December, the net present value of the finance lease obligation is presented in the financial statements as follows:

	2008	2007
Current portion shown under current liabilities	130,527	--
Non-current portion shown under non-current liabilities	6,538,632	--
	6,669,159	--
	============	============

f) The future minimum lease payments as of 31 December are analyzed as follows:

Year	2008	2007
2009	502,864	--
2010	502,864	--
2011	502,864	--
2012	504,189	--
2013 and thereafter	10,299,480	--

11. CONSTRUCTION IN PROGRESS

The movements during the year were:

	2007	incurred	Costs Transfers out	2008
Plants	20,019,495	5,681,212	214,953	25,485,754
Utilities	2,973,616	1,737,772	407,038	4,304,350
Interest on borrowings	819,564	818,817	--	1,638,381
	23,812,675	8,237,801	621,991	31,428,485
	========	========	========	========

The Company expects to complete the petrochemical plant construction by end of the first Quarter of 2009, within a revised budgeted total cost of SR 34 billion.

The accompanying notes 1 to 26 form an integral part of these financial statements.

12. LONG TERM INVESTMENT

The Company has entered into a series of agreements with Rabigh Arabian Water and Electricity Company (RAWEC), a Saudi limited liability company formed to construct, operate and subsequently transfer an electricity co-generation and desalination plant at Rabigh, and with RAWEC's developers and financiers. Through these agreements, the Company will provide a portion of the finance for RAWEC's plant construction through drawdowns over the construction and plant preparation period.

The Company will have a 1% equity stake in RAWEC in accordance with the Shareholders Agreement. In addition, the Company is to provide a total amount of SR 3,990 million of loan finance under a Facilities Agreement.

The investment in RAWEC at the balance sheet date comprised the following:

	31 December 2008	31 December 2007
Equity participation	8,557	425
Subordinated Loans	49	8,262
Long term loans	3,329,021	2,442,155
	3,337,627	2,450,842

Under the Facilities Agreement, the loans carry interest at 5.675% per annum and repayments are scheduled to be made by RAWEC in monthly instalments from 30 June 2008 to 30 November 2023.

The accompanying notes 1 to 26 form an integral part of these financial statements.

13. ACCOUNTS PAYABLE

	31 December 2008	31 December 2007
Trade accounts payable:		
- to related parties	6,149,280	10,981
- to third parties	382,761	903,556
	6,532,041	914,537
Other payables to related parties	115,374	204,289
	6,647,415	1,118,826
	============	============

Trade payables to related parties result principally from the COSA with Saudi Aramco (see Note 4(b)).

Other payables result principally from payments made by the Founding Shareholders on behalf of the Company in respect of seconded employees and other charges.

14. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 December 2008	31 December 2007
Retention deposits	323,683	323,297
Withholding tax payable	24,884	28,937
Accrued interest payable	63,777	33,769
Other accruals and credit balances	8,788	59,443
	421,132	445,446
	============	============

The accompanying notes 1 to 26 form an integral part of these financial statements.

15. 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 total facilities available under these term loan agreements and the amounts drawn down at balance sheet date are:

	Total Facility	At 31 December 2008	At 31 December 2007
Japan Bank for International			
Cooperation	9,375,000	9,375,000	9,375,000
Commercial banks	6,525,000	6,525,000	6,525,000
Public Investment Fund	3,750,000	3,750,000	2,043,750
Islamic financial institutions	2,250,000	2,250,000	1,500,000
	21,900,000	21,900,000	19,443,750
	=========	=========	=========

The facilities utilized during the year were subject to commission (interest) at rates of between 2.1288 % - 5.3250 % as of balance sheet date. The financing agreements include certain covenants, which, among other things, require certain financial ratios to be maintained. Repayments under the loan facilities are expected to commence in 2010 and will run up to 2021.

16. LOANS FROM FOUNDING SHAREHOLDERS

	31 December 2008	31 December 2007
Saudi Arabian Oil Company	1,500,000	--
Sumitomo Chemical Company	1,500,000	--
	3,000,000	--
	============	============

Additional loans secured by the Company from the Founding Shareholders are availed as part of the existing credit facility for the development, design, construction and operation of the project. Repayment of the principal and the accrued commission to the Founding Shareholders shall not be made until after the first repayment to the commercial banks and financial institutions has been made as referred to in Note 15.

The accompanying notes 1 to 26 form an integral part of these financial statements.

17. SHARE CAPITAL AND STATUTORY RESERVE

The Company's share capital of SR 8.76 billion at 31 December 2008 (2007: SR 6.57 billion) consists of 876 million fully paid and issued shares of SR 10 each (2007: 657 million shares of SR 10 each).

The proceeds from the issuance of new shares at SR 21 per share have resulted in a share premium reported at SR 2,409 million, which has been transferred to Statutory Reserve in accordance with the Company's Articles of Association.

18. 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.

19. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2008	31 December 2007
Salaries and other staff benefits	408,052	245,113
Recruitment, apprentice and training expenses	15,322	26,251
Shareholders' charges	13,042	26,336
Professional fees	27,172	12,007
Others	216,076	113,191
	679,664	422,898

The accompanying notes 1 to 26 form an integral part of these financial statements.

20. OTHER INCOME

	31 December 2008	31 December 2007
Interest and other income	38,569	20,460
Port charges	6,956	--
	45,525	20,460
	=========	=========

21. ZAKAT AND INCOME TAX

a) Zakat expense

The significant components of Zakat base are as follows:

	31 December 2008	31 December 2007
Capital (Saudi Share-62.5%) (2007: 50%)	4,106,250	1,312,500
Adjusted net income (loss), ending	(987,561)	(221,284)
Saudi's shareholder loan and similar items	12,210,395	9,721,875
Deduction for property, plant & equipment	(4,962,331)	--
Deduction for construction in progress	(19,642,803)	(11,906,338)
Deduction for investment	(5,348)	(1,225,421)
Adjusted brought forward losses	(385,885)	(87,424)
	(9,667,283)	(2,406,092)
	=============	=============

The Saudi shareholders' share of the Company's Zakat base remains in a negative position; hence, no zakat liability has been accrued for the year.

The accompanying notes 1 to 26 form an integral part of these financial statements.

b) Accrued Income Tax

The Company has an adjusted tax loss relating to the foreign shareholder of SR 604 million for the year; and accumulated estimated tax losses available for offset against future taxable profits of SR 913 million. Thus, no income tax expense has been accrued for the year.

c) 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.

22. LOSS PER SHARE

Loss per share for the year 31 December 2008 is computed by dividing the net loss for the year by the weighted-average number of ordinary shares outstanding during the year ended 31 December 2008 of 863 million shares (2007: 587 million shares).

23. RELATED PARTY TRANSACTIONS AND BALANCES

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

Name of entity	Relationship
Saudi Aramco	Founding shareholder
Sumitomo Chemical Co.	Founding shareholder
Sumitomo Chemical Engineering Co.	Associate
Sumitomo Chemical Asia. Pte Ltd	Associate

Significant transactions with the Founding Shareholders arise from the contracts and arrangements set out in Note 4. These transactions, which result in receivables and payables balances with the related party, include:

The accompanying notes 1 to 26 form an integral part of these financial statements.

Nature of transaction	Amount of transactions	
	2008	2007
Saudi Aramco		
Purchase of feedstock	6,148,567	--
Sale of product	6,543,345	--
Asset purchases	2,912,874	--
Accrued interest	25,611	--
Services received	256,957	204,377
Sumitomo Chemical		
Purchase of goods	182,811	3,161
Accrued interest	25,611	
Services received	164,463	96,227

Other significant transactions with related parties during the year included the provision of services by Sumitomo Chemical Engineering of SR 146.8 million (2007 – SR 988.5 million), relating to the Petrochemical Plant project, and the sale of sample/test products to Sumitomo Chemical Asia (for marketing purposes) of SR 95.3 million (2007 – Nil).

24. OPERATING LEASES

a) The Company has entered into operating leases for land office space, furniture, vehicles, office equipment and employees' accommodation. The leases are for initial period for 1 year to 5 years with options to renew the leases after lease period. Rental charges for the year ended 31 December 2008 amounted to SR 74.02 million (2007 SR 61.30 million) which are partly capitalized under construction in progress account and partly expensed.

b) At 31 December, the Company's obligations under operating leases are broken down as follows:

	31 December 2008	31 December 2007
Within one year	59,157	73,009
Between 2 to 5 years	171,962	75,242
More than 5 years	1,131,007	--
	1,362,126	148,251

The accompanying notes 1 to 26 form an integral part of these financial statements.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the balance sheet include cash and cash equivalents, trade and other accounts receivable, investments, short term borrowings, accounts payable, other liabilities, and long term debt.

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. Cash and cash equivalents are placed with national and international banks with sound credit ratings. Trade accounts receivable is due in full from Saudi Aramco.

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company's interest rate risk arises mainly from bank debts and long term debts, which are at floating rates of interest. All debts are subject to re-pricing on a regular basis. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Company are not significant.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risks may result from the inability to realise a financial asset quickly at an amount close to its fair value.

Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Company's future commitments.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Company's transactions are principally in Saudi Riyals and United States dollars. Currency risk arising from other foreign currency transactions is managed by straight forward purchases of foreign currencies to cover month to month exposures.

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the accompanying financial statements are prepared under the historical cost method, differences may arise between the book values and the fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

26. COMMITMENT AND CONTINGENCIES:

The Company has the following commitment as at the year ended 31 December 2008.

	31 December 2008	31 December 2007
Letter of Guarantee	104,775	--
	=============	=============

Third:

Releasing the Board of Directors liabilities

for the year ended on December 31, 2008G.

Jeddah 13/06/1430H Corresponding 06/06/2009G

Fourth:

Approval of the Remuneration system of the BOD members

Remuneration (if any) of the members of the Board of Directors shall consist of a nominal salary and the payment of fees for attendance at the meetings of the Board of Directors as determined by the Ordinary General Meeting in accordance with the official decisions and instructions issued in this regard, within the limits of the provisions of the Companies Regulations and the laws or regulations complementary thereto. Directors may in addition be paid reasonable out-of-pocket and travel-related expenses in connection with the duties performed by such Director as a member of the Board of Directors. The report submitted by the Board of Directors to the Ordinary General Assembly shall contain a statement of all payments made to members of the Board of Directors during the fiscal year, including salaries, attendance allowances, expenses and other benefits. It shall as well contain a statement of payments made in consideration for technical, administrative or consultancy assignments carried out by the Directors, which assignments have been approved by the Company's General Assembly.

in lieu of both Contracts signed between PetroRabigh ,Saudi Aramco and Somitomo Chemicals which prohibit PetroRabigh to pay to any of their executive or board members any remuneration also pursuant to article # 74 of MoCI Corporate Bylaws which prohibit to pay any board remuneration before paying minimum dividend of 5% to the shareholders, based on the above clarifications PetroRabigh didn't pay any remuneration to its board members from both shareholders Saudi Aramco and Somitomo and PRC board recommending to SOGA to attest paying two independent board members Mr. Ahmed Saleh Al-Humaid and Mr. Saud Abd Ar-Rahman Al-Asghar SR 187,000 at each detailed as follows:

1- Consultation fees SAR 150,000+ 25,000 = SAR 175,000
2- Attendance fees SAR 12,000

For the period starting on 3/11/2007 to 31/12/2008

Fifth:

Approving the Selection of the extrnal Auditors For Year 2009.

The Board Audit Committee Report For The Selection of External Auditors For the Year 2009

In its previous meeting in June 2008, the General Assembly of Rabigh Refining and Petrochemicals Company approved the appointment of KPMG Al Fozan & Al Sadhan as the Company's external auditors to provide their services in auditing the Company's financial statements for the year ending 2008. The contract calls for reviewing and auditing the company's quarterly (four quarters) financial statements and reviewing and auditing the year end 2008.

The Contract with the external auditors expired in March 31st, 2009; and the contract has an option to extend the contract for two years (2009+ 2010). The schedule below shows the rates for the years 2008, and the two years option 2009 and 2010:

Period	2008 Current Rates	2009 First Year Option	2010 Second Year Option
Quarterly (4 qtrs)	20,000	24,000	25,000
Year End	80,000	100,000	105,000
Annual Total Cost	160,000	196,000	205,000

* All amounts are in Saudi Riyals.

The gradual increase in the rates in the years 2009 and 2010 is mainly attributed to inflation and increase in audit scope and accounting volume and complexity; and thus time due to company's movement from the construction phase to the full operational phase. It is worth mentioning that KPMG was initially selected by Petro Rabigh, when it was a limited liability company, in the year 2005 and their bid was considered the lowest between the other competitors, PricewaterhouseCoopers and Deloitte & Touché.

The General Assembly is kindly requested to authorize the Board Audit Committee to exercise the first year option to extend the Contract with KPMG until March 31st, 2010. The extension will cover auditing four quarters (June 30th, 2009; September 30th, 2009; December 31st, 2009 and March 31st, 2010) and the full year 2009 ending December 31st, 2009.