بترورابغ
Petro Rabigh

Annual Report 2009

Rabigh Refining & Petrochemical Co.

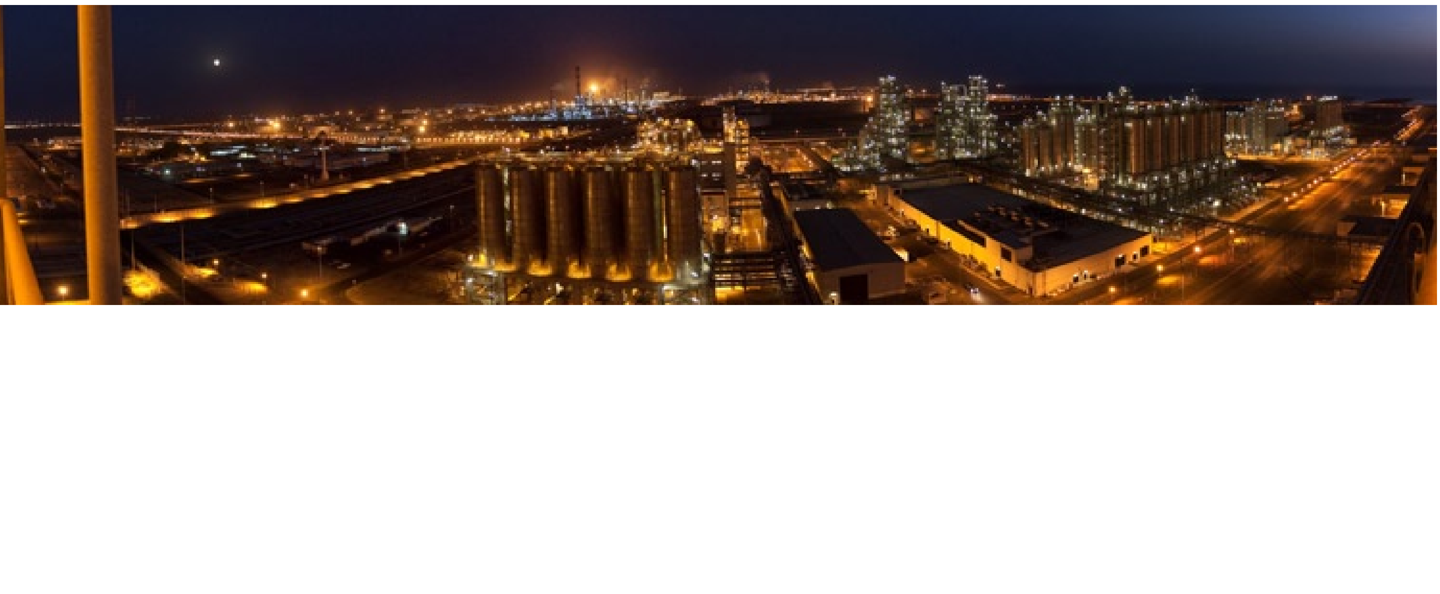
(A Saudi Joint Stock Company)

www.petrorabigh.com

بسم الله الرحمن الرحيم

The Board of Director's Report
for the year ending December 31, 2009

Directed to the:
Third Annual General Meeting
Jeddah 22/6/1431H Corresponding to 5/6/2010G



The Custodian of the Two Holy Mosques
King Abdullah Bin Abdul Aziz Al Saud
King of Saudi Arabia

His Royal Highness Prince
Sultan Bin Abdul Aziz Al Saud
The Crown Prince
First Deputy Prime Minister
Minister of Defence and
Aviation, General Inspector

His Royal Highness Prince
Naif bin Abdul Aziz Al Sa'ud
The Second Deputy Prime Minister and
Minister of Interior

Board of Directors

2009

Abdulaziz F. Al-Khayyal
Chairman of the Board

Hiromasa Yonekura
Deputy Chairman of the Board

Ziad S. Al-Labban
Board Member

Osamu Ishitobi
Board Member

Noriaki Takeshita
Board Member

Motassim A. Al-Ma'ashouq
Board Member

Saud A. Al-Ashgar
Board Member

Ahmed S. Al-Humaid
Board Member

Agenda

2009

Resolutions submitted for voting to the Third Annual General Meeting

1. Approval of the Board of Director's report for the year ending December 31, 2009.

2. Approval of the financial statements and the external auditor report for the year ending December 31, 2009.

3. Releasing the Board of Directors from liabilities for the year ending December 31, 2009.

4. Approval of consultation fees of SR 162,000 each to the two both independent Board of Directors members.

5. Approval of appointing two new Board members Mr. Ziad S. Al-Labban and Mr. Noriaki Takeshita as executive members of the Board of Directors replacing two resigning members Mr. Saad F. Al-Dosari and Mr. Toshiki Matsumura.

6. Approval of the appointment of the External Auditor by the Board Audit Committee to audit the Company's 2010 Quartey and Annual Financials and approval of audit charges.

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Board of Directors Report

FIRST
Approval of the Board of Director's Report
for the year ending December 31, 2009

Directed to the:
Third Annual General Meeting
Jeddah 22/6/1431H Corresponding to 5/6/2010G

MESSAGE FROM THE CHAIRMAN OF PETRO RABIGH BOARD OF DIRECTORS TO SHAREHOLDERS

Dear Shareholders,

On behalf of Petro Rabigh Board of Directors, I would like to submit to you the Petro Rabigh 2009 Annual Report for the period ending December 31, 2009, together with the audited Financial Statements and a summary of other major developments.

Year 2009 witnessed memorable achievements for our Company including, most significantly, the successful start-up and commissioning of all refining and petrochemical production units. This success resulted from the extensive refining and petrochemical expertise of Petro Rabigh's founding shareholders, Saudi Aramco and Sumitomo Chemical. Petro Rabigh was honored to have its Inauguration Ceremony under the patronage of the Custodian of the Two Holy Mosques, King Abdullah bin Abdulaziz Al-Saud represented by HE the Minister of Petroleum and Mineral Resources, Ali bin Ibrahim Al-Naimi, on November 8, 2009 (Dhu-al-Qa'dah 20, 1430).

2009 was a unique year for the world and particularly our business. The global economic downturn hampered growth in demand for refined and petrochemical products. In conjunction with fluctuations in variability in crude oil prices, the margins for our production, particularly refined products, was negatively impacted, thereby detrimentally affecting the Company's profits. However, positive trends in the world economy, particularly increasing demand for refined and petrochemical products and the commencement of full operations of Petro Rabigh facilities are shedding positive light for 2010.

In order to capture opportunities presented by strengthening economic developments, Petro Rabigh has embarked on a new comprehensive strategy encompassing reorganizing the Company's sectors, revisiting expenditures, and executing a marketing plan based on product quality assurance and competitiveness throughout the Gulf region and worldwide. Our strategy continues to focus on the development and preparedness of our human talent, safeguarding the highest safety and environment protection standards, and carrying out our corporate social responsibilities.

Our continuous objective will be to build a world-class profitable refining and petrochemical enterprise that transforms hydrocarbon natural resources into products that enrich human life.

On behalf of the Petro Rabigh Board of Directors, I would like to thank each and every one of the Petro Rabigh valued shareholders for their continued trust in the Company. Also, I would like to thank Petro Rabigh's executive management and all its employees for their determination and dedication to ensure the Company's continued success and prosperity.

Abdulaziz bin Fahad Al-Khayyal
Chairman of the Board of Directors

1. Company

Rabigh Refining and Petrochemical Company (Petro Rabigh) was established as a Saudi limited liability company under Commercial Registration No.4602002161 on 15-08-1426H (corresponding to September 19, 2005). 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 (corresponding to November 3, 2007). The objectives of the Company are the development, construction and operation of an integrated petroleum refining and petrochemical complex. The complex will manufacture refined petroleum products, petrochemical products and other hydrocarbon products which include the following: gasoline, naphtha, jet, diesel, fuel oil, polyethylene, monoethylene glycol, polypropylene and propylene oxide.

2. Company Business

Company business is composed of two main activities: namely refining and petrochemical production. The two activities are integrated in such a way to maximize profit and minimize cost by converting low valued products to higher margin products.

Refining:

The Company can process up to 400,000 bpd of Arabian Light crude oil and produce 130 million barrels of gasoline, naphtha, jet, diesel, and fuel oil annually.

Petrochemical Production:

The Company produces up to 2,400 kilo tons per annum of polyethylene, monoethylene glycol, polypropylene and propylene oxide from ethane and other feedstock provided by Saudi Aramco.

3. Product Sales & Marketing

The marketing agreements between the Company and the two founding shareholders, Saudi Aramco and Sumitomo Chemical, are the key documents to govern the relationship between the Company and its marketers. Saudi Aramco is the sole marketer of the Company's refined products while Sumitomo Chemical is responsible for marketing a major portion of the petrochemical products. The remaining portion of the petrochemical products are marketed directly by the Company within the GCC and the Middle East. The Company is benefitting from the well established marketing and distribution networks of both founding shareholders.

4. Operational Achievements and Future Operation Plans

The Company has successfully commissioned all plants and achieved commercial operations during the second quarter of 2010. A maintenance shutdown of the whole complex is planned to commence during the fourth quarter of 2010.

5. Financial Summary

The Company's financial results for 2009 witnessed a significant improvement over the previous year, particularly in the fourth quarter. Below is a brief description of the 2009 financial outcome in comparison to the previous year:

• The net loss during the twelve months is $382.1 million versus $335 million for the previous year, an increase by 14.1%.
• Loss per share during the twelve months is $0.17 per share versus $0.38 per share for the previous year. Please note that the loss per share was calculated by the weighted-average number of shares for that period.
• The gross loss during the twelve months is $121.4 million versus $165.8 million for the previous year, a decrease by 26.8%.
• The operational loss during the twelve months is $322.4 million versus $347.1 million for the previous year, a decrease by 7.1%.

Balance Sheet:
($ Thousand)

	2009	2008	2007	2006
Current Assets	2,386,048	1,348,250	185,890	799,725
PPE & Other Non-Current Assets	11,519,661	11,428,000	7,003,605	2,179,191
Total Asset	13,905,709	12,776,250	7,189,495	2,978,916
Current Liability	3,023,377	1.919.753	417,139	520,542
Long Term & Other Liability	8,794,114	8,386,140	5,602,139	2,325,542
Equity	2,088,218	2,470,357	1,587,495	653,374
Total Liability & Equity	13,905,709	12,776,250	7,189,495	2,978,916

Profit & Loss Statement:
($ Thousand)

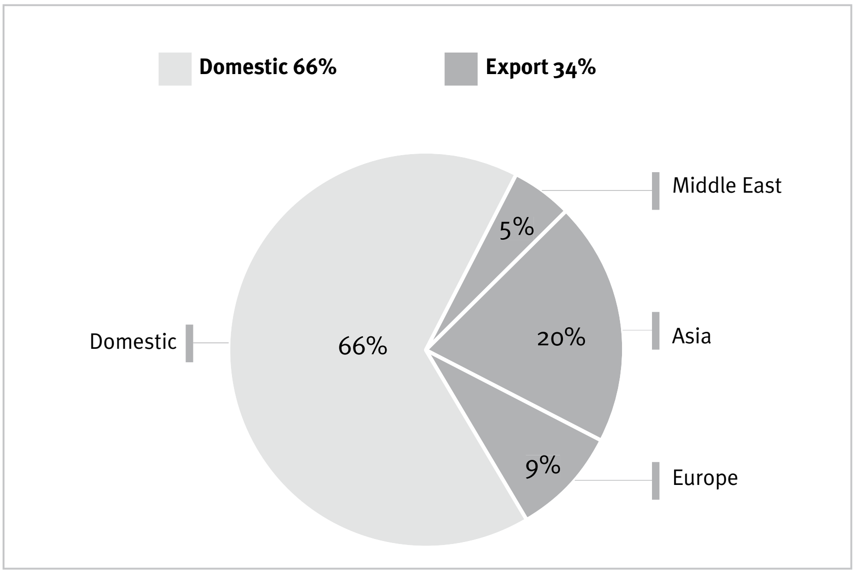
	2009	2008	2007	2006
Revenue	7,846,055	1,744,891		
Refined Products	**7,439,232	*1,744,891		
Petrochemical Products	**406,823			
Cost of Goods Sold	(7,967,483)	(1,910,729)		
Gross Loss	(121,428)	(165,838)		
General & Admin. Expense	(200,968)	(181,244)	(112,773)	(69,348)
Other Income (Loss)-Net	(59,752)	12,084	(5,245)	22,722
Net Loss	(382,148)	(334,998)	(118,018)	(46,626)

* This only pertains to 4th Qtr, where the existing refinery was bought on 1st of Oct
** This only pertains to commercial sales, where pre-commercial sales were deducted from the Construction in Progress (CIP) account.

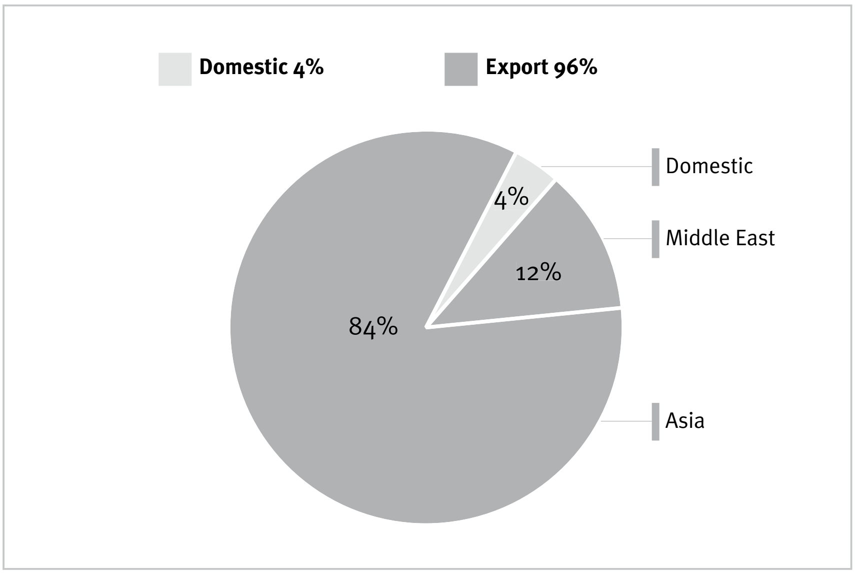
6. Geographical Sales Analysis

The introduction of petrochemical products has been done gradually starting from the 3rd quarter until the end of the 4th quarter when all plants reached commercial operation. Below graphs show petrochemical product sales which contributed 5% of total Company sales by geographical distribution outlets and the split between export and domestic sales.

Refined Products



Petrochemical Products



7. Dividends Distribution Policy

The Company's annual profits shall be allocated, after deducting all general expenses and other costs including taxes and zakat, as follows:

- 10% of the annual net profit shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when statutory reserve equals half of the Company's equity capital.
- The Ordinary General Assembly may, upon a request of the Board of Directors, set aside a percentage of the annual net profit to form an additional reserve to be allocated for purposes decided by the Ordinary General Assembly.
- All the remaining amounts of the annual net profits shall be distributed to shareholders as dividends unless the Ordinary General Assembly decides otherwise.

Furthermore, dividends distribution is based on the recommendation of the General Assembly based on the result of the cash flow and the governmental accrual, taking into consideration the restrictions in dividend distribution required by the lenders in the facilities agreements.

8. Board of Directors

The Company Board of Directors is comprised of eight members who will serve for five years starting from the establishment date. During the year, the Board of Directors held four meetings:

Name	Title	Meetings Attended
Abdulaziz F. Al-Khayyal	Chairman (Non-Executive)	Four
Hiromasa Yonekura	Deputy Chairman (Non-Executive)	Four
Ziad S. Al-Labban	Executive Director	One
Noriaki Takeshita	Executive Director	One
Motassim A. Al-Ma'ashouq	Non-Executive Director	Four
Osamu Ishitobi	Non-Executive Director	Four
Saud A. Al-Ashgar	Independent Director	Four
Ahmed S. Al-Humaid	Independent Director	Four

It should be noted that membership of Mr. Ziad S. Al-Labban and Mr. Noriaki Takeshita started after the Company's third Board meeting in 2009.

Changes in BOD Members:

• Ziad S. Al-Labban was appointed as President & CEO, Executive Member of the Board of Directors, and Company Board Representative to the Capital Market Authority (CMA) replacing Saad F. Al-Dosari, effective August 1, 2009.

• Noriaki Takeshita was appointed as Executive Board Member in addition to his current position as Chief Financial Officer (CFO) replacing Toshiki Matsumura effective July 20, 2009.

Other Memberships:

The directors listed below are also members on boards of other companies:

Name	Company	Title
Abdulaziz F. Al-Khayyal	Saudi Aramco	Sr. Vice President
Hiromasa Yonekura	Sumitomo Chemical	Chairman
	Japan-Singapore Petrochemical Co. Ltd	President
Osamu Ishitobi	Sumitomo Chemical	Executive Vice President
Saud A. Al-Ashgar	S-Oil Corporation	Outside Director

Board of Directors Shares Ownership:

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

Name	Start of Year	End of Year	Changes
Abdulaziz F. Al-Khayyal	126	126	-
Saud A. Al-Ashgar	85,400	85,400	-
Ahmed S. Al-Humaid	210	210	-
Motassim A. Al-Ma'ashouq	168	168	-
Ziad S. Al-Labban	-	-	-

Fees & Remuneration:

The details of the Board meeting expenses, remuneration and Company executives'

salaries are tabulated below:
($ Thousand)

	Executive Board Members	Non-Executive Board Members	Five Senior Executives, CEO and CFO
Salaries & Compensation	554	-	1,731
Allowances	-	64	-
Periodic Annual Remunerations	-	-	-
Incentives Plans	-	-	-
Other Compensations or benefits	-	86.4	-

Board Audit Committee:

The Audit Committee oversees financial, risk management and internal control aspects of the Company's operations. Its responsibilities include the review and discussion of the Company's interim and annual financial statements. The Board Audit Committee oversees the Company's external auditor and reviews the effectiveness of external and internal audit and has the authority to engage such external experts, as it deems necessary to fulfill its obligations of stewardship of the financial affairs of the Company.

The Board Audit Committee has responsibility for reviewing 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.

During the year the Committee held five meetings:

Name	Title	Meetings Attended
Motassim A. Al-Ma'ashouq	Chairman	Five
Osamu Ishitobi	Member	Five
Saud A. Al-Ashgar	Member	Five
Ahmed S. Al-Humaid	Member	Five

As a result of an overall review, the Committee declared that the Company is applying effective internal control systems and its financial practices are in accordance with Saudi GAAP.

Nomination, Remuneration and Compensation Committee:

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

• Recommending nomination of the independent Directors to the Board.
• Annually reviewing the required skills of the independent Directors of the Board and the time that a Director should dedicate to the Board's functions.
• Annually verifying the independence of the independent Directors and the absence of any conflict of interests if the Directors serve as directors on the Boards of Directors of any other company.
• Recommend to the Board clear policies for the remuneration for the Directors and senior executive officers using a performance criteria.

During the year the Committee held two meetings:

Name	Title	Meetings Attended
Motassim A. Al-Ma'ashouq	Chairman	Two
Ahmed S. Al-Humaid	Member	Two
Ziad S. Al-Labban	Member	One
Osamu Ishitobi	Member	Two

Ziad S. Al-Labban was appointed as a new member in the Remuneration, Nomination, and Compensation Committee replacing Saad F. Al-Dosari effective August 1, 2009.

Contracts with Material Interest to the Board of Directors:
The Board of Directors declare that none of its members have any material interest in any of the contracts that the Company has entered in.

9. Loans

During 2009, the Company drew down $210 million equally from each of its founding shareholders as per the shareholder loan agreement. The Company has already utilized all of the loans available to it from third-party lenders totaling $5,840 million. All the loan repayment, including the founding shareholder subordinated loan, is expected to start after commercial operation and will last till 2021. The Company did not start repaying any of its loans as of the end of 2009.

The table below summarizes the loan amounts:
($ Million)

Name	Dec 31, 2009	Dec 31, 2008	Dec 31, 2007
Japan Bank for International Cooperation	2,500	2,500	2,500
Commercial Banks	1,740	1,740	1,740
Public Investment Fund	1,000	1,000	545
Islamic Financial Institutions	600	600	400
Saudi Aramco	610	400	
Sumitomo Chemical	610	400	
Total	7,060	6,640	5,185

10. Accruals for Government Institutions

Zakat Assessment:
The Company has provided the Department of Zakat and Income Tax (DZIT) all requested information in relation to year 2006 zakat in addition to a request pertaining to year 2007 zakat. As of the end of 2009, the Company did not receive any decision nor request for further information from DZIT in regard to the same matter.
Following are accrued liabilities which consist of accrued withholding taxes and the Company contribution to GOSI.
($ Thousand)

	2009	2008	2007
Department of Zakat & Income Tax (Withholding Tax)	4,634	8,572	7,717
General Organization for Social Insurance	575	469	255
Total	5,209	9,041	7,972

11. Investment for the Benefit of Employees

The Board of Directors has approved implementation of an employee share ownership plan (ESOP) which provides 800 shares to eligible employees at the end of a 5-year maturity period. To implement this, the Company arranged with a commercial bank to subscribe for 1.5 million shares during the IPO period at the offer price of SR 21 per share. These ESOP shares are managed by Riyad Capital under an open ended mutual fund which has offered to subscribe and hold such shares "in trust" for the employees as part of an Administrative Service Agreement. These shares, as service awards to employees, are amortized evenly over a period of five years and allocated to eligible employees until the vesting period has been fully met. As of the end of 2009 a total of 1600 shares were allocated to deceased employees.

12. Workforce and Training

The Company made significant progress towards the recruitment and development of a skilled workforce. The Company has established aggressive training programs in house and in coordination with specialized institutes, especially in the operation and maintenance aspects of the plants. Special focus has been put on safety, certification training, professional and leadership training. As part of the Company's effort to qualify national manpower, four training programs were established: the Apprenticeship Program, the Professional Development Program, the College Degree Program for Non-Employees, and the College Continuation Program for Non-Employees. Total number of employees have reached about 2,200 by the end of December 2009, with Saudization level of 80%.

13. Corporate Social Responsibility

The Company's management recognizes the significance of Corporate Social Responsibility (CSR), as well as realizing and maintaining an attractive return for 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 2009, 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 to several organizations in Rabigh. In addition, Petro Rabigh management approved a budget of $4 million to expand a 6 km stretch of local roadway adding two additional lanes in order to improve traffic safety.

14. Environment and Health

The Company is committed to protect the surrounding environment and the health of its employees and contractors through recruitment of high quality professionals, implementing the best available local & international standards and technologies to control gaseous emissions, managing chemical wastes and implementation of contemporary occupational health and environmental standards.

To achieve the goals, the Company issued a number of policies and procedures such as Safety, Health and Environment policy, Environment Monitoring Procedures, Hazardous Chemical Wastes Storage & Disposal, and Protection of the Rabigh Marine Environment.

The Company is implementing an Integrated Management System to achieve ISO certification in Quality, Environment, Safety, and Occupational Health.

15. Company Governance

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

Article # 6: Voting rights:

	Rules	Applied in complete	Applied partially	Not applied	Reason and Details
D)	Did the Company provide the annual reports to investors or individuals acting on their behalf in order to inform them of their actual voting rights and any conflict of interest that might have influence their essential right for investment?		X		Some investors were covered. Letters will be sent to all fund managers.

Article # 15: Nominating Committee and equivalents:

	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 establish rules to select the members of the remuneration, nomination, compensation committee and the duration of their membership and the work scheme of the committee?		X		This review will be conducted one year before the end period of the current BOD.

Article # 15: Nominating Committee and equivalents:

	Rules	Applied in complete	Applied partially	Not applied	Reason and Details
C)	Tasks of the remuneration, nominations and compensation committee and the responsibility and rewards:				
2	Did the committee review the requirements of the skills of the Board members and prepare a description of the Board members' abilities and required background for them to work as board members and decide the required time to be devoted for their job as members?		X		This item is not applicable at this time since there are no current board vacancies.

3	Did the committee review the structure of the Board of Directors and recommend changes?		X		Ongoing assessment of the situation is taking place.
4	Did the committee determine the Board strength and weaknesses and recommended corrective actions to be taken to the Company's advantage?			X	This review will be conducted one year before the end period of the current BOD.

16. Board of Directors Declarations

The Board of Directors declares the following:

- Accounting records have been kept properly and correctly.
- The internal control system was adequately established and effectively implemented.
- The internal control is in compliance with generally accepted accounting standards in Saudi Arabia and is applied effectively.
- There are no significant doubts concerning the Company's ability to continue operations in a safe and profitable manner.
- There is no conversion or subscription right under any convertible debt instruments, options, or warrants issued.
- No securities were issued.
- There is no arrangement nor agreement under which a shareholder has waived any rights to dividends.
- Company was not engaged in any contract that benefited any Board member, CEO, CFO or any of their related parties.

17. Recommendation to the Annual General Meeting

The Board of Directors recommends that the annual general meeting approves the following:

1 The Board of Director's report for the year ending December 31, 2009

2 The financial statements for the year ending December 31, 2009

3 Releasing the Board of Directors from liabilities for the year ending December 31, 2009

4 Approval of consultation fees to of SR 162,000 and to the two independent Board of Directors members

5 Approval of appointing two new Board member's Mr. Ziad S. Al-Labban and Mr. Noriaki Takeshita as Executive members of the Board of Directors replacing two resigning members, Mr. Saad F. Al-Dosari and Mr. Toshiki Matsumura

6 Approval of appointment of the External Auditor by the Board Audit Committee to audit the Company's financials annual, quarterly data and approving their charges for 2010 Quarterly and Annual Financials approval of Audit charges.

Second
Approval of the Financial Statements and the External Auditor Report

for the year ended December 31, 2009

Directed to the:

Third Annual General Meeting

Jeddah 22/6/1431H Corresponding to 5/6/2010G

KPMG Al Fozan & Al Sadhan
Al Dainy Plaza
Al Madinah Road
P. O. Box 55078
Jeddah 21534
Kingdom of saudi Arabia

Tel 966 2 658 1616
Fax 966 2 605 0597
Internet www.kpmg.com.sa

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 2009 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended and the attached notes 1 through 28 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 2009 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 Rabi Al Awal, 1431H
Corresponding to 21 ebruary,2010

BALANCE SHEET

As at 31 December 2009

(Expressed in Saudi Arabian Riyals '000')

	Note	2009	2008
ASSETS			
Current assets			
Cash and cash equivalents	5	1,306,235	1,534,089
Trade receivables	6	4,682,139	2,348,492
Inventories	7	2,670,455	974,108
Prepayments and other current assets	8	288,851	199,250
Total current assets		**8,947,680**	5,055,939
Non-current assets			
Property, plant and equipment	9	33,388,287	1,541,274
Leased assets	10	6,300,732	6,547,614
Construction in progress	11	--	31,428,485
Intangible assets	12	297,574	--
Long term investment	13	8,602	8,606
Long term loan	13	3,203,535	3,329,021
Total non-current assets		**43,198,730**	42,855,000
Total assets		**52,146,410**	47,910,939
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of finance lease obligation	10g	139,918	130,527
Trade and other payables	14	9,454,877	6,647,415
Short-term bank debts	15	894,940	--
Accrued expenses and other current liabilities	16	847,930	421,132
Total current liabilities		**11,337,665**	7,199,074
Non-current liabilities:			
Long-term loans	17	21,900,000	21,900,000
Loan from founding shareholders	18	4,575,000	3,000,000
Finance lease obligations	10g	6,485,575	6,538,632
Provision for deferred employee service awards	20	12,062	5,775
Employees' end of service benefits		5,290	3,617
Total non-current liabilities		**32,977,927**	31,448,024
Total liabilities		**44,315,592**	38,647,098
Shareholders' equity			
Share capital	19	8,760,000	8,760,000
Statutory reserve	19	2,409,000	2,409,000
Employee Share Ownership Plan	20	(31,467)	(31,500)
Accumulated losses		(3,306,715)	(1,873,659)
Total shareholders' net equity		**7,830,818**	9,263,841
Total liabilities and shareholders' equity		**52,146,410**	47,910,939

The accompanying notes 1 to 30 form an integral part of these financial statements

STATEMENT OF INCOME

For the year ended 31 December 2009

(Expressed in Saudi Arabian Riyals '000')

	Note	2009	2008
Revenue	4	**29,422,706**	6,543,342
Cost of Sales	4	**(29,878,063)**	(7,165,236)
Gross loss		**(455,357)**	(621,894)
General and administrative expenses	21	**(747,816)**	(679,664)
Marketing and selling expenses		**(5,814)**	--
Operating loss		**(1,208,987)**	(1,301,558)
Interest and other income	22	**129,722**	45,525
Financial charges	23	**(353,791)**	(210)
Net loss for the year		**(1,433,056)**	(1,256,243)
Loss per share – Saudi Arabian Riyals	25	**(1.64)**	(1.46)

The accompanying notes 1 to 30 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

(Expressed in Saudi Arabian Riyals '000')

	2009	2008
Cash flows from operating activities		
Net loss for the year	(1,433,056)	(1,256,243)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	1,042,374	272,904
Amortization of intangible assets	22,720	--
Loss on retirement of property, plant and equipment	255	--
Provision for deferred employee service awards and employee share ownership plan	6,321	5,775
Provision for employees' end of service benefits	1,791	3,656
Changes in operating assets and liabilities:		
Increase in trade receivables	(2,333,647)	(2,348,492)
Increase in inventories	(1,696,347)	(974,108)
Increase / decrease in prepayments and other current assets	(89,601)	311,885
Increase in trade and other payables	2,587,967	5,528,589
Increase in accrued expenses and other current liabilities	426,798	(24,314)
	(1,464,425)	1,519,652
Employee end of service benefits paid	(118)	(39
Net cash (used in) / from operating activities	(1,464,543)	1,519,613
Cash flows from investing activities		
Additions to construction in progress	(1,226,054)	(8,237,801)
Other purchases of property, plant and equipment	--	(1,002,505)
Long term investment and other balances with RAWEC	125,489	(886,785)
Net cash used in investing activities	(1,100,565)	(10,127,091)
Cash flows from financing activities		
Proceeds from issue of share capital, net	--	4,567,500
Net movement in long-term loans	--	2,456,250
Short-term bank debts, net	894,940	--
Loans received from Founding Shareholders	1,575,000	3,000,000
Repayment of finance lease obligations	(132,686)	(68,137)
Net cash from financing activities	2,337,254	9,955,613
Net (decrease) / increase in cash and cash equivalents	(227,854)	1,348,135
Cash and cash equivalents as at 1 January	1,534,089	185,954
Cash and cash equivalents as at 31 December	1,306,235	1,534,089

The accompanying notes 1 to 30 form an integral part of these financial statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2009

(Expressed in Saudi Arabian Riyals '000')

	Share Capital	Statutory reserve	Employee Share Ownership Plan	Accumulated losses	Total
Balance at 1 January 2008	6,570,000	--	--	(617,416)	5,952,584
Proceeds from IPO issue of shares (see Notes 1, 19 & 20)	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
Vesting of IPO of shares (see Notes 1, 19 & 20)	--	--	33	--	33
Net loss for the year	--	--	--	(1,433,056)	(1,433,056)
Balance at 31 December 2009	**8,760,000**	**2,409,000**	**(31,467)**	**(3,306,715)**	**7,830,818**

The accompanying notes 1 to 30 form an integral part of these financial statements

Notes To Financial Statements

31 December 2009

(Expressed in Saudi Arabian Riyals '000')

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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 Shaaban 1426H (corresponding to 19 September 2005). The Founding Shareholders of the Company (see Note 4) agreed on 28 Rabi Al Awal 1428H (corresponding to 16 April 2007) to change the legal status of the Company from Limited Liability Company to 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).

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. 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).

1.3 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.

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

1.5 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.

2. BASIS OF PREPARATION

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).

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.

Functional and presentation currency

The functional currency of the Company has been determined by management as the United States Dollars (US Dollars). However, these financial statements are presented in Saudi Arabian Riyals (SR) in accordance with the SOCPA standard. All financial information presented in SR has been rounded to the nearest thousand, 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, 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.

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), Employee Share Ownership Plan (see Note 20) and useful lives of property, plant and equipment (see Note 9).

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently to all periods presented in the financial statements:

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 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.

Investment

The Company has investment which is not for trading purposes and the Company does not have any significant influence or control and accordingly classified as investment available for sale. This investment is measured at cost.

Property, plant and equipment

Items of property, plant and equipment, except for capital projects in progress, 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.

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

Leased assets

The Company accounts for tangible assets obtained under finance lease arrangements, including some “build, own, operate and 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.

Operating leases

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

Intangible assets

Intangible assets are non monetary assets which have no physical existence but 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 losses, if any. Amortisation is recognised in 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 benefit associated with intangible assets are as follows:

	Years
Software	5
Licenses	15 – 22.5

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 capitalized in construction in progress.

Employees' end of service 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.

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

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

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

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

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

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 probably that an outflow of economic benefit will be required to settle the obligation.

Impairment of assets
Financial assets and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

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 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 Dollar 1.

Segment reporting
The Company's primary format for segment reporting is based on business segments, (refinery and petrochemical businesses) determined on the basis of Company's management and internal reporting structure. Petrochemicals business has commenced only in the last quarter of 2009, accordingly no separate disclosure for segment reporting is presented in these financial statements.

Zakat and Income Tax
Zakat and Income Tax, computed in accordance with the Saudi Arabian fiscal regulations, are accrued and charged to retained earnings. The shareholders have agreed to reimburse Zakat and income tax from the proceeds of the future appropriations, such amount receivable from the shareholders will be credited to retained earnings.

Cash and cash equivalents
Cash and cash equivalents comprise cash in 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 Founding Shareholders of the Company are Saudi Arabian Oil Company ("Saudi Aramco") and Sumitomo Chemical Company Limited ("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) 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.

(b) 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.

(c) Petrochemical products lifting and marketing agreement:

On 11 March 2006, the Company signed a Petrochemical Products Lifting & Marketing Agreements (PPLMA) with Sumitomo Chemical Company, Limited as "Marketer" of a portion of the petrochemical products from the Rabigh Refinery. The PPLMA is valid for 10 years from accumulated production date, and is further extendable for another 5 year period. Pursuant to this agreement, Sumitomo Chemical will lift and market globally, on behalf of the Company as "Seller", the petrochemical products from the Rabigh Complex. An Assignment and Assumption Agreement dated 23 February, 2009 assigns Sumitomo Chemical Asia as the Marketer.

(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 6,206 billion for the development, design, construction and operation of the integrated petroleum refining and petrochemical project. The commitment of the Founding Shareholders 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 have 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 and the Rabigh Terminal Site for a term of 30 years effective from 1 October 2008.

(f) Secondment agreement:

The Company has entered into Secondment Agreements with each of its Founding Shareholders that with Saudi Aramco dated 12 June 2006, and with Sumitomo Chemical Co. Ltd. dated 1 July 2006. Each of these agreements has a continuous term to apply until the date on which a Founding Shareholder ceases to be a shareholder of the Company. These agreements cover the requirement of the Company from time to time for the secondment of certain personnel to assist in the conduct of business and operations.

(g) Services agreement:

The Company has entered into 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

	2009	2008
Cash in hand	**137**	215
Cash at bank in current accounts	**1,306,098**	1,533,874
	1,306,235	1,534,089

6. TRADE RECEIVABLES

	2009	2008
Saudi Aramco - (Note 4 (b))	**4,133,199**	2,348,492
Sumitomo Chemical Asia - (Note 4 (c))	**459,870**	--
Others	**89,070**	--
	4,682,139	2,348,492

7. INVENTORIES

	2009	2008
Raw materials	**188,213**	--
Work-in-process	**110,798**	40,637
Semi-finished goods	**499,758**	98,982
Finished goods	**1,198,019**	749,596
Spare parts and consumables	**673,667**	84,893
	2,670,455	974,108

8. PREPAYMENTS AND OTHER CURRENT ASSETS

	2009	2008
Custom duty deposits	**136,284**	4,322
Due from related parties	**6,432**	24,904
Advances to suppliers	**31,847**	90,249
Prepayments and other receivables	**114,288**	79,775
	288,851	199,250

9. PROPERTY, PLANT AND EQUIPMENT
(Expressed in Saudi Arabian Riyals '000')

	Buildings, roads & infrastructure	Plant, machinery & operating equipment	Motor and construction equipment	Furniture and IT equipment	Capital projects in progress	Total
Cost:						
At 1 January 2009	453,197	1,081,216	53,272	36,811	--	1,624,496
Transfers from construction in progress	3,933,293	28,368,789	9,038	224,361	17,790	32,553,271
Additions	--	--	--	470	--	470
Retirement	(282)	--	--	--	--	(282)
At 31 December 2009	4,386,208	29,450,005	62,310	261,642	17,790	34,177,955
Accumulated depreciation:						
At 1 January 2009	20,377	55,316	5,549	1,980	--	83,222
Charge for the year	140,001	535,905	18,453	12,114	--	706,473
Released on retirement	(27)	--	--	--	--	(27)
At 31 December 2009	160,351	591,221	24,002	14,094	--	789,668
Net book value:						
At 31 December 2009	**4,225,857**	**28,858,784**	**38,308**	**247,548**	**17,790**	**33,388,287**
At 31 December 2008	432,820	1,025,900	47,723	34,831	--	1,541,274

9.1 The depreciation on property, plant and equipment and leased assets is allocated as follows:

	2009	2008
Cost of sales	952,667	38,473
General and Administrative expenses	89,707	234,431
	1,042,374	272,904

9.2 The land used for the Refinery and the Petrochemcial plant is on operating lease from one of the Founding Shareholders for the period of 99 years.

10. LEASED ASSETS

a) Leased assets at 31 December 2009 acquired under finance lease terms and detailed as under:

	Desalination and power plants (c, d & e)	Marine terminal facilities (f)	Total
Cost			
At 1 January 2009	6,448,476	288,820	6,737,296
Capitalized during the year	89,019	--	89,019
At 31 December 2009	6,537,495	288,820	6,826,315
Accumulated depreciation			
At 1 January 2009	186,543	3,139	189,682
Charge for the year	323,344	12,557	335,901
At 31 December 2009	509,887	15,696	525,583
Net book value			
At 31 December 2009	6,027,608	273,124	6,300,732
At 31 December 2008	6,261,933	285,681	6,547,614

b) The aggregate present value of the leased assets was estimated to be SR 6.8 billion which has been capitalized as leased assets cost while the total undiscounted minimum lease payments was SR 11.9 billion (2008: SR 12.3 billion).

c) The Company has entered into agreements with Rabigh Arabian Water and Electricity Company (RAWEC), (see Note 13) 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. The total undiscounted minimum lease payments will be SR 11.2 billion.

d) Leased assets include desalination and water plant operated by RAWEC under a "build, own, operate and transfer" contract between the Company and RAWEC. This original contract was assessed as containing a finance lease in respect of the plant. The Company is in the legal process of approving and signing formal revisions to this contract. These changes may result in a derecognition of the leased asset, and the related lease obligation, from the Company's balance sheet at a future reporting date.

e) The Company has also taken over the interest and obligations of Saudi Aramco in a similar agreement (Modern United Water Desalination Company Limited) in respect of the Desalination plant for the Refinery Complex, with a remaining term of 17 years. The aggregate present value of this leased asset was estimated to be SR 106.0 million which has also been capitalized as leased assets cost. The total undiscounted minimum lease payments will be SR 153.0 million.

f) 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 549.8 million.

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

	2009	2008
Current portion shown under current liabilities	**139,918**	130,527
Non-current portion shown under non-current liabilities	**6,485,575**	6,538,632
	6,625,493	6,669,159

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

Year	**2009**	2008
2009	**--**	502,864
2010	**509,555**	502,864
2011	**509,555**	502,864
2012	**510,899**	504,189
2013	**509,555**	502,864
2014 and thereafter	**9,926,612**	9,796,616
	11,966,176	12,312,261

11. CONSTRUCTION IN PROGRESS

The movements during the year ended 31 December are analyzed as follows:

Costs

	2008	incurred	Transfers out	2009
Plants	25,485,754	801,621	26,287,375	--
Utilities	4,304,350	316,237	4,620,587	--
Interest on borrowings	1,638,381	327,222	1,965,603	--
	31,428,485	1,445,080	32,873,565	--

The Company has completed the Petrochemical Complex and commenced full commercial operations during fourth quarter of 2009 and accordingly, reclassified to property, plant and equipment (SR 32,553,271) and related intangible assets (SR 320,294).

12. INTANGIBLE ASSETS

Intangible assets are mainly comprised as of 31December 2009 as follows:

	Software	Licenses	Total
Cost			
Transfer from construction in progress and balance at 31 December 2009	129,059	191,235	320,294
Accumulated amortization			
Charge for the year and balance at 31 December 2009	13,449	9,271	22,720
Net intangible assets	115,610	181,964	297,574

13. LONG TERM INVESTMENT AND LOAN BALANCES WITH RAWEC

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 and loan outstanding at the balance sheet date comprised the following:

	2009	2008
Equity participation	**8,557**	8,557
Subordinated loans	**45**	49
Long term investment	**8,602**	8,606
Long term loans	**3,203,535**	3,329,021

Under the Facilities Agreement, the loans carry interest at 5.765% per annum and repayments are scheduled to be made by RAWEC in monthly instalments from 30 June 2008 to 30 November 2023.

14. TRADE AND OTHER PAYABLES

	2009	2008
Trade accounts payable:		
- related parties – (Note 26)	**9,003,559**	6,149,280
- others	**343,833**	382,761
Total	**9,347,392**	6,532,041
Other payables to related parties – (Note 26)	**107,485**	115,374
	9,454,877	6,647,415

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

Other payables result principally from payments made by the Founding Shareholders on behalf of the Company in respect of seconded employees and other charges (see Notes 4 (f) and (g)).

15. SHORT TERM BANK DEBTS

Short-term bank debts represent amounts outstanding under bank overdraft and short-term loan facilities with a commercial bank to finance the working capital requirements of the Company. The financing carry commission (interest) at the rate of SIBOR + a fixed margin of 1.15% per annum.

16. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2009	2008
Retention deposits	**463,365**	323,683
Withholding tax payable	**17,379**	24,884
Accrued interest	**183,218**	63,777
Others	**183,968**	8,788
	847,930	421,132

17. 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 were utilized and the amounts drawn down at balance sheet date are:

	2009	2008
Japan Bank for International Cooperation	**9,375,000**	9,375,000
Other commercial banks	**6,525,000**	6,525,000
Public Investment Fund	**3,750,000**	3,750,000
Islamic financial institutions	**2,250,000**	2,250,000
	21,900,000	21,900,000

The facilities for the year ended 2009 were subject to commission (interest) at rates between 0.70888 % - 2.36375 % as of the 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 2011 and will run up to 2021.

18. LOANS FROM FOUNDING SHAREHOLDERS

	2009	2008
Saudi Arabian Oil Company	**2,287,500**	1,500,000
Sumitomo Chemical Company	**2,287,500**	1,500,000
	4,575,000	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 17 and expected within two years from 2011.

19. SHARE CAPITAL AND STATUTORY RESERVE

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

The 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. This reserve is not available for distribution. No transfer is made for the year ended 31 December 2009 in view of net loss incurred by the Company.

20. 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.

The Company arranged with a commercial bank ("the 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 the 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. During the year, the Company has vested 1,600 shares to employees' beneficiaries due to accidental death.

21. GENERAL AND ADMINISTRATIVE EXPENSES

	2009	2008
Salaries and other staff benefits – (Note 26)	**282,360**	408,052
Recruitment, apprentice and training expenses – (Note 26)	**11,917**	15,322
Services and secondment costs – (Note 26)	**20,114**	13,042
Professional fees	**33,496**	27,172
Others	**399,929**	216,076
	747,816	679,664

22. INTEREST AND OTHER INCOME

	2009	2008
Interest and other income	**98,125**	38,569
Port charges	**31,597**	6,956
	129,722	45,525

23. FINANCIAL CHARGES

The main components of financial charges are as follows:

	2009	2008
Interest on bank loans - Others	**11,291**	--
Interest on bank loans – Project Finance	**104,965**	--
Interest on Shareholders' loans – (Note 26)	**36,505**	--
Interest on finance lease	**198,336**	--
Foreign exchange loss	**2,694**	210
	353,791	210

24. ZAKAT AND INCOME TAX

a) Zakat

The significant components of Zakat base are as follows:

	2009	2008
Capital (Saudi Share-62.5%) (2008: 62.5%)	**5,475,000**	4,106,250
Statutory reserve	**1,505,625**	--
Adjusted net income (loss)	**(2,675,539)**	(987,561)
Saudi's shareholder loan and similar items	**19,703,434**	12,210,395
Deduction for property, plant & equipment	**(22,877,020)**	(4,962,331)
Deduction for construction in progress	--	(19,642,803)
Deduction for investment	**(5,348)**	(5,348)
Adjusted brought forward losses	**(1,171,037)**	(385,885)
	(44,885)	(9,667,283)

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.

b) Income Tax

The Company has an adjusted estimated tax loss relating to the foreign shareholder of SR 1,605 million for the year; and accumulated estimated tax losses available for offset against future taxable profits of SR 2,518.6 million. Thus, no income tax has been accrued for the year.

c) 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 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.

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.

25. LOSS PER SHARE

Loss per share for the year 31 December 2009 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 2009 of 876 million shares (2008: 863 million shares).

26. 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 of Founding Shareholder
Sumitomo Chemical Asia. Pte Ltd	Associate of Founding
Shareholder	

Significant transactions with the Founding Shareholders arise from the contracts and arrangements set out in Note 4. These transactions, which result in receivables (Note 6) and payables (Note 14) balances with the related party, include:

Nature of transaction	Amount of transactions	
	2009	2008
Saudi Aramco		
Purchase of feedstock	**30,313,523**	6,148,567
Sale of refined products	**27,897,120**	6,543,345
Asset purchases	**5,435**	2,912,874
Interest expense	**63,328**	25,611
Secondees' and services costs	**303,489**	256,957
Sumitomo Chemical		
Purchase of goods	**64,391**	182,811
Sale of petrochemical products	**1,394,508**	--
Interest expense	**63,328**	25,611
Secondees' and services costs	**220,328**	164,463

Other significant transactions with related parties during the year included the provision of services by Sumitomo Chemical Engineering of SR 31.4 million (2008 – SR 146.8 million) relating to the Petrochemical Plant project, and the sale of petrochemical products of SR 1448 million (2008 – SR 95.3 million) to Sumitomo Chemical Asia.

Transactions with key management personnel:

Key management personnel of the Company comprise of 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 6.493 Million (2008: SR 6.538 Million), included in secondees and services cost above.

27. 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 2009 amounted to SR 59.61 million (2008 SR 74.02 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 analysed as follows:

	2009	2008
Within one year	**49,117**	59,157
Between 2 to 5 years	**132,813**	171,962
More than 5 years	**1,118,348**	1,131,007
	1,300,278	1,362,126

28. 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, Founding Shareholders loan 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 are mainly due from Saudi Aramco and Sumitomo Chemical Asia (see Note 4 (b) and (c)).

As at 31 December 2009, there were minimal overdue debts equivalent to 0.20% of the balance with respect to the Company's allowed credit periods.

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.

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, Japanese Yens 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.

29. COMMITMENT AND CONTINGENCIES

The Company at 31 December has the following commitment and contingencies.

	2009	2008
Letter of Guarantee	**104,775**	104,775

Estimated commitments under existing contracts for the construction of the petrochemical plant and facilities amounted to SR 262 million as of 31 December 2009, (2008: SR 2 billion).

30. BOARD OF DIRECTORS' APPROVAL

These financial statements were authorized for issue by the Board of Directors on 21 February 2010.

Third
Releasing the Board of Directors from Liabilities

for the year ending December 31, 2009

Directed to the:
Third Annual General Meeting
Jeddah 22/6/1431H Corresponding to 5/6/2010G

Fourth
Approval of Consultation and Attendance Fees
2009

To each SAR 162,000 and to the two Independent Boards of Directors Members

Dear shareholders,

The BOD members Compensation and Remuneration system was approved during the Second Annual General Meeting.

Clarification:

In lieu of both Contracts signed between Petro Rabigh, Saudi Aramco and Sumitomo Chemical, which prohibit Petro Rabigh to pay to any of their executives or Board members any remuneration, and also pursuant to article # 74 of MoCI Corporate Bylaws which prohibits paying any board members remuneration before paying minimum dividend of 5% to the shareholders, based on the above clarifications, Petro Rabigh didn't pay any remuneration to its board members. Petro Rabigh's Board is submitting its recommendation to the shareholders present in the Third Annual General Meeting to attest paying consultation and attendance fees to the independent Board member's Mr. Ahmed Saleh Al-Humaid and Mr. Saud Abd Ar-Rahman Al-Asghar, SAR 162,000 each. Details as follows:

1- Consultation fees each SAR 150,000 x 2 BOD members = SAR 300,000 covering the period from January 1, 2009 till December 31, 2009

2- Attendance fees SAR 3,000 per meeting x 4 meetings = SAR 12,000 x 2 BOD members = SAR 24,000 covering the period from January 1, 2009 till December 31, 2009

3- Total Consultation and board meeting attendance fees = SAR 324,000

Fifth
Approval of Appointing Two New Board Members

Mr. Ziad S. Al-Labban and Mr. Noriaki Takeshita as Executive members of the Board of Directors replacing two resigning members Mr. Saad F. Al-Dosari And Mr. Toshiki Matsumura

During its 13th Board Meeting that was held on July 20, 2009, the Board of Directors of Rabigh Refining & Petrochemical Company (Petro Rabigh) approved the followings:

1) Approved the resignation of Mr. Saad F. Al-Dosari as President & CEO and as an Executive member of the Board of Directors due to the completion of his secondment assignment from Saudi Aramco and due to his retirement.

2) Appointed Mr. Ziad S. Al-Labban as President & CEO, Executive member of Board of Directors (temporary) and Company's Board member Representative in CMA replacing Mr. Saad F. Al-Dosari, effective August 1, 2009.

Mr. Al-Labban is a Saudi Aramco employee who held many senior positions including the President of the Saudi Refining Company in Houston, USA, the Director of Long Range Planning Department in Saudi Aramco and Vice President of Petron Corporation in the Philippines, a Saudi Aramco affiliate.

The Board of Directors thank Mr. Al-Dosari for his efforts and contribution towards the execution of this project, the establishment of the Company and the announcement of start up of operations and wished him all the best in his future endeavours. The Board of Directors also wished the new President & CEO success in his assignment stating that this change in leadership has come at the end of the construction phase and the beginning of operation and production phase.

3) Accepted the resignation of Mr. Toshiki Matsumura as an Executive Board member effective July 19, 2009. The Board of Directors thanked Mr. Matsumura for his efforts and contributions in setting up the Company.

4) Appointed Mr. Noriaki Takeshita as an Executive Board member (temporary) in addition to his current position as Chief Financial Officer (CFO) replacing Mr. Matsumura effective July 20, 2009.

The above resolution for appointing two executive Board of Director's members was previously approved by MoCI and today we are submitting this resolution to be attested by the Third Annual General Assembly to officialise their appointment in PetroRabigh Company for a period of five years for the remaining Board term which started on November 3, 2007.

Sixth
Approval of Appointment of the External Auditor

For Year 2010 Among Firms Nominated by the Board Audit Committee to Audit the Annual and Quarterly Financials and Approving of Audit Charges.

The Board Audit Committee Report for the Selection of External Auditors for the Year 2010

The Board Audit Committee Report for the Selection of External Auditors For the Year 2010

Petro Rabigh current engagement with KPMG has a two-year option to extend the engagement up to the first quarter 2011. In its previous meeting in June 2009, the General Assembly of Rabigh Refining and Petrochemicals Company approved the first year extension 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 2009. Petro Rabigh exercised the first year option which expired in March 31, 2010. Four internationally recognized CPA firms (KPMG, Price Waterhouse Coopers, Ernst & Young and Deloitte & Touche) were invited to bid for the external audit services for years 2010, 2011 and 2012. KPMG bid was the lowest among the other competitors.

The table below summerizes the bidding for the year 2010 from the invited firms:

	KPMG	Price Waterhouse	Ernst & Young	Deloitte & Touche
Total Cost*	205,000	255,000	440,000	520,000
IFRS**	-	50,000	-	75,000
Total Cost with IFRS	205,000	305,000	440,000	595,000

* The price includes the Quarterly review (4 quarters), and the Year-End review.
** The review of International Financial Reporting Standards (IFRS) adjustments is an option. The IFRS rate included in KPMG and E&Y prices shown in the table.

The General Assembly is requested to authorize the Board Audit Committee to exercise: (i) the selection and appointment of KPMG proposal for the external audit services for year 2010; and (ii) the appointment of KPMG as external auditor for year 2010 for total cost of SAR 205,000. This will cover auditing four quarters (June 30th, 2010; September 30th, 2010; December 31, 2010 and March 31, 2011) and the full year 2010 ending December 31, 2010.

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