ثري الحياة
Enriching life

بترورابغ
Petro Rabigh

ANNUAL REPORT 2014

TRANSFORMATION TO EXCELLENCE

THE CUSTODIAN OF THE TWO HOLY MOSQUES
KING SALMAN BIN ABDULAZIZ AL SAUD
KING OF THE KINGDOM OF SAUDI ARABIA

THE CROWN PRINCE
MUQRIN BIN ABDULAZIZ AL SAUD
CROWN PRINCE AND FIRST DEPUTY PRIME MINISTER

THE DEPUTY CROWN PRINCE
MUHAMMAD BIN NAYEF BIN ABDULAZIZ AL SAUD
DEPUTY CROWN PRINCE, SECOND DEPUTY PREMIER, AND MINISTER OF THE INTERIOR

CONTENTS

Chapter 1
MANAGEMENT HIGHLIGHTS

Chapter 2
BOARD OF DIRECTORS REPORT

Chapter 3
INDEPENDENT AUDITORS REPORT

Chapter 1

MANAGEMENT HIGHLIGHTS

Dear Shareholders of Rabigh Refining and Petrochemical Company (Petro Rabigh),

On behalf of the Board of Directors and Petro Rabigh staff, I welcome you all, and I present to you the Company's Annual Report for the year ending December 31st, 2014 in addition to the external auditor's report and the audited financial statements for the same period.

Dear shareholders,

During 2014, Petro Rabigh, the Company that you entrusted, saw a number of achievements that will pave the way for a prosperous future. These achievements have been mostly the result of the transformational roadmap that was developed and intended for a comprehensive improvement in the Company's performance to be one of the leading companies in the petrochemical sector in the Kingdom and the world.

As a result of implementing this transformational roadmap, drastic Safety Performance improvement was achieved, with 0 Industrial Fires and a Total Recordable Case Rate of 0.07, the best in Petro Rabigh history. Moreover, the Company was able to achieve 7.3 Million working hours without lost-time injuries, which is a remarkable achievement in the petrochemical industry and is for the first time in the Company's history. Furthermore, workforce certification level in 2014 increased by 40% compared to 2013, thanks to the comprehensive training and development programs that were implemented in partnership with leading global and local specialized organizations, resulting in significant improvement in the Company's programs for the development of manpower, leadership, Corporate Social Responsibility (CSR), and Corporate Governance.

In addition, Petro Rabigh sales during 2014 increased by 7.2% compared to 2013 to reach more than SAR 54 billion, compared to 2013, due to the increased reliability of the operations, which positively reflected on the Company's Net Profit that almost doubled, from about SAR 359 million in 2013 to more than SAR 682 million in 2014.

To improve the investment environment and the competitiveness of Petro Rabigh, the Company signed several agreements with the Founding Shareholders, Saudi Aramco and Sumitomo Chemical. These agreements included supplying Petro Rabigh with methane or equivalent for local price, the reduction and exemption of commissions of marketing of petrochemicals and oil products, respectively, and the exemption of fees of crude oil supply pipe-feed.

In addition to this, the Petro Rabigh made a settlement agreement with Rabigh Arabian Water and Electricity Company Limited (RAWEC), which materialized with SAR 750 million paid cash and in full to Petro Rabigh, SAR 187.5 million reduction in tariffs, and a similar amount being spent to enhance utility infrastructure on RAWEC's part, in addition to RAWEC's commitment to reorganizing their operational, maintenance and managerial structure.

Furthermore, the Company's Board of Directors endorsed the ownership transfer of Rabigh 2 Project to Petro Rabigh by securing financing loans by 19 billion Saudi Riyals have been secured from several local and international financing institutions, including the Saudi Public Investment Fund and Japan's International Cooperation Bank. It is expected that Petro Rabigh Complex, with its two phases combined, will provide the largest integrated refining and petrochemical complex in the world.

In the area of support and integration of the national economy to take optimal advantage of the facilities available in the region, Petro Rabigh achieved an increase in its sales to Rabigh PlusTech Park customers by 100% in 2014 compared to 2013. The Company also launched the export operations of King Abdullah Economic City Port by providing the first outbound cargo, to reach a total of 210 shipments made through this port during 2014.

In the area of Corporate Social Responsibility (CSR) and sustainable development, the Company developed new CSR strategic programs aimed at creating sustainable development for the Saudi community socially and economically.The Company implemented a number of awareness campaigns for health and safety among different age groups in Rabigh city and the neighboring areas. It has also initiated activities to the advancement of Corporate Social Responsibility and sustainable development with companies and concerned entities in Rabigh region, through the establishment of the Rabigh Council for Corporate Social Responsibility and Sustainable Development, which adopted a number of initiatives in line with the requirements of the community.

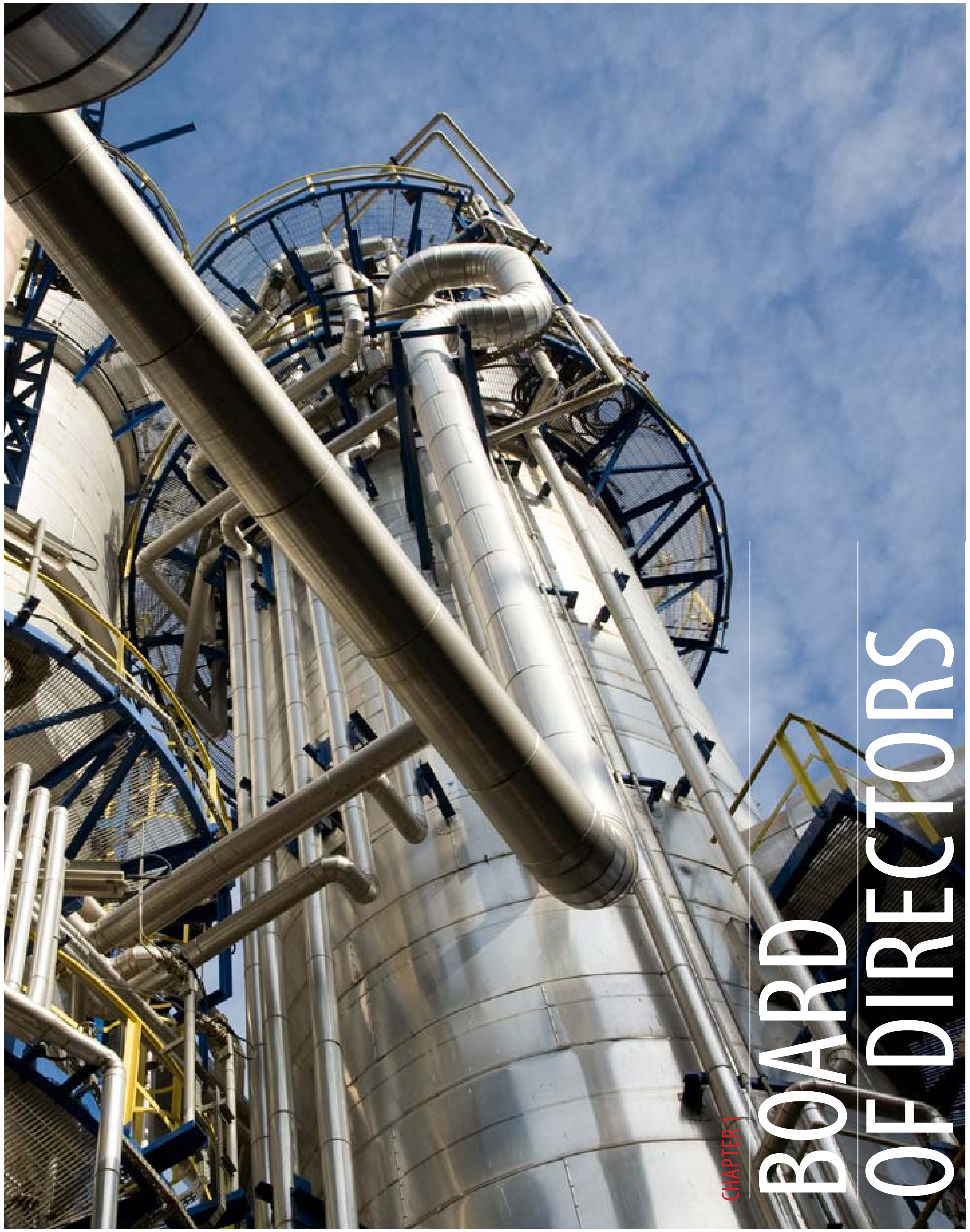
As for future plans, Petro Rabigh will focus during the years 2015 and 2016 on the implementation of the Company's marketing plans aimed to increase profitability, and the completion of the implementation of the roadmap effectively, which aims to increase the financial value of the Company shares by increasing its profitability and financial position. In addition, the Company will track key performance indicators to benchmark against Best-in-Class operators. The company will also focus during 2015 on the implementation of the Test & Inspection (T&I) as scheduled and be committed to restarting all units securely and safely to increase their operational performance.

Regarding Rabigh II Project, the Company will complete the construction works of the project, and will take all the necessary preparations to achieve progressive, safe, and effective operations for this promising project during the first half of 2016, as scheduled.

The Company will also continue working closely with RAWEC during the years 2015 and 2016 to ensure the implementation of the settlement agreement terms, especially those related to the improvement of the reliability of the supply of utilities to prevent any potential negative effects on either party in the future.

Finally, on behalf of Petro Rabigh's Board of Directors, I would like to thank you all for your continued support and trust, and hope you will continue providing us with your valuable suggestions and views. I would also like to thank Petro Rabigh's management and workforce for their distinguished performance and hard work.

Abdulaziz M. Al-Judaimi
Chairman of the Board



CHAPTER 1

BOARD OF DIRECTORS

KHALID G. AL-BUAINAIN
BOARD CHAIRMAN

ABDULLAH S. AL-SUWAILEM
PRESIDENT & CHIEF EXECUTIVE OFFICER
EXECUTIVE DIRECTOR

OSAMU ISHITOBI
DEPUTY CHAIRMAN
NON EXECUTIVE DIRECTOR

MOTAZ A. AL-MASHOUK
NON EXECUTIVE DIRECTOR

NORIAKI TAKESHITA
NON EXECUTIVE DIRECTOR

TOMOHISA OHNO
NON EXECUTIVE DIRECTOR

SAUD A. AL-ASHGAR
INDEPENDENT DIRECTOR

SOLIMAN A. AL-HOSAIN
INDEPENDENT DIRECTOR

ABDULSALAM M. AL-MAZRO
INDEPENDENT DIRECTOR

CHAPTER 1

EXECUTIVE MANAGEMENT

BOARD OF DIRECTORS

CEO
ABDULLAH S. AL-SUWAILEM
PRESIDENT & CEO

FINANCE & ACCOUNTING
SATOSHI TAKAZAWA
VICE PRESIDENT

MANUFACTURING
YASUHIKO KITAURA
SENIOR VICE PRESIDENT

SAFETY, HEALTH, ENVIRONMENT & SECURITY
ABDULLAH M. AL-QAHTANI
VICE PRESIDENT

MARKET DEVELOPMENT
TAKASHI SHIGEMORI
VICE PRESIDENT

INDUSTRIAL RELATIONS
BASSAM A. AL-BOKHARI
VICE PRESIDENT

ENGINEERING & SUPPORT
TARIQ A. AL-NUAIM
VICE PRESIDENT

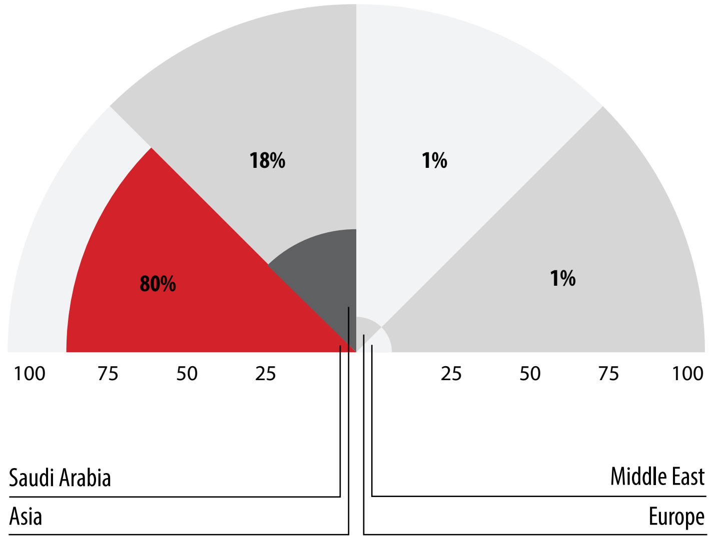
Refining:
The Company has a capacity to process up to 400,000 barrels per day of Arabian light crude oil and produce 134 million barrels of gasoline, naphtha, jet fuel, diesel and fuel oil annually.

80% Saudi Arabia 95,177,203

18% Asia 21,898,135

1% Europe 1,264,141

1% Middle East 529,190



Petrochemicals:
The Company has a capacity to produce up to 2.4 million tons per annum of polyethylene, mono ethylene glycol, polypropylene and propylene oxide from crude oil, ethane and butane feedstock supplied by Saudi Aramco.

70% Asia 1,458,010

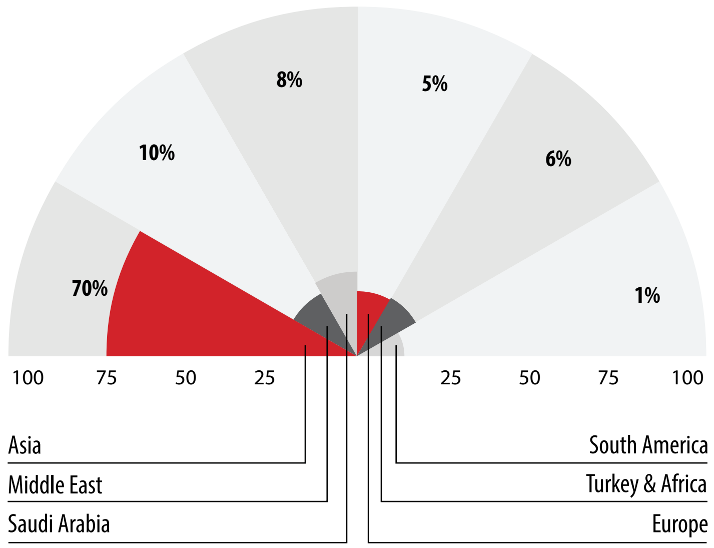
10% Middle East 208,000

8% Saudi Arabia 169,000

5% Europe 103,000

6% Turkey & Africa 133,000

1% South America 25,000



CHAPTER 1

FINANCIAL HIGHLIGHTS

Petro Rabigh recorded in 2014 a net profit of SAR681.4 million, an increase of 90% on 2013 and its highest since operations began. The figure was a result of an increase in both volume and price of petrochemical products sales, improved crack spread, and more stable operations despite the steep crude oil price decline experienced during the year.

Gross profit for the year was SAR1,725 million, an increase of 274% on 2013, while operating income for 2014 was SAR733.7 million.

NEW COMMERCIAL ARRANGEMENTS

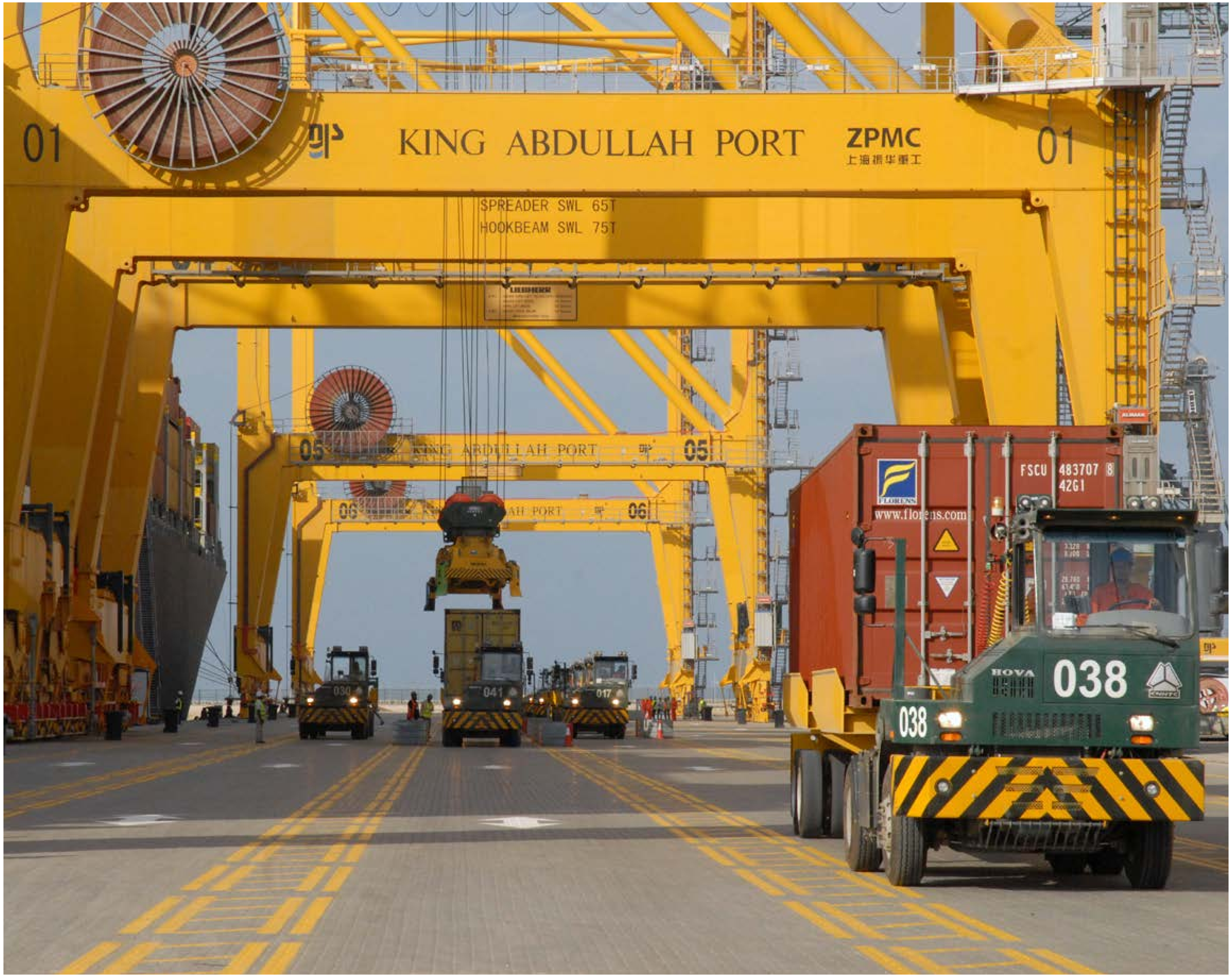
During the three month period ending December 31, 2014, Petro Rabigh entered into several new arrangements with the founding shareholders that resulted in the reduction of cost of goods manufactured and increases in sales revenues. The agreements included a fuel supply arrangement with Saudi Aramco for methane gas, an arrangement with Saudi Aramco to waive crude pipeline through-put fees, an arrangement with Sumitomo Chemical Company Limited to further reduce the marketing fee for all polymer and monomer petrochemical products, an arrangement with Saudi Aramco to continue to waive the marketing fees for refined and petrochemical products, and an arrangement with Saudi Aramco to amend the pricing formulas of gasoline and fuel oil.

681.4
SAR MILLION
In net profit

90%
Increase in net profit from 2013

CHAPTER 1

LOCAL COMMITMENT



100%
Increase in sales volume to Rabigh PlusTech Park

210
SHIPMENTS
From King Abdullah Port

CHAPTER 1

SAFETY HIGHLIGHTS

Safety is a value that guides all of Petro Rabigh's operations, and 2014 recorded a number of safety performance milestones. The Company successfully accomplished its ambitious target of zero fire incidents from process plants and a more than 60% reduction in leak incidents on 2013. The Total Recordable Case Rate reflecting the number of workplace injuries reached a record low in PRC history with 0.07 versus 0.18 in 2013.

Another safety milestone was the 7.3 million man-hours working continuously without any Lost Time Injury (LTI), the second best figure achieved in the Company's history, recorded in the period between November 22, 2013 and October 13, 2014. Traffic violations were reduced by 50% compared to 2013.

A three-year Petro Rabigh Safety Enhancement Transformation Roadmap was established with objectives covering areas such as safety culture maturity, process safety management systems, incident reporting and investigation, off-job safety, outreach initiatives and Phase II security readiness. By the end of 2014, the Safety Enhancement Transformation Roadmap had achieved an overall 32% progress.

In addition, as part of Phase II Due Diligence, a specially established Fire & Safety Task Force conducted a thorough review of each package of Petro Rabigh Phase II project, while increased emphasis on contractor safety resulted in enhanced levels of contractor safety performance.

Petro Rabigh maintains its OHSAS 18001:2007 (Occupational Health & Safety Management Systems) certification and conducts Occupational Health, Radiation Protection and Environmental Health assessments to protect the health and wellbeing of employees and the community and comply with applicable company and government regulations.

0
FIRE INCIDENTS

7.3
MILLION MAN-HOURS
without any Lost Time Injury (LTI)

32%
PROGRESS
In the Safety Enhancement Transformation Roadmap

CHAPTER 1

HUMAN CAPITAL DEVELOPMENT

One of Petro Rabigh's core founding objectives is to develop and retain a skilled workforce with a strong local commitment. A number of in-house and out-of-company training programs have contributed towards achieving that goal, including the Apprenticeship Program for Non-Employees, the College Degree Program for Non-Employees, and the University Fresh Graduates Program which gives Saudi nationals a Company-specific work experience and qualifies them for engineering and other professional jobs in both Phases I and II. With special focus on job certification for operators and technicians, the Company has also partnered with Saudi Petroleum Services Polytechnic (SPSP) for an in-house English Language training program for both paraprofessional and professional employees.

In 2014, four additional programs were introduced: The Operators Skills and Certification Program and the Asset Care Ownership Program run by KBC; the Professional Development Skills Program by IFP, and the In-House Leadership and Management Skills Training Program.

Recruitment processes were improved to target experienced specialists from South East Asia, Europe and South America, while recruitment of University Fresh Graduates accelerated and improved in focus and quality. The workforce certification level improved by implementing a comprehensive training and development program. Towards the end of 2014, Petro Rabigh also finalized a new comprehensive Total Rewards Program to ensure highly competitive packages that attract and retain the very best talent.

As of December 31 2014, Petro Rabigh's manpower totaled 2,605 with a Saudization rate of 86%.

86%
SAUDIZATION

40%
increase in workforce certification

54.4
BILLION SAR
In total sales volume

7.2%
Increase in total sales volume from 2013 to 2014

In order to change and transform Petro Rabigh's performance to Best-In-Class rank by 2016, the Company developed a comprehensive Transformation Roadmap consisting of six primary plans to drastically improve performance and create value for all stakeholders. All plans were approved by the Board in 2013 and implemented throughout the year. By the end of 2014, 100% of the planning phase of all Roadmaps was completed, while implementation had achieved 43% completion against 45% planned.

Guided by a new set of Corporate Values, the Transformation Team brought the energy, focus and dedication needed to improve the behavior, discipline, ownership and accountability of employees at all levels, producing significantly improved operational, safety and financial results. Performance measures were initiated to assess Transformation impact and the use of standard industry KPIs followed.

Sales increased by 7.2% to a total of SAR 54.4 billion compared to 2013, while net profit almost doubled, from SAR359.3million in 2013 to SAR682.5 million in 2014.

Safety performance improved drastically, with a Total Recordable Case Rate of 0.07, the best in the Company's history, and traffic violations fell by 50%. Contractor Safety Performance also improved significantly, as did process plant safety, and 7.3 million hours were worked without lost-time injury.

Operational effectiveness improved significantly, and a new organization was set up for market development and supply chain. A Roadmap was created detailing the new work processes, objectives, milestones and KPIs.

Cost optimization areas were identified early and documented throughout the Transformation Roadmap's initiatives. Community and Business Support Services reached 20% optimization of the budget. Stable operations of the Polymer Plants with record high prime ratios improved operating yield and a new mono ethylene glycol catalyst is expected to yield savings in excess of SAR11.25 million per year. Outsourcing of non-core maintenance activities was started to optimize operating costs.

CHAPTER 1

TRANSFORMATION ROADMAP

682.5
MILLION SAR
In net profit

50%
Increase in net profit from 2013 to 2014

CHAPTER 1

ENVIRONMENT AND HEALTH

Petro Rabigh is committed to the protection and conservation of the environment, and has developed and implemented various environmental and occupational health strategies and action plans that ensure corporate sustainable development. In compliance with national and international regulations, air quality was monitored continuously by mobile and fixed Air Quality Monitoring Stations (AQMS) and emission testing was carried out semi-annually in 2014. Water discharge to marine environment and groundwater quality were monitored and findings reported in accordance with legal requirements. Waste generation was minimized implementing Petro Rabigh's own "Reduce, Recycle, Recover & Reuse" programs for environmental preservation and revenue generation. The annual environmental monitoring reports for 2014 confirmed the Company's compliance with applicable environmental regulations.

In order to assess the status of the marine environment of Rabigh Bay, Petro Rabigh collaborated with the Center for Environment and Water Research Institute at King Fahd University of Petroleum and Minerals in the 2014 Annual Marine Environmental Compliance Survey and Study to meet environmental compliance. The survey, which covered sensitive ecosystems like coral reef, mangrove and salt marshes, water and sediment quality and bioaccumulation, revealed no significant adverse environmental impact due to the operational activities of Petro Rabigh Company on Rabigh marine and coastal waters of the Red Sea.

Occupational Health Programs and environmental health assessments were carried out to protect the health and wellbeing of Petro Rabigh employees, contractors and community. The programs included audiometry, vision and pulmonary tests as well as protection programs for noise, chemical exposure, heat stress and radiation.

CHAPTER 1

CORPORATE SOCIAL RESPONSIBILITY

Petro Rabigh is firmly committed to the social and economic development of the Rabigh region and community, and has since its inception carried out a range of initiatives from food handouts to the needy, bus services for students in charity housing, potable water at remote schools and irrigation water for public gardens, summer training programs for local high school students, and employee donations to local and international charity campaigns.

While maintaining those and other initiatives, in 2014 the Company further enhanced its Corporate Social Responsibility (CSR) efforts by drawing up a comprehensive CSR strategy and program, followed by a CSR Committee to oversee all of the Company's CSR activities. The Committee agreed on a series of main initiatives for 2015, among them programs for recycling, traffic safety, small and medium-sized enterprises and families in need.

Two major 2014 initiatives to engage stakeholders were the Rabigh CSR Council and supplier workshops. The Rabigh CSR Council brings together 16 local businesses and centers of higher learning in the Rabigh region to unite CSR efforts, enhance effectiveness and sustainability, and make a difference on the ground in the Rabigh region and community. The supplier workshops, the first of which was held in December 2014, is a continuous engagement process that gathers the Company's main service providers to discuss ways of enhancing work relations and developing local sustainable suppliers.

CHAPTER 1

THE COMMUNITY

Petro Rabigh Community, located in its own enclosed compound on the shores of the Red Sea, provides a high quality living environment for Company employees and dependents. The Community is integrated into Petro Rabigh's power and water supply infrastructure network, and in addition to villa and single accommodation housing and security and emergency services, includes educational, medical and extensive sports, leisure and beach facilities. The Community also serves as a focal point for Company campaigns and training through which operational, health, safety and environmental messages and practices are disseminated.

CHAPTER 1

CORPORATE VALUES

PETRO RABIGH'S SIX CORPORATE VALUES SERVE AS GOVERNANCE FOR ORGANIZATIONAL, PERSONAL BEHAVIOR AND BUSINESS CONDUCT IN EVERYTHING WE DO. THE SIX VALUES ARE:

Accountability
"We are reliable and responsible for our actions and results, and conscious about their impact on organization, fellow employees, company stakeholders and communities. We make and support business decisions through diligence and good judgment. We trust fellow employees to make their own decisions to drive business results and be answerable for the results. We accept responsibility for our actions and disclose the results in a transparent manner. We learn from mistakes."

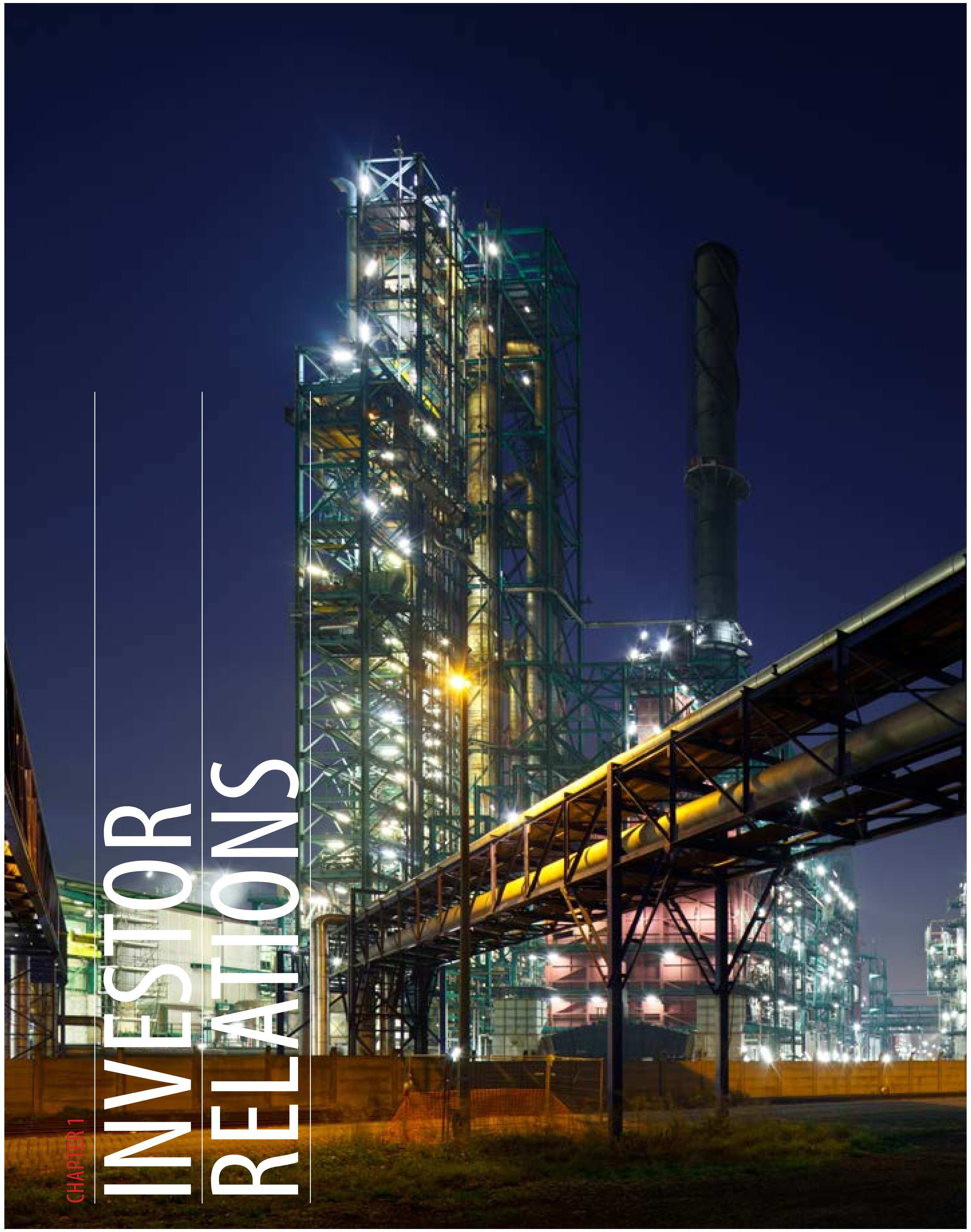
Ownership
"We take ownership of the Company's business and treat it as our own. We go the extra mile to make sure work is properly executed and commitments honored. We walk the talk. We maintain an environment of self-government and a sense of urgency in achieving results. We believe in teamwork and take ownership of team goals and outcomes.

Integrity
"We highly uphold the Company's code of ethics and business conduct and handle all business and personal matters with honesty, truthfulness and sincerity. We promote the Company's image and reputation and maintain professional relationships with fellow employees, clients, partners and shareholders based on uncompromising standards of fairness, respect, trust and objectivity. We live our principles and values and can be counted on to behave in honorable ways even when no one is watching."

Excellence
"Petro Rabigh will achieve and maintain best-in-class safety performance. We aim for becoming a best-in-class organization, and we strive to achieve operational excellence for both our company and ourselves. We are committed to pursuing excellence in all we do and to producing the highest quality of work through application of correct principles, systems and tools. We are determined to deliver superior performance and results that make a difference. We ensure sustainability through safeguarding the health and safety of our operations, people and communities and we protect the environment in all we do. We constantly challenge ourselves to improve and continue to learn, evolve and grow from our experiences."

Effective Communication
"We engage with passion, listen with empathy, provide and receive constructive feedback, and communicate in ways that are respectful and healthy for everyone. Our messages are simple, concise and unequivocal. We identify and remove workplace communication obstacles and ensure timely and efficient communication. We encourage team members to actively participate and share their views."

Discipline
"We are focused and disciplined in our business activities. We organize and focus our people and resources for maximum efficiency and effectiveness. We are capable of following procedures and work processes consistently. We work in a collaborative, sensible and structured way towards solving problems and achieving timely results. We are a company that values time."



CHAPTER 1

INVESTOR RELATIONS

1ST PETROCHEMICAL COMPANY IN SAUDI ARABIA TO CONDUCT AN ANALYST MEETING

• Petro Rabigh Investor Relations communicates with shareholders through a dedicated toll free number where the Investor Relations team members attend to the shareholder's inquiry or complaint and escalate the matter to management when needed. All received calls are recorded and reviewed for quality assurance. In addition, call logs of all received shareholders' calls are periodically reported to management.

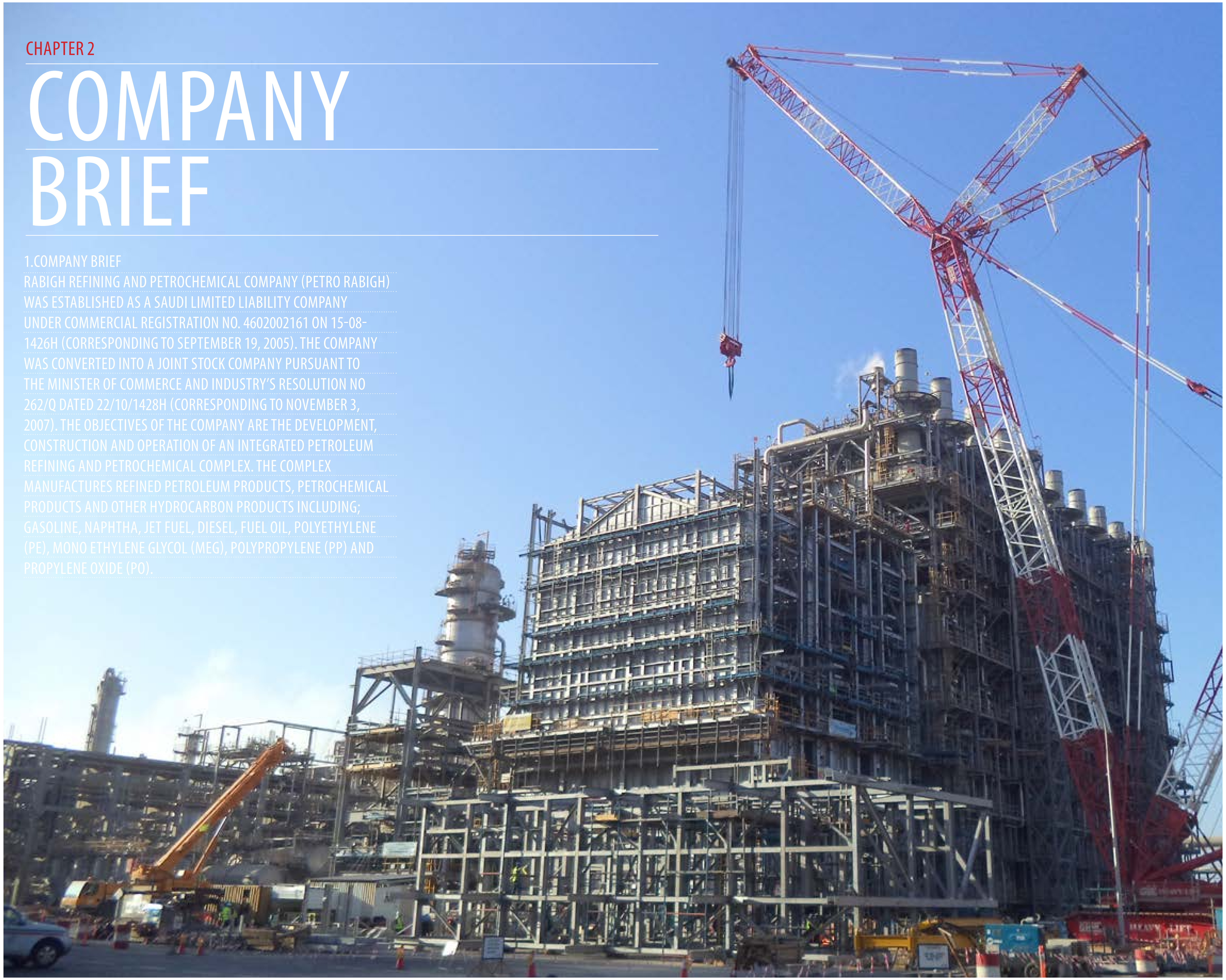
• Investor Relations focuses on improving the quality of its General Assemblies year after year by improving the quality of the material provided to shareholders in ample time prior to the GA, improving the logistics and setup of the GA, hospitality, and most importantly, assigning ample time for the attending shareholders to freely raise questions and have them answered by the Board and management of the Company.

• The Company goes the extra mile in order to facilitate shareholders' attendance of the Company's General Assemblies, first class tour buses provide complimentary trips from Jeddah to the Company's HQ in Rabigh and back on the day of the GA.

• All GA attending shareholders are offered an exclusive tour of the Company's Refining and Petrochemicals complex, Phase II site and Rabigh PlusTech Park.
• The Company assigns extra care towards the transparency as well as the quality and quantity of information that it provides to its stakeholders through announcements, Board of Directors reports and annual reports.

• In 2014, Petro Rabigh marked itself as the first Petrochemical Company in the Saudi Stock Exchange (Tadawul) to conduct an Analyst Meeting. The meeting hosted analysts from more than 20 regional and international investment firms who observed a presentation on the Company and benefited from discussions with the Company's executive management.

Chapter 2
BOARD OF DIRECTORS REPORT



CHAPTER 2

COMPANY BRIEF

1.COMPANY BRIEF

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 MANUFACTURES REFINED PETROLEUM PRODUCTS, PETROCHEMICAL PRODUCTS AND OTHER HYDROCARBON PRODUCTS INCLUDING; GASOLINE, NAPHTHA, JET FUEL, DIESEL, FUEL OIL, POLYETHYLENE (PE), MONO ETHYLENE GLYCOL (MEG), POLYPROPYLENE (PP) AND PROPYLENE OXIDE (PO).

2. COMPANY'S BUSINESS

Petro Rabigh's business is composed of two main activities: namely refining and petrochemical production. The two activities are fully integrated to maximize profit and minimize cost by converting low value products to higher margin products.

Refining:
The Company has a capacity to process up to 400,000 barrels per day of Arabian light crude oil and produce 134 million barrels of gasoline, naphtha, jet fuel, diesel and fuel oil annually.

Petrochemicals:
The Company has a capacity to produce up to 2.4 million tons per annum of polyethylene, mono ethylene glycol, polypropylene and propylene oxide from crude oil, ethane and butane feedstock supplied by Saudi Aramco.

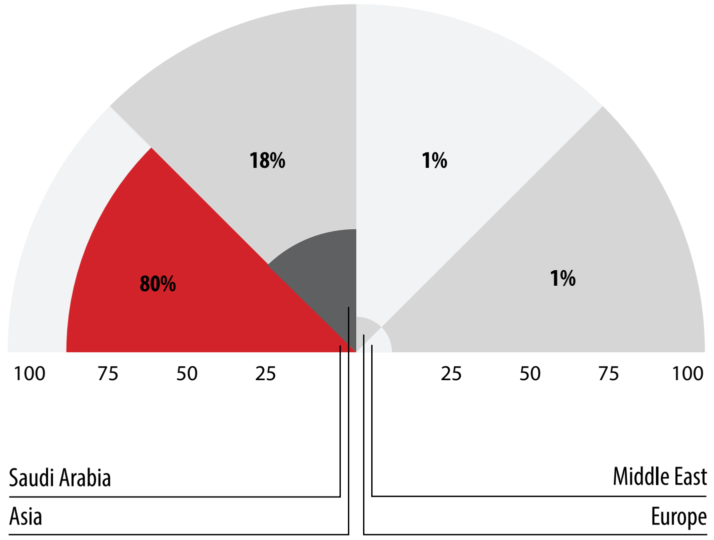
The following table indicates each of the two activities contribution to Petro Rabigh business in the year:

Activity	2014 Sales (SR Thousands)	Contribution to Sales (%)
Refining	44,096,362	81%
Petrochemicals	10,140,390	19%
Total	54,236,752	100%

3. 2014 GEOGRAPHICAL SALES ANALYSIS

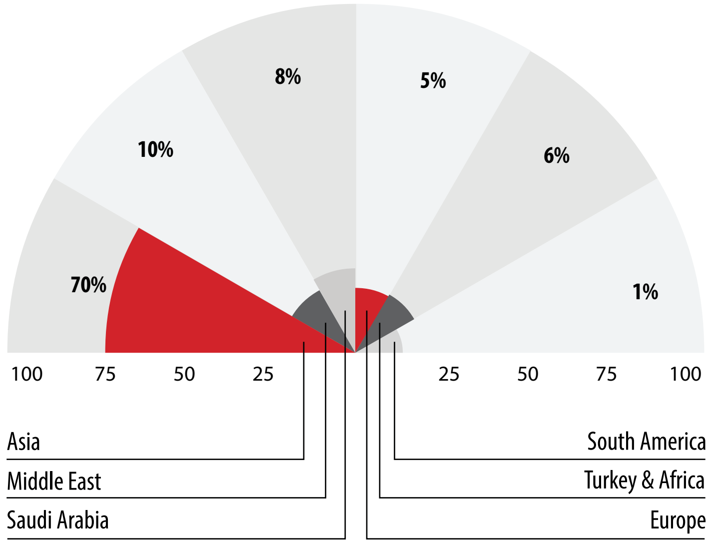
Refined Products

80%	18%	1%	1%
Saudi Arabia 95,177,203	Asia 21,898,135	Europe 1,264,141	Middle East 529,190



Petrochemical Products

70%	10%	8%	5%	6%	1%
Asia 1,458,010	Middle East 208,000	Saudi Arabia 169,000	Europe 103,000	Turkey & Africa 133,000	South America 25,000



4. SIGNIFICANT DECISIONS, PLANS & FUTURE PROSPECTS

In 2015, the Company will strive to safely and reliably operate its existing complex while conducting the following major intakes:

a) Petro Rabigh Transformation Roadmap

PRC Management has responded to the Board direction to transform the Company performance to Best-In-Class level. As such, a comprehensive Transformation Roadmap has been developed consisting of 6 primary plans to maximize value to all stakeholders. The approved roadmaps are as follows:

1. Enhance Safety Performance;
2. Develop & Retain Competent Workforce;
3. Achieve & Sustain Plant Integrity & Reliability through:
   - 3.1 Increasing Plant Utilization Rate;
   - 3.2 Improving Material Management System;
   - 3.3 Establishing Asset Integrity Management;
   - 3.4 Restructuring Maintenance System;
   - 3.5 Improving Plant Reliability;
   - 3.6 Ensuring Reliable Utilities Supply;
4. Develop Effective Marketing and Supply Chain Organization;
5. Establish Effective Financial Acumen and Management;
6. Improve Information Technology Organization and Process.

The roadmap implementation is progressing as planned and generating significant values. This was a result of improving behavior, discipline, ownership and accountability at all levels, which has been translated in enhancing safety, operation, and financial results.

Safety Performance improved drastically, with a Total Recordable Case Rate of 0.07, the best in PRC history, versus 0.18 in 2013. Moreover,

the company was able to achieve for the first time 7.3m worked hours without lost-time injuries.

In 2014, the Company had generated a net income of SAR 681 Million, the highest ever, versus a net income of SAR 359 Million for 2013.

The workforce certification level improved by implementing a comprehensive training and development program in partnership with leading global and local companies including SPSP, IFP and KBC. A revamped Total Reward Program aligned with the market and linked to an effective Employee Value Proposition has also been implemented to ensure PRC competitiveness to attract and retain talent.

Operational effectiveness has improved significantly addressing process plant chronic problems, and applying effective monitoring and process optimization. The Ethane Cracker reached an operating level of 113 MMSCFD vs. design capacity of 95, and furnaces run-length exceeding design of 60 days. Moreover, for the first time, the Polymer Plants were able to achieve and sustain a 98+ prime ratio at all units.

The Company has established a cost rationalization and profit maximization program that generated more than US$ 100 Million in cost avoidance and profit generation.

In 2015, the Transformation Roadmap will continue to focus more on performance improvement as follows:

- Sustain safety improvement and operation stability
- Continue talents development and certification
- Implement Operational Excellence and Business Sustainability principles and work processes
- Upgrade the current SAP system with an integrated enterprise system to provide better automation
- Integrate Conditioning Reliability Monitoring and Risk Base Inspection
- Develop and monitor KPIs to measure performance and support proactive decision making process

b) Phase II Ownership Transfer

Phase II Project that being constructed by the Founding Shareholders is planned to be transferred to PRC during first half of 2015 upon securing debt financing.

Phase II Project involves expansion of the existing Ethane Cracker to process an additional 30 MMSCFD of ethane and the addition of a new naphtha reformer/ aromatics complex which will process more than 2.7 MTPA (NET) of naphtha. The Phase II project will produce over 1.3 MTPA of paraxylene and a diverse slate of other petrochemical products, most of which have yet to be produced in Saudi Arabia, such as ethylene propylene diene monomer rubber ("EPR"), thermo plastic olefin ("TPO"), methyl methacrylate ("MMA"), and poly methyl methacrylate ("PMMA"). Upon completion of Phase II project, the Company will be capable of producing 5 MTPA of petrochemical products and 15 MTPA of refined petroleum products. Each plant will be brought on stream as it becomes available for operation, with first product expected in the first half of 2016. The aggregate cost of which is currently estimated at SAR31 billion.

c) Test and Inspection (T&I) of the Entire Complex is scheduled in 2015

The Company is planning to perform complex wide T&I in the 4th Quarter 2015 for 50 days. This a 4 year scheduled T&I and expected to ensure safe and stable operation of the Complex.

d) Polyol Project
Petro Rabigh continues to explore new business opportunities to further maximize values to its shareholders. In this regard, PRC is currently conducting a feasibility study for the construction and operation of a Polyol facility. Polyol is used in the manufacturing of many products such as mattresses, foam insulation for appliances, home and automotive seats, fibers, and adhesives.

5. POTENTIAL RISKS & RISK MANAGEMENT

The business of Petro Rabigh relies on oil refining and petrochemical production which is exposed to the following potential risks:

• Risks related to Credit, Liquidity and Trade:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Cash is placed with banks with sound credit ratings. The majority of accounts receivable (97%) are from related parties with historically very strong credit ratings, and are stated at their realizable values. The Company has a Credit Insurance Policy with Islamic Corporations for the Insurance of Export Credits and Investment, to cover Company's receivables from the Middle East. It is not the practice of the Company to obtain collateral over receivables. As on December 31, 2014, there were minimal overdue debts equivalent to 7.20% (2013: 2.89%) of the trade receivables balance of Company's allowed credit periods. The employee Home Ownership Program loans are due from either existing employees or terminated employees but secured by a guarantor.

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 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 realize 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. The Company aims to maintain the level of its cash and cash equivalents in excess of expected cash outflows of financial liabilities. The Company has contractual commitments of cash outflows related to its financial liabilities, mainly related to trade and other payables, finance lease obligations and long-term loans.

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 United States Dollars and Saudi Arabian Riyals.

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 Company's 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.

• Risks Related to the Economic Situation:
The Company realizes that it operates in a competitive market and the demand of Petro Rabigh products is influenced by global as well as local economic conditions. The major influential factor on demand of Petro Rabigh products is anticipated to be major economic recessions or stagnant local economic conditions. The downturn of both international and local economic conditions will likely initiate a decline in demand for both refined and petrochemical products and that would impact Petro Rabigh's planned sales and targeted revenues, and if coupled with upward inflationary risks it can further apply pressure on the demand of the Company's products as well as anticipated feedstock cost. Therefore, the Company continuously and closely monitors market conditions, supply and demand conditions, and interest and exchange rates to forecast and plan for any potential downturns.

PRODUCTS	OLD REFINERY	PETRO RABIGH	PHASE II
Diesel	4,870	4,782	4,782
Fuel Oil	7,700	4,928	5,045
Gasoline		2,438	2,036
Jet Fuel	2,400	2,127	2,127
LPG	78	0	200
Naphtha	2,900	2,900	598
SUB TOTAL (REFINED)	*17,948*	*17,175*	*14,788*
MEG		600	600
Polyethylene (LLDPE & HDPE)		900	900
PO		200	200
PP		700	700
Acetone			169
Benzene			172
EPR			66
EVA			68
Heavy Aromatics			118
LDPE			85
MMA			37
Nylon 6			75
PMMA			49
Paraxylene			1340
Phenol			275
TPO			15
SUB TOTAL (PETROCHEMICAL)		*2,400*	*4,869*
TOTAL	17,948	19,575	19,657

681
SAR MILLION
Highest Net Income ever recorded since inception

100
US$ MILLION
Cost avoidance and profit generation

• Risks Related to Operations:
The Company's sources of revenue rely on the operation of plants and facilities that are influenced by performance and plant capacity utilization, as well as strong engineering support and reliable information technology infrastructure.

The safe operation of the plant is what influences the plant performances and capacity utilization, and to control any foreseen risk from unfavorable plant safety, the Company has outsourced a third-party who is well known and has the reputation in the industry of their proven methods in process safety management. The third-party company will continue to monitor practices used in the integrated facility and will report its observations and recommendations in a timely manner and

that will be followed by corrective actions by management, also, Petro Rabigh relies on internal departments as well as third parties to continually survey the safety practices and methods applied in the course of operation ensuring that it meets at least the minimum of best industry practices and international industry standards. The Company relies on Information technology for plant operation, and to mitigate any risk of IT failure the Company's IT Department takes the initiative to limit the risk associated with IT service disruptions from cyber threats like computer hacking/malicious codes and viruses. IT Infrastructure Security perimeter protections comprises of Firewalls, Intrusion Prevention Systems, Web, System & Email protection systems which are geared up to meet the perceived threat. In addition well established internal control mechanism is governed by robust IT processes benchmarked on global standards like ITIL & ISO27001.

• Risks Related to Governance:
The Board of Directors among its other responsibilities performs the role and responsibility of setting the Company's strategic direction. Part of that will rely heavily on management's reports and representation regarding the Company's operations and activities. Thus, there is an implied potential risk in practicing this role if ineffective or wrong information is delivered to the Board of Directors which could lead to ineffective direction and will likely result in unwanted profitability impact and/or desired return on investment. To manage and to mitigate this risk, the Company's Board of Directors is continuously overseeing and reviewing the Company's compliance to corporate governance rules and regulations through different approaches such as but not limited to:

a- Establishing Board committees which will meet periodically as well as prior to Board meetings with the purpose of continuous evaluation and review of various annual corporate plans such as Sales, Marketing, Compensation plans, Audit Reviews, etc.

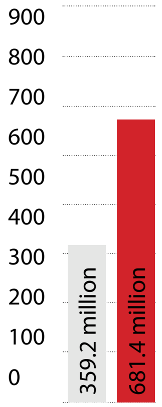
b- The Company's established policies are not fixed over the entire life of the organization. Therefore, policies and procedures are reviewed by the Board on "as needed" basis in order to avoid breaching of preset controls due to changing dynamics of the business that the Company operates in.

c- To ensure that the strategy plan as set by the Board is implemented effectively and to avoid the risk of management diverting from the plan, each organization takes the responsibility of setting key performance indicators (KPI's) which are directly aligned to key strategic objectives. The results of the KPI's are then aligned and are reviewed in each Board meeting against the strategic plan.

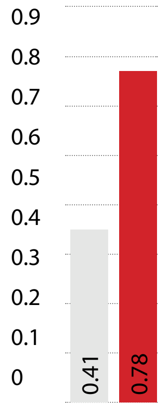
• Risks Related to Regulations:
The Company is operating in a dynamic environment and its business operation is governed by local as well as international regulations. To control the risk of immediate regulation impact on the Company's operations, the Company has established a Corporate Affairs Department which is an organization that carries the responsibilities and is accountable for following up on the development of local and international regulations pertaining to the petrochemical and refining industry and is in charge of taking steps necessary to report to management, within a reasonable timeframe, any changes to regulations that are assessed to have direct or implied restrain on the Company's operation as well as communicating the need to comply to certain regulations and suggesting the appropriate steps to do so. This includes local governmental regulations such as regulations and laws by the Ministry of Petroleum and Minerals, the Ministry of Commerce and Industry, the Capital Market Authority, etc. and international regulations such as trade and anti-dumping laws and regulations, and environmental regulations, etc.

6. 2014 FINANCIAL SUMMARY

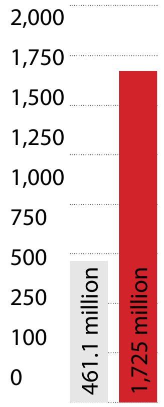
Following is a brief description of the 2014 financial outcome in comparison to the previous year:



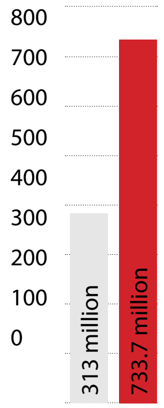
NET PROFIT
for the year ended December 31, 2014 is SR681.4 million (December 31, 2013: SR359.2 million) equivalent to an increase of 90%.



EARNINGS PER SHARE
for the year ended December 31, 2014 is SR0.78 (December 31, 2013: SR0.41 per share).



GROSS PROFIT
for the year ended December 31, 2014 was SR1,725 million (December 31, 2013: SR461.1 million) equivalent to an increase of 274%.



OPERATING INCOME
for the year ended December 31, 2014 is SR733.7 million (December 31, 2013: Operating loss of SR313 million).

The reason for the increase in net profit for the year versus last year was due to an increase in both volume and price of petrochemical products sales, improved crack spread, and more stable operations of PRC despite the steep crude oil price decline in 2014.

BALANCE SHEET:

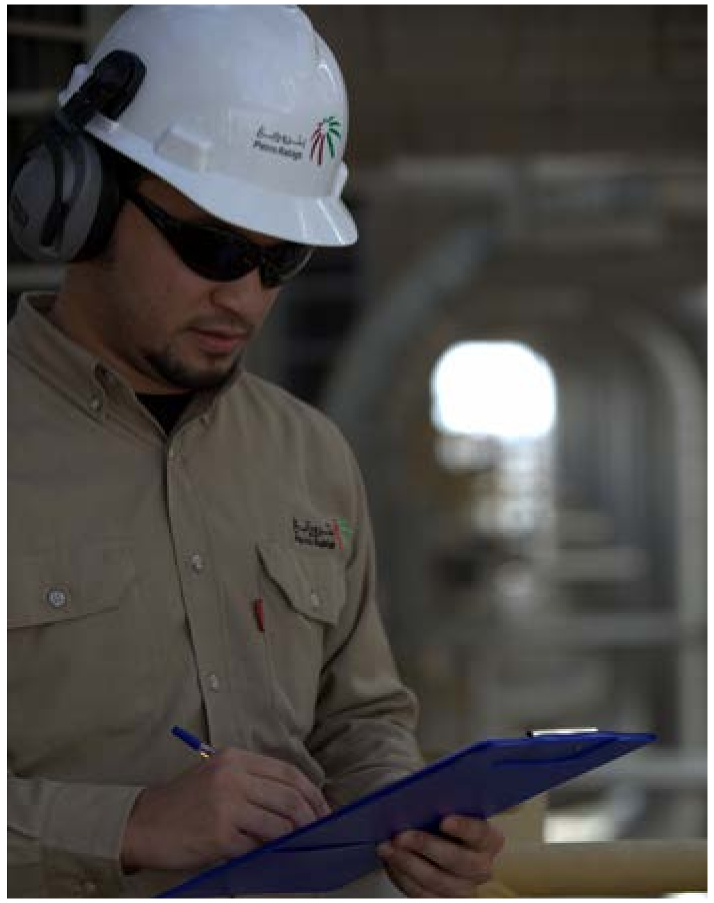
(In SAR Thousands)	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Current Assets	13,320,801	16,136,502	16,488,519	16,264,531	12,212,302
Non-Current Assets	27,461,323	29,440,244	31,287,030	33,587,166	35,030,684
Total Assets	**40,782,124**	**45,576,746**	**47,775,549**	**49,851,697**	**47,242,986**
Current Liability	12,021,167	15,676,713	16,347,884	17,759,702	13,639,248
Long-Term Loans & other Liabilities	19,205,094	20,982,576	22,866,723	24,006,297	25,593,941
Equity	9,555,863	8,917,457	8,560,942	8,085,698	8,009,797
Total Liabilities & Equity	**40,782,124**	**45,576,746**	**47,775,549**	**49,851,697**	**47,242,986**

INCOME STATEMENT:

(In SAR Thousands)	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Income	54,236,752	50,597,710	62,010,877	53,376,836	46,837,888
Refined Products	44,096,362	42,865,957	52,541,909	45,265,312	39,057,796
Petrochemical Products	10,140,390	7,731,753	9,468,968	8,111,524	7,780,092
Cost of Goods Sold	(52,511,512)	(50,136,617)	(60,481,712)	(52,392,648)	(46,109,234)
Gross Profit (Loss)	1,725,240	461,093	1,529,165	984,188	728,654
Selling, General & Administrative Expenses	(991,502)	(774,105)	(875,201)	(881,397)	(841,452)
Other (expense) income - Net	(52,309)	672,195	(165,106)	(36,898)	321,488
Net Profit	**681,429**	**359,183**	**488,858**	**65,893**	**208,690**

1,064
SAR MILLION
Reduction in cost of goods sold due to the fuel supply arrangement with Saudi Aramco

38.25
SAR MILLION
Reduction in cost of goods sold due to the waiving of the crude pipeline through-put fee with Saudi Aramco



The financial statements of the Company have been prepared and kept in accordance with the Generally Accepted Accounting Principles applied in the Kingdom of Saudi Arabia under the supervision of the Saudi Organization for Certified Public Accountants (SOCPA). These principles are constantly applied in the Company. There is no deviation from the accounting standards issued by SOCPA.

7. LOANS

7-1 Loans from Commercial, Islamic and Governmental Financial Institutions:

The Company has utilized all of the loans available to it from third-party lenders totaling SR21,900 million. The loan period for third party loans is 12.5 years starting 2009 and ending 2021. The Company started the repayment of these loans in June 2011 and will continue until 2021.
The following table shows Petro Rabigh loans from commercial banks, Islamic banks and government agencies:

Lender (In SAR Thousands)	Loan Principle	Loan Tenor (Year)	Balance on December 31, 2013	Repayments During 2014	Balance December 31, 2014
Japan Bank For International Cooperation	9,375,000	12.5	7,529,605	804,276	6,725,329
Commercial Banks	6,525,000	12.5	5,106,373	647,335	4,459,038
Public Investment Fund	3,750,000	12.5	3,011,842	321,711	2,690,131
Islamic Financial Institutions	2,250,000	12.5	1,760,818	223,219	1,537,599
Total	**21,900,000**		**17,408,638**	**1,996,541**	**15,412,097**

7-2 Loans from Founding Shareholders:

The Company has also drawn down a total of SR2,287.5 million from each of its founding shareholders during 2008 and 2009. Loans from founding shareholders are repayable on demand on achieving the conditions set by the financial institutions according to the Credit Facility Agreement which is mentioned in the Related Party Agreements and Transactions segment of this report.
The following table lists Petro Rabigh loans from the founding shareholders:

Lender (In SAR Thousands)	Loan Principle	Loan Tenor (Year)	Balance on December 31, 2013	Repayments During 2014	Balance on December 31, 2014
Saudi Aramco	2,287,500	-	2,287,500	-	2,287,500
Sumitomo Chemical	2,287,500	-	2,287,500	-	2,287,500
Total	**4,575,000**	**-**	**4,575,000**	**-**	**4,575,000**

7-3 Multi-Purpose Credit Facility

In addition, a multi-purpose credit facility amounting to SR375 million is available on demand with the on-shore account bank at the rate of Libor plus 0.65%. The Facility will expire on August 5, 2015.

8. ACCRUALS FOR GOVERNMENT INSTITUTIONS AND ZAKAT ASSESSMENT

The Company's outstanding amounts to Department of Zakat & Income tax (DZIT) and General Organization for Social Insurance (GOSI) are as follows:

(In SAR Thousands)	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Department of Zakat & Income	98,592	79,894	45,655	27,538	87,222
General Organization for Social Insurance	6,832	5,718	5,343	4,785	3,904
Total	**105,424**	**85,612**	**50,998**	**32,323**	**91,126**

9. 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.

Also, there are no arrangements or agreements whereby any of the shareholders gives up his/her rights to the profits until December 31, 2014.

10. RELATED PARTY AGREEMENTS AND TRANSACTIONS

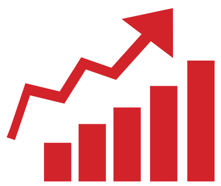
As disclosed in the Company's prospectus and in the audited annual financial statements, the Company entered into various agreements with its founding shareholders and their subsidiaries including, among others:

NEW COMMERCIAL ARRANGEMENTS WITH FOUNDING SHAREHOLDERS

During the three month period ended December 31, 2014, the Company has entered into the following new arrangements with its founding shareholders:

- A fuel supply arrangement with Saudi Aramco for purchase of Methane gas to be consumed in the Company's fuel system. The fuel supply arrangement further enables the Company to be compensated for Butane, Propane and Mixed Stream (LPG) discharged to Company's fuel system as a result of shortfall in supply of Methane gas to the Company, capped at an agreed daily quantity of Methane gas. As a consequence, during the year ended December 31, 2014, the fuel supply arrangement has resulted in the reduction of cost of goods manufactured by approximately SR1,064 million (2013: SR1,003 million) due to shortfall in supply of Methane gas. This agreement is effective April 1, 2013 until March 31, 2018.
- An arrangement with Saudi Aramco to waive the crude pipeline through-put fee effective October 1, 2013 for a five year period. Such arrangement has resulted in reduction of cost of goods manufactured for the year ended December 31, 2014 by approximately SR38.25 million (2013: SR9.23 million).
- An arrangement with Sumitomo Chemical Company Limited to further reduce the marketing fee for all polymer and monomer petrochemical products for a period of five years effective October 1, 2013, as lifted and sold by Sumitomo Chemical Asia PTE Limited in accordance with petrochemical products lifting and marketing agreements. Such arrangement has resulted in increase in sales revenue for the year ended December 31, 2014 by approximately Saudi Riyals 32.56 million (2013: SR13.05 million).
- An arrangement with Saudi Aramco to continue to waive the marketing fees for refined and petrochemical products for the period from October 1, 2013 until December 31, 2016, as lifted and sold by Saudi Aramco and its associated company in the Kingdom of Saudi Arabia in accordance with related lifting and marketing agreements. Such arrangement has resulted in increase in sales revenue for the year ended December 31, 2014 by approximately SR119.27 million (2013: SR78.35 million).
- An arrangement with Saudi Aramco to amend the pricing formulas of gasoline and fuel oil, effective January 1, 2014 until December 31, 2016, as mentioned in refined products lifting and marketing agreement. This arrangement has resulted in increase in sales revenue for the year ended December 31, 2014 by approximately SR122.38 million (2013: SR 101.38 million).

11.8
MILLION SQ
Lease agreement with Saudi Aramco for a period of 99 years



6,206
SAR MILLION
Granted to the company by the Founding Shareholders for the development, design, construction and operation of the complex

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 400,000bpd, solely for use in the integrated refining and petrochemical complex. The price at which Saudi Aramco sells the crude feedstock to the Company is based, amongst other variable market factors, on the international crude oil prices. The COSA is valid for 30 years commencing from October 1, 2008.

REFINED PRODUCTS LIFTING AND MARKETING AGREEMENT:

On March 11, 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 October 1, 2008, and is further extendable for another 5 years. Pursuant to this agreement, Saudi Aramco will lift and market globally, on behalf of the Company as "Seller", the refined products from the integrated refining and petrochemical complex.

PETROCHEMICAL PRODUCTS LIFTING AND MARKETING AGREEMENT:

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

CREDIT FACILITY AGREEMENT:

On March 18, 2006, the Company entered into a Credit Facility Agreement (CFA) with both the 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 SR6,206 million for the development, design, construction and operation of the integrated refining and petrochemical complex. The commitment of the Founding shareholders in respect of this facility expired on July 1, 2013.

RABIGH REFINERY COMPLEX LEASE AGREEMENT:

The Company has entered into Rabigh Refinery Complex Lease Agreement with Saudi Aramco dated November 1, 2005 for the lease of approximately 11.8 million square meters for a period of 99 years, with effect from November 1, 2005, and may be renewed thereafter for consecutive additional periods as agreed. The Company shall pay to Saudi Aramco rent in an amount equal to Saudi Riyals 1 per square meter per annum starting from October 1, 2008.

Rabigh Community Lease Agreement:

The Company has entered into an Amended and Restated Rabigh Community Lease Agreement with Saudi Aramco dated October 1, 2014. This agreement has an initial term of 25 years with effect from October 1, 2014 and may be renewed thereafter for additional periods as agreed. The Company shall pay to Saudi Aramco yearly lease at the rate of SR34.7 million divided into two separate charges; leasing the land at SR16.5 million per annum and finance lease of the facilities at SR18.2 million effective from October 1, 2014. Under this Agreement, the Company will have full control over the camp in terms of demolition, relocation replacement, alteration, modification, substitution, addition or improvement to or upon any portion of the Rabigh Community to the extent that such modifications do not have an adverse impact on the land. The Company will lease the land for 25 years and will have the right to extend at terms and conditions that will be agreed upon at that time. The ownership of the Community facilities will be transferred to the Company at the end of the Agreement. If the land lease is not extended after the end of the term of 25 years, the Company will have the option to demolish and remove the facilities or surrender it to Saudi Aramco.

Terminal Lease Agreement:

The Company entered into a Terminal Lease Agreement with Saudi Aramco on March 2, 2006 in respect of the existing Rabigh Marine Terminal. Under this agreement, the Company has been granted 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 October 1, 2008.

Secondment Agreements:

The Company has entered into Secondment Agreements with each of its founding shareholders that with Saudi Aramco dated June 12, 2006, and with Sumitomo Chemical dated July 1, 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.

Services Agreements:

The Company has entered into Services Agreements with founding shareholders and their affiliates covering various operational and logistics support services. These agreements cover the provision of

various support services to the Company such as human resources, training and recruitment, legal utilities, 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 and petrochemical process know-how provided by Saudi Aramco and Sumitomo Chemical respectively and marketing technical services, engineering and safety best practices and training provided by both founding shareholders. The Company shall pay for these services at mutually agreed prices specified in each agreement for the services to be provided.

On the other hand, and prior to 2014, Petro Rabigh entered into minor service agreements with associates of its Founding Shareholders:

Related Party	Description of Agreement
Aramco Overseas Company (AOC) B.V. (Italy)	Provides assistance to PRC employees and their dependents on Out-of-Kingdom assignments.
Aramco Overseas Company B.V. (Korea)	Provides assistance to PRC employees and their dependents on Out of Kingdom assignments.
Aramco Overseas Company B.V.	AOC to provide Petro Rabigh with recruitment services for in Kingdom positions
Aramco Overseas Company B.V.	AOC to provide communications, IT, consulting, Engineering, technical, admin or professional services
Sadara Chemical Company	Petro Rabigh sells furniture and performs renovation work for SADARA
Sumika Middle East Co. Ltd. (SMECL)	Housing Services Agreement
Sumika Middle East (SME)	Provide Security Training to 2 employees of SME, a subsidiary of Sumitomo Chemical assigned in Rabigh PlusTech Park
Sumika Middle East Co. Ltd. (SMECL), KSA	Utility Supply by Petro Rabigh.
Sumitomo Chemical Polymer Compounds, Saudi Arabia Co. LTD.	Housing Services Agreement by Petro Rabigh.
Sumitomo Chemical Polymer Compounds, Saudi Arabia Co. (SPCS)	Provide Security Training to 4 employees of Sumitomo Chemical Polymer Compounds, Saudi Arabia Co, a subsidiary of Sumitomo Chemical assigned in Rabigh PlusTech Park
Yanbu Aramco Sinopec Refining Co. (YASREF)	To provide on-job industrial training for YASREF staff

Rabigh PlusTech Park:

Rabigh PlusTech Park is the first private industrial park in Saudi Arabia. It was established by Saudi Aramco and Sumitomo Chemical to both serve and benefit from the adjacent Petro Rabigh complex by securing long-term tenants to feedstock agreements at conditions favorable to all parties.

Petro Rabigh signed a service agreement with its founding shareholders, where Petro Rabigh provides Rabigh PlusTech Park tenants with at-cost logistical and utility services, as well as warehousing facilities, these tenants who are companies that convert petrochemical products into downstream products benefit from Petro Rabigh petrochemical feedstock supplies and create a captive market for Petro Rabigh products.

Phase II Expansion Project

The Company is in the process of undertaking a major expansion of its existing integrated petroleum refining and petrochemical complex ("Phase II Expansion Project"), the aggregate cost of which is currently estimated at SAR31 billion. Currently, the Phase II Expansion Project, which is under construction stage, is owned by the founding shareholders and will be transferred to the Company after completion of the formalities underlying the novation of relevant contracts and fulfillment of precedent conditions.

> **PHASE II EXPANSION PROJECT, CURRENTLY UNDER CONSTRUCTION, IS ESTIMATED AT SAR31 BILLION**

During the period ended December 31, 2014, the Board of Directors of the Company (BoD) have unanimously resolved and authorized the management of the Company to proceed with required key and ancillary arrangements in connection with Phase II Expansion Project. The BoD have also delegated to the management of the Company to ensure that all precedent conditions to assume ownership of Phase II Expansion Project, from the founding shareholders, are fulfilled upon execution of related documents. The mechanical completion of the aforementioned expansion project is estimated to be mid of financial year 2016.

As part of Phase II Expansion Project, the Company will also enter into an agreement to expand the existing independent water, steam and power facilities alongside various feed, lifting, marketing, banking facilities, service, supplies and other agreements.

Balances of Related Party Transactions

Transactions with related parties arise mainly from purchases, sales of refined and petrochemical products, credit facilities, terminal lease, secondments and community lease agreements. In addition to the loan from founding shareholders, the transactions results in receivable and payable balances with the related parties as set out in the balance sheet in trade and non-trade receivables, trade and other payables, loans and borrowings, accrued expenses and other liabilities amounting to Saudi Riyals 6,476 million (2013: SR8,951 million), SR9,012 million (2013: SR12,887 million), SR5,210 million (2013: SR5,120 million) and SR236 million (2013: SR105 million), respectively. These transactions are summarized as follows:

Nature of Transaction	Amount of transaction In SR Thousands	
	December 31, 2014	December 31, 2013
Saudi Arabian Oil Company and its associated companies		
Purchase of goods including shortfall of LPG and through-put fee	**46,555,119**	46,155,893
Sale of refined products	**45,950,045**	42,865,957
Financial charges	**62,694**	59,520
Rentals	**61,763**	48,443
Services provided to shareholders	**52,464**	51,084
Secondees' costs	**37,893**	35,891
Services and other cost charges (credit), net	**(59,331)**	(60,152)
Sumitomo Chemical and its associated companies		
Purchase of goods	**60,113**	51,571
Sale of petrochemical products	**6,118,469**	5,958,581
Financial charges	**45,102**	45,305
Rentals	**709**	709
Services provided to shareholders	**55,667**	36,365
Secondees' costs	**44,414**	41,339
Service and other cost charges (credit), net	**(40,039)**	2,273

11. RESULTS OF THE ANNUAL AUDIT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM

Internal Audit in Petro Rabigh is an independent, objective and consulting activity designed to monitor and improve the effectiveness of the system of internal controls in order to add value to the Company's operations. It helps the Company achieve its goals through the application of a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Additionally, Internal Audit provides an incentive to improve the effectiveness and efficiency of the Company operations by providing recommendations based on analysis and assessments of data and business processes.

In accordance to the 2014 annual audit plan approved by the Board Audit Committee, The Internal Audit function has audited the internal control procedures of the Company major activities. The results and recommendations are presented by the General Auditor to the Board Audit Committee during the committee regular meetings. Executive management of the Company is committed to implement Internal Auditing recommendations in a reasonable time frame established in conjunction with the Audit function in order to improve the internal control procedures.

There were no critical observations found during the 2014 audits that can impair the effectiveness of the Company internal control systems.

12. PENALTIES AND PROHIBITIONS

On July 7, 2014 The Capital Market Authority announces the issuance of a CMA Board resolution to impose a penalty of SR50,000 (Fifty Thousand Saudi Riyals) on Rabigh Refining and Petrochemical Company due to its violation of clause (A) of Article (40) of the Listing Rules and the violation of sub-clause (5) of clause (A) of General Instructions that have to be considered by companies on publication of their announcements, for announcing on The Saudi Stock Exchange (Tadawul) on 15/12/2013 AD, inaccurate information on reaching an agreement with the founding shareholders that reinforces its financial performance, as it mentioned the agreement will have a financial effect on the Company's revenues to the amount of approximately One Billion Saudi Riyals this year, and One Billion and Three Hundred Million Saudi Riyals annually in the coming years, whereas the accurate financial effect will be on the net profit.

13. BOARD OF DIRECTORS & EXECUTIVE MANAGEMENT

The Board of Directors of Petro Rabigh in its second term is composed of 9 members and it commenced its term on November 3, 2012 and will continue until November 2, 2015. The Company's General Assembly elected the Company's Board of Directors for its second term on October 10, 2012.

The following table shows the composition of Petro Rabigh's Board of Directors including the Director's names, their Board membership classifications and board meetings attendance record for the period from January 1 through December 31, 2014:

Name & Title	1st Meeting February 23, 2014	2nd Meeting April 22, 2014	3rd Meeting August 21, 2014	4th Meeting December 9, 2014
Khalid G. Al Buainain Chairman Non-Executive Director	√	√	√	√
Hiromasa Yonekura * Non-Executive Director (Former Deputy Chairman)	Proxy by: Osamu Ishitobi	√	NA	NA
Osamu Ishitobi ** Deputy Chairman Non-Executive Director	√	Proxy by: Noriaki Takeshita	√	√
Abdullah S. Al-Suwailem President & CEO Executive Director	√	√	√	√
Noriaki Takeshita Non-Executive Director	√	√	√	√
Motaz A. Al-Mashouk Non-Executive Director	√	√	√	√
Tomohisa Ohno *** Non-Executive Director	NA	NA	√	√
Abdulsalam M. Al-Mazro Independent Director	√	√	√	√
Saud A. Al-Ashgar Independent Director	√	√	√	√
Soliman A. Al-Hosain Independent Director	√	√	√	√

*Hiromasa Yonekura resigned from the Board of Petro Rabigh effective August 20, 2014.
**Osamu Ishitobi succeeded as Deputy Chairman of the Board effective August 21, 2014.
***Tomohisa Ohno was nominated as Non-Executive Director effective August 21, 2014.

Board of Directors' Membership on the Boards of other Joint Stock Companies
The following table shows the membership of Board Directors on the Boards of other Joint Stock Companies during the period from January 1 to December 31, 2014:

Name	Company	Title
Khalid G. Al-Buainain	-	-
Abdullah S. Al-Suwailem	-	-
Osamu Ishitobi	Sumitomo Chemical & Its Various Subsidiaries	Chairman of the Board (Appointed as Chairman of the Board effective June 24, 2014)
Tomohisa Ohno	Sumitomo Chemical & Its Various Subsidiaries	Board Member
Hiromasa Yonekura*	Sumitomo Chemical & Its Various Subsidiaries	Chairman of the Board (Resigned effective June 24,2014)
	Fuji Oil Company, Ltd.	Board Member
Noriaki Takeshita	-	-
Motaz A. Al-Mashouk	-	-
Abdulsalam M. Al-Mazro	-	-
Saud A. Al-Ashgar	S-Oil Corporation	Independent Director
	Arab Academy for Research and Education, Bahrain	Board Member
Soliman A. Al-Hosain	Arabian Industrial Fibers Co. (Ibn Rushd)	Non-Executive Director

*Hiromasa Yonekura resigned from the Board of Petro Rabigh effective August 20, 2014.

Description of Board Directors & their Direct Relatives Interest in Company Stocks and/or Debt Instruments for the period from January 1 to December 31, 2014:

Name	Position	Period Start		Period End		Net Change	Change %
		Stocks	Debt Instruments	Stocks	Debt Instruments		
Khalid G. Al-Buainain*	Chairman (Non-Executive)	62,000	-	-	-	-	-
Tomohisa Ohno**	(Non-Executive)	-	-	-	-	-	-
Hiromasa Yonekura (resigned from the Board of Petro Rabigh effective August 20, 2014)	(Non-Executive)	-	-	-	-	-	-
Abdullah S. Al-Suwailem*	President & CEO (Executive Director)	-	-	-	-	-	-
Osamu Ishitobi**	Deputy Chairman Non-Executive Director	-	-	-	-	-	-
Noriaki Takeshita**	Non-Executive Director	-	-	-	-	-	-
Motaz A. Al-Mashouk*	Non-Executive Director	-	-	-	-	-	-
Saud A. Al-Ashgar	Independent Director	85,400	-	85,400	-	-	-
Soliman A. Al-Hosain	Independent Director	1,000	-	1,000	-	-	-
Abdulsalam M. Al-Mazro	Independent Director	1,000	-	-	-	-	-

*Founding Shareholder Saudi Aramco deposited 1,000 shares for Board Membership Qualification on behalf of this member
**Founding shareholder Sumitomo Chemical deposited 1,000 shares for Board Membership Qualification on behalf of this member

Description of Senior Executives & Personnel with access to material Company information and their Direct Relatives Interest in Company Stocks and/or Debt Instruments from January 1 to December 31, 2014:

Name	Position	Year Start		Year End		Net Change	Change %
		Stocks	Debt Instruments	Stocks	Debt Instruments		
Senior Executives							
Satoshi Takazawa	Chief Financial Officer	-	-	-	-	-	-
Yasuhiko Kitaura	Senior Vice President of Manufacturing	-	-	-	-	-	-
Tareq A. Al Nuaim	Vice President of Engineering & Support	200	-	200	-	-	-
Takashi Shigemori	Vice President of Market Development	-	-	-	-	-	-
Bassam A. Al-Bokhari	Vice President of Industrial Relations & Secretary of Nomination, Remuneration and Compensation Committee	252	-	252	-	-	-
Personnel with Access to Material Company Information							
Eyad M. Ajaj	Corporate Affairs Manager	2,050	-	2,050	-	-	-
Khalid N. Al-Nuwaiser	General Auditor & Secretary of Audit Committee	6,054	-	-	-	-	-
Michael C. Smith	Secretary of the Board of Directors	-	-	-	-	-	-

Fees & Remuneration

Details of the Board meeting expenses, remuneration and Company executives' salaries are shown in the below table:

In SR Thousands	Executives Board Members	Non-Executives Board Members	Independent Board Members	Five Senior Executive (Including CEO & CFO)
Salaries & Compensation	1,393	-	-	5,398
Allowances	-	-	96	-
Periodic Annual Remunerations	-	-	-	-
Incentives Plans	-	-	-	-
Other Compensations or Benefits*	-	-	450	-

*Independent Board members receive an annual bonus of SR150,000 each against their service on the Board.

Executive and Non-Executive Board members do not receive compensation nor remuneration against their services on the Board.

14. BOARD AUDIT COMMITTEE

The Board 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 on the financial affairs of the Company.

The Board Audit Committee has responsibility for reviewing the effectiveness of the Company's system of internal controls, accounting information systems and finance department's competencies and capabilities while ensuring compliance with the generally accepted accounting standards.

The following table shows the composition of the Board Audit Committee (BAC) during the Board's second term (starting November 3, 2012 until November 2, 2015) including the director's name and title. The committee conducted 5 meetings during the period January 1 to December 31, 2014:

Name	Title	Meeting Attended
Saud A. Al-Ashgar	Chairman of Board Audit Committee	5
Noriaki Takeshita	Member	5
Motaz A. Al-Mashouk	Member	5
Soliman A. Al-Hosain	Secretary of the Committee (Non-Member)	4 + 1 by proxy to Motaz A. Al-Mashouk
Khalid N. Al-Nuwaiser	General Auditor & Secretary of the Committee (Non-Member)	5

Based on the review conducted by the Board Audit Committee, the committee reports that the Company is applying an effective internal auditing system and that its financial practices in all material respect are in line with accepted accounting standards followed in the Kingdom of Saudi Arabia.

15. NOMINATION, REMUNERATION AND COMPENSATION COMMITTEE

The Committee, which has a duration of three years, decides on how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the approval of the Board. The main duties of the Committee include, but are not limited to, the following:

- Recommending to the Board, nominations of Directors in accordance with the approved policies and standards.
- Ensuring that no person who has been previously convicted of any offence affecting honor or honesty is nominated for membership of the Board of Directors.
- Annually reviewing the required skills of the Directors of 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 directors on the Board of any other Companies.
- Recommending to the Board clear policies for the remuneration for Directors and senior executive officers using performance criteria.

The following table shows the composition of the Board Nomination, Remuneration & Compensation Committee (NRCC) during the Board's second term (starting November 3, 2012 and continues until November 2, 2015) including the directors' names, titles and meetings attendance during the period January 1 to December 31,2014. The Committee had four (4) meetings during the mentioned period:

Name	Title	Meeting Attended
Motaz A. Al-Mashouk	Chairman of Nomination, Remuneration and Compensation Committee	4
Saud A. Al-Ashgar	Member	4
Noriaki Takeshita	Member	4
Abdulsalam M. Al-Mazro	Member	4
Bassam A. Al-Bokhari	Vice President of Industrial Relations & Secretary of the Committee (Non-Member)	4

16. MARKETING STEERING COMMITTEE

The Marketing Steering Committee (MSC) is formed to guide the Company in marketing its products and the relationship with the marketers and its responsibilities include:

- Monitoring the marketers' performance.
- Reviewing and making recommendations regarding the effectiveness of the marketers' short and long term strategies in marketing the products.
- Reviewing the marketers' activities and making recommendations to maximize long-term revenue realization.
- Monitoring the marketers' activities for compliance with established governance rules and agreements in marketing the products.
- Monitoring the marketers' activities for compliance with applicable laws and regulations in marketing the products.

The following table shows the composition of the Company's Marketing Steering Committee (MSC) including the director's name and title. The committee conducted 5 meetings during the period from January 1, 2014 to December 31, 2014:

1,703
Employees have already joined the Shares Ownership Incentive Program

260
Employees have already joined the Home Ownership Incentive Program

Name	Title	Meeting Attended
Abdulsalam M. Al-Mazro	Chairman of Marketing Steering Committee	5
Saud A. Al-Ashgar	Member	5
Noriaki Takeshita	Member	5
Takashi Shigemori	Secretary of the Committee (Non-Member) (Vice President of Market Development)	5

17. INCENTIVE PROGRAMS FOR STAFF

Shares Ownership Incentive Program for 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 SR21 per share. These ESOP shares are managed by Riyadh 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. 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 2014, a total of 1,703 employees have joined the shares ownership Incentive Program, and a total of 936 employees have completed their vesting period and the Company has transferred the shares to their portfolios.

Home Ownership Incentive Program

The Board of Directors of Petro Rabigh approved implementing an incentive program for the Saudi employees from both genders to own housing units. The program aims at providing stability for staff and the convenience of living near the Company's facilities, which should positively reflect on their performance and continued employment with the Company. As per this program, the employee can own or build a housing unit for a single family.

As of the end of 2014, a total of 260 employees have already joined the program.

Employee Lot Allowance

Part of the Home Ownership Program (HOP) the Company provides an amount of SR200,000 as land lot allowance. This amount is considered as a personal loan. The employee will only be required to repay this loan, or a prorated amount, if he/she leaves the Company before completing 5 year of continuous services from the amount receiving date

Employee Savings Plan

The Company offers its employees the opportunity to enroll in a savings plan program where the employee contributes a percentage not exceeding 10% of his/her basic salary. The Company then rewards the employee at the rate of 10% for each year of continuous service, up to 100% of the monthly employee's contribution starting with the 10th year of continuous service

The Balance as of December 31, 2014 for the above mentioned Programs and Funds is as follows:

Description	Balance (In SR Thousands)
Shares Ownership Incentive Program for Employees	14,906
Employee Housing Loan- Home Ownership Program (10% Fund)	12,380
Employee Lot Allowance (Home Ownership Program)	41,584
Employer's contribution to Employee Savings Plan	21,565

18. COMPLIANCE WITH CORPORATE GOVERNANCE REGULATIONS

The Company is committed to apply all rules listed in the Corporate Governance regulations issued by the Capital Market Authority (CMA) in addition that of Petro Rabigh own Corporate Governance Code which was approved by the Company's Board of Directors on May 7, 2013.

The Company complies with all Corporate Governance regulations that are issued by the Capital Market Authority.

In relation to Article 11– H of the Corporate Governance regulations issued by the CMA which states:

The Board of Directors shall not be entitled to enter into loans which spans more than three years, and shall not sell or mortgage real estate of the company, or drop the company's debts, unless it is authorized to do so by the company's Articles of Association. In the case where the company's Articles of Association includes no provisions to this respect, the Board should not act without the approval of the General Assembly, unless such acts fall within the normal scope of the company's business.

The Company would like to clarify that during 2014, the Board of Directors approved the write-off of some of the Companies accounts receivable amounting to SR66 million, knowing that the Company's corporate by-laws authorizes the Board to do so.

19. DECLARATIONS OF THE BOARD OF DIRECTORS

The Board of Directors declares the following:

1. There are no businesses or contracts where Petro Rabigh is a party and a Board Member, the CEO or the CFO or any person related to any of them has interest in.
2. Proper books of account have been maintained.
3. The system of internal control is sound in design and has been effectively implemented.
4. There are no significant doubts concerning the Company's ability to continue as a going concern.
5. There are no arrangements or agreements through which any of the Company's shareholders waives any profit rights.

CHAPTER 1
EXTERNAL AUDITORS REPORT

FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31,2014 AND INDEPENDENT AUDITORS' REPORT

Chapter 3

INDEPENDENT AUDITORS REPORT

pwc

INDEPENDENT AUDITORS' REPORT February 24, 2015

To the Shareholders of Rabigh Refining and Petrochemical Company:
(A Saudi Joint Stock Company)

SCOPE OF AUDIT

We have audited the accompanying balance sheet of Rabigh Refining and Petrochemical Company (the "Company") as of December 31, 2014 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 33 which form an integral part of the financial statements. These financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

UNQUALIFIED OPINION

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

- Present fairly, in all material respects, the financial position of the Company as of December 31, 2014 and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Company; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's Bylaws with respect to the preparation and presentation of financial statements.

PricewaterhouseCoopers

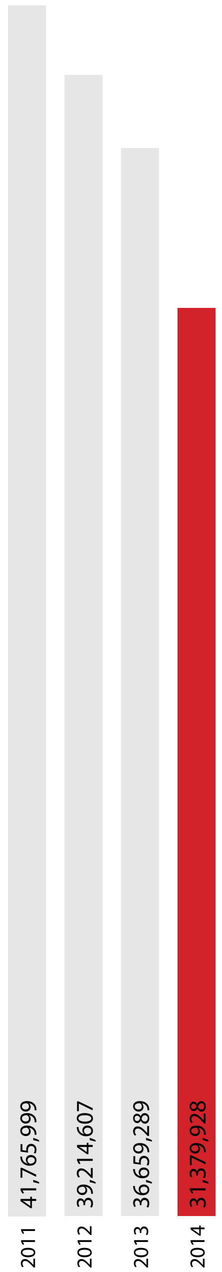
By: ____________
Ali A. Alotaibi
License Number 379

PricewaterhouseCoopers, Jameel Square, P.O. Box 16415, Jeddah 21464, Kingdom of Saudi Arabia
T: +966 (12) 610-4400, F: +966 (12) 610-4411, www.pwc.com/middle-east

License No. 25, Licensed Partners: Omar M. Al Sagga (369), Khalid A. Mahdhar (368), Mohammed A. Al Obaidi (367), Ibrahim R. Habib (383), Yaseen A. Abu Alkheer (375), Ali A. Alotaibi (379), Bader I. Benmohareb (471)

TOTAL ASSETS

TOTAL LIABILITIES



BALANCE SHEET

(In SAR Thousands)	Note	As at December 31, 2014	2013
Assets			
Current assets			
Cash and cash equivalents	5	**2,245,597**	1,609,889
Time deposits	6	**1,297,636**	-
Trade receivables	7	**6,395,074**	9,207,867
Inventories	8	**2,799,397**	4,004,837
Current portion of long-term loans	13	**215,689**	202,824
Prepayments and other receivables	9	**521,075**	1,111,085
		13,474,468	16,136,502
Non-current assets			
Property, plant and equipment	10	**24,526,088**	26,498,729
Leased assets	11	**500,827**	296,986
Intangible assets	12	**172,913**	208,144
Investment	13	**8,556**	8,556
Long-term loans	13	**2,252,939**	2,427,829
		27,461,323	29,440,244
Total assets		**40,935,791**	45,576,746
Liabilities			
Current liabilities			
Current maturity of loans and borrowings	16	**2,086,343**	1,996,541
Current maturity of liabilities against capital leases	11	**15,411**	10,324
Trade and other payables	14	**9,504,187**	13,265,904
Accrued expenses and other liabilities	15	**491,634**	343,296
Zakat and income tax payable	25	**77,259**	60,648
		12,174,834	15,676,713
Non-current liabilities			
Loans, borrowings and other long-term liability	16	**18,552,517**	20,546,282
Liabilities against capital leases	11	**531,045**	338,904
Provision for deferred employee service	19	**14,906**	18,866
Employees benefits	17	**106,626**	78,524
		19,205,094	20,982,576
Total liabilities		**31,379,928**	36,659,289
Shareholders' equity			
Share capital	18	**8,760,000**	8,760,000
Statutory reserve	18	**87,343**	19,200
Employee share ownership plan	19	**(15,498)**	(19,796)
Accumulated earnings		**724,018**	158,053
Total shareholders' equity		**9,555,863**	8,917,457
Total liabilities and shareholders' equity		**40,935,791**	45,576,746
Contingencies and commitments	29		

The accompanying notes 1 to 33 form an integral part of these financial statements.

INCOME STATEMENT

(In SAR Thousands)		Year ended December 31,	
	Note	2014	2013
Sales	4,27	**54,236,752**	50,597,710
Cost of sales	4,20,27	**(52,511,512)**	(50,136,617)
Gross profit		**1,725,240**	461,093
Operating expenses			
Selling and marketing	21	**(129,282)**	(78,865)
General and administrative	22	**(862,220)**	(695,240)
Income (loss) from operations		**733,738**	(313,012)
Other income (expenses)			
Financial charges	23	**(270,299)**	(297,370)
Other income, net	24	**217,990**	969,565
Net income for the year		**681,429**	359,183
Income (loss) per share (Saudi Riyals):	26		
Operating income (loss)		**0.84**	(0.36)
Net income		**0.78**	0.41

The accompanying notes 1 to 33 form an integral part of these financial statements.

CASH FLOW STATEMENT

(In SAR Thousands)		Year ended December 31,	
	Note	2014	2013
Cash flows from operating activities			
Net income for the year		**681,429**	359,183
Adjustments for non-cash items			
Depreciation	10,11	**2,237,144**	2,141,716
Amortization	12	**43,500**	54,882
Provision for doubtful debts	7	**65,992**	-
Provision for slow moving spare parts and consumables	8	**20,457**	31,472
Loss on disposal of property and equipment	24	**8,811**	4,921
Provision for deferred employee service	19	**338**	841
		3,057,671	2,593,015
Changes in working capital			
Trade receivables		**2,746,801**	(1,397,587)
Inventories		**1,184,983**	(450,150)
Prepayments and other receivables		**590,010**	(832,073)
Trade and other payables		**(3,761,717)**	(1,143,331)
Accrued expenses and other liabilities		**101,017**	27,680
Zakat and income tax payable		**16,611**	32,696
Employees benefits		**28,102**	40,959
Net cash generated from (utilized in) operating activities		**3,963,478**	(1,128,791)
Cash flows from investing activities			
Purchase of property, plant and equipment	10	**(259,709)**	(106,396)
Time deposits	6	**(1,297,636)**	-
Net movement in loans balances		**162,025**	134,080
Net cash (utilized in) generated from investing activities		**(1,395,320)**	27,684
Cash flows from financing activities			
Net movement in loans, borrowings and other long-term liability		**(1,903,963)**	(1,513,437)
Repayment of capital leases		**(28,487)**	(11,239)
Net cash utilized in financing activities		**(1,932,450)**	(1,524,676)
Net change in cash and cash equivalents		**635,708**	(2,625,783)
Cash and cash equivalents at beginning of the year	5	**1,609,889**	4,235,672
Cash and cash equivalents at end of the year	5	**2,245,597**	1,609,889
Supplemental schedule of non-cash information			
Transfer of assets from property, plant and equipment to intangible assets	10	**8,269**	-
Accrued zakat debited to shareholders' equity net of reimbursements		**47,321**	14,745
Additions to leased assets and liability against capital lease	11	**225,715**	-
Transfer of capital spares from inventory to property, plant and equipment		**-**	294,641

The accompanying notes 1 to 33 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(In SAR Thousands)	Note	Share capital	Statutory reserve	Employee share ownership plan (ESOP)	Accumulated earnings	Total
January 1, 2014		**8,760,000**	**19,200**	**(19,796)**	**158,053**	**8,917,457**
Vesting of shares under ESOP	19	-	-	**4,298**	-	**4,298**
Net income for the year		-	-	-	**681,429**	**681,429**
Transfer to statutory reserve	18	-	**68,143**	-	**(68,143)**	-
Zakat and income tax	25	-	-	-	**(158,596)**	**(158,596)**
Zakat and income tax reimbursements	-	-	-	-	**111,275**	**111,275**
December 31, 2014		**8,760,000**	**87,343**	**(15,498)**	**724,018**	**9,555,863**
January 1, 2013		8,760,000	2,485,344	(31,873)	(2,652,529)	8,560,942
Vesting of shares under ESOP	19	-	-	12,077	-	12,077
Net income for the year		-	-	-	359,183	359,183
Transfer to statutory reserve	18	-	19,200	-	(19,200)	-
Transfer of statutory reserve to accumulated earnings (deficit)	18	-	(2,485,344)	-	2,485,344	-
Zakat	25	-	-	-	(60,654)	(60,654)
Zakat reimbursements		-	-	-	45,909	45,909
December 31, 2013		8,760,000	19,200	(19,796)	158,053	8,917,457

The accompanying notes 1 to 33 form an integral part of these financial statements.

1. GENERAL INFORMATION

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

The Company is engaged in the development, construction and operation of an integrated refining and petrochemical complex, including the manufacturing and sales of refined and petrochemical products.

The Company commenced its refined and petrochemical products operations effective October 1, 2008 and July 1, 2009, respectively. Also see Note 28 related to Phase II expansion project.

The Company's registered address is P.O. Box 666, Rabigh 21911, Kingdom of Saudi Arabia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Statement of compliance

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

2.2 Basis of preparation

The accompanying financial statements have been prepared under the historical cost convention, except for available for sale investment which is stated at fair value, using the accrual basis of accounting and the going concern concept.

2.3 Functional and presentation currency

The functional currency of the Company has been determined by the management as the United States Dollars (US Dollars). However, these accompanying financial statements are presented in Saudi Arabian Riyals (Saudi Riyals).

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below:

(a) Provision for doubtful debts

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. For significant individual amounts, assessment is made at individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time and the past recovery rates.

(b) Provision for slow moving inventories

Provision for slow moving inventories is maintained at a level considered adequate to provide for potential loss on inventory items. The level of allowance is determined and guided by the Company's policy and other factors affecting the obsolescence of inventory items. An evaluation of inventories, designed to identify potential charges to provision, is performed by the management on regular intervals. Management uses judgment based on the best available facts and circumstances including, but not limited to, evaluation of individual inventory items' age and obsolescence and its expected utilization and consumption in future. The amount and timing of recorded expenses for any period would therefore differ based on the judgments or estimates made.

(c) Useful lives of property, plant and equipment

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

(d) Impairment of non-financial assets

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

2.5 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 from the purchase date.

2.6 Time deposits

Time deposits, with original maturity of more than three months but not more than one year from the purchase date, are initially recognized in the balance sheet at fair value and are subsequently measured at amortized cost using the effective yield method, less any impairment in value.

2.7 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.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using weighted average basis and includes all cost incurred in the normal course of business in bringing each product to its present condition and location. In the case of work in process and finished goods, cost is the purchase cost, the cost of refining and processing, including the appropriate proportion of depreciation and production overheads based on normal operating capacity.

The net realisable value of inventories is based on the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation except capital projects in progress which is carried

at cost. 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 expenditures are recognized in the income statement when incurred.

Spare parts that are considered essential to ensure continuous plant operation are capitalized and classified as plant, machinery and operating equipment.
Expenditure incurred on testing and inspection are capitalized as part of the respective items of property, plant and equipment and amortized over the period of four years.

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

	Number of years
Buildings and infrastructure	8 - 25
Plant, machinery and operating equipment	2 - 23
Vehicles and related equipment	3 - 6
Furniture and IT equipment	3 - 14

2.10 Leased assets

The Company accounts for property, plant and equipment acquired under capital leases by recording the assets and the related liabilities. These amounts are determined on the basis of the present value of minimum lease payments. Financial charges are allocated to the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation on assets under capital leases is charged to income statement applying the straight-line method at the rates applicable to the related assets as follows;

	Number of years
Community facilities	25
Marine terminal facilities	23
Desalination plant	17

2.11 Intangible assets

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

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

	Number of years
Software	5
Licenses	15 - 22.5

2.12 Investment - available for sale

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

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

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

2.13 Trade and other payables

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

2.14 Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred, if any. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the income statement.

2.15 Provisions

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

2.16 Zakat and income tax

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to zakat attributable to the Saudi shareholder and to income taxes attributable to the foreign shareholder. Provisions for zakat and income taxes are charged to the equity accounts of the Saudi and the foreign shareholders, respectively. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. Income taxes paid in advance are also charged to the foreign shareholder's equity account. The payments made by the Company in respect of zakat and income tax on behalf of Saudi and foreign shareholders, except for general public shareholders, are reimbursed by the respective shareholders and are accordingly adjusted in their respective equity accounts.

Deferred income taxes are recognized on all major temporary differences between financial income and taxable income during the period in which such differences arise, and are adjusted when related temporary differences are reversed. Deferred income tax assets on carry forward losses are recognized to the extent that it is probable that future taxable income will be available against which such carry-forward tax losses can be utilized. Deferred income taxes are determined using tax rates which have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

2.17 End of service benefits

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

2.18 Employee savings program

The Company operates a thrift savings program (the "Program") on behalf of its employees and the Company matches the employee contribution with an equal, or lesser, contribution towards the Program that is commensurate with the employee's participation seniority in the Program. Participation in the Program by the regular employees who have completed their probationary period is optional and employees may choose the option to invest or not to invest in the Program. The contributions from the Company are recognized as employee expenses and are charged to the income statement. The Company has arranged with the local bank, being the custodian bank, to manage the Program on behalf of the Company in accordance with Islamic Shari'ah Law.

2.19 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 income statement charge for a period represents the movement in cumulative expense recognized 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.

2.20 Revenue

Revenue from sale of products is recognized when significant risks and rewards of ownership have been transferred to the customer upon delivery or shipments of products and in accordance with the offtake agreements and other relevant arrangements with the Company's customers.

Revenue from port services is recognized when services are rendered.

2.21 Selling, marketing, general and administrative expenses

Selling, marketing and general and administrative expenses include direct and indirect costs not specifically part of cost of sales as required under generally accepted accounting principles. Allocations between selling, marketing and general and administrative expenses and cost of sales, when required, are made on a consistent basis.

2.22 Operating leases

Rental expenses under operating leases are charged to the income statement over the period of the respective lease.

2.23 Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which were not significant for year ended December 31, 2014 and 2013, are recognized in the income statement.

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

2.24 Segment reporting

(a) Business segment

A business segment is a group of assets and operations:

(i) engaged in revenue producing activities;
(ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
(iii) financial information is separately available.

(b) Geographical segment

A geographical segment is a group of assets and operations engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

3. AGREEMENTS WITH FOUNDING SHAREHOLDERS

The Founding Shareholders of the Company are Saudi Arabian Oil Company ("Saudi Aramco") and Sumitomo Chemical Company Limited ("Sumitomo Chemical"), with each having 37.5% equity interest in the share capital of the Company. The Company has entered into various agreements with Founding Shareholders including, among others:

3.1 Crude oil feedstock supply agreement

On January 28, 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 integrated refining and petrochemical complex. The price at which Saudi Aramco sells the crude oil feedstock to the Company is based, amongst other variable market factors, on the international crude oil prices. The COSA is valid for 30 years commencing from October 1, 2008.

3.2 Refined products lifting and marketing agreement

On March 11, 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 October 1, 2008, and is further extendable for another 5 years. Pursuant to this agreement, Saudi Aramco will lift and market globally, on behalf of the Company as "Seller", the refined products from the integrated refining and petrochemical complex.

3.3 Petrochemical products lifting and marketing agreement

On March 11, 2006 as amended on April 1, 2014, the Company signed a Petrochemical Products Lifting & Marketing Agreement (PPLMA) with founding shareholders as "Marketers" of petrochemical products from the integrated refining and petrochemical complex. The PPLMA is valid for 10 years from accumulated production date, and is further extendable for another 5 years. Pursuant to this agreement, Marketers will lift and market globally, on behalf of the Company as "Seller", the petrochemical products from the integrated refining and petrochemical complex. An Assignment and Assumption Agreement dated February 23, 2009 assigns Sumitomo Chemical Asia PTE Limited as the "Marketer" on behalf of Sumitomo Chemical Company Limited.

3.4 Credit facility agreement

On March 18, 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 Saudi Riyals 6,206 million for the development, design and construction of the integrated refining and petrochemical complex. The commitment of Founding Shareholders in respect of this facility expired on July 1, 2014.

3.5 Rabigh refinery complex lease agreement

The Company has entered into Rabigh Refinery Complex Lease Agreement with Saudi Aramco dated November 1, 2005 for the lease of approximately 11.8 million square meters for a period of 99 years, effective November 1, 2005, and may be renewed thereafter for consecutive additional periods as agreed. The Company shall pay Saudi Aramco rent in an amount equal to Saudi Riyals 1 per square meter per annum starting October 1, 2008. Also see Note 11.2.

3.6 Terminal lease agreement

The Company entered into a Terminal Lease Agreement with Saudi Aramco on March 2, 2006 in respect of the existing Rabigh Marine Terminal. Under this agreement, the Company has been granted 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 October 1, 2008. Also see Note 11.1.

3.7 Rabigh community agreement

The Company has entered into Rabigh community agreement with Saudi Aramco, effective October 1, 2014 for a term of 25 years, in respect of leases of land and infrastructure facilities at yearly lease rentals of Saudi Riyals 16.5 million and Saudi Riyals 18.2 million respectively. Also see Note 11.1.

3.8 Secondment agreements

The Company has entered into Secondment Agreements with each of its Founding Shareholders; with Saudi Aramco dated June 12, 2006, and with Sumitomo Chemical dated July 1, 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.

3.9 Services agreements

The Company has entered into services agreements with founding shareholders and their affiliates covering various operational and logistics support services. These agreements cover the provision of various support services to and by the Company such as human resources, training and recruitment, legal, utilities, 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 and petrochemical process know-how provided by Saudi Aramco and Sumitomo Chemical respectively and marketing technical services, engineering and safety best practices and training provided by both founding shareholders. The Company shall pay for these services at mutually agreed prices specified in each agreement for the services to be provided.

4. SEGMENT INFORMATION

4.1 Business segment

The Company operates an integrated refinery and petrochemical complex. The primary format for segment reporting is based on business segments (refined products and petrochemicals) and is determined on the basis of management's internal reporting structure. The Company's operating and financial reporting systems are structured to produce financial and operational information appropriate for an integrated refining and petrochemical complex. Therefore, the Company does not distinguish financial and non-financial information at the level of assets and liabilities. In the opinion of management, providing information at the level of assets and liabilities will not affect the decisions of the users of the financial statements in view of its nature of operations. The segment information relating to the year ended December 31 is as follows:

2014 (In SAR Thousands)	Refined products	Petrochemicals	Total
Sales	**44,096,362**	**10,140,390**	**54,236,752**
Cost of sales	**(46,238,704)**	**(6,272,808)**	**(52,511,512)**
Gross (loss) profit	**(2,142,342)**	**3,867,582**	**1,725,240**
Selling and marketing	**(1,044)**	**(128,238)**	**(129,282)**
General and administrative	**(495,261)**	**(366,959)**	**(862,220)**
(Loss) income from operations	**(2,638,647)**	**3,372,385**	**733,738**
Financial charges	**(101,742)**	**(168,557)**	**(270,299)**
Other income, net	**109,322**	**108,668**	**217,990**
Net (loss) income for the year	**(2,631,067)**	**3,312,496**	**681,429**
2013	Refined products	Petrochemicals	Total
Sales	42,865,957	7,731,753	50,597,710
Cost of sales	(44,945,193)	(5,191,424)	(50,136,617)
Gross (loss) profit	(2,079,236)	2,540,329	461,093
Selling and marketing	(998)	(77,867)	(78,865)
General and administrative	(383,630)	(311,610)	(695,240)
(Loss) income from operations	(2,463,864)	2,150,852	(313,012)
Financial charges	(111,817)	(185,553)	(297,370)
Other income, net	400,256	569,309	969,565
Net (loss) income for the year	**(2,175,425)**	**2,534,608**	**359,183**

4.2 Geographical segment

The segment information relating to the year ended December 31, summarized by geographical area, is as follows:

2014 (In SAR Thousands)	Middle East	Asia Pacific	Others	Total
Sales				
Refined products	**44,096,362**	**-**	**-**	**44,096,362**
Petrochemicals	**3,920,165**	**6,204,540**	**15,685**	**10,140,390**
Total	**48,016,527**	**6,204,540**	**15,685**	**54,236,752**
2013	Middle East	Asia Pacific	Others	Total
Sales				
Refined products	42,865,957	-	-	42,865,957
Petrochemicals	1,630,073	6,080,067	21,613	7,731,753
Total	44,496,030	6,080,067	21,613	50,597,710

5. CASH AND CASH EQUIVALENTS

(In SAR Thousands)	2014	2013
Cash in hand	**479**	508
Cash at bank - current accounts	**175,638**	408,418
Short term deposits	**2,069,480**	1,200,963
	2,245,597	1,609,889

Short term deposits are held by commercial banks and yield financial income at prevailing market rates.

6. TIME DEPOSITS

Time deposits comprise of the following:

(In SAR Thousands)	Note	2014	2013
Time deposits		**3,367,116**	1,200,963
Less: Deposits with maturity of less than three months	5	**(2,069,480)**	(1,200,963)
		1,297,636	-

7. TRADE RECEIVABLES

(In SAR Thousands)	Note	2014	2013
Trade		**212,711**	415,627
Less: provision for doubtful debts		**(28,410)**	(28,410)
		184,301	387,217
Related parties	27	**6,210,773**	8,820,650
		6,395,074	9,207,867
Movement in provision for doubtful debts is as follows:			
	Note	2014	2013
January 1		**28,410**	28,410
Additions	22	**65,992**	-
Write-offs		**(65,992)**	-
December 31		**28,410**	28,410

8. INVENTORIES

(In SAR Thousands)		2014	2013
Raw materials		**252,355**	300,492
Work in process		**535,757**	987,504
Finished goods		**1,478,725**	2,212,816
Spare parts and consumables - not held for sale		**583,580**	509,997
Goods in-transit		**909**	25,500
		2,851,326	4,036,309
Less: provision for slow moving spare parts and consumables		**(51,929)**	(31,472)
		2,799,397	4,004,837
Movement in provision for slow moving spare parts and consumables is as follows:			
	Note	2014	2013
January 1		**31,472**	-
Additions	20	**20,457**	31,472
December 31		**51,929**	31,472

9.PREPAYMENTS AND OTHER RECEIVABLES

(In SAR Thousands)	Note	2014	2013
Prepayments		**81,821**	70,962
Advances to suppliers		**39,681**	50,691
Deposits		**107,010**	107,010
Compensation claim receivable		**-**	750,000
Other receivables, net		**27,792**	2,480
		256,304	981,143
Due from related parties	27	**264,771**	129,942
		521,075	1,111,085

10.PROPERTY, PLANT AND EQUIPMENT

(In SAR Thousands)	Buildings and infrastructure	Plant, machinery and operating equipment	Vehicles and related equipment	Furniture and IT equipment	Capital projects in progress	Total
Cost						
January 1, 2014	4,729,122	30,256,739	61,260	317,050	146,059	35,510,230
Additions	-	91,937	-	-	167,772	259,709
Transfers	-	17,310	11,012	1,629	(29,951)	-
Transfer to intangible assets	-	-	-	-	(8,269)	(8,269)
Disposals	(19,945)	(4,493)	-	-	-	(24,438)
December 31, 2014	4,709,177	30,361,493	72,272	318,679	275,611	35,737,232
Accumulated depreciation						
January 1, 2014	1,279,084	7,538,660	58,978	134,779	-	9,011,501
Charge for the year	267,159	1,915,754	3,389	28,968	-	2,215,270
Released on disposals	(12,982)	(2,645)	-	-	-	(15,627)
December 31, 2014	1,533,261	9,451,769	62,367	163,747	-	11,211,144
Carrying Value:						
At December 31, 2014	**3,175,916**	**20,909,724**	**9,905**	**154,932**	**275,611**	**24,526,088**
At December 31, 2013	3,450,038	22,718,079	2,282	182,271	146,059	26,498,729

10.1 Depreciation for the year has been allocated as follows:

(In SAR Thousands)	Note	2014	2013
Cost of sales	20	**2,132,968**	2,035,613
General and administrative expenses	22	**82,302**	86,133
		2,215,270	2,121,746

10.2 The Company has leased land for the refining and petrochemical facilities from Saudi Aramco for a period of 99 years. Also see Note 3.5.

11. LEASES

11.1 Capital leases

11.1.1 Lease assets acquired under capital lease, at December 31, are detailed as under:

(In SAR Thousands)	Community facilities	Marine terminal facilities	Desalination plant	Medical equipment	Total
Cost					
January 1, 2014	-	288,820	106,015	3,528	398,363
Additions	225,715	-	-	-	225,715
December 31, 2014	225,715	288,820	106,015	3,528	624,078
Accumulated depreciation					
January 1, 2014	-	65,926	32,746	2,705	101,377
Charge for the year	2,257	12,557	6,237	823	21,874
December 31, 2014	2,257	78,483	38,983	3,528	123,251
Carrying value:					
At December 31, 2014	**223,458**	**210,337**	**67,032**	**-**	**500,827**
At December 31, 2013	-	222,894	73,269	823	296,986

11.1.2 Capital lease obligations at December 31 are as follows:

(In SAR Thousands)	2014			2013
	Future minimum lease payments	Interest	Present value of minimum lease payments	Present value of minimum lease payments
Community facilities	**435,922**	**228,370**	**207,552**	-
Marine terminal facilities	**454,180**	**193,420**	**260,760**	265,947
Desalination plant	**104,431**	**26,287**	**78,144**	83,281
	994,533	**448,077**	**546,456**	349,228

At December 31, the capital lease obligations are presented in the balance sheet as follows:

(In SAR Thousands)	2014	2013
Current portion	**15,411**	10,324
Non-current portion	**531,045**	338,904
	546,456	349,228

11.1.3 The future minimum lease payments as of December 31 are as follows:

Year (In SAR Thousands)	2014	2013
2014	-	28,834
2015	**46,997**	28,834
2016	**47,024**	28,834
2017	**46,997**	28,861
2018	**46,997**	28,834
2019 and thereafter	**806,518**	443,248
	994,533	587,445

11.1.4 Community facilities were acquired under a finance lease agreement from Saudi Aramco over a period of 25 years (Also see Note 3.7). The total undiscounted minimum lease payments are Saudi Riyals 435.9 million (2013: Nil).

11.1.5 Marine terminal facilities were acquired under a finance lease agreement from Saudi Aramco over a period of 30 years (Also see Note 3.6). The total undiscounted minimum lease payments are Saudi Riyals 454.2 million (2013: Saudi Riyals 473.3 million).

11.1.6 On October 1 2008, the Company took over the interest and obligations of Saudi Aramco 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 Saudi Riyals 106 million which has also been capitalized as leased assets cost. The total undiscounted minimum lease payments are Saudi Riyals 104.4 million (2013: Saudi Riyals 114.1 million).

11.1.7 Depreciation for the year has been allocated as follows:

(In SAR Thousands)	Note	2014	2013
Cost of sales	20	**6,237**	6,236
General and administrative expenses	22	**15,637**	13,734
		21,874	19,970

11.2 Operating leases

11.2.1 The Company has entered into operating leases for land, a water and energy conversion plant and site facilities, with options to renew the leases on expiry of relevant lease periods. Operating lease rental charged to the income statement for the year ended December 31, 2014 amounts to Saudi Riyals 535.6 million (2013: Saudi Riyals 610.3 million).

11.2.2 Future minimum rentals payable under non-cancellable operating leases as at December 31 are as follows:

Year (In SAR Thousands)	2014	2013
2014	-	594,496
2015	**572,595**	553,996
2016	**550,713**	535,610
2017	**545,451**	529,719
2018	**544,134**	529,719
2019 and thereafter	**8,763,872**	8,017,248
	10,976,765	10,760,788

12. INTANGIBLE ASSETS

(In SAR Thousands)	Note	Softwares	Licenses	Total
Cost				
January 1, 2014		220,415	209,114	429,529
Additions	10	8,269	-	8,269
December 31, 2014		228,684	209,114	437,798
Amortization				
January 1, 2014		169,435	51,950	221,385
Amortization for the year		32,701	10,799	43,500
December 31, 2014		202,136	62,749	264,885
Carrying value:				
December 31, 2014		**26,548**	**146,365**	**172,913**
December 31, 2013		50,980	157,164	208,144

Amortization for the year has been allocated as follows:	Note	2014	2013
Cost of sales	20	25,944	27,883
General and administrative expenses	22	17,556	26,999
		43,500	54,882

13.INVESTMENT AND LONG TERM LOANS

(In SAR Thousands)	2014	2013
Investment - available for sale	**8,556**	8,556

The Company holds 1% shares in the capital of Rabigh Arabian Water and Electricity Company ("RAWEC"), a Saudi limited liability company.

Long-term loans: (In SAR Thousands)	Note	2014	2013
RAWEC	13.1	**2,343,370**	2,540,933
Loans to employees	13.2	**125,258**	89,720
		2,468,628	2,630,653
Less: current portion – RAWEC	13.1	**(207,483)**	(197,563)
Less: current portion – loans to employees	13.2	**(8,206)**	(5,261)
		(215,689)	(202,824)
		2,252,939	2,427,829

13.1 The Company has entered into Water and Energy Conversion Agreement ("WECA"), Facility Agreement and RAWEC Shareholders' Agreement (the "Agreements") with RAWEC, a Saudi limited liability company (the "Contractor") and other developers, to develop a plant, on build, own and operate basis, that will utilize fuel oil, steam condensate and sea water to produce desalinated water, steam and power, to be supplied to the Company under WECA dated August 7, 2005 as amended subsequently on October 30, 2011. Through these Agreements, the Company has provided a portion of project finance, in the total amount of Saudi Riyals 3.9 billion carrying interest rate of 5.76% per annum. The project achieved commercial closing date on June 1, 2008. The loan is being settled through offsetting of monthly utilities payments to RAWEC from June 30, 2008 to November 30, 2023. The loan is secured by a charge over all the assets of RAWEC.

13.2 The Company's eligible employees are provided with loans under an employees' home ownership program. The cost of the land is advanced to employees free of interest cost provided the employee serves the Company for a minimum period of five years while the construction cost of the house is amortized and repayable free of interest to the Company to the extent of 90% over a period of seventeen years. The remaining 10% is amortised over the term of the loan. These loans are secured by mortgages on the related housing units. Ownership of the housing unit is transferred to the employee upon full payment of the loan.

14. TRADE AND OTHER PAYABLES

(In SAR Thousands)	Note	2014	2013
Trade payables:			
- Related parties	27	**8,950,619**	12,877,458
- Others		**491,780**	378,697
		9,442,399	13,256,155
Other payables - related parties	27	**61,788**	9,749
		9,504,187	13,265,904

Other payables principally relate to payments made by Founding Shareholders on behalf of the Company in respect of seconded employees and other charges (see Note 3.8 and 3.9).

15. ACCRUED EXPENSES AND OTHER LIABILITIES

(In SAR Thousands)	Note	2014	2013
Retentions		**115,185**	114,193
Accrued bonus		**40,425**	40,245
Provision for customer rebates		**64,374**	33,855
Customer advances		**11,842**	25,147
Social security payable		**6,832**	5,718
Withholding tax payable		**4,621**	4,909
Accrued interest on loans and borrowings		**3,416**	4,827
Others		**10,147**	10,212
		256,842	239,106
Due to related parties	27	**234,792**	104,190
		491,634	343,296

16. LOANS, BORROWINGS AND OTHER LONG-TERM LIABILITY

(In SAR Thousands)	Note	2014	2013
Loans from banks and financial institutions	16.1	**15,412,097**	17,408,638
Loans from founding shareholders	16.2	**5,210,052**	5,119,846
Other long-term liability	16.3	**16,711**	14,339
		20,638,860	22,542,823
Less: Current portion of loans from banks and financial institutions			
		(2,086,343)	(1,996,541)
		18,552,517	20,546,282

16.1 Loans from banks and financial institutions

The Company has entered in a Consortium Loan Agreement with various commercial banks and financial institutions for the development, design, and construction of an integrated refinery and petrochemical complex. The facilities available under the loan agreement have been utilized in full and drawdowns have been made which finished on July 1, 2008. The loans are denominated in US Dollars and bear financial charges based on prevailing market rates.

The loan is payable in semi-annual repayments which commenced from June 2011 and will run up to December 2021. The consortium loan agreement includes financial and operational covenants, which among other things; require certain financial ratios to be maintained. The loan is secured by property, plant and equipment, cash and cash equivalents and time deposits of the Company with a carrying value of Saudi Riyals 24,526 million and Saudi Riyals 3,543 million, respectively.

16.2 Loans from founding shareholders

(In SAR Thousands)	2014	2013
Loans:		
Saudi Arabian Oil Company	**2,287,500**	2,287,500
Sumitomo Chemical Company	**2,287,500**	2,287,500
Accumulated interest:		
Saudi Arabian Oil Company	**317,526**	272,423
Sumitomo Chemical Company	**317,526**	272,423
	5,210,052	5,119,846

Loans from the founding shareholders are availed as part of the Credit Facility Agreement and bear financial charges. Repayment shall be made on demand on achieving the conditions set by the financial institutions under the Inter-creditor Agreement. The loan is secured by promissory note issued by the Company in favor of each shareholder equivalent to drawdowns.

16.3 Other long-term liability

Other long-term liability represents withholding tax on accumulated interest relating to Sumitomo Chemical in accordance with Saudi Arabian Income Tax Law.

17. EMPLOYEES BENEFITS

At December 31, the employees' benefits are presented in the balance sheet as follows:

(In SAR Thousands)	2014	2013
Current portion (included in accrued expenses and other liabilities)	**18,360**	20,234
Non-current portion	**106,626**	78,524
	124,986	98,758

Employees' benefits comprise of employees savings program and end of service benefits amounting to Saudi Riyals 39.9 million and Saudi Riyals 85 million respectively.

17.1 End of service benefits

(In SAR Thousands)	2014	2013
January 1	**66,359**	49,306
Provisions	**27,613**	23,157
Payments	**(8,944)**	(6,104)
December 31	**85,028**	66,359

18. SHARE CAPITAL AND STATUTORY RESERVE

The Company's share capital of Saudi Riyals 8.76 billion at December 31, 2014 and 2013 consists of 876 million fully paid and issued shares of Saudi Riyals 10 each.

The net proceeds from the issuance of new shares during the IPO in January 2008 resulted in a share premium of Saudi Riyals 2,409 million, which was transferred to statutory reserve in accordance with the Company's Articles of Association. Pursuant to the Board of Directors' resolution as approved by the shareholders' Extraordinary General Assembly on June 24, 2013, the Company transferred statutory reserve amounting to Saudi Riyals 2,485 million to accumulated deficit. Further, in accordance with the Company's Articles of Association and the Regulation for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer each year at least 10% of its net income, after absorbing accumulated deficit, to a statutory reserve until such reserve equal 50% of its share capital.

19. EMPLOYEE SHARE OWNERSHIP PLAN

During the year ended December 31, 2008, the Board of Directors 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 to subscribe for 1.5 million shares during the IPO at the offer price of Saudi Riyals 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. The Company recognized the liability through provision by amortizing the total cost of the ESOP shares on a straight line basis over a period of 5 years.

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

During 2014, the Company has vested 204,658 shares to eligible employees due for entitlement (2013: 575,114 shares).

20. COST OF SALES

(In SAR Thousands)	Note	2014	2013
Raw materials and spare parts consumed		**47,376,596**	46,581,814
Depreciation	10,11	**2,139,205**	2,041,849
Utilities consumed		**700,948**	669,911
Personnel costs		**532,583**	495,324
Repair and maintenance		**316,128**	300,863
Contracted services		**53,467**	63,036
Amortization	12	**25,944**	27,883
Provision for slow moving spare parts and consumables	8	**20,457**	31,472
Lease rentals		**11,747**	38,432
Other overheads		**44,178**	41,542
		51,221,253	50,292,126
Decrease (increase) in inventories		**1,290,259**	(155,509)
		52,511,512	50,136,617

21. SELLING AND MARKETING EXPENSES

(In SAR Thousands)	2014	2013
Freight charges	**125,638**	73,956
Sales commissions	**608**	1,637
Other	**3,036**	3,272
	129,282	78,865

22. GENERAL AND ADMINISTRATIVE EXPENSES

(In SAR Thousands)	Note	2014	2013
Personnel costs		**429,045**	368,006
Depreciation	10,11	**97,939**	99,867
Repair and maintenance		**93,971**	77,269
Provision for doubtful debts	7	**65,992**	-
IT, networking and data communication		**41,421**	40,387
Amortization	12	**17,556**	26,999
Contracted services		**39,701**	28,680
Travelling		**19,885**	16,074
Rent		**14,282**	15,783
Professional fees		**10,775**	7,714
Stationery, telex and telephone		**3,980**	3,833
Other		**27,673**	10,628
		862,220	695,240

23. FINANCIAL CHARGES

(In SAR Thousands)	Note	2014	2013
Interest on loans and borrowings	16	**246,695**	277,481
Interest on capital leases	11	**22,165**	19,275
Other		**1,439**	614
		270,299	297,370

24. OTHER INCOME, NET

(In SAR Thousands)	2014	2013
Compensation claim	-	750,000
Interest income on long term loans	**143,319**	154,364
Port services	**32,974**	34,159
Gain on sale of scrap sales	**27,038**	32,895
Dividend and miscellaneous income	**23,470**	3,068
Loss on disposal of property and equipment	**(8,811)**	(4,921)
	217,990	969,565

25. ZAKAT AND INCOME TAX

25.1 Charge for the year

Zakat and income tax charge for the year is as follows:

(In SAR Thousands)	2014	2013
Zakat	**35,561**	28,532
Income tax	**41,698**	-
	77,259	28,532

Zakat and income tax charge is computed in accordance with the zakat and income tax regulations in Saudi Arabia. The zakat and income tax charge for the year is based on the following components:

(In SAR Thousands)	2014	2013
Equity and reserves	**9,332,678**	10,628,992
Liabilities	**20,634,664**	20,426,022
Book value of assets	**(26,236,853)**	(13,611,310)
Carried forward losses	**(1,454,582)**	(15,617,677)
Zakat base	**2,275,907**	1,826,027
Zakat base attributable to Saudi founding shareholder and general public	**1,422,442**	1,141,267
Zakat charge for the year	**35,561**	28,532

25.2 The movement in zakat and income tax provision for the year is as follows:

(In SAR Thousands)	2014	2013
January 1	**60,648**	27,952
Provision for the current year	**77,259**	28,532
Adjustment for previous years	**81,337**	32,122
Payments	**(141,985)**	(27,958)
December 31	**77,259**	60,648

The difference between the financial and zakatable / taxable results is mainly due to certain adjustments in accordance with the relevant local zakat / tax regulations and mainly includes depreciation, repair and maintenance costs, employees benefits, provisions for inventories and doubtful debts.

No deferred tax has been recognized as management believes that the deferred tax asset arising from unused carried forward tax losses, is expected to offset the deferred tax liabilities arising from temporary differences.

25.3 Status of assessments

The Company's zakat and tax assessments have been finalized by Department of Zakat and Income Tax (DZIT) up to and inclusive of the financial year 2008. During the year ended December 31, 2014, DZIT has raised additional zakat and tax liability of Saudi Riyals 43.7 million and Saudi Riyals 80.7 million respectively for the financial years 2009 and 2010, pursuant to which the Company has filed an objection and believes its position to be robust. The additional zakat and tax liability is recoverable from Saudi Aramco and Sumitomo Chemical Company to the extent of Saudi Riyals 26.2 million and Saudi Riyals 80.7 million, respectively.

The DZIT has further issued queries for financial years 2011 through 2013 requiring certain information for which the Company is in the process of submission.

26. EARNINGS / (LOSS) PER SHARE

Earnings / (loss) per share for the year ended December 31, 2014 and 2013 have been computed by dividing the operating income / (loss) and net income for the year by the weighted-average number of ordinary shares issued and outstanding at each year end.

27 RELATED PARTY TRANSACTIONS AND BALANCES

27.1 Related party transactions
Transactions with related parties arise mainly from purchases, sales of refined and petrochemical products, credit facilities, terminal lease, secondments and community lease agreements.

Related party transactions are undertaken at contractual terms and are approved by the Company's management and management of the following entities.

Name of entity	Relationship
Saudi Arabian Oil Company	Founding Shareholder
Sumitomo Chemical Company	Founding Shareholder
Sadara Chemical Company	Associate of Founding Shareholder
Yanbu Aramco Sinopec Refining Company	Associate of Founding Shareholder
Aramco Overseas Co. BV	Associate of Founding Shareholder
Saudi Aramco Products Trading Company	Associate of Founding Shareholder
Sumitomo Chemical Engineering Company Limited	Associate of Founding Shareholder
Sumitomo Chemical Polymer Compounds Saudi Arabia Co. Limited	Associate of Founding Shareholder
Sumitomo Chemical Asia Pte Limited	Associate of Founding Shareholder
Rabigh Conversion Industry Management Services Company	Associate of Founding Shareholder
Sumika Alchem Company Limited	Associate of Founding Shareholder
Sumika Chemical Analysis Service Limited	Associate of Founding Shareholder
Sumika Middle East Co. Limited	Associate of Founding Shareholder

The related party transactions are summarized as follows:

(In SAR Thousands)	2014	2013
Nature of transactions for the year ended December 31		
Saudi Aramco and its associated companies		
Purchase of goods including LPG shortfall and through-put fee	**46,555,119**	46,155,893
Sale of refined products and petrochemical products	**45,950,045**	42,865,957
Financial charges	**62,694**	59,520
Rentals	**61,763**	48,443
Services provided to shareholders	**52,464**	51,084
Secondees' costs	**37,893**	35,891
Services and other cost charges (credit), net	**(59,331)**	(60,152)
Sumitomo Chemical and its associated companies		
Purchase of goods	**60,113**	51,571
Sale of petrochemical products	**6,118,469**	5,958,581
Financial charges	**45,102**	45,305
Rentals	**709**	709
Services provided to shareholders	**55,667**	36,365
Secondees' costs	**44,414**	41,339
Services and other cost charges (credit), net	**(40,039)**	2,273

27.2 Related party balances

Significant year end balances arising from transactions with related parties are as follows:

(In SAR Thousands)	Note	2014	2013
Saudi Aramco and its associated companies			
Trade and other receivables	7, 9	**5,545,510**	7,590,613
Trade and other payables	14	**9,008,728**	12,858,456
Loans and borrowings	16	**2,605,026**	2,559,923
Accrued expenses and other liabilities	15	**191,465**	5,668
Employees benefits		**532**	321

(In SAR Thousands)	Note	2014	2013
Sumitomo Chemical and its associated companies			
Trade and other receivables	7, 9	**930,034**	1,359,979
Trade and other payables	14	**3,679**	28,751
Loans and borrowings	16	**2,605,026**	2,559,923
Accrued expenses and other liabilities	15	**43,327**	98,522
Employees benefits		**1,047**	694

27.3 Transactions with key management personnel

Key management personnel of the Company comprise key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. Transactions with key management personnel on account of salaries and other short-term benefits amounted to Saudi Riyals 8.2 million (2013: Saudi Riyals 8.5 million) and are included in secondees' and services cost above.

The remuneration paid to the independent directors amounted to Saudi Riyals 0.45 million (2013: Saudi Riyals 0.48 million).

27.4 New arrangements with founding shareholders

During the three-month period ended December 31, 2013, the Company entered into the following new arrangements with its founding shareholders:

27.4.1 A fuel supply arrangement with Saudi Aramco for purchase of Methane gas to be consumed in the Company's fuel system. The fuel supply arrangement further enables the Company to be compensated for Butane, Propane and Mixed Stream (LPG) discharged to Company's fuel system as a result of shortfall in supply of Methane gas to the Company, capped at an agreed daily quantity of Methane gas. As a consequence, during the year ended December 31, 2014, the fuel supply arrangement has resulted in the reduction of cost of goods manufactured by approximately Saudi Riyals 1,064 million (2013: Saudi Riyals 1,003 million) due to shortfall in supply of Methane gas. This agreement is effective April 1, 2013 until March 31, 2018.

27.4.2 An arrangement with Saudi Aramco to waive the crude pipeline through-put fee effective October 1, 2013 for a five year period. Such arrangement has resulted in reduction of cost of goods manufactured for the year ended December 31, 2014 by approximately Saudi Riyals 38.25 million (2013: Saudi Riyals 9.23 million).

27.4.3 An arrangement with Sumitomo Chemical Company Limited to further reduce the marketing fee for all polymer and monomer petrochemical products for a period of five years effective October 1, 2013, as lifted and sold by Sumitomo Chemical Asia PTE Limited in accordance with petrochemical products lifting and marketing agreements. Such arrangement has resulted in increase in sales revenue for the year ended December 31, 2014 by approximately Saudi Riyals 32.56 million (2013: Saudi Riyals 13.05 million).

27.4.4 An arrangement with Saudi Aramco to continue to waive the marketing fees for refined and petrochemical products for the period from October 1, 2013 until December 31, 2016, as lifted and sold by Saudi Aramco and its associated company in the Kingdom of Saudi Arabia in accordance with related lifting and marketing agreements. Such arrangement has resulted in increase in sales revenue for the year ended December 31, 2014 by approximately Saudi Riyals 119.27 million (2013: Saudi Riyals 78.35 million).

27.4.5 An arrangement with Saudi Aramco to amend the pricing formulas of gasoline and fuel oil, effective January 1, 2013 until December 31, 2016, as mentioned in refined products lifting and marketing agreement. This arrangement has resulted in increase in sales revenue for the year ended December 31, 2014 by approximately Saudi Riyals 122.38 million (2013: Saudi Riyals 101.38 million).

28. PHASE II EXPANSION PROJECT

The Company is in the process of undertaking a major expansion of its existing integrated petroleum refining and petrochemical complex ("Phase II Expansion Project"), the aggregate cost of which is currently estimated at Saudi Riyals 31 billion. Currently, the Phase II Expansion Project, which is under construction stage, is owned by the founding shareholders and will be transferred to the Company after completion of the formalities underlying the novation of relevant contracts and fulfillment of precedent conditions.

During the year ended December 31, 2014, the Board of Directors of the Company (BoD) have unanimously resolved and authorized the management of the Company to proceed with required key and ancillary arrangements in connection with Phase II Expansion Project. The BoD have also delegated to the management of the Company to ensure that all precedent conditions to assume ownership of Phase II Expansion Project, from the founding shareholders, are fulfilled upon execution of related documents. The mechanical completion of the aforementioned expansion project is estimated to be mid of financial year 2016.

As part of Phase II Expansion Project, the Company will also enter into agreements to expand the existing independent water, steam and power facilities alongside various feed, lifting, marketing, banking facilities, service, supplies and other agreements.

29. CONTINGENCIES AND COMMITMENTS

(i) As of December 31, 2014, bank guarantees issued on behalf of the Company in the normal course of business amounted to Saudi Riyals 4.4 million (2013: Saudi Riyals 5.3 million).

(ii) As of December 31, 2014, capital commitments contracted for but not incurred for the construction and expansion of existing facilities amounted to Saudi Riyals 229.7 million (2013: Saudi Riyals 173.8 million).

Also, see Note 11.2 for operating lease commitments.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing operations and each individual within the Company is accountable for the risk exposures relating to respective responsibilities. The Company's policy is to monitor business risks through strategic planning process.

Risk management structure

Board of Director

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

Board Audit committee

The board audit committee is appointed by the Board of Directors. The board audit committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof and the soundness of the internal controls of the Company.

Internal audit

All key operational, financial and risk management processes are audited by

4.4
SAR MILLION
Bank guarantees issued on behalf of the Company

229.7
SAR MILLION
Capital commitments contracted for the construction and expansion of existing facilities

internal audit. Internal audit examines the adequacy of the relevant policies and procedures and the Company's compliance with internal policies and regulatory guidelines. Internal audit discusses the results of all assessment with management and reports its findings and recommendations to the board audit committee.

The risks faced by the Company and the way these risks are mitigated are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Credit risk mainly comprises of cash and cash equivalents, time deposits, trade receivables, loans and other receivables. Cash and cash equivalents and time deposits are placed with banks with sound credit ratings. The majority of trade receivables (97%) is from founding shareholders with historically strong credit ratings, and is stated at respective realizable values. For trade receivables from third parties, the Company has a credit insurance policy with a reputable insurance service provider. The Company does not obtain collaterals over receivables. As at December 31, 2014, there were minimal overdue debts equivalent to 6.8% (2013: 2.89%) of the trade receivables of Company's allowed credit periods. The loans are receivable from a utility service provider and employees and are secured by utility payments and mortgages on the related housing units respectively. The Company is not exposed to significant credit risk on other receivables.

Commodity price risk

The Company is exposed to the risk of fluctuations in the prevailing market prices on the refined and petrochemical products it produces. The Company's policy is to manage these risks through the use of contract-based prices with major customers, based on the agreements entered by the Company (Note 3). The Company does not enter into commodity price hedging arrangements.

Fair value and cash flow interest rate risks

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 positions and cash flows. The Company's interest rate risks arise mainly from its short-term deposits, loans from banks and financial institutions and loans from founding shareholders, which are at a floating rate of interest and are subject to re-pricing on a regular basis.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals and US Dollars. The Company's management monitors the fluctuation in currency exchange rates and believes that currency risk is not significant to the Company.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on regular basis and the Company ensures that sufficient liquid funds are available to meet any commitments as they arise. The Company aims to maintain sufficient level of its cash and cash equivalents to meet expected cash outflows of financial liabilities.

The Company's financial liabilities consist of trade and other payables, loans and borrowings, capital lease liabilities and certain other liabilities. All financial liabilities except for loans and borrowings, capital lease liabilities and certain employee related liabilities which are non-current in nature, are non-commission bearing and expected to be settled within 12 months from the date of balance sheet.

The following analysis provides the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

(In SAR Thousands) **2014**	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	2,086,343	7,297,241	7,057,692	4,197,584
Liabilities against capital leases	46,997	47,024	140,992	759,519
Trade and other payables	9,504,187	-	-	-
Accrued expenses and other liabilities	491,634	-	-	-
2013				
Loans and borrowings	1,996,541	7,220,528	6,520,469	6,805,285
Liabilities against capital leases	28,834	28,834	86,529	443,248
Trade and other payables	13,265,904	-	-	-
Accrued expenses and other liabilities	343,296	-	-	-

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

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. The Company's financial assets consist of cash and cash equivalents and time deposits, trade receivables, investment, loan and other receivables and its financial liabilities consist of trade and other payables, loans and borrowings, capital lease liabilities and other liabilities. The fair values of the financial instruments are not materially different for their carrying values.

32. RECLASSIFICATIONS

Reclassifications have been made to the comparative December 31, 2013 financial statements to conform to the current year presentation and represents principally the following reclassifications:

(i) Provision against claims amounting to Saudi Riyals 17.1 million reclassified from accrued expenses and other liabilities to prepayments and other receivables.

(ii) Catalysts amounting to Saudi Riyals 105.3 million reclassified from inventories to property, plant and equipment.

33. APPROVAL AND AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue by the Board of Directors of the Company in their meeting held on Jumada Awwal 5, 1436H (February 24, 2015).

Rabigh Refining & Petrochemical Company
Paid Capital SAR 8,760,000,000
CR 4602002161
P. O. Box 666
Rabigh 21911
Kingdom of Saudi Arabia
Tel.: 966 12 4251213
Tel.: 966 12 4258820
Toll Free: 800 440 9000
Fax: 966 12 425 8696
www.petrorabigh.com