بترورابغ | تثري الحياة
Petro Rabigh | Enriching life

A NEW ERA OF DIVERSIFICATION

Annual Report '15

The Custodian of the Two Holy Mosques
KING SALMAN BIN ABDULAZIZ AL SAUD
KING OF THE KINGDOM OF SAUDI ARABIA

The Crown Prince
MUHAMMAD BIN NAYEF BIN ABDULAZIZ AL SAUD
CROWN PRINCE, FIRST DEPUTY PRIME MINISTER AND MINISTER OF INTERIOR

The Deputy Crown Prince
MOHAMMAD BIN SALMAN AL SAUD
DEPUTY CROWN PRINCE, SECOND DEPUTY PRIME MINISTER AND MINISTER OF DEFENSE

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Chapter 2
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Chapter 3
INDEPENDENT AUDITORS REPORT

Chapter 1
MANAGEMENT HIGHLIGHTS

Board Chairman
ABDULAZIZ M. AL-JUDAIMI
NON-EXECUTIVE DIRECTOR

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, 2015 in addition to the external auditor's report and the audited financial statements for the same period.

DEAR SHAREHOLDERS,

In 2015, Petro Rabigh was able to issue share dividends to our shareholders for the first time in the Company's history, despite the challenges the whole industry experienced and the global market conditions. While those conditions look set to continue, we are confident that the achievements of the last year leave Petro Rabigh in a strong position in the period ahead.

Those achievements include safety milestones such as the record 7.63 million man-hours without lost time injury that the Company recorded, a full year with no major fire incidents, and a considerable fall in the number of recordable leaks. The continual emphasis on safety Company-wide is resulting in a safety performance that compares very favorably with the rest of the industry.

By the end of 2015, the six Roadmaps had achieved 56% completion progress, and this progress will continue as Petro Rabigh transforms its performance into Best-in-Class rank and creates value for shareholders per the strategic plans of the Company.

A major achievement of 2015 was the safe and successful completion of the scheduled Total Complex Shutdown that took place at the end of the year. The impact of the maintenance carried out during the shutdown will be seen in plant safety, reliability and efficiency, as the largest Total Complex Shutdown of its kind ever carried out in the industry.

The transfer of ownership of the Phase II project from the Founding Shareholders to Petro Rabigh was another major task successfully completed in 2015, with 91% completion. The work that went into it will ensure optimal readiness for the commissioning and start-up phase. The operation of the Ethane Cracker Unit has already started, and the operation of the whole Project is scheduled for the final quarter of 2016. A total of 671 new highly qualified and experienced employees have been recruited for the management and operation of this new expansion Project, and they have been enrolled in a major on-job training program at plants with technologies similar to Phase II in Japan, Singapore, South Korea and China.

With respect to the Corporate Social Responsibility and sustainability, the Company introduced a range of initiatives to promote economic and social development as well as environmental protection. They include increased engagement with regional businesses and organizations to promote opportunities in the supply chain services and downstream industry, as well as year-round corporate social responsibility efforts that offer educational programs as well as support for society. Cooperation is currently been done with government entities for the establishment and registration of "LeRabigh" Association, which takes care of Corporate Social Responsibility and sustainability initiatives in Rabigh.

As for plans during 2016, the focus for Petro Rabigh will be the safety, reliability and efficiency of the plants, and the safe and effective commissioning and start-up of Phase II. This focus, along with the marketing of the new Phase II products, will underpin the maximization of the value of Company shares. We will also continue to forge ahead with the implementation of the Transformation Roadmap.

Finally, on behalf of Petro Rabigh's Board of Directors, I would like to thank all shareholders for your continued support and confidence, and Petro Rabigh's management and workforce for their hard work over the year.

ABDULAZIZ M AL-JUDAIMI
CHAIRMAN OF THE BOARD

BOARD OF DIRECTORS

DEPUTY CHAIRMAN
TOMOHISA OHNO
NON-EXECUTIVE DIRECTOR

MOTAZ A. AL-MASHOUK
NON-EXECUTIVE DIRECTOR

Board Chairman
ABDULAZIZ M. AL-JUDAIMI
NON-EXECUTIVE DIRECTOR

President & CEO
ABDULLAH S. AL-SUWAILEM
EXECUTIVE DIRECTOR

SHIGEYUKI YONEDA
NON-EXECUTIVE DIRECTOR

SAUD A.
AL-ASHGAR
INDEPENDENT
DIRECTOR

WALEED A.
BAMAROUF
INDEPENDENT
DIRECTOR

NORIAKI
TAKESHITA
NON-EXECUTIVE
DIRECTOR

SALEH F.
AL NUZHA
INDEPENDENT
DIRECTOR

EXECUTIVE
MANAGEMENT

CEO
ABDULLAH S. AL-SUWAILEM
PRESIDENT & CEO

Finance & accounting
SATOSHI TAKAZAWA
VICE PRESIDENT

Manufacturing
YASUHIKO KITAURA
SENIOR VICE PRESIDENT

Safety, Health, Environemnt & 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

Section 4
TOTAL COMPLEX SHUTDOWN HIGHLIGHTS

In October 2015 Petro Rabigh embarked on a scheduled Total Complex Shutdown (TCS), one of the most comprehensive and demanding maintenance activities ever performed at a world class refining and petrochemical facility. The process is carried out in accordance with industry practice every four years, and restores production design leaving plants running more efficiently, effectively and reliably, and stretching production yields to maximum.

By international man-hour benchmarks, the 2015 TCS's 3.6 million man-hours - or approximately 16,000 workers on-site at peak times - made it the largest TCS in the world. The scope of work included completing 3,036 Equipment Inspection Schedules, overhauling 56 items of single train rotating equipment and performing 267 shutdown Inspection Worksheets. 26,376 electrical and instrument activities were carried out, and over 12,000 pieces of heavy equipment and tools were inspected to ensure perfect working order.

Preparation began in late 2012. A team of 31 persons counting 130,680 man-hours was dedicated to technical drawing reviews, job cards preparation, site surveys, execution schedules preparation, and material ordering. Safety was the major focus. 12,464 employees attended Safety Orientation Courses and 20,000 Job Safety Analysis were developed and implemented prior to and during the TCS.

The scale of the shutdown posed numerous logistics challenges, from securing the necessary auxiliary and heavy equipment and erecting 6,785,229 cubic feet of scaffolding, to issuing 15,000 identity papers and providing transport and meals for thousands of workers every day.

Major TCS projects included expansion of the ethane cracker unit - a crucial part of the Petro Rabigh II expansion project - as well as maintenance to the High Olefins Catalytic Cracker Unit (HOFCC), crude heater convention section tubes, hydrogen reformer tubes, the vacuum distillation tower, the seawater intake basin, and the six refinery sub-stations.

Every TCS is an invaluable learning experience, and from day one an automated system collected and continually updated observations and made them accessible to all Company staff. Upon completion, the Total Complex Shutdown Steering Committee met with all stakeholders and key personnel to conduct a comprehensive review and develop a Roadmap for future scheduled shutdowns.






Section 5

PRODUCTION HIGHLIGHTS

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.

2015 GEOGRAPHICAL SALES AND REVENUES ANALYSIS

REFINED PRODUCTS SALES

Destination	%
Saudi Arabia	77.4
Asia	20.5
Europe	1.5
Middle East	0.6
Total	100

REFINED PRODUCTS REVENUES

Destination	%
Saudi Arabia	79.7
Asia	18.2
Europe	1.7
Middle East	0.3
Total	100

PETROCHEMICAL PRODUCTS SALES

Destinations	%
Asia	64
Saudi Arabia	12
Europe	2
Turkey, Africa	7
India	9
Others	6
Total	100

PETROCHEMICAL PRODUCTS REVENUES

Destinations	%
Asia	54
Saudi Arabia	13
Europe	3
Turkey, Africa	8
India	9
Others	13
Total	100

TABLE 2 – REFINED PRODUCTS SALES

For the year ended December 31, 2015
(volume in BBL)

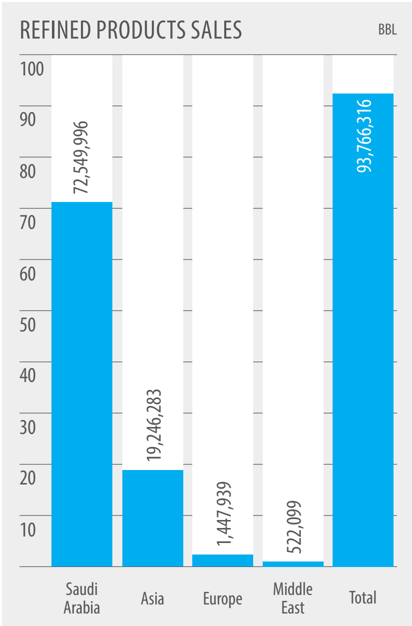


TABLE 3 – REFINED PRODUCTS REVENUES

For the year ended December 31, 2015
(in SAR'000)

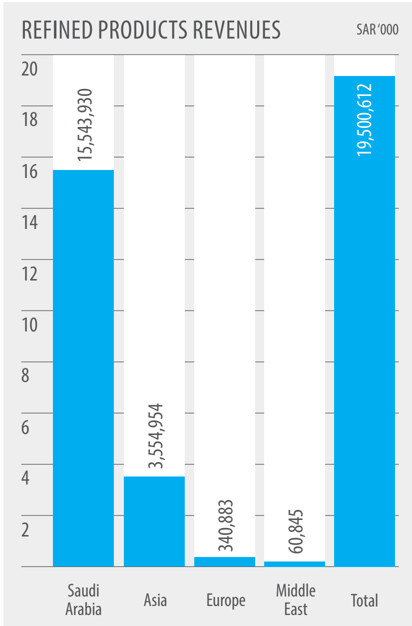


TABLE 4 – PETROCHEMICAL PRODUCTS SALES

For the year ended December 31, 2015
(volume in MT)

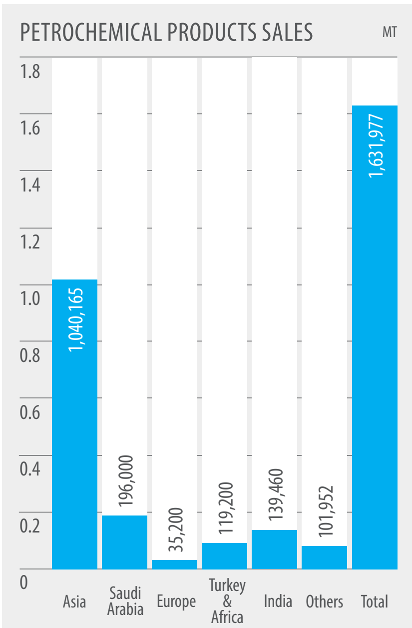
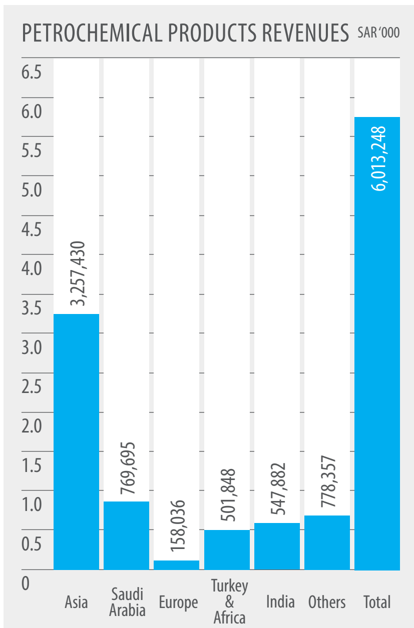


TABLE 5 – PETROCHEMICAL PRODUCTS REVENUES

For the year ended December 31, 2015
(in SAR'000)



Section 6
FINANCIAL HIGHLIGHTS

Following is a brief description of the 2015 financial outcome in comparison to the previous year:

TABLE 5 – NET LOSS/PROFIT
For the year ended December 31, 2015
(in SAR Million)

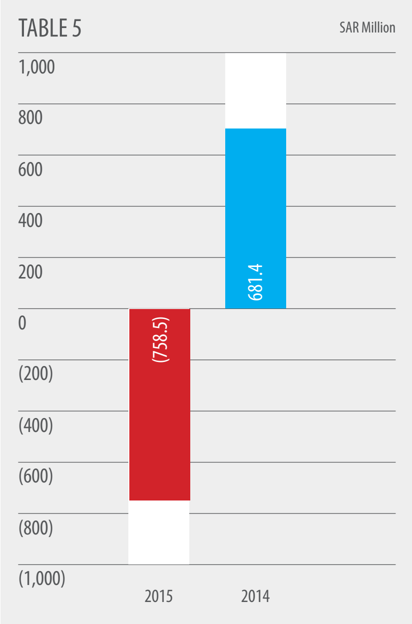


TABLE 6 – LOSS PER SHARE
For the year ended December 31, 2015
(in SAR)

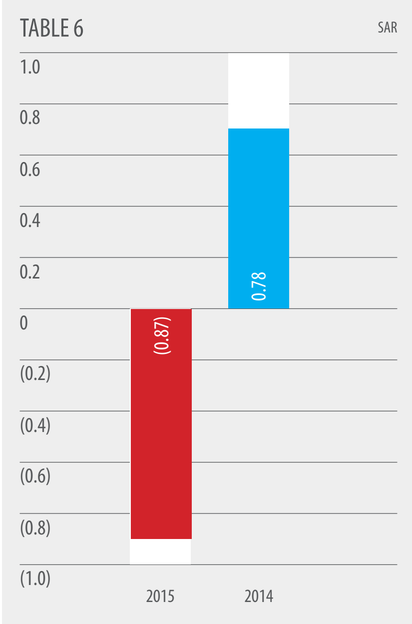


TABLE 7 –GROSS PROFIT
For the year ended December 31, 2015
(in SAR million)

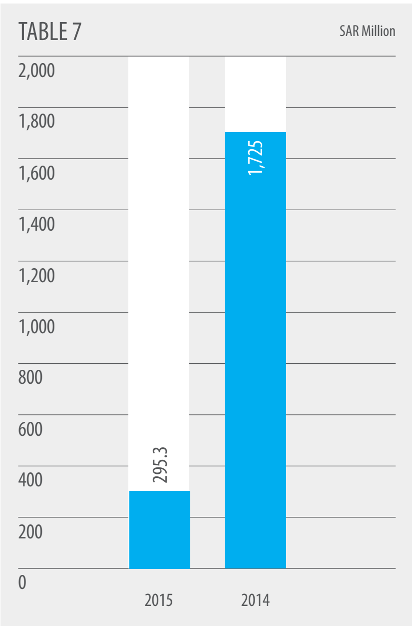
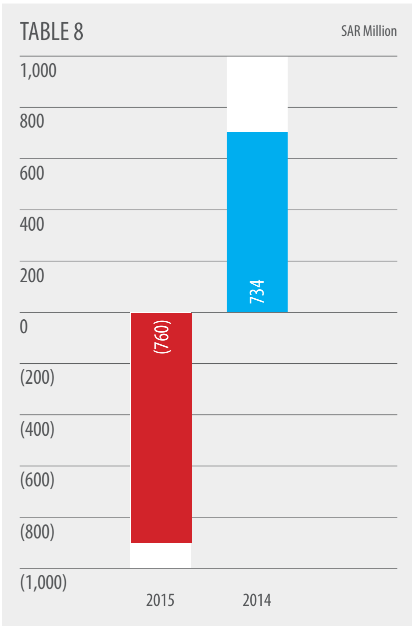


TABLE 8 – OPERATING LOSS
For the year ended December 31, 2015
(in SAR)



Section 7

SAFETY HIGHLIGHTS

Safety is the foundation of all Petro Rabigh's operations, and 2015 recorded a number of milestones.

In August the Company set a record 7.63 million man-hours without lost time injury, a figure which went back to October 2014. There were also no major fire incidents, and the number of recordable leaks dropped to one.

The previously established three-year Safety Enhancement Transformation Roadmap 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, achieved overall progress of 51%.

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.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Petro Rabigh

Section 8
HUMAN CAPITAL DEVELOPMENT HIGHLIGHTS

A major focus for Petro Rabigh in 2015 was the development and retention of a workforce equipped with the skills and experience to ensure full readiness for Phase II start-up, and in March an extensive on-job training program was launched in collaboration with partners in the Kingdom and abroad. By the end of the year, over 250 employees had received training at production facilities with similar technologies to Phase II in Japan, Singapore, South Korea and China, as well as in Saudi Arabia. The program is ongoing, and upon completion participants will receive further on-site training including licensor training, vendor training, and simulator training.

Petro Rabigh's range of in-house and out-of-company training programs continued to emphasize the Company's local commitment. They included the Apprenticeship Program for Non-Employees, the College Degree Program for Non-Employees, and the University Fresh Graduates Program, as well as the Operators Skills and Certification Program, the Asset Care Ownership Program, the Professional Development Skills Program and the In-House Leadership and Management Skills Training Program that were launched in 2014.

Recruitment for both Phase I and Phase II was pursued strongly in 2015, targeting experienced specialists from Southeast Asia, Europe and the Americas. This was carried out alongside intensified recruitment of both experienced Saudis and University Fresh Graduates. As of December 31, 2015, Petro Rabigh's manpower totaled 3,329, with a Saudization rate of 79%.

Following a number of recent measures to ensure highly competitive packages that attract and retain the very best talent, Petro Rabigh also achieved for 2015 an Annualized Attrition Rate of 3.3% which is considerably lower than both the Company target and the industry average.

TRANSFORMATION ROADMAP

Section 9

TRANSFORMATION ROADMAP

In order to change and transform performance to Best-In-Class rank, Petro Rabigh developed in 2013 a comprehensive Transformation Roadmap consisting of six primary Roadmaps to drastically improve performance and create value for all stakeholders. The Company has since maintained focus on the Roadmaps, and by the end of 2015 achieved 56% completion. Transformation Roadmap tasks are projected to be implemented by the end of 2017.

The Transformation Roadmap has brought numerous rewards since its introduction in terms of operational, safety and financial results. Achievements in 2015 were seen in improved safety performance - aided by the introduction of programs to address specific safety concerns during the Total Complex Shutdown - comprehensive training and development programs resulting in Industrial Job Certification reaching 60%, Operator Competency Certification reaching 85%, and an overall Retention level of 96.7%. In terms of plant integrity and reliability, Average Operational Availability reached 93%, with the ethane cracker reaching an operating level of 113 MMSCFD vs. design capacity of 95, and Mechanical Availability reached 96.2%. In market development, supply chain costs were reduced by $50 million/year, while in finance, a cost rationalization program generated more than $100 million through cost reduction and revenue maximization. In Information Technology, 100% was reached in Service Availability Infrastructure.

The Transformation Roadmap will remain a key focus for Petro Rabigh in order to drive towards sustainable performance and operational excellence.


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Section 10

SUSTAINABILITY

Petro Rabigh is committed to the sustainable development not just of economic capital, but also environmental and social capital, meaning the efficient use of natural and human resources to produce long-term sustained growth for the wider region.

To ensure the sustainability of its operations and processes, Petro Rabigh developed an ambitious Operational Excellence program based on the principles of Accountability, Integration, Measurement and Sustainability (AIMS). The program aims to leverage our people, assets and processes while covering the key elements of our business: Environment, Health, Safety & Security; Asset Management; Reliability; Profitability, and Human Capital.

Petro Rabigh has adopted the Responsible Care Management System (RCMS), the chemical industry's global Environment, Health, Safety & Security initiative by which signatory companies agree to commit to improving performance in environmental protection, occupational safety and health protection, plant safety, product stewardship and logistics, and continuously improving dialog with neighbors and the public. Petro Rabigh is also a signatory to the GPCA's CEO Declaration of Support for Gulf Sustainability and Quality Assessment System (SQAS), and maintains its certifications in Quality Management (ISO 9001:2008), Environmental Management (ISO 14001:2004) and Occupational Health and Safety Management (OHSAS 18001:2007).

Petro Rabigh takes all appropriate measures to protect the health and safety of its employees, contractors and the wider community by adopting world-class best industrial practices, recognized international management standards, and through compliance with applicable regulations. The Company also has its own in-house Occupational Health Section that monitors the health of employees and handles issues related to industrial hygiene and environmental health such as radiation safety, noise hazard, heat stress and exposure to toxic chemicals and dusts. Occupational Health has programs for hearing conservation, vision and pulmonary protection and periodical health examinations to protect the health of the workforce and ensure a healthy work environment.

Petro Rabigh periodically monitors, records and reports all emissions to land, water and air in compliance with local and international regulations, and carries out an annual Environmental Marine Survey and Study and groundwater monitoring with the Center for Environment and Water from King Fahd University of Petroleum & Minerals' Research Institute. The studies have recorded no adverse impact on the marine environment or groundwater quality from the Company's operations.

To ensure Petro Rabigh achieves maximum positive impact on the social development of the Rabigh region and community, the Company created the Sustainability Steering Committee to formalize the processes of its Corporate Social Responsibility (CSR) activities. In 2015, these included the annual Ramadan food handouts, volunteer hospital visits, clothes and toy donations for the needy, and safe driving initiatives such as the "zero violation" competition for regional high school and university students, as well as ongoing initiatives such as bus services for students in charity housing, potable water at remote schools and irrigation water for public gardens, and summer training programs for local high school students.

2015 also saw the launch of the Petro Rabigh Safety House at the Petro Rabigh Community to promote awareness of safety inside and outside the home as well as traffic safety and recycling.

Petro Rabigh's commitment to the social and economic development of the Rabigh region and community can further be seen in the establishment of the Rabigh Social Responsibility Program, with the aim of promoting the development of the Rabigh economy by supporting small and medium size enterprises. By uniting the capacities of regional businesses and organizations, the program will enhance long-term effectiveness and sustainability for greater impact on the ground in the Rabigh region and community. Part of the process has been increased engagement with the Company's main service providers and suppliers through workshops and forums.


Fly
mirates

Section 11
COMMUNITY HIGHLIGHTS

Petro Rabigh Community is an enclosed compound on the shores of the Red Sea providing Company employees with a high quality living environment with everything a full family life requires, from schools and medical services to extensive sports and leisure facilities.

The Community, which is integrated into Petro Rabigh's security and emergency services and its power, water and communications infrastructure networks, serves further as a center for training and team building initiatives to promote operational, health, safety and environmental messages.

A new addition to complement continuous efforts to promote safety and environmental awareness at the Community was the opening in September 2015 of the Petro Rabigh Safety House. The Safety House is designed to promote awareness of safety in and outside the home and encourage environmental awareness, with displays and activities targeting both adults and young children alike. By the end of the year over 1,000 students and teachers from local schools and universities had visited the new facility.

Numerous activities are organized or hosted by the Community, from sports tournaments and children's events, to cultural occasions and summer programs for dependents. The Petro Rabigh Employees Social & Cultural Activities Association – PESCA – also organizes excursions and social activities to help build community ties and engage both Saudis and non-Saudis in cultural and social life.

Petro Rabigh further uses the Community's advantages to strengthen ties with the wider Rabigh community and beyond, and frequently hosts visits from schools and universities and other organizations to benefit from its sports and recreation opportunities as well as its educational facilities.

Section 12
CORPORATE VALUES HIGHLIGHTS

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 to become 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."

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."


LIVING OUR
VALUES

Section 13

INVESTOR RELATIONS HIGHLIGHTS

In 2015 Petro Rabigh distributed share dividends to Company shareholders for the first time since operations began. The Company and the Investor Relations team continue to work hard to retain the confidence of investors.

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 General Assembly, improving the logistics and setup of the General Assembly, 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.

- In order to facilitate shareholders' attendance of the Company's General Assemblies, Petro Rabigh organizes first class tour buses that provide complimentary trips from Jeddah to the Company's headquarters in Rabigh and back on the day of the General Assembly.

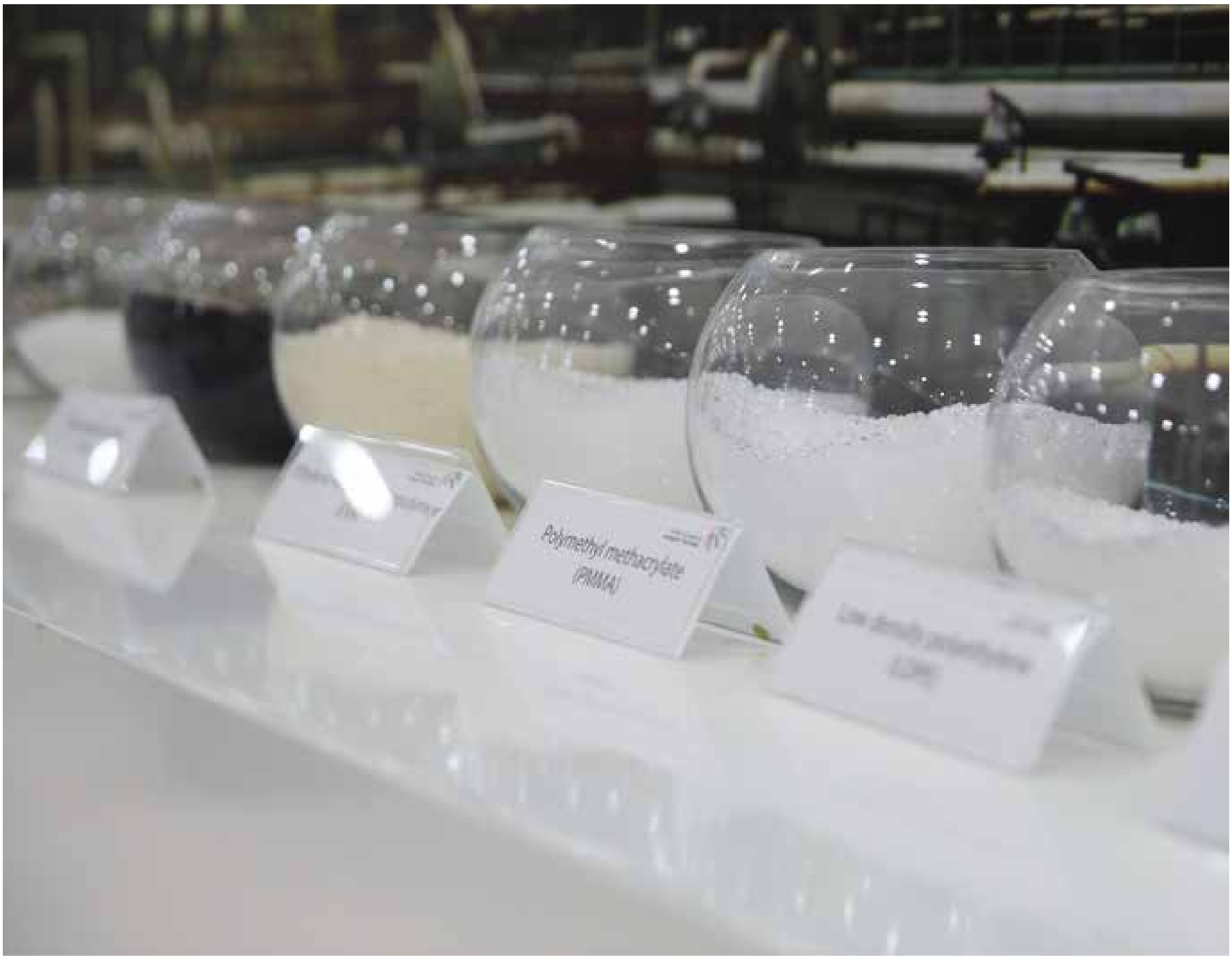
- All General Assembly attending shareholders are offered an exclusive tour of the Company's refining and petrochemicals complex, Phase II site and Rabigh PlusTech Park.

- The Company takes extra care over 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.

- Petro Rabigh continues to organize its Analyst Meetings to enhance engagement with regional and international investment firms and promote benefits for both sides from discussions between them and the Company's executive management.

Chapter 2

BOARD OF DIRECTORS REPORT



Section 1

COMPANY'S 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).

Section 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.

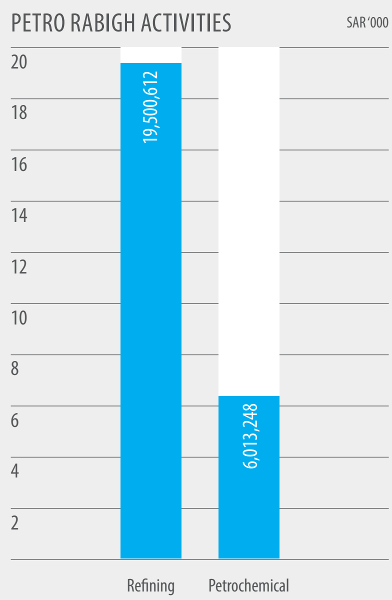
The following table indicates each of the two activities contribution to Petro Rabigh business in the year 2015:

PETRO RABIGH ACTIVITIES

Activity	%
Refining	76
Petrochemicals	24
Total	100

TABLE 1 – PETRO RABIGH ACTIVITIES
For the year ended December 31, 2015
(in SAR '000)

PETRO RABIGH ACTIVITIES



2015 GEOGRAPHICAL SALES AND REVENUES ANALYSIS

REFINED PRODUCTS SALES

Destination	%
Saudi Arabia	77.4
Asia	20.5
Europe	1.5
Middle East	0.6
Total	100

REFINED PRODUCTS REVENUES

Destination	%
Saudi Arabia	79.7
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Europe	1.7
Middle East	0.3
Total	100

PETROCHEMICAL PRODUCTS SALES

Destinations	%
Asia	64
Saudi Arabia	12
Europe	2
Turkey, Africa	7
India	9
Others	6
Total	100

PETROCHEMICAL PRODUCTS REVENUES

Destinations	%
Asia	54
Saudi Arabia	13
Europe	3
Turkey, Africa	8
India	9
Others	13
Total	100

TABLE 2 – REFINED PRODUCTS SALES

For the year ended December 31, 2015
(volume in BBL)

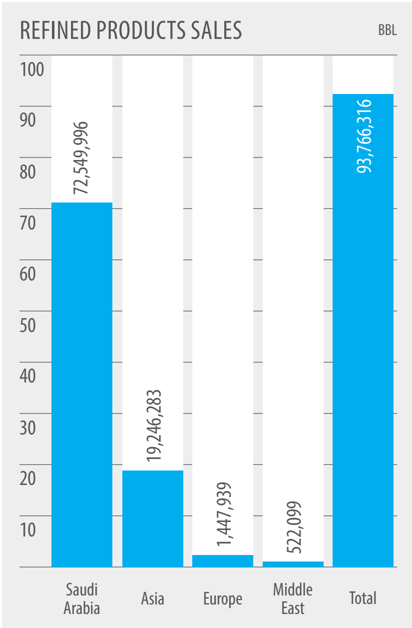


TABLE 3 – REFINED PRODUCTS REVENUES

For the year ended December 31, 2015
(in SAR'000)

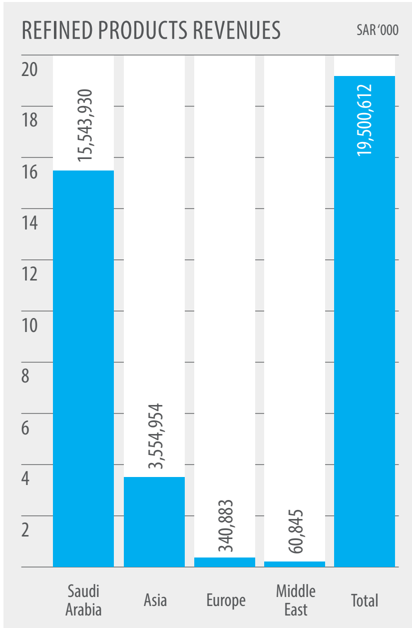


TABLE 4 – PETROCHEMICAL PRODUCTS SALES

For the year ended December 31, 2015
(volume in MT)

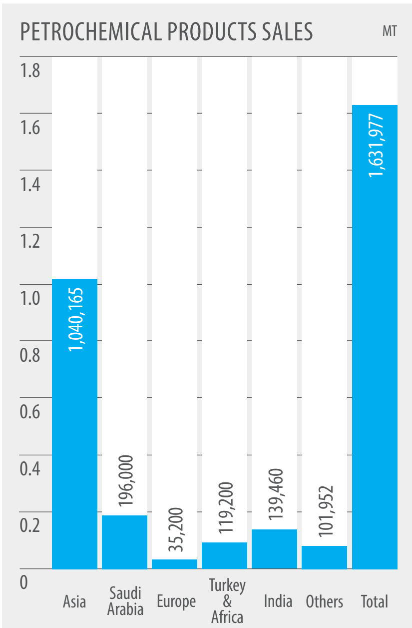
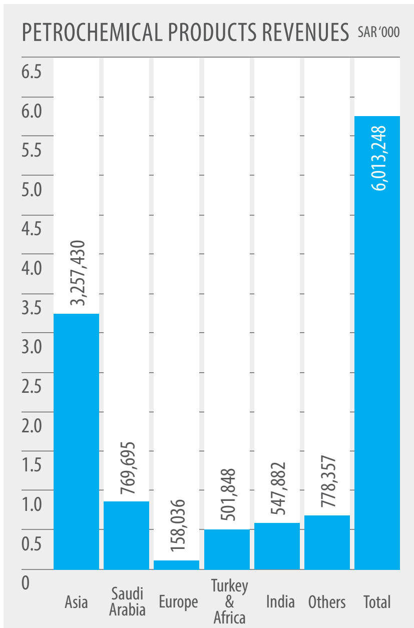
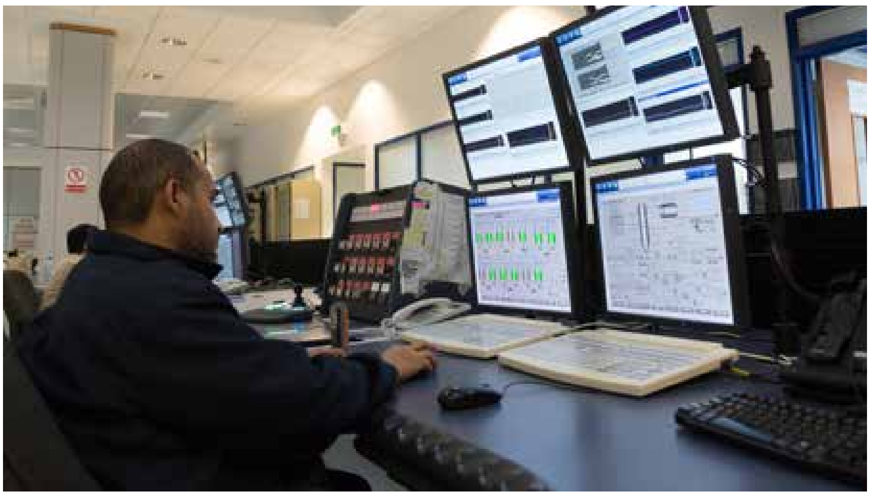


TABLE 5 – PETROCHEMICAL PRODUCST REVENUES

For the year ended December 31, 2015
(in SAR'000)





Section 4

SIGNIFICANT DECISIONS, PLANS AND FUTURE PROSPECTS

The Company foresees normal operation in 2016 and onwards, while the following future prospects are taken into consideration by the Company's management and Board of Directors:

Section 4.1

PETRO RABIGH TRANSFORMATION ROADMAP

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

1. Enhance Safety Performance
2. Develop & Retain Competent Workforce
3. Achieve & Sustain Plant Integrity & Reliability
4. Develop Effective Marketing and Supply Chain Organization
5. Establish Effective Financial Acumen and Management
6. Improve Information Technology Organization and Process

To leverage the core principles of [A]ccountability, [I]ntegration, [M]easurement, [S]ustainability (AIMS), Petro Rabigh designed and deployed a dedicated Transformation Performance Management System, composed of 3 modules:

1. Transformation Roadmap (project management of all related Transformation Roadmap activities);
2. Operational Performance (function and department-level KPI dashboards for proper performance monitoring);
3. Accountability (operating plan's function and department targets, action-items and KPIs).

As of January 2016, the Transformation Roadmap, implemented at 56% and progressing as planned towards improving performance and capturing entire complex value. This is the result of improving behavior, discipline, ownership and accountability at all levels, which have been translated in enhancing safety, reliability, operational effectiveness and human capital.

While setting a new standard for the Company in both scope, quality and speed of implementation, the Transformation Roadmap was recognized by a shareholders' operations assessment team for its focus, structure, aggressiveness and targeted execution in a short period of time. It was also praised as the GCC's second best strategy excellence implementation project by the Oil & Gas Middle East & Refining & Petrochemicals Association 2015.

Section 4.2

PHASE II IMPLEMENTATION

The Company continues to proceed with all remaining construction work of the Phase II project that are scheduled to be completed in September 2016, while an expansion of the existing Ethane Cracker to process additional 30 million SCFD of Ethane is expected to be on stream in the first quarter of 2016 and the operation of other project units plans to gradually start in the second half of 2016.

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"), thermoplastic olefin ("TPO"), methyl methacrylate ("MMA"), and poly methyl methacrylate ("PMMA"). Upon completion of the Phase II project, the whole complex of the Company will be capable of producing 5 MTPA of petrochemical products and 15 MTPA of refined petroleum products.

Section 4.3

PROJECTS FOR POLYOL PRODUCTION, CLEAN FUEL AND SULFUR RECOVERY

The Company issued an Invitation to Bid to potential contractors in October 2015 for three projects – 1) construction of a Polyol production unit, 2) construction of naphtha processing unit to produce clean fuel and 3) construction of sulfur recovery unit. Accordingly, the Company will begin a selection process of a contractor who performs engineering, procurement and construction work of the three projects. Once approved, the defined work is expected to start in the second half of 2016.

Section 5

POTENTIAL RISKS AND RISK MANAGEMENT

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

• FINANCIAL RISK MANAGEMENT:

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 (89%) 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 Middle East. It is not the practice of the Company to obtain collateral over receivables. As at December 31, 2015, there were minimal overdue debts equivalent to 10.30% (2014: 6.80%) of the trade receivables balance of Company's allowed credit periods. 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 and risks associated with the changes to be made by the government 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 condition, supply and demand conditions, interest and exchange rates to forecast and plan for any potential downturns.

• 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 process information technology infrastructure. The safe and stable operation of the plant is determined by the Operation personnel competency and skill, plant performances, capacity utilization, controlling the hazards and mitigate the risk to as low as reasonable possible.

The Company 2015 Transformation Program and Initiatives reduces process variability, ensuring safe and steady operation, providing competent and motivated personnel to operate and manage the Company facilities and improve Process Information Technology.

• 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:

- 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.
- 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.
- 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 Petro Rabigh 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 is 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, Ministry of Commerce and Industry, the Capital Market Authority, in addition to International regulations such as trade and anti-dumping laws and regulations and environmental regulations, etc.

• RISK RELATED TO EFFECTIVE CONTROL BY FOUNDING SHAREHOLDERS:

Since the Company's IPO in 2008, the founding shareholders have maintained ownership of 75% of the Company's issued shares. This allows the founding shareholders majority voting rights and as a result, the founding shareholders may be able to influence matters requiring approval of the General Assembly. It is possible for this influence to be exercised in a manner that could have a significant effect on the Company's business, financial condition and results of operations including the election of directors, significant corporate transactions and capital adjustments. Furthermore, any change in the founding shareholders' own business strategy and/or policies toward the company could result in consequences for the Company's business.

On the other hand, the founding shareholders are considered major supporters of the company's business and a guarantee to its continuity. Saudi Aramco for one is Saudi Arabia's economic backbone and a global catalyst in the oil and gas industry. Likewise, Sumitomo Chemical Co., Ltd. is a highly respected international company that is deeply rooted in a history that extends for more than 300 years. The two companies are vigorously committed to their investment in Petro Rabigh. Evidence of this commitment is the establishment of the second phase of Petro Rabigh where the founding shareholders undertook development of the project, transferred ownership of the project from the founding shareholders to the company and provided financial guarantees to ensure completion of the project. Moreover, as has been previously announced to the public, the founding shareholders have entered into a number of commercial agreements that ultimately benefit of Petro Rabigh.

In addition, there are several ways that the Company ensures protection of minority shareholders, including the following:

- Consistent with CMA Corporate Governance Regulations, Petro Rabigh's bylaws require that at least one-third of the members of the Board of Directors be independent, which currently means that no less than three of nine directors are independent. And in order for a resolution of the board to be adopted it must be approved by at least seven of the nine directors, thus ensuring that no resolution may be adopted solely with the approval of non-independent directors.
- The position of chairman of both the Audit Committee and the Marketing Steering Committee are currently occupied by independent directors.
- The Company's bylaws require that the Board approve the Company's entry into or modification of terms for transactions with any of the Shareholders or related parties.
- All related party transactions are disclosed in the Board of Directors Report and at General Assembly meetings.

Section 6

2015 FINANCIAL SUMMARY

Following is a brief description of the 2015 financial outcome in comparison to the previous year:

TABLE 6 – NET LOSS/PROFIT
For the year ended December 31, 2015
(in SAR Million)

TABLE 7 – LOSS PER SHARE
For the year ended December 31, 2015
(in SAR)

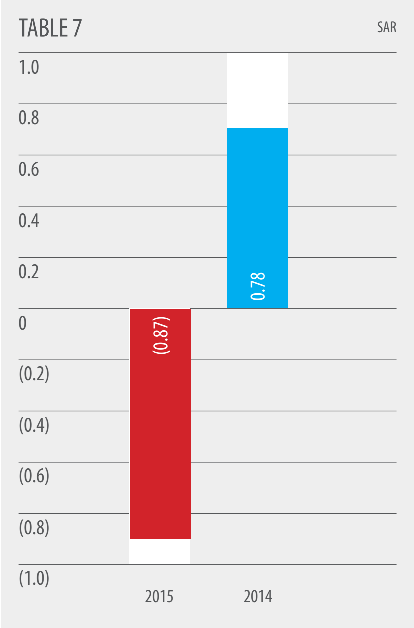


TABLE 8 –GROSS PROFIT
For the year ended December 31, 2015
(in SAR million)

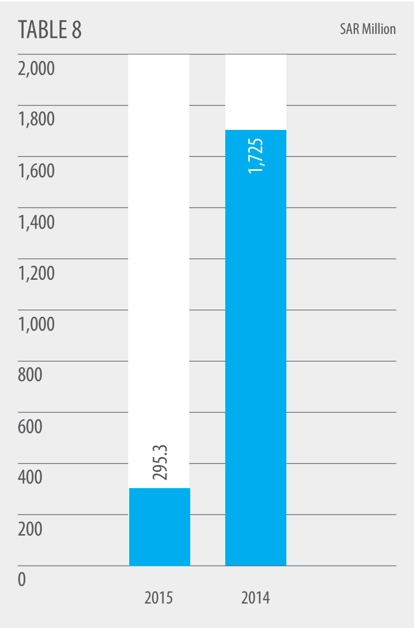
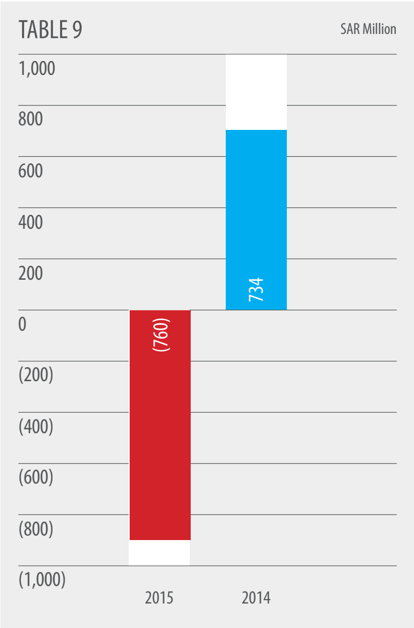


TABLE 9 – OPERATING LOSS
For the year ended December 31, 2015
(in SAR)



The main reasons for losses for the year against profits in the previous year were (1) sales volume decrease in both Refinery and Petrochemical products due to the total complex shutdown for the previously planned general maintenance during the last quarter of 2015, in addition to production problems as previously announced and (2) significantly lower petrochemical margins resulted from declined crude oil prices in 2015 comparing 2014. However, this loss has, in part, been mitigated by (1) an improved refinery margin especially in 1st and 2nd quarter in the year and (2) a lower rate of declined in crude oil price during 2015 as compared to 2014.

BALANCE SHEET

For the year ended December 31, 2015
(in SAR '000)

	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
Current Assets	5,699,999	13,474,468	16,136,502	16,488,519	16,264,531
Non-Current Assets	45,641,050	27,461,323	29,440,244	31,287,030	33,587,166
Total Assets	**51,341,049**	**40,935,791**	**45,576,746**	**47,775,549**	**49,851,697**
Current Liability	7,872,133	12,174,834	15,676,713	16,347,884	17,759,702
Long-Term Loans & other Liabilities	35,117,518	19,205,094	20,982,576	22,866,723	24,006,297
Equity	51,341,049	9,555,863	8,917,457	8,560,942	8,085,698
Total Liabilities & Equity	**51,341,049**	**40,935,791**	**45,576,746**	**47,775,549**	**49,851,697**

INCOME STATEMENT

For the year ended December 31, 2015
(in SAR '000)

	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
Income	25,513,860	54,236,752	50,597,710	62,010,877	53,376,836
Refined Products	19,500,612	44,096,362	42,865,957	52,541,909	45,265,312
Petrochemical Products	6,013,248	10,140,390	7,731,753	9,468,968	8,111,524
Cost of Goods Sold	(25,218,530)	(52,511,512)	(50,136,617)	(60,481,712)	(52,392,648)
Gross Profit	295,330	1,725,240	461,093	1,529,165	984,188
Selling, General & Administrative Expenses	(1,055,425)	(991,502)	(774,105)	(875,201)	(881,397)
Other (expense) income - Net	(1,588)	(52,309)	672,195	(165,106)	(36,898)
Net (Loss) Profit	**(758,507)**	**681,429**	**359,183**	**488,858**	**65,893**

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.

Section 7

LOANS

7.1 LOANS FROM BANKS AND FINANCIAL INSTITUTIONS

The Company has entered into Consortium Loan Agreements with commercial banks and financial institutions for development, design, and construction of integrated refining and petrochemical complex and Phase II expansion.

TABLE 10 – LOANS FROM COMMERCIAL BANKS, ISLAMIC BANKS AND GOVERNMENT AGENCIES
For the year ended December 31, 2015
(in SAR '000)

Lender	Loan Availed up to December 31, 2015	Loan Tenor (Years)	Balance on December 31, 2014	Additions during 2015	Repayments during 2015	Balance December 31, 2015
Japan Bank For International Cooperation	16,095,231	12.5 - 13	6,725,329	6,720,231	(868,421)	12,577,139
Commercial Banks	12,586,029	12.5 - 13	4,459,038	6,061,029	(647,335)	9,872,732
Public Investment Fund	6,423,750	12.5 - 13	2,690,131	2,673,750	(347,368)	5,016,513
Islamic Financial Institutions	2,250,000	12.5	1,537,599	-	(223,219)	1,314,380
Sumitomo Mitsui Banking Corporation - Equity Bridge Loans	3,588,000	4	-	3,588,000	-	3,588,000
Total	**40,943,010**		**15,412,097**	**19,043,010**	**(2,086,343)**	**32,368,764**

7.2 LOANS FROM FOUNDING SHAREHOLDERS

The Company has also drawn down a total of SAR 2,287.5 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.

TABLE 11 – LOANS FROM FOUNDING SHAREHOLDERS
For the year ended December 31, 2015
(in SAR'000)

Lender	Loan Principle	Loan Tenor (Year)	Balance on December 31, 20014	Repayments During 2015	Balance on December 31, 2015
Saudi Aramco	2,287,500	NA	2,287,500	-	2,287,500
Sumitomo Chemical	2,287,500	NA	2,287,500	-	2,287,500
Total	**4,575,000**	**NA**	**4,575,000**	**-**	**4,575,000**

7.3 GENERAL CREDIT FACILITY

In addition, a general credit facility amounting to SAR 375 million is available on demand with the on-shore account bank at the rate of Libor plus 0.65%. The Facility will expire on September 3, 2016.

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:

TABLE 12 – OUTSTANDING AMOUNTS TO DZIT AND GOSI LOANS
For the year ended December 31, 2015
(in SAR '000)

	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Department of Zakat & Income Tax	48,960	98,592	79,894	45,655	27,538	87,222
General Organization for Social Insurance	7,356	6,832	5,718	5,343	4,785	3,904
Total	**56,316**	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.

Rabigh Refining and Petrochemical Company (Petro Rabigh) has announced the recommendation of its Board dated July 1, 2015 to distribute dividends to Petro Rabigh shareholders as follows:
- Total amount of dividends distribution is SAR 438,000,000
- Dividend per share SAR 0.5
- Dividend represent 5% of the face value.
- The eligibility of dividends on August 18, 2015
- The distribution period was in the first half of 2015

The General Assembly Meeting that is planned in the second quarter of 2016 should vote on the resolution to endorse the recommendation of the above dividends distribution.

Section 10
RELATED PARTY AGREEMENTS AND TRANSACTIONS

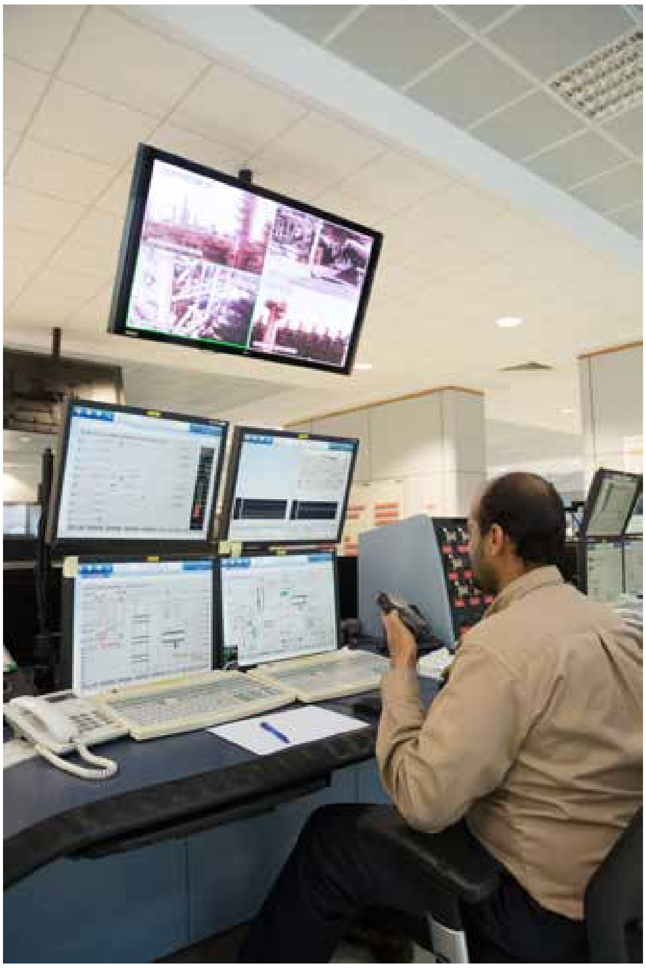
As disclosed in the Company's audited annual financial statements, the Company entered into various agreements with its founding shareholders and their subsidiaries including, among others:

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".

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 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.

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 2015, Petro Rabigh entered into minor service agreements with associates of its Founding Shareholders:

TABLE 13 – MINOR SERVICE AGREEMENTS

Related Party	Description of Agreement
Aramco Overseas Company (AOC) B.V. (Italy)	Provides assistance to Petro Rabigh employees and their dependents on Out-of-Kingdom assignments.
Aramco Overseas Company B.V. (Korea)	Provides assistance to Petro Rabigh 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. (SME)	Housing Services Agreement
Sumika Middle East Co. Ltd. (SME)	Provide Security Training to 2 employees of SME, a subsidiary of Sumitomo Chemical assigned in Rabigh PlusTech Park
Sumika Middle East Co. Ltd. (SME), 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.

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, Phase II acquisition from founding shareholders and dividend payments to founding shareholders, the transactions result in receivable and payable balances with the related parties as set out in the

TABLE 14 – BALANCES OF RELATED PARTY TRANSACTIONS
For the year ended December 31, 2015
(in SAR '000)

Nature of Transaction
Saudi Arabian Oil Company and its associated companies
Purchase of goods including shortfall of LPG and through-put fee
Sale of refined products
Financial charges
Rentals
Services provided to shareholders
Secondees' costs
Services and other cost charges (credit), net
Dividend
Sumitomo Chemical Company Limited and its associated companies
Purchase of goods
Sale of petrochemical products
Financial charges
Rentals
Services provided to shareholders
Secondees' costs
Service and other cost charges (credit), net
Dividend

balance sheet in trade and non-trade receivables, trade and other payables, loans and borrowings, accrued expenses and other liabilities amounting to Saudi Riyals 789 million (2014: SAR 6,476 million), SAR 1,317 million (2014: SAR 9,012 million), SAR 5,213 million (2014: SAR 5,210 million) and SAR 233 million (2014: SAR 235 million), respectively. These transactions are summarized as follows:

	December 31, 2015	December 31, 2014
	19,812,749	46,555,119
	21,946,412	45,950,045
	75,521	62,694
	44,188	61,763
	16,985	52,464
	78,279	37,893
	15,515	(59,331)
	164,250	-
	51,903	60,113
	2,741,071	6,118,469
	47,323	45,102
	709	709
	13,047	55,667
	83,308	44,414
	22,140	40,039
	156,038	-

Section 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 2015 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 General Auditor presents the results and recommendations 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 or major observations found during the 2015 audits that can impair the effectiveness of the Company internal control systems.

Section 12

IFRS CONVERSION PLAN

Pursuant to CMA's directive to all listed companies in Kingdom of Saudi Arabia to adopt International Financial Reporting Standards (IFRS) as its financial reporting framework effective January 1, 2017, the Company has taken adequate measures to ensure compliance with such directives.

In this respect, the Company is working closely with the appointed IFRS

Consultant towards accomplishment of IFRS Conversion Project. The IFRS Conversion Project has 3 phases as mentioned below and the expected time of completion is mentioned against each such phase below:

1. IFRS Diagnostic review – ETC April 2016
2. Accounting impact as a result of change in reporting framework – ETC July 2016
3. Preparation of Opening Balance Sheet as at January 1, 2016 based on IFRS – ETC July 2016

The Company believes that it is well positioned to comply with CMA's stipulated deadline of January 1, 2017 for the IFRS Conversion.

Section 13

PENALTIES AND PROHIBITIONS

The Capital Market Authority (CMA) imposed two violation fines on Rabigh Refining and Petrochemical Company (Petro Rabigh) for 2015 for the Company violation of some items of the Listing Rules and some instructions related to companies' announcements summarized as follows:

1. A violation fine of SAR 20,000 has been imposed against Petro Rabigh for violating paragraph A of item 40 of the Listing Rules, related to the special instructions with regards to companies' disclosure of their financial statements, as Petro Rabigh didn't mention in its announcement on Tadawul on April 19, 2015 the major reasons for the change in net profit for the first quarter compared to the same period of last year mentioned in its initial financial statements for the period ending in March 31, 2015.
2. A violation fine of SAR 40,000 has been imposed against Petro Rabigh for violating paragraph B of item 40 of the registration and listing regulations due to the Company's delay in disclosing the latest developments of Rabigh II and the ownership transfer of the Project from the Founding Shareholders. The Company announced that only less than two hours of the start of the trading period on March 3, 2015.

In addition to this, and due to the Company's non-compliance with paragraph A of item 34 and paragraph A of item 41 of the Listing Rules regarding the transparency related to the Board's recommendation to increase the Company capital by offering Rights Issue, the CMA announced on Sunday, April 12, 2015 halting trading with Petro Rabigh shares for that day. The CMA lifted the halt on the Company share on the next day, April 13, 2015 as a result of the Company's disclosure of the Board's recommendation to increase the Company capital through offering Rights Issue.

Section 14

BOARD OF DIRECTORS & EXECUTIVES MANAGEMENT

The following table shows the composition of the Company's Board of Directors including the director's names, titles and their Board membership classifications as well as Board meetings attendance during the period January 1 to November 2, 2015:

TABLE 15 – BALANCES OF RELATED PARTY TRANSACTIONS

Name & Title	1st Meeting February 24, 2015	2nd Meeting April 17, 2015	3rd Meeting September 6, 2015	4th Meeting October 21, 2015	Total Meetings Attended
Khalid G. Al Buainain* Chairman Non-Executive Director	√	-	-	-	1
Abdulaziz M. Al-Judaimi New Chairman	-	√	√	√	3
Tomohisa Ohno Non-Executive Director (Deputy Chairman)	√	√	√	Proxy by S. Yoneda	3
Abdullah S. Al-Suwailem President & CEO Executive Director	√	√	√	√	4
Motaz A. Al-Mashouk Non-Executive Director	√	√	√	√	4
Osamu Ishitobi** Non-Executive Director	√	-	-	-	1
Noriaki Takeshita Non-Executive Director	√	√	√	√	4
Saud A. Al-Ashgar Independent Director	√	√	√	√	4
Abdulsalam M. Al-Mazro*** Independent Director	√	√	√	Proxy by S. Hosain	3
Soliman A. Al-Hosain*** Independent Director	√	√	√	√	4

*Khalid G. Buainain resigned from the Board of Petro Rabigh on February 24, 2015.
**Osamu Ishitobi resigned from the Board of Petro Rabigh on March 24, 2015.
***Abdulsalam Al-Mazro & Soliman A. Al-Hosain resigned from the Board of Petro Rabigh on November 3, 2015.

On October 21, 2015 The Company's General Assembly elected the Company's Board of Directors for its third term which commences on November 3, 2015 and continues until November 2, 2018. The Board in its third term is composed of 9 members.

The following table shows the composition of the Company's new Board of Directors in its third term (starting November 3, 2015 and continues until November 2, 2018) including the Director's names, titles and their Board membership classifications. The Board had its first meeting on December 9 which was the only meeting during the period November 3 to December 31, 2015:

TABLE 16 – COMPOSITION OF THE BOARD IN ITS THRID TERM
starting November 3, 2015 and continues until November 2, 2018

Name & Title	1st Meeting December 9, 2015	Total Meetings Attended
Abdulaziz M. Al-Judaimi Chairman Non-Executive Director	Proxy by M. Al-Mashouk	0
Tomohisa Ohno Non-Executive Director (Deputy Chairman)	√	1
Abdullah S. Al-Suwailem President & CEO Executive Director	√	1
Motaz A. Al-Mashouk Non-Executive Director	√	1
Shigeyuki Yoneda Non-Executive Director	√	1
Noriaki Takeshita Non-Executive Director	√	1
Saud A. Al-Ashgar Independent Director	√	1
Saleh F. Al-Nazha Independent Director	√	1
Waleed A. Bamarouf Independent Director	√	1

BOARD 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 January 1 to November 2, 2015:

TABLE 17 – COMPOSITION OF THE BOARD IN ITS THRID TERM
during the period January 1 to November 2, 2015

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

The following table shows the membership of Board Directors on the Boards of other Joint Stock Companies during the period November 3 to December 31, 2015:

TABLE 18 – COMPOSITION OF THE BOARD IN ITS THIRD TERM
during the period November 3 to December 31, 2015

Name	Company	Title
Abdulaziz M. Al-Judaimi Chairman Non-Executive Director	-	-
Tomohisa Ohno Non-Executive Director (Deputy Chairman)	Sumitomo Chemical & Its Various Subsidiaries	Board Member
Abdullah S. Al-Suwailem President & CEO Executive Director	-	-
Motaz A. Al-Mashouk Non-Executive Director	-	-
Shigeyuki Yoneda Non-Executive Director	-	-
Noriaki Takeshita Non-Executive Director	-	-
Saud A. Al-Ashgar Independent Director	S-Oil Corporation	Independent Board Director
	Arab Academy for Research and Education, Bahrain	Board Member
Saleh F. Al-Nazha Independent Director	Hail Cement	Independent Board Director
Waleed A. Bamarouf Independent Director	Najran Cement	Independent Board Director

Description of Board Directors & their Direct Relatives Interest in Company Stocks and/or Debt Instruments for the Period January 1 to November 2, 2015:

TABLE 19 – BOD & THEIR DIRECT RELATIVES INTEREST IN COMPANY STOCK AND/OR DEBT INSTRUMENTS
during the Period January 1 to November 2, 2015

Name	Position	Period Start		Period End		Net Change	Change %
		Stocks	Debt Instruments	Stocks	Debt Instruments		
Khalid G. Al Buainain*	Chairman (Non-Executive Director)	-	-	-	-	-	-
Abdulaziz M. Al-Judaimi*	Chairman (Non-Executive Director)	-	-	-	-	-	-
Tomohisa Ohno**	Deputy Chairman (Non-Executive Director	-	-	-	-	-	-
Abdullah S. Al-Suwailem*	President & CEO (Executive Director)	-	-	-	-	-	-
Motaz A. Al-Mashouk*	Non-Executive Director	-	-	-	-	-	-
Osamu Ishitobi**	CFO (Executive Director)	-	-	-	-	-	-
Noriaki Takeshita**	Non-Executive Director	-	-	-	-	-	-
Saud A. Al-Ashgar	Independent Director	85,400	-	85,400	-	-	-
Abdulsalam M. Al-Mazro	Independent Director	-	-	-	-	-	-
Soliman A. Al-Hosain	Independent Director	1,000	-	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 Board Directors & their Direct Relatives Interest in Company Stocks and/or Debt Instruments for the Period November 3 to December 31, 2015:

TABLE 20– BOD & THEIR DIRECT RELATIVES INTEREST IN COMPANY STOCK AND/OR DEBT INSTRUMENTS
during the Period November 3 to December 31, 2015

Name	Position	Period Start		Period End		Net Change	Change %
		Stocks	Debt Instruments	Stocks	Debt Instruments		
Abdulaziz M. Al-Judaimi*	Chairman (Non-Executive)	-	-	-	-	-	-
Tomohisa Ohno**	Deputy Chairman (Non-Executive)	-	-	-	-	-	-
Abdullah S. Al- Suwailem*	President & CEO (Executive Director)	-	-	-	-	-	-
Motaz A. Al-Mashouk*	Non-Executive Director	-	-	-	-	-	-
Shigeyuki Yoneda**	Non-Executive Director	-	-	-	-	-	-
Noriaki Takeshita**	Non-Executive Director	-	-	-	-	-	-
Saud A. Al-Ashgar	Independent Director	85,400	-	85,400	-	-	-
Saleh F. Al-Nazha	Independent Director	1,000	-	1,000	-	-	-
Waleed A. Bamarouf	Independent Director	1,000	-	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 & THEIR DIRECT RELATIVES INTEREST IN COMPANY STOCKS AND/OR DEBT INSTRUMENTS

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, 2015:

TABLE 21– BOD & THEIR DIRECT RELATIVES INTEREST IN COMPANY STOCK AND/OR DEBT INSTRUMENTS
during the Period January 1 to December 31, 2015

Name	Position	Year Start		Year End		Net Change	Change %
		Stocks	Debt Instruments	Stocks	Debt Instruments		
Abdullah M. Al-Qahtani	Vice President, Industrial Security	-	-	-	-	-	-
Bassam A. Bokhari	Vice President, Industrial Relations	252	-	252	-	-	-
Satoshi Takazawa	Chief Financial Officer	-	-	-	-	-	-
Yasuhiko Kitaura	Senior Vice President, Manufacturing	-	-	-	-	-	-
Takashi Shigemori	Vice President, Market Development	-	-	-	-	-	-

Personnel with Access to Material Company Information:

Khalid N. Al-Nuwaiser	General Auditor	-	-	-	-	-	-
Michael C. Smith	Secretary of the Board of Directors	-	-	-	-	-	-
Eyad M. Ajaj	Corporate Affairs Manager	2,050	-	2,050	-	-	-

FEES & REMUNERATION

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

TABLE 19– BOD FEES AND REMUNERATION
(in SAR '000)

	Executives Board Members	Non-Executives Board Members	Independent Board Members	Five Senior Executive (Including CEO & CFO)
Salaries & Compensation	1,451	-	-	6,040
Allowances	-	-	171	-
Periodic Annual Remunerations	-	-	-	-
Incentives Plans	-	-	-	-
Other Compensations or Benefits*	-	-	750	-

*Independent Board members receive an annual bonus of SAR150,000 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.

Section 15
BOARD AUDIT COMMITTEE

The Board Audit Committee oversees financial, risk management and internal control aspects of the Company's operations, which has a duration of three years, 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 November 2, 2015:

TABLE 19 – BAC COMPOSITION
starting November 3, 2012 until November 2, 2015

Name	Title	Meetings Attended
Saud A. Al-Ashgar	Chairman of Board Audit Committee	5
Noriaki Takeshita	Member	5
Motaz A. Al-Mashouk	Member	5
Soliman Al-Hosain	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.

The following table shows the composition of the company's Board Audit Committee (BAC) during the Board's third term (starting November 3, 2015 and continues until November 2, 2018) including the director's names, titles. The BAC did not hold a meeting during the period from November 3 to December 31, 2015:

TABLE 20 – BAC COMPOSITION
starting November 3, 2015 and continues until November 2, 2018

Name	Title	Meeting Attended
Saud A. Al-Ashgar	Chairman of Board Audit Committee	Nil
Waleed A. Bamarouf	Member	Nil
Noriaki Takeshita	Member	Nil
Motaz A. Al-Mashouk	Member	Nil
Khalid N. Al-Nuwaiser	General Auditor & Secretary of the Committee (Non-Member)	Nil

Section 16
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 (NR&CC) 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 November 2, 2015. The Committee had four (4) meetings during the mentioned period:

TABLE 22– NR&CC COMPOSITION
starting November 3, 2012 and continues until November 2, 2015

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 Al-Mazro	Member	4
Bassam A. Al-Bokhari	Vice President of Industrial Relations & Secretary of the Committee (Non-Member)	4

The following table shows the composition of the company's Board Nomination, Remuneration & Compensation Committee (NR&CC) during the Board's third term (starting November 3, 2015 and continuing until November 2, 2018). The NR&CC did not hold a meeting during the period from November 3 to December 31, 2015:

TABLE 23– NR&CC COMPOSITION
starting November 3, 2015 and continuing until November 2, 2018

Name	Title	Meetings Attended
Motaz A. Al-Mashouk	Chairman of Nomination, Remuneration and Compensation Committee	Nil
Saleh F. Al-Nuzha	Member	Nil
Noriaki Takeshita	Member	Nil
Saud A. Al-Ashgar	Member	Nil
Bassam A. Al-Bokhari	Vice President of Industrial Relations & Secretary of the Committee (Non-Member)	Nil

Section 17
MARKETING COMMITTEE

The Marketing Committee (MC), which has a duration of three years, 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 Committee (MC) including the director's name and title. The committee conducted 5 meetings during the period from January 1, 2015 to November 2, 2015:

TABLE 24– MC COMPOSITION
during the period from January 1, 2015 to November 2, 2015

Name	Title	Meetings Attended
Abdulsalam Al-Mazro	Chairman of Marketing Steering Committee	3
Saud A. Al-Ashgar	Member	4
Noriaki Takeshita	Member	4
Takashi Shigemori	Secretary of the Committee (Non-Member) (Vice President of Market Development)	4

The following table shows the composition of the company's Board Marketing Committee (MC) during the Board's third term (starting November 3, 2015 and continues until November 2, 2018) including the director's names, the committee did not hold a meeting during the period November 3 to December 31, 2015:

TABLE 25– MC COMPOSITION
starting November 3, 2015 and continues until November 2, 2018

Name	Title	Meetings Attended
Saleh F. Al-Nuzha	Chairman of Marketing Committee	Nil
Abdullah S. Al-Suwailem	Member	Nil
Noriaki Takeshita	Member	Nil
Takashi Shigemori	Secretary of the Committee (Non-Member) (Vice President of Market Development)	Nil

Section 18
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 SAR21 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 2015, a total of 1,703 employees have joined the shares ownership Incentive Program, and a total of 1,072 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 2015, a total of 383 employees have already joined the program.

EMPLOYEE LOT ALLOWANCE

Part of the Home Ownership Program (HOP) the Company provides an amount of SAR 200,000 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, 2015 for the above mentioned Programs and Funds is as follows:

TABLE 26– INCENTIVES PROGRAMS BALANCE
as of December 31, 2015
(in SAR '000)

Description	Balance
Shares Ownership Incentive Program for Employees	10,725
Employee Housing Loan- Home Ownership Program (10% Fund)	15,340
Employee Lot Allowance (Home Ownership Program)	36,110
Employer's contribution to Employee Savings Plan	29,577

Section 19

COMPLIANCE WITH CORPORATE GOVERNANCE REGULATIONS

The Company is committed to applying all the provisions and regulations of Corporate Governance Regulations and the Listing Rules issued by the Capital Market Authority, in addition to Corporate Governance Code issued by Petro Rabigh Company, which was adopted by the Board of Directors in May 7, 2013.

However, 3 items of CMA's (Corporate Governance Regulations) where not implemented due to the below:

TABLE 27– COMPLIANCE WITH CMA

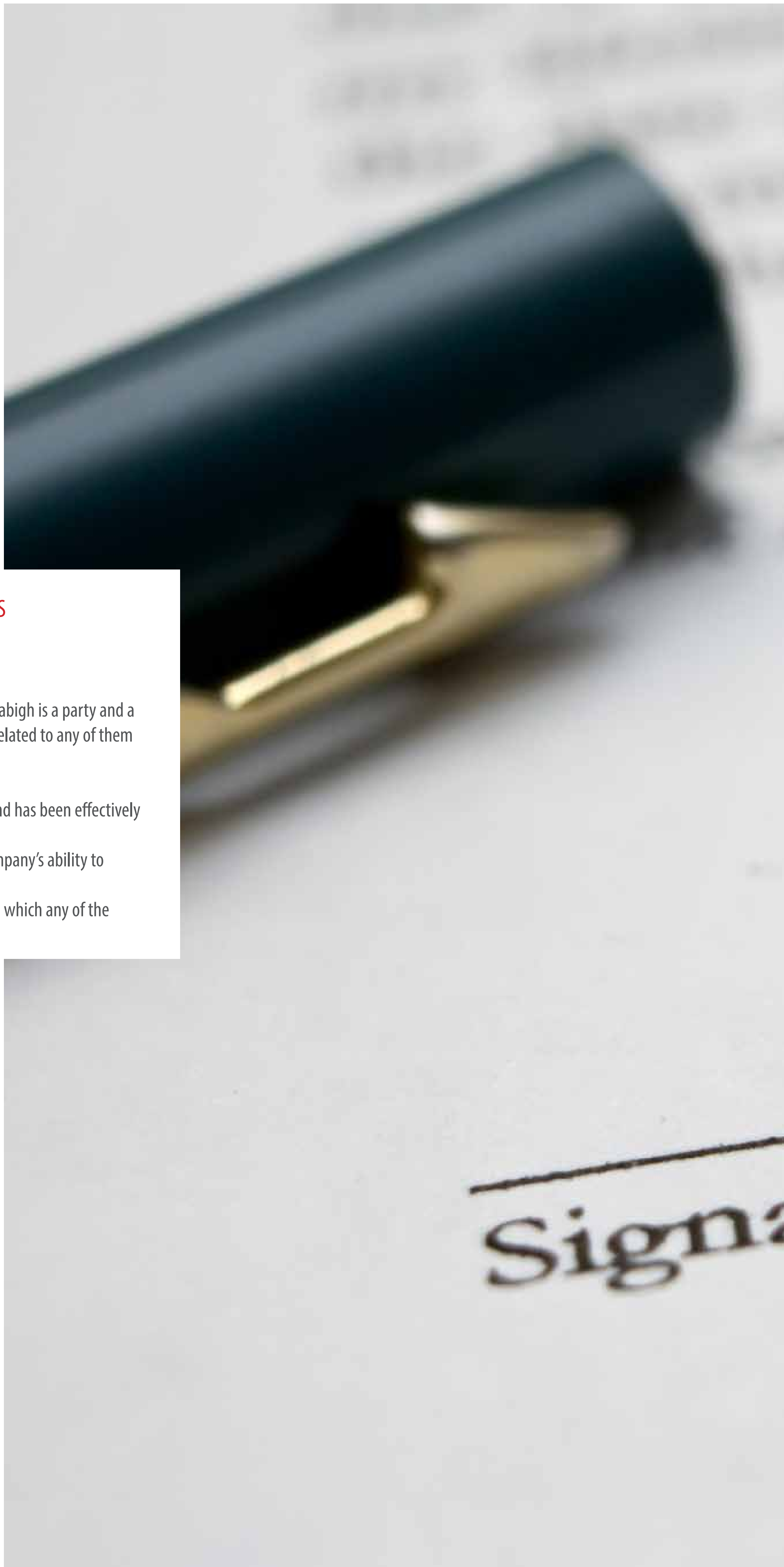
Article #	Description	Justification
Corporate Governance Regulations Article 6-D	Investors who are judicial persons and who act on behalf of others - e.g. investment funds- shall disclose in their annual reports their voting policies, actual voting, and ways of dealing with any material conflict of interests that may affect the practice of the fundamental rights in relation to their investments.	The list of the shareholders of the Company includes a wide range of banks, international and local investment funds, as well as the Founding Shareholders. Petro Rabigh does not have the authority over those entities to disclose their policies in voting and their actual vote, or how to deal with any major conflict of interest. Therefore, Petro Rabigh cannot apply of this article. In addition, the text of paragraph (d) puts the responsibility to disclose on those investors, not on the source.
Corporate Governance Regulations Article 11-H	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.	According to Article 19-E of the Bylaws of Petro Rabigh, the Board of Directors has the authority to make decisions relating to loans, bond issuance, and the sale, mortgage and reservation of the Company's assets and the write-off of receivables.
Corporate Governance Regulations Article 12-I	Judicial person who is entitled under the company's Articles of Association to appoint representatives in the Board of Directors, is not entitled to nomination vote of other members of the Board of Directors.	The company's Articles of Association don't entitle any judicial person to appoint representatives in the Board of Directors. Rather, the Board members are elected via the general assembly, where the sponsors vote their shares (Article 16). In addition, according to Article 37 of the Bylaws of Petro Rabigh, the Company follows the process of cumulative voting when electing the members of the Board of Directors in the General Assembly.

Section 20

DECLARATIONS OF THE BOARD OF DIRECTORS

The Board of Directors declares the following:

- 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.
- Proper books of account have been maintained.
- The system of internal control is sound in design and has been effectively implemented.
- There are no significant doubts concerning the Company's ability to continue as a going concern.
- There are no arrangements or agreements through which any of the Company's shareholders waives any profit rights.



Chapter 3

INDEPENDENT AUDITORS REPORT

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, 2015 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, 2015 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:___________________
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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)

BALANCE SHEET

For the year ended December 31, 2015
(in SAR '000)

	Note	2015	2014
Assets			
Current assets			
Cash and cash equivalents	5	932,396	2,245,597
Time deposits	6	1,370,180	1,297,636
Trade receivables	7	823,894	6,395,074
Inventories	8	2,002,494	2,799,397
Current portion of long-term loans	13	295,400	215,689
Prepayments and other receivables	9	275,635	521,075
		5,699,999	13,474,468
Non-current assets			
Property, plant and equipment	10	40,535,527	24,526,088
Leased assets	11	473,005	500,827
Intangible assets	12	267,232	172,913
Investment	13	16,412	8,556
Long-term loans	13	4,348,874	2,252,939
		45,641,050	27,461,323
Total assets		**51,341,049**	40,935,791
Liabilities			
Current liabilities			
Short term borrowings	16	3,255,130	2,086,343
Current maturity of liabilities against capital leases	11	16,380	15,411
Trade and other payables	14	3,510,534	9,619,372
Accrued expenses and other liabilities	15	1,072,600	376,449
Zakat and income tax payable	25	17,489	77,259
		7,872,133	12,174,834
Non-current liabilities			
Loans, borrowings and other long-term liability	16	34,425,507	18,552,517
Liabilities against capital leases	11	515,615	531,045
Provision for deferred employee service	19	10,725	14,906
Employees benefits	17	165,671	106,626
		35,117,518	19,205,094
Total liabilities		**42,989,651**	31,379,928
Shareholders' equity			
Share capital	18	8,760,000	8,760,000
Statutory reserve	18	87,343	87,343
Employee share ownership plan	19	(10,979)	(15,498)
Accumulated (deficit) earnings		(484,966)	724,018
Total shareholders' equity		8,351,398	9,555,863
Total liabilities and shareholders' equity		**51,341,049**	40,935,791
Contingencies and commitments	28		

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

INCOME STATEMENT
For the year ended December 31, 2015
(in SAR '000)

	Note	2015	2014
Sales	4,27	25,513,860	54,236,752
Cost of sales	4,20,27	(25,218,530)	(52,511,512)
Gross profit		295,330	1,725,240
Operating expenses			
Selling and marketing	21	(74,157)	(129,282)
General and administrative	22	(981,268)	(862,220)
(Loss) income from operations		(760,095)	733,738
Other income (expenses)			
Financial charges	23	(281,707)	(270,299)
Other income, net	24	283,295	217,990
Net (loss) income for the year		(758,507)	681,429
(Loss) earnings per share (Saudi Riyals):	26		
• Operating (loss) income		(0.87)	0.84
• Net (loss) income		(0.87)	0.78

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

CASH FLOW STATEMENT

For the year ended December 31, 2015
(in SAR '000)

	Note	2015	2014
Cash flows from operating activities			
Net (loss) income for the year		(758,507)	681,429
Adjustments for non-cash items			
Depreciation	10,11	2,148,577	2,237,144
Amortization	12	26,308	43,500
Bad debts	22	107,010	65,992
Provision for slow moving inventories	8	7,131	20,457
Loss on disposal of property and equipment	24	-	8,811
Provision for deferred employee service	19	338	338
		1,530,857	3,057,671
Changes in working capital			
Trade receivables		5,571,180	2,746,801
Inventories		789,772	1,184,983
Prepayments and other receivables		149,286	590,010
Trade and other payables		(6,108,838)	(3,876,902)
Accrued expenses and other liabilities		695,748	216,202
Zakat and income tax payable		(83,103)	16,611
Employees benefits		59,045	28,102
Net cash generated from operating activities		2,603,947	3,963,478
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(18,130,194)	(259,709)
Additions to intangible assets	12	(120,627)	-
Investment	13	(7,856)	-
Time deposits	6	(72,544)	(1,297,636)
Net movement in loans balances		(2,175,646)	162,025
Net cash utilized in investing activities		(20,506,867)	(1,395,320)
Cash flows from financing activities			
Net movement in loans, borrowings and other long-term liability		17,041,777	(1,903,963)
Repayment of capital leases		(14,461)	(28,487)
Dividends paid		(437,597)	-
Net cash generated from (utilized in) financing activities		16,589,719	(1,932,450)
Net change in cash and cash equivalents		(1,313,201)	635,708
Cash and cash equivalents at beginning of the year	5	2,245,597	1,609,889
Cash and cash equivalents at end of the year	5	932,396	2,245,597
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		12,477	47,321
Additions to leased assets and liability against capital lease	11	-	225,715
Dividends payable	29	403	-

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2015
(in SAR '000)

	Note	Share capital	Statutory reserve	Employee share ownership plan (ESOP)	Accumulated (deficit) earnings	Total
January 1, 2015		8,760,000	87,343	(15,498)	724,018	9,555,863
Vesting of shares under ESOP	19	-	-	4,519	-	4,519
Net loss for the year		-	-	-	(758,507)	(758,507)
Zakat	25	-	-	-	(23,333)	(23,333)
Zakat reimbursement		-	-	-	10,856	10,856
Dividends declared	29	-	-	-	(438,000)	(438,000)
December 31, 2015		8,760,000	87,343	(10,979)	(484,966)	8,351,398
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

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

Section 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) subsequently revised by Ministry of Commerce, Riyadh on 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's registered address is P.O. Box 666, Rabigh 21911, Kingdom of Saudi Arabia.

During the three-month period ended March 31, 2015, the Company acquired the Expansion Project of its existing integrated petroleum refining and petrochemical complex ("Phase II Expansion Project") from Saudi Arabian Oil Company and Sumitomo Chemical Company (Founding shareholders of the Company), upon completion of the formalities underlying the novation of relevant contracts and fulfillment of precedent conditions. The aggregate cost of the Phase II Expansion Project is currently estimated at Saudi Riyals 31 billion. Currently, Phase II Expansion Project is under construction stage, the mechanical completion of which is estimated to be during second half of financial year 2016. Also see note 10.

Section 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, having no physical existence however separately identifiable and providing future economic benefits, are initially recognized at purchase price and directly attributable costs. Intangible assets are stated at cost less accumulated amortization and impairment loss, if any.

SOFTWARE AND LICENSES

Software and licenses procured for various business use and having finite useful lives are presented as intangible assets. Software and licenses are amortized on a straight-line basis over their estimated useful lives.

DEFERRED CHARGES

Deferred charges primarily relate to consultancy services for obtaining long term financing being used to finance the expansion project of Company's integrated petroleum refining and petrochemical complex. Deferred charges will be amortized on a straight-line basis over their estimated useful lives from commencement of commercial operations of Phase II Expansion Project.

ESTABLISHMENT EXPENSES

Establishment expenses are charged to income statement unless attributable future benefits are determined in which case these are amortized over the shorter of seven years or estimated useful lives.

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

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. 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 employee 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 as at the beginning and end of that period.

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

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

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, 2015 and 2014, 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 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 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.

Section 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, 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. Also see Notes 10.2 and 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 from 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 Notes 11.1 and 11.2.

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 prices specified in each agreement for the services to be provided.

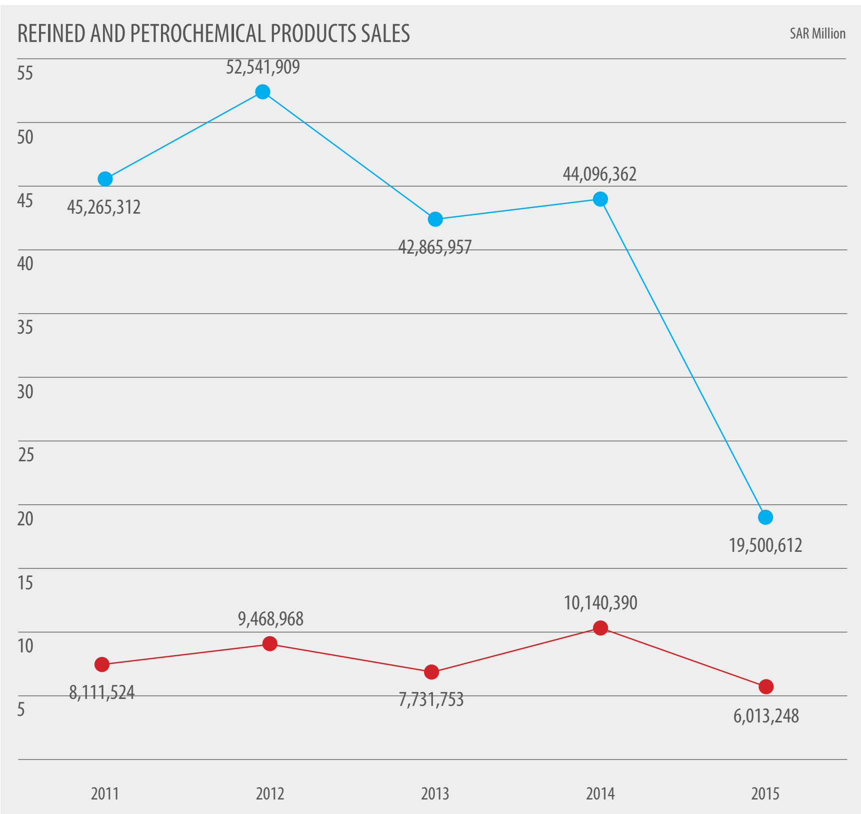
SEGMENT INFORMATION

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:

2015 (in SAR '000)	Refined products	Petrochemicals	Total
Sales	19,500,612	6,013,248	25,513,860
Cost of sales	(20,714,601)	(4,503,929)	(25,218,530)
Gross (loss) profit	(1,213,989)	1,509,319	295,330
Selling and marketing	(1,011)	(73,146)	(74,157)
General and administrative	(460,601)	(520,667)	(981,268)
(Loss) income from operations	(1,675,601)	915,506	(760,095)
Financial charges	(108,864)	(172,843)	(281,707)
Other income, net	96,677	186,618	283,295
Net (loss) income for the year	(1,687,788)	929,281	(758,507)

2014 (in SAR '000)	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



4.2 GEOGRAPHICAL SEGMENT

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

2015 (in SAR '000)	Middle East	Asia Pacific	Others	Total
Sales				
Refined products	19,500,612	-	-	19,500,612
Petrochemicals	3,249,530	2,763,718	-	6,013,248
Total	22,750,142	2,763,718	-	25,513,860

2014 (in SAR '000)	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

Section 5

CASH AND CASH EQUIVALENTS

(in SAR '000)	2015	2014
Cash in hand	304	479
Cash at banks - current accounts	139,455	175,638
Short term deposits	792,637	2,069,480
	932,396	2,245,597

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

Section 6

TIME DEPOSITS

(in SAR '000)	Note	2015	2014
Time deposits		2,162,817	3,367,116
Less: Deposits with maturity of less than three months	5	(792,637)	(2,069,480)
		1,370,180	1,297,636

Section 7

TRADE RECEIVABLES

(in SAR '000)	Note	2015	2014
Trade		87,537	212,711
Less: provision for doubtful debts		(28,410)	(28,410)
		59,127	184,301
Related parties	27	764,767	6,210,773
		823,894	6,395,074

Movement in provision for doubtful debts is as follows:

(in SAR '000)	Note	2015	2014
January 1		28,410	28,410
Additions	22	-	65,992
Write-offs		-	(65,992)
December 31		28,410	28,410

Section 8
INVENTORIES

(in SAR '000)	Note	2015	2014
Raw materials		311,643	252,355
Work in process		312,861	535,757
Finished goods		757,554	1,478,725
Spare parts and consumables - not held for sale		662,776	583,580
Goods in-transit		16,720	909
		2,061,554	2,851,326
Less: provision for slow moving spare parts and consumables		(59,060)	(51,929)
		2,002,494	2,799,397

Movement in provision for slow moving spare parts and consumables is as follows:

	Note	2015	2014
January 1		51,929	31,472
Additions	20	7,131	20,457
December 31		59,060	51,929

Section 9
PREPAYMENTS AND OTHER RECEIVABLES

(in SAR '000)	Note	2015	2014
Prepayments		75,143	81,821
Advances to suppliers		138,780	39,681
Deposits		662	107,010
Advance income tax		19,991	-
Other receivables, net		17,158	27,792
		251,734	256,304
Due from related parties	27	23,901	264,771
		275,635	521,075

Movement in provision for customs duty is as follows:

	Note	2015	2014
January 1		-	-
Additions		107,010	-
Write-off	22	(107,010)	-
December 31		-	-

Section 10

PROPERTY, PLANT AND EQUIPMENT

(in SAR '000)	Buildings and infrastructure	Plant, machinery and operating equipment	Vehicles and related equipment	Furniture and IT equipment	Capital projects in progress	Total
Cost						
January 1, 2015	4,709,177	30,361,493	72,272	318,679	275,611	35,737,232
Additions	-	215,144	-	1,374	17,913,676	18,130,194
Transfers	7,936	1,291,626	18,000	402	(1,317,964)	-
Disposals	-	(956)	-	-	-	(956)
December 31, 2015	4,717,113	31,867,307	90,272	320,455	16,871,323	53,866,470
Accumulated depreciation						
January 1, 2015	1,533,261	9,451,769	62,367	163,747	-	11,211,144
Charge for the year	245,210	1,847,153	5,476	22,916	-	2,120,755
Released on disposals	-	(956)	-	-	-	(956)
December 31, 2015	1,778,471	11,297,966	67,843	186,663	-	13,330,943
Carrying Value:						
At December 31, 2015	**2,938,642**	**20,569,341**	**22,429**	**133,792**	**16,871,323**	**40,535,527**
At December 31, 2014	3,175,916	20,909,724	9,905	154,932	275,611	24,526,088

10.1 DEPRECIATION FOR THE YEAR HAS BEEN ALLOCATED AS FOLLOWS:

(in SAR '000)	Note	2015	2014
Cost of sales	20	2,048,212	2,132,968
General and administrative expenses	22	72,543	82,302
		2,120,755	2,215,270

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.

10.3 PLANNED PERIODIC MAINTENANCE

During the three-month period ended December 31, 2015, the Company conducted planned periodic maintenance activity for operational facilities. This planned periodic maintenance activity required complete shutdown of all plants which commenced from October 11, 2015 till December 31, 2015. Property, plant and equipment includes an amount of Saudi Riyals 1,102 million incurred on such planned periodic maintenance activity.

10.4 CAPITAL PROJECTS-IN-PROGRESS

The capital projects-in-progress at December 31, 2015 mainly represents cost relating to the acquisition and ongoing construction of Phase II Expansion Project (also see Note 1). As part of Phase II Expansion Project, identifiable assets acquired and liabilities assumed by the Company as of the date of novation were as follows:

(in SAR '000)	2015
Cost of work executed	12,451,311
Intangible assets	118,799
Advances to suppliers	151,508
Retentions	(533,070)
Trade and other payables	(8,832,288)
Accrued liabilities	(3,378,016)

The Company has secured various financing facilities amounting to Saudi Riyals 26,880 million from various commercial banks and financial institutions in order to finance Phase II Expansion Project (also see Note 16.2). The Company had also acquired administrative expenses amounting to Saudi Riyals 21,757 thousands from founding shareholders. These expenses have been included as part of General and administrative expenses in the income statement for the year ended December 31, 2015.

During the year ended December 31, 2015, the cumulative amount paid to the founding shareholders is Saudi Riyals 9,755 million.

10.5 CAPITALIZATION OF BORROWING COSTS

During the year ended December 31, 2015, the Company has capitalized borrowing costs amounting to Saudi Riyals 702.9 million in capital projects in progress relating to the construction of the Phase II Expansion Project.

Section 11
LEASES

11.1 CAPITAL LEASES

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

(in SAR '000)	Community facilities	Marine terminal facilities	Desalination plant	Total
Cost				
December 31, 2015 and 2014	225,715	288,820	106,015	620,550
Accumulated depreciation				
January 1, 2015	2,257	78,483	38,983	119,723
Charge for the year	9,029	12,557	6,236	27,822
December 31, 2015	11,286	91,040	45,219	147,545
Carrying value:				
At December 31, 2015	**214,429**	**197,780**	**60,796**	**473,005**
At December 31, 2014	223,458	210,337	67,032	500,827

11.1.2 Capital lease obligations at December 31 are as follows:

(in SAR '000)	2015			2014
	Future minimum lease payments	Interest	Present value of minimum lease payments	Present value of minimum lease payments
Community facilities	417,758	213,753	204,005	207,552
Marine terminal facilities	435,055	179,775	255,280	260,760
Desalination plant	94,723	22,013	72,710	78,144
	947,536	415,541	531,995	546,456

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

(in SAR '000)	2015	2014
Current portion	16,380	15,411
Non-current portion	515,615	531,045
	531,995	546,456

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

Year (in SAR '000)	2015	2014
2015	-	46,997
2016	47,024	47,024
2017	46,997	46,997
2018	46,997	46,997
2019	46,997	46,997
2020	47,024	47,024
2021 and thereafter	712,497	712,497
	947,536	994,533

11.1.4 Community facilities were acquired under a capital 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 417.8 million (2014: Saudi Riyals 435.9 million).

11.1.5 Marine terminal facilities were acquired under a capital 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 435.1 million (2014: Saudi Riyals 454.2 million).

11.1.6 On October 1 2008, the Company has taken 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 94.7 million (2014: Saudi Riyals 104.4 million).

11.1.7 Depreciation for the year has been allocated as follows:

(in SAR '000)	Note	2015	2014
Cost of sales	20	6,236	6,237
General and administrative expenses	22	21,586	15,637
		27,822	21,874

11.2 OPERATING LEASES

11.2.1 The Company has entered into operating leases for land, 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, 2015 amounts to Saudi Riyals 552.5 million (2014: Saudi Riyals 535.6 million).

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

Year (in SAR '000)	2015	2014
2015	-	572,595
2016	569,061	550,713
2017	556,017	545,451
2018	545,217	544,134
2019	528,554	535,880
2020	529,871	511,119
2021 and thereafter	8,279,034	7,716,873
	11,007,754	10,976,765

Section 12

INTANGIBLE ASSETS

Cost (in SAR '000)	Notes	Softwares	Licenses	Deferred charges	Establishment expenses	Total
January 1, 2015		228,684	209,114	-	-	437,798
Additions	10	1,828	-	113,645	5,154	120,627
December 31, 2015		230,512	209,114	113,645	5,154	558,425
Amortization						
January 1, 2015		202,136	62,749	-	-	264,885
Amortization for the year		15,509	10,799	-	-	26,308
December 31, 2015		217,645	73,548	-	-	291,193
Carrying value:						
December 31, 2015		**12,867**	**135,566**	**113,645**	**5,154**	**267,232**
December 31, 2014		26,548	146,365	-	-	172,913

Amortization for the year has been allocated as follows:

(in SAR '000)	Note	2015	2014
Cost of sales	20	25,185	25,944
General and administrative expenses	22	1,123	17,556
		26,308	43,500

Section 13

INVESTMENT AND LONG TERM LOANS

(in SAR '000)	Note	2015	2014
Investment - available for sale:			
January 1	13.1	8,556	8,556
Additions	13.2	7,856	-
December 31		16,412	8,556

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

13.2 During the three-month period ended March 31, 2015, pursuant to Equity Support Agreement dated March 28, 2006 as amended subsequently on March 9, 2015, the Company has made equity participation in RAWEC which shall be converted into share capital of RAWEC on completion of certain formalities currently expected by second half of 2016.

(in SAR '000)	Note	2015	2014
Long-term loans:			
RAWEC			
January 1	13.3	2,343,370	2,540,933
Additions	13.4	2,338,906	-
Repayments		(207,483)	(197,563)
December 31		4,474,793	2,343,370
Less: current portion		(281,965)	(207,483)
Non-current portion		4,192,828	2,135,887
Loans to employees	13.5	169,481	125,258
Less: current portion		(13,435)	(8,206)
Non-current portion		156,046	117,052
Total non-current portion		4,348,874	2,252,939

13.3 The Company has entered into various agreements namely WECA, Facility Agreement and RAWEC Shareholders' Agreement (the "Agreements"), dated August 7, 2005 as amended on October 31, 2011, with RAWEC and other developers, to develop a plant, on build, own and operate basis, to supply desalinated water, steam and power to the Company. Pursuant to these agreements, the Company provided a loan to RAWEC amounting to Saudi Riyals 3.9 billion carrying interest rate of 5.76% per annum settled through offsetting of monthly utilities payments to RAWEC from June 30, 2008 to November 30, 2023.

13.4 During the year ended December 31, 2015, pursuant to Amended and Restated Agreement, dated March 28, 2006 as amended subsequently on March 9, 2015, the Company will provide RAWEC a portion of project finance, in the total amount of Saudi Riyals 3.3 billion carrying interest rate of 5.7% per annum to expand the existing independent water, steam and power facilities to meet the requirements of Phase II expansion project. The loan will be settled through offsetting of monthly utilities payments to RAWEC from July 31, 2016 to June 30, 2031. The loan is secured by the assets of RAWEC.

13.5 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 amortized over the term of the loan (seventeen years). 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.

Section 14

TRADE AND OTHER PAYABLES

(in SAR '000)	Note	2015	2014
Trade payables:			
Related parties	27	1,249,085	8,950,619
Others		2,193,266	606,965
		3,442,351	9,557,584
Other payables - related parties	27	68,183	61,788
		3,510,534	9,619,372

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).

Section 15

ACCRUED EXPENSES AND OTHER LIABILITIES

(in SAR '000)	Note	2015	2014
Accrued bonus		50,721	40,425
Provision for customer rebates		40,670	64,374
Customer advances		5,927	11,842
Social security payable		7,356	6,832
Withholding tax payable		14,657	4,621
Accrued interest on loans and borrowings		15,407	3,416
Accrued expenses	1,10	691,950	-
Dividend payable	29	403	-
Other		12,787	10,147
		839,878	141,657
Due to related parties	27	232,722	234,792
		1,072,600	376,449

Section 16

LOANS, BORROWINGS AND OTHER LONG-TERM LIABILITY

(in SAR '000)	Note	2015	2014
Loans from banks and financial institutions:			
January 1	16.1	15,412,097	17,408,638
Additions	16.2, 16.3	19,124,133	-
Repayments		(2,086,343)	(1,996,541)
December 31		32,449,887	15,412,097
Less: current portion		(3,255,130)	(2,086,343)
Non-current portion		29,194,757	13,325,754
Loans from founding shareholders	16.4	5,213,936	5,210,052
Other long term liability	16.5	16,814	16,711
Total non-current portion		34,425,507	18,552,517

16.1 The Company has entered into Consortium Loan Agreement with commercial banks and financial institutions for development, design, and construction of integrated refining and petrochemical complex. The facilities available under this loan agreement have been utilized in full and drawdowns made which finished on July 1, 2008. The loan is payable in semi-annual repayments which commenced from June 2011 and will run up to December 2021.

16.2 During the year ended December 31, 2015, the Company has further entered into Loan Agreements with commercial banks and financial institutions for Phase II Expansion Project. The facilities available under these loan agreements amount to Saudi Riyals 26,880 million out of which drawdowns amounting to Saudi Riyals 17,939 million have been made by the Company. The loans amounting to Saudi Riyals 14,351 million are repayable in semi-annual repayments commencing from June 2018 and will run up to June 2031, whereas the loan of Saudi Riyals 3,588 million has final maturity of July 1, 2019.

The aforementioned loans are denominated in US Dollars and Saudi Riyals and bear financial charges based on prevailing market rates. The loan agreements include financial and operational covenants which among other things; require certain financial ratios to be maintained. The loans are secured by property, plant and equipment, cash and cash equivalents and time deposits of the Company with a carrying value of Saudi Riyals 40,536 million and Saudi Riyals 2,302 million, respectively.

16.3 During the three-month period ended December 31, 2015, the Company has entered into a short term loan with a local commercial bank to finance its working capital requirements. The facility available under this loan agreement amounted to Saudi Riyals 1,875 million out of which a drawdown amounting to Saudi Riyals 1,104 million has been made by the Company. The loan is repayable within 120 days from the date of drawdown. This loan is denominated in Saudi Riyals and bears financial charges based on prevailing market rates.

16.4 LOANS FROM FOUNDING SHAREHOLDERS

(in SAR '000)	2015	2014
Loans:		
Saudi Arabian Oil Company	2,287,500	2,287,500
Sumitomo Chemical Company Limited	2,287,500	2,287,500
Accumulated interest:		
Saudi Arabian Oil Company	319,468	317,526
Sumitomo Chemical Company Limited	319,468	317,526
	5,213,936	5,210,052

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 favour of each shareholder equivalent to drawdowns. During the year ended December 31, 2015, the Company paid interest amounting to Saudi Riyals 90.76 million to Saudi Arabian Oil Company and Sumitomo Chemical Company.

16.5 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.

Section 17
EMPLOYEES BENEFITS

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

(in SAR '000)	2015	2014
Current portion (included in accrued expenses and other liabilities)	16,732	18,360
Non-current portion	165,671	106,626
	182,403	124,986

Employees' benefits comprise of employees savings program and end of service benefits amounting to Saudi Riyals 54.9 million (2014: Saudi Riyals 39.9 million) and Saudi Riyals 127.5 million (2014: Saudi Riyals 85 million), respectively.

17.1 END OF SERVICE BENEFITS

(in SAR '000)	2015	2014
January 1	85,028	66,359
Provisions	49,804	27,613
Payments	(7,364)	(8,944)
December 31	127,468	85,028

Section 18
SHARE CAPITAL AND STATUTORY RESERVE

The Company's share capital of Saudi Riyals 8.76 billion at December 31, 2015 and 2014 consists of 876 million fully paid and issued shares of Saudi Riyals 10 each.

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.

Section 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 2015, the Company has vested 215,200 shares to eligible employees due for entitlement (2014: 204,658 shares).

Section 20
COST OF SALES

(in SAR '000)	Note	2015	2014
Raw materials, crude oil and spare parts consumed		20,654,873	47,376,596
Depreciation	10,11	2,054,448	2,139,205
Utilities consumed		668,453	700,948
Personnel costs		530,078	532,583
Repair and maintenance		374,773	316,128
Contracted services		60,329	53,467
Amortization	12	25,185	25,944
Insurance		26,937	38,787
Provision for slow moving spare parts and consumables	8	7,131	20,457
Lease rentals		12,644	11,747
Other overheads		13,907	5,391
		24,428,758	51,221,253
Decrease (increase) in inventories		789,772	1,290,259
		25,218,530	52,511,512

Section 21
SELLING AND MARKETING EXPENSES

(in SAR '000)	2015	2014
Freight charges	71,861	125,638
Sales commissions	-	608
Other	2,296	3,036
	74,157	129,282

Section 22

GENERAL AND ADMINISTRATIVE EXPENSES

(in SAR '000)	Note	2015	2014
Personnel costs		564,935	429,045
Depreciation	10,11	94,129	97,939
Repair and maintenance		78,512	93,971
Bad debts	7, 9	107,010	65,992
IT, networking and data communication		38,776	41,421
Amortization	12	1,123	17,556
Travelling		22,364	19,885
Rent		22,619	14,282
Professional fees		7,463	10,775
Insurance		5,441	2,716
Stationery, telex and telephone		4,936	3,980
Other		33,960	64,658
		981,268	862,220

Section 23

FINANCIAL CHARGES

(in SAR '000)	Note	2015	2014
Interest on loans and borrowings	16	244,384	246,695
Interest on capital leases	11	32,473	22,165
Other		4,850	1,439
		281,707	270,299

Section 24

OTHER INCOME, NET

(in SAR '000)	2015	2014
Interest income on long term loans	224,695	143,319
Port services	25,635	32,974
Gain on sale of scrap sales	18,600	27,038
Dividend and miscellaneous income	14,365	23,470
Loss on disposal of property and equipment	-	(8,811)
	283,295	217,990

Section 25

ZAKAT AND INCOME TAX

25.1 CHARGE FOR THE YEAR

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

(in SAR '000)	2015	2014
Current year:		
Zakat	17,489	35,561
Income tax	-	41,698
	17,489	77,259
Previous years:		
Zakat	5,844	81,337
Income tax	(15,044)	-
	(9,200)	81,337
Total	8,289	158,596

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 '000)	2015	2014
Equity and reserves	8,175,936	9,332,678
Liabilities	36,540,578	20,634,664
Book value of assets	(28,382,830)	(26,236,853)
Carried forward losses	(15,214,413)	(1,454,582)
Zakat base	1,119,271	2,275,907
Zakat base attributable to Saudi founding shareholder and general public	699,545	1,422,442
Zakat charge for the year	17,489	35,561

25.2 THE MOVEMENT IN ZAKAT AND INCOME TAX PROVISION FOR THE YEAR IS AS FOLLOWS:

(in SAR '000)	2015	2014
January 1	77,259	60,648
Provision for the current year	17,489	77,259
Adjustment for previous years	(9,200)	81,337
Payments	(68,059)	(141,985)
December 31	17,489	77,259

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 has filed its Zakat and income tax returns with the Department of Zakat and Income Tax (DZIT) upto the financial year 2014. The Company's zakat and tax assessments have been finalized by DZIT up to and inclusive of the financial year 2008. The 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 Arabian Oil Company and Sumitomo Chemical Company Limited 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 which the Company has duly submitted.

During the year ended December 31, 2015, the Company has paid advance income tax amounting to Saudi Riyals 20 million (2014: Nil).

Section 26
EARNINGS (LOSS) PER SHARE

Earnings (loss) per share for the year ended December 31, 2015 and 2014 have been computed by dividing the operating income (loss) and net income (loss) for the year by the weighted-average number of ordinary shares issued and outstanding at each year end.

Section 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. Also see note 10.4.

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 Limited	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:

	2015	2014
Saudi Aramco and its associated companies		
Sale of refined products and petrochemical products	21,946,412	45,950,045
Purchase of goods including LPG shortfall and through-put fee	19,812,749	46,555,119
Dividend	164,250	-
Secondees' costs	78,279	37,893
Financial charges	75,521	62,694
Rentals	44,188	61,763
Services provided to shareholders	16,985	52,464
Services and other cost charges (credit), net	15,515	(59,331)
Sumitomo Chemical and its associated companies		
Sale of petrochemical products	2,741,071	6,118,469
Dividend	156,038	-
Secondees' costs	83,308	44,414
Purchase of goods	51,903	60,113
Financial charges	47,323	45,102
Services and other cost charges (credit), net	22,140	40,039
Services provided to shareholders	13,047	55,667
Rentals	709	709

27.2 RELATED PARTY BALANCES

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

(in SAR '000)	Note	2015	2014
Saudi Aramco and its associated companies			
Loans and borrowings	16	2,606,968	2,605,026
Trade and other payables	14	1,308,140	9,008,728
Trade and other receivables	7, 9	696,243	5,545,510
Accrued expenses and other liabilities	15	198,943	191,465
Employees benefits		1,534	532
		2015	2014
Sumitomo Chemical and its associated companies			
Loans and borrowings	16	2,606,968	2,605,026
Trade and other receivables	7, 9	92,425	930,034
Accrued expenses and other liabilities	15	33,779	43,327
Trade and other payables	14	9,128	3,679
Employees benefits		3,387	1,047

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 9.4 million (2014: Saudi Riyals 8.2 million) and are included in secondees' cost above.

The remuneration paid to the independent directors amounted to Saudi Riyals 0.75 million (2014: Saudi Riyals 0.45 million).

Section 28

CONTINGENCIES AND COMMITMENTS

- (i) As at December 31, 2015, letters of credit issued on behalf of the Company in the normal course of business amounted to Saudi Riyals 4.9 million (2014: Saudi Riyals 4.4 million).
- (ii) As at December 31, 2015, capital commitments contracted for but not incurred for the construction and expansion of existing facilities amounted to Saudi Riyals 4,678 million (2014: Saudi Riyals 229.7 million).

Also, see Note 11.2 for operating lease commitments.

Section 29

DIVIDENDS

On July 1, 2015, the Board of Directors approved the distribution of Saudi Riyals 438 million, as cash dividends (Saudi Riyal 0.5 per share) for the first half of 2015 representing 5% of the nominal share value. The eligibility for dividend distribution was to shareholders listed on Tadawul (Saudi Stock Exchange) on the end of trading day of July 27, 2015. Accordingly, the dividend amounting to Saudi Riyals 437.6 million was paid on August 18, 2015. The remaining unpaid amount of Saudi Riyals 0.4 million is included in accrued expenses and other liabilities.Dividend paid to the independent directors amounted to Saudi Riyals 0.04 million (2014: Nil).

Section 30

APPROVAL AND AUTHORIZATION FOR ISSUE 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 Directors
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 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 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 (89%) 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, 2015, there were minimal overdue debts equivalent to 10.3% (2014: 6.8%) of the trade receivables of Company's allowed credit periods. The loans are receivable from 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 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.

2015 (in SAR '000)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	3,255,130	7,211,424	14,357,747	12,856,336
Liabilities against capital leases	47,024	46,997	141,019	712,495
Trade and other payables	3,510,534	-	-	-
Accrued expenses and other liabilities	1,072,600	-	-	-
2014 (in SAR '000)				
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	9,619,372	-	-	-
Accrued expenses and other liabilities	376,449	-	-	-

Section 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 consists 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 from their carrying values.

Section 32

RECLASSIFICATION

Retentions amounting to Saudi Riyals 115.2 million has been reclassified from accrued expenses and other liabilities to trade and other payables to the comparative December 31, 2014 financial statements.

Section 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 Jumadi Awwal 15, 1437H (February 24, 2016).

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