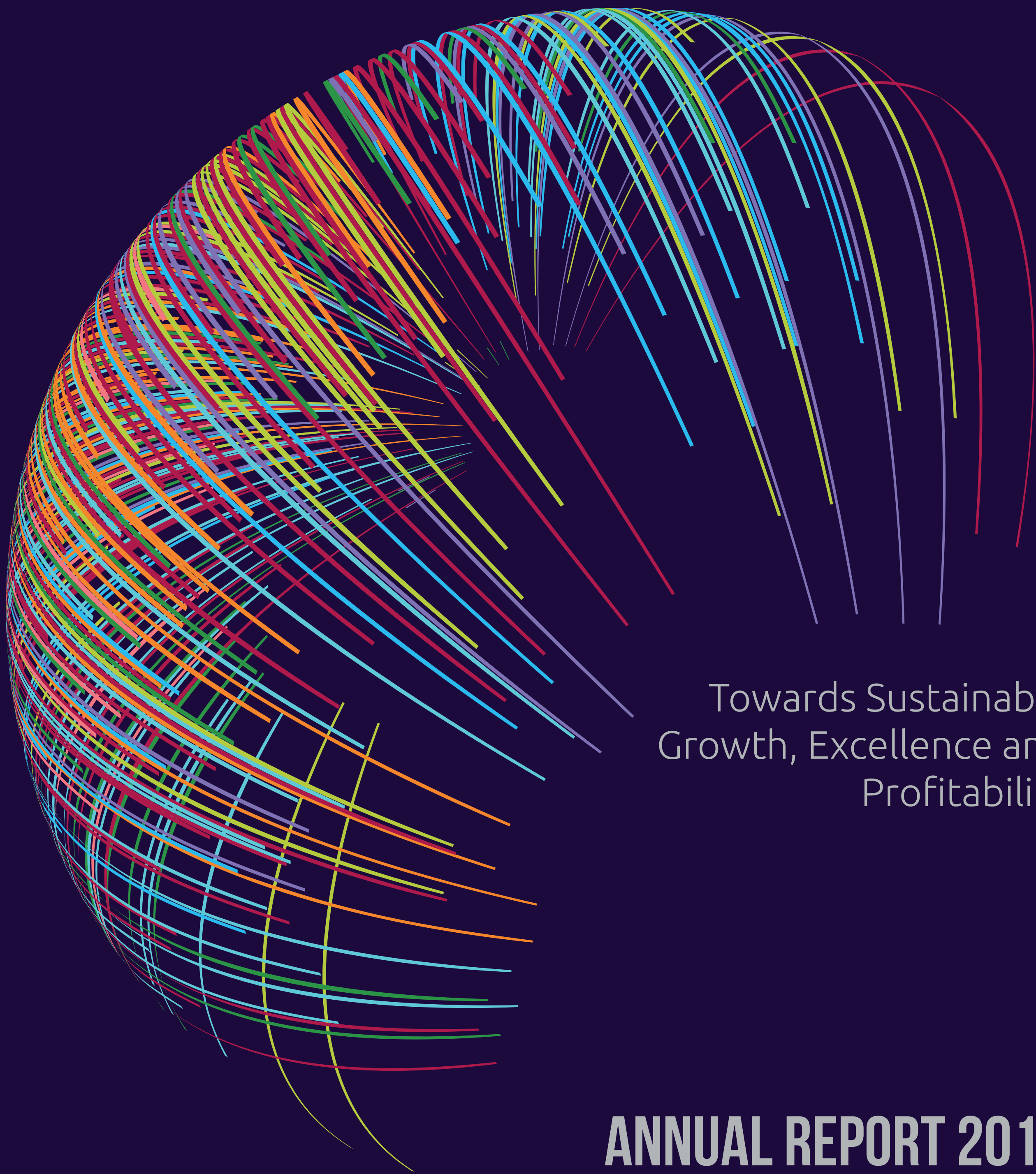
VISION رؤيـــة 2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

بتــرو رابــغ | تُثري الحياة
Petro Rabigh | Enriching life



Towards Sustainable Growth, Excellence and Profitability

ANNUAL REPORT 2016

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

MOHAMMED BIN SALMAN AL SAUD

Deputy Crown Prince, Second Deputy Prime Minister and Minister of Defense

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Board of Directors

Deputy Chairman

Noriaki Takeshita

Non-Executive Director

Motaz A. Al-Mashouk

Non-Executive Director

Board Chairman

Abdulaziz M. Al-Judaimi

Non-Executive Director

President & CEO

Nasser D. Al-Mahasher

Executive Director

Takashi Shigemori

Executive Director

Saud A. Al-Ashgar
Independent Director

Saleh F. Al-Nazha
Independent Director

Shigeyuki Yoneda
Non-Executive Director

Waleed A. Bamarouf
Independent Director

Executive Management

NASSER D. AL-MAHASHER
President & CEO

Finance & Accounting
NAOYUKI INOUE
Chief Financial Officer

Manufacturing
SEIJI TAKEUCHI
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

Chairman's message to the Shareholders

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 present to you the Company's Annual Report for the year ending December 31st, 2016, in addition to the external auditor's report and the audited financial statements for the same period.

Dear Shareholders,

In spite of the financial performance of the Company for 2016, which was due to the challenges the whole industry experienced and the global market conditions, Petro Rabigh was able to accomplish a number of achievements. The majority of these challenging conditions are worldwide, and cannot be brought under control. However, we are confident that the Company's strategic plan to utilize the Company's potentials will counteract the severity of those factors and turn losses into profits.

With respect to safety, Petro Rabigh witnessed a fall in the number of fire incidents, compared to 2015. However, the Company witnessed a relatively higher recordable case rate during the year due to minor cases, compared to 2015. Nevertheless, our safety performance compares very favorably with the rest of the industry, considering the size of the Company Complex operations.

Progress with respect to Petro Rabigh Phase II has been steady, with construction completion as of the end of 2016 reaching 97.9% . In preparation for a safe and successful start-up, the commissioning and start-up readiness plan is progressing well and new highly qualified and experienced employees have been recruited for the management and operation of this new expansion Project. Furthermore, a number of the Project plants, like the cumene and phenol plants, have already started operations. Furthermore, all cooling towers are in operation. We are expecting the full operation of all plants during the fourth quarter of 2017.

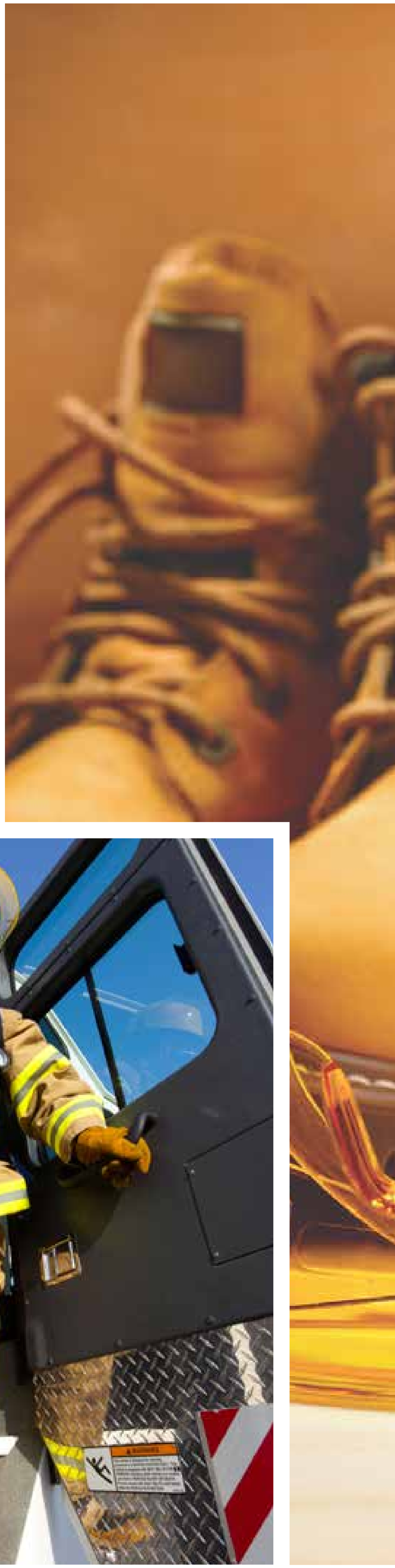
In terms of Corporate Social Responsibility (CSR) and sustainability, the Company introduced a range of initiatives and programs to promote economic and social development as well as environmental protection. Petro Rabigh has taken a leadership role in engaging with regional businesses and organizations to promote opportunities in supply chain services and the downstream industry.

Dear Shareholders,

By the end of 2016, the strategic transformation achieved 56% completion progress as planned. This progress will continue during 2017 with more accelerated programs to capture higher value. Petro Rabigh has a huge potential, and I assure you that that we will build on and capture this potential through reliable, sustainable and cost efficient operations. We have the technology, the tools, the workforce with a Saudization rate of 78% which is expanding, and the determination to do that, which will eventually enable us to achieve profitability, our key word for 2017.

As for the Company's plans during 2017, we will give much more focus to profitability, which will be the main indicator of our successful performance. This will be coupled with maintaining the safety, reliability and efficiency of the plants, as well as the safe and effective commissioning and start-up of Phase II. This focus, along with the marketing of the new Phase II products, will support the maximization of the value of Company shares. We have updated our strategic plan with aggressive and accelerated transformation programs which will lead to the Company achieving this.

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.



Safety Performance

In 2016 the Company logged 4.5 million man-hours without lost time injury during the period from May 22, 2016, to October 19, 2016. During the year there were four recordable fire incidents, and two recordable minor leak incidents.

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, reached an overall progress of 58%.

> Safety remains the bedrock of Petro Rabigh's operations, and 2016 recorded a number of milestones.

In 2016, an Integrated Management System (IMS) surveillance audit was conducted by Paris-based Bureau Veritas (BV), which tested, inspected and certified all Petro Rabigh facilities. After a detailed document review and field verifications, the external IMS auditors certified the safety management system and procedures implemented in Petro Rabigh and practiced through the "Plan-Do-Check-Act" (PDCA) cycle of improvements – together with clearly identified roles and responsibilities against all identified activities. These observations contributed to obtaining ISO certification for the Company (ISO 9001, ISO 14001 and OHSAS 18001 certification).

Petro Rabigh has obtained approval of the Saudi High Commission of Industrial Security (HCIS) for the detailed design stage of Rabigh II Project and expects to obtain HCIS approval for the operation stage of Rabigh II in early 2017.

Petro Rabigh achieved the mechanical completion and safe startup of the Ethane Cracker Expansion project. Through the implementation of safe working practices and risk assessments, the simultaneous operation of constructing three furnaces while running a live plant was completed safely without incident or injury.

Human Capital Development

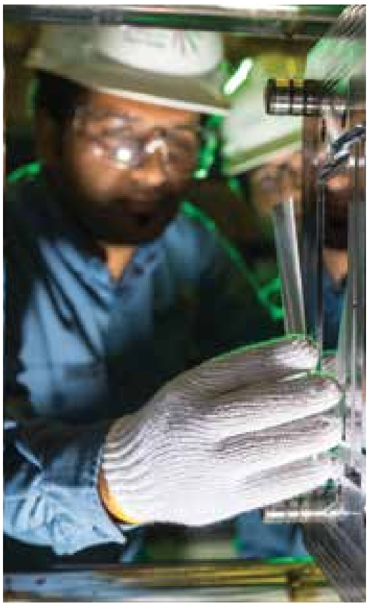
As of December 31, 2016, Petro Rabigh's manpower totaled 3,488, with a Saudization rate of 76%. Following a number of recent measures to ensure highly competitive packages that attract and retain the very best talent, Petro Rabigh also achieved for 2016 an Annualized Attrition Rate of 3% which was considerably lower than both the Company target and the industry average.

> 2016 was a year of enhancement to development plans, administrative and customer support, and systems and support mechanisms to raise the quality of the program and of customer service.

Recruitment for both Phase I and Phase II was pursued strongly in 2016, 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.

A major focus for Petro Rabigh in 2016 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 291 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 external 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.

As of the end of 2016, the University Fresh Graduate Development Program had 103 UFGP Employees active. During the year, 27 UFGP employees successfully graduated from the program and 17 new employees joined. The focus throughout 2016 was to enhance the development process by creating a more dynamic development plan, adding development assignments as a cross-functional mix of rotations through varying departments. Greater definition of assignment objective and activities was a major agenda, and a vital part of the development scheme.

To enhance learning opportunities and development assignments, programs such as those organized through our partnership with specialist training provider the French Institute of Petroleum (IFP), out-of-Kingdom special assignments, specialized on-job training and training courses, were added to the IDPs. To support the assignments, new administrative procedures that focused on customer service and records management were put in place. Beginning in 2016, we began building a new integrated Human Resources system, to go live in 2017, which will ultimately enable us to work with one service platform, consolidate all records, tie performance goals, activities, appraisals and documentation together into a single automated repository, resulting in greater efficiency in UFGP management.

Transformation Roadmap

In order to change and transform the Company's performance to best-in-class status, Petro Rabigh developed in 2014 a comprehensive Transformation Roadmap consisting of 6 Roadmaps involving 11 projects. The aim was to drastically improve performance and create value for all stakeholders. The Company has since maintained focus on the Roadmaps, and by the end of 2016 achieved 68% completion of the current plans, which are projected to be implemented by the end of 2017.

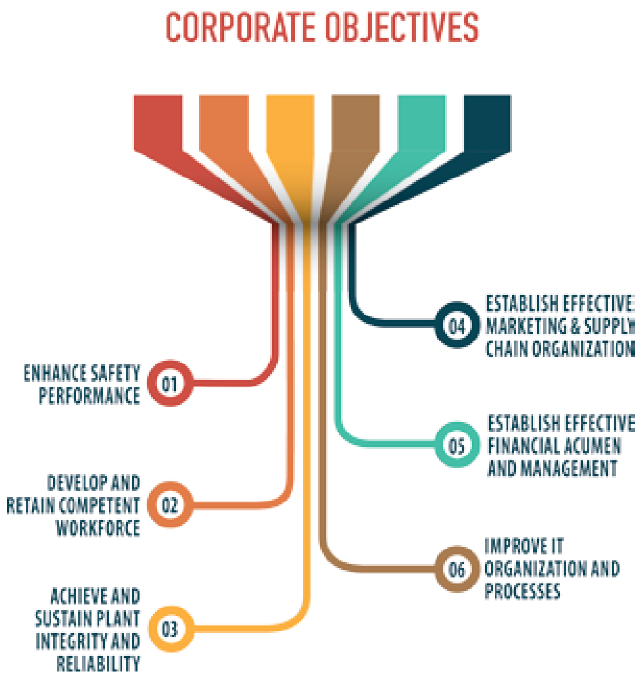
The Transformation Roadmap has brought numerous rewards since its introduction in terms of operational, safety and financial results.

Achievements in 2016 were seen in improved safety performance, with a Total Recordable Case Rate (TRCR) of 0.23 aided by the introduction of programs to address specific safety concerns, comprehensive training and development programs resulting in increased Industrial Job Certification, Operator Competency Certification, and Staff Retention.

A cost rationalization program generated more than SAR 562 million through cost reduction, avoidance and revenue maximization. In Information Technology, 95% was reached in Computer Operations Performance and 95% availability was also reached in Operations Support.

The Transformation Roadmap will remain a key vehicle in Petro Rabigh's drive for growth and profitability in 2017, with a complete focus and redesign of the Operations, Maintenance, Reliability, Process Engineering and Material Management Roadmaps.

> The Transformation Roadmap will remain a key vehicle in Petro Rabigh's drive for growth and profitability in 2017

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Corporate Values

In 2016, Petro Rabigh launched the "Living Our Values" campaign to promote the Company's Corporate Values throughout the organization and build a culture of sustainable change. These Values are Integrity, Excellence, Discipline, Ownership, Communication and Accountability.

Each Vice President acted as the sponsor of a particular value, and delivered campaign messages to facilitate open dialogue with employees. Talented individuals who exemplified the values acted as role models to their colleagues were given recognition by executive management. Values workshops were held to communicate key messages and gather feedback from employees.

The campaign was accompanied by messages and branding images through signs posted in every facility and billboards along main roads in the complex and Community. Key messages were incorporated into the Company's business conduct booklet, calendars, diaries, onboarding and orientation materials and screensavers.

LIVING OUR VALUES

VALUES

PETRO RABIGH'S CULTURE AND BUSINESS ENVIRONMENT ARE BASED ON ITS SIX CORPORATE VALUES:

INTEGRITY

OWNERSHIP

COMMUNICATION

EXCELLENCE

DISCIPLINE

ACCOUNTABILITY

LIVING OUR VALUES!

Local Content & Partnerships

In order to serve as a catalyst for economic and social development in the region, Petro Rabigh promotes the use of local manpower, local manufacturing and the development of local skills through a commitment to Saudization augmented with expertise and experience from abroad.

In addition, our special forums and gatherings with contractors, suppliers, investors and analysts strengthen relationships and highlight future opportunities for all, bringing together hundreds of representatives from several dozen supplier companies and partner organizations in the region.

A major boost to local industry and investment is our association with Rabigh PlusTech Park, Saudi Arabia's first private industrial park integrated with a petrochemicals complex.

Through these channels of communication new and better partnerships have emerged resulting in benefits in terms of investment, financial savings, time, efficiency and quality.

A major boost to local industry and investment is our association with Rabigh PlusTech Park, Saudi Arabia's first private industrial park integrated with a petrochemicals complex. Rabigh PlusTech Park offers exceptionally advantageous conditions that benefit both us and its tenants alike in order to attract investment and encourage manufacturers to move to Rabigh and Saudi Arabia. Diverse downstream industries that use our products in diverse and innovative ways are creating new jobs and different types of jobs, and investors from the region and across the world have already taken advantage.

Local & International Investment

Attracting investment is a key component of Petro Rabigh's drive for sustainability. When founding shareholders Saudi Aramco and Sumitomo Chemical launched the project they procured SAR 21.75 billion, or 60% of the total planned investment, through project finance from Japan Bank for International Cooperation (JBIC), Public Investment Fund, Commercial Banks and Islamic Finance.

The expansion project Petro Rabigh II has brought even greater backing from abroad, with 95% of the project's SAR 30 billion cost covered by foreign investment from the Bank of Tokyo Mitsubishi UFJ, Ltd., Mizuho Bank Limited, Norinchukin Bank, Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank Limited (London Branch), Citibank N.A. (Nassau Branch), HSBC Bank Middle East Limited, Credit Agricole Corporate & Investment Bank, and BNP Paribas S.A. Local and regional Islamic facilities have also given their backing to Petro Rabigh II, with commitments from Riyad Bank, Islamic Development Bank, Alinma Bank, Al Rajhi Bank, Banque Saudi Fransi, The National Commercial Bank, Samba Financial Group, The Saudi British Bank, Arab National Bank and Arab Petroleum Investments Corporation.

Investor Relations

Investor Relations' main function is to monitor and oversee Petro Rabigh adherence to the rules and guidelines set by the concerned regulators for all listed companies. This ensures transparency and streamlined communication in order to help promote Petro Rabigh's equity profile.

> Petro Rabigh continues to organize its Analyst Meetings to enhance engagement with regional and international investment firms and promote benefits for all parties through discussions between them and the Company's executive management.

Investor Relations communicates with shareholders through a dedicated number where the Investor Relations team members attend to shareholders' inquiries or complaints and escalate matters to management when required. All received calls are recorded and reviewed for quality assurance.

The Investor Relations team focuses on improving its General Assemblies year after year by improving the quality of the material provided to shareholders well in advance of the Assemblies, improving their logistics and setup as well as hospitality measures, and most importantly, assigning ample time for attending shareholders to raise questions freely and for the Board and management of the Company to respond.

In order to facilitate shareholder attendance of General Assemblies, Petro Rabigh organizes first class coach transportation providing complimentary trips from Jeddah to the Company's headquarters in Rabigh and back on the day of the General Assembly, when the event is held at the Rabigh headquarters.

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

The Company takes extra care to ensure the transparency as well as quality and quantity of information 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 all parties through discussions between them and the Company's executive management.

Project Management

2016 witnessed major achievements in the field of project management, with the Company proceeding with the execution of its first major stand-alone project under its direct management. The final Clean Fuel (CF) and Sulfur Recovery Unit (SRU) products will comply with stringent quality and environmental specifications, which will serve to further expand Petro Rabigh's product market by meeting the requirements of international markets.

The project included the successful completion of the Front End Engineering Design (FEED) packages for Polyols, CF, and SRU within the approved budget and schedule. The Engineering, Procurement, and Construction (EPC) contract was awarded to Kinetics Technology (KT) – Italy, for the CF and SRU projects, and the project is currently under full execution.

Sustainability

Sustainability is the key to the long-term success of Petro Rabigh as a catalyst for economic and social development and environmental protection. To achieve those goals, the Company has focused efforts on creating a positive impact on society, the environment, and the wealth of every stakeholder. That includes everything from safety to job creation as well as local and foreign investors, which contributes to the Kingdom's economic development and diversification.

At Petro Rabigh, we realized the importance of a Sustainability program aligned with the Kingdom of Saudi Arabia's Vision 2030 to support the national economy and build a motivated and innovative society.

Sustainability is built on three pillars: People, Planet and Prosperity. These pillars address our commitment to Corporate Social Responsibility and our stringent concern for the protection of the environment as well as our commitment towards the welfare and prosperity of our employees, community and country as a whole.

The local region has witnessed major development and growth, with many regional companies engaged in ambitious megaprojects. This requires unified efforts to address a sustainable society. At Petro Rabigh, we realized the importance of a Sustainability program aligned with the Kingdom of Saudi Arabia's Vision 2030 to support the national economy and build a motivated and innovative society. In 2016, therefore, we spearheaded the (under formation) Saudi Sustainable Development Association (SSDA) to promote sustainability and make it a recognizable brand, not just in Rabigh, but across the Kingdom. Eleven leading local companies have joined in partnership to meet one objective: to create social value for the community and country.

The members, in addition to Petro Rabigh, are:

- King Abdullah Economy City (KAEC)
- SANKYU Saudi Arabia Co.
- Arabian Fal Holdings Co.
- Rabigh Arabian Water and Electricity Company (RAWEC)
- Tawuniya
- DHL
- International Medical Center (IMC)
- Tamimi Global Co.
- Global Environmental Management Service (GEMS)
- Arabian Pipeline & Services Co. (Anabeeb)
- IMC (International Medical Center)

LERABIGH

Corporate Social Responsibility

Since Petro Rabigh launched operations in 2009, we have carried out a variety of initiatives that complement ongoing programs to have a wide impact on society's wellbeing, culture and livelihood by working responsibly with the local community.

Ongoing campaigns have collected donations of food, clothes and toys for the needy in the Rabigh region, while fundraising appeals have collected for local and international charity campaigns.

The Company also makes extra efforts during the festival periods by providing gifts and donations, and visiting the infirm and aged in hospitals and care homes.

We also support the public at large and particularly young people by providing summer training programs for local high school students, bus services for those in charity housing, potable water for remote schools and water for public gardens.

Petro Rabigh seeks to increase awareness and change attitudes for sustainable social development, and our initiatives include outreach programs and visits from schools and universities to our facilities to promote safety at home, safe driving, protection of the environment, recycling and water and electricity.

The Company also makes extra efforts during the festival periods by providing gifts and donations, and visiting the infirm and aged in hospitals and care homes.

Volunteering

The promotion of volunteerism is integral to all Petro Rabigh's campaigns targeting the wider community. We aim to instill in the younger generation a sense of ownership and responsibility through which they take the initiative in helping build the society they want for the future. To that end, we encourage young Saudi school and university students to get involved in all our social and environmental campaigns.

Petro Rabigh has also set up its own Volunteering Team, made up of young Saudi employees who carry out a range of corporate social responsibility activities. The Team, which was formed in 2015 and formalized by management in September 2016, engages in numerous initiatives throughout the year, including events during Ramadan to donate food and clothing to the needy, and visits to the elderly and infirm in Rabigh, Jeddah, Makkah and Riyadh. The Team also coordinates with other volunteer groups, such as the nationwide Saudi Volunteer Ambassadors, to learn from their experience in volunteer work.

> We aim to instill in the younger generation a sense of ownership and responsibility through which they take the initiative in helping build the society they want for the future.

Environment & Health

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 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.

> The 2016 Marine Environmental Compliance survey, which covered sensitive ecosystems like coral reef, mangrove and salt marshes, water and sediment quality and bioaccumulation, revealed no significant adverse environmental impact due to the operational activities of Petro Rabigh on Red Sea coastal waters and marine life.

We are 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), Environmental Management and Occupational Health and Safety Management in line with ISO, OHSAS requirements.

Petro Rabigh 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.

The Company also has a radiation protection program that exceeds regulatory requirements, and its Company Practice License was renewed for five years after the program was audited in October 2016 by King Abdullah City for Atomic and Renewable Energy (K.A.CARE), the National Regulatory Authority and found to be in compliance with regulatory requirements.

Furthermore, the Company complies with the international REACH (Registration, Evaluation, Authorization and Restriction of Chemicals)

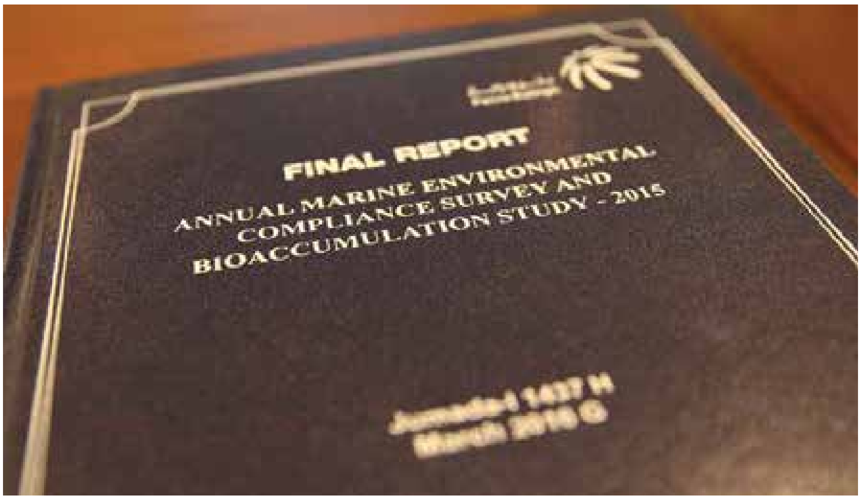
Petro Rabigh received its ISO and OHSAS certifications in Quality Management Systems, Environmental Management Systems, and Occupational Health & Safety, meaning that the Company is in line with the requirements of international management systems standards ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007. The new certificates are valid until November 30, 2019.

requirements for classification, labelling and packaging of materials. Those requirements are related to developing and maintaining safety data sheets required for promotion and marketing Company products.

In terms of protection and conservation of the environment, Petro Rabigh has various environmental and occupational health strategies and action plans that ensure corporate sustainable development.

In compliance with national and international regulations, air quality is monitored continuously by mobile and fixed Air Quality Monitoring Stations (AQMS) along with semi-annual emission testing. Water discharge to marine environment and groundwater quality are monitored and findings reported in accordance with legal requirements.

The Company also carries out an Annual Marine Environmental Compliance Survey and Study in collaboration with the Center for Environment and Water Research Institute at King Fahd University of Petroleum and Minerals to ensure we meet and exceed environmental compliance.



The 2016 survey, which covered sensitive ecosystems like coral reef, mangrove and salt marshes, water and sediment quality and bioaccumulation, revealed no significant adverse environmental impact due to the operational activities of Petro Rabigh on Red Sea coastal waters and marine life.

Community Life

Petro Rabigh Community is a self-contained residential compound located right on the shores of the Red Sea. It provides an outstanding environment for a fulfilling family life, offering everything from schools and medical services to extensive sports, leisure and social facilities.

The Community also serves as a center for training and team-building initiatives to promote awareness of operational, health, safety and environmental issues, 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.

PESCAA
Petro Rabigh Employees Social & Cultural Activities Association
Building Lifelong friendship

Numerous other activities are also held at the Community, from sports tournaments and children's events, to cultural occasions and summer programs for dependents, while the Petro Rabigh Employees Social & Cultural Activities Association – PESCAA – organizes excursions and social activities to strengthen community ties and engage both Saudis and non-Saudis in cultural and social life.

PESCAA's events are helping to foster lifelong friendships and strengthen bonds between the hundreds of employees, friends and dependents who have taken part.

The Community serves as a center for training and team-building initiatives to promote awareness of operational, health, safety and environmental issues, and frequently hosts visits from schools and universities to benefit from its sports and recreation opportunities as well as its educational facilities.

Petro Rabigh and Saudi Arabia Vision 2030

VISION رؤية 2030 المملكة العربية السعودية KINGDOM OF SAUDI ARABIA

In April 2016, the Custodian of the Two Holy Mosques King Salman announced Saudi Arabia's Vision for 2030. The Vision is built around three themes: a vibrant society, a thriving economy and an ambitious nation. These themes are mirrored by Petro Rabigh's approach to serve as a catalyst for sustainable economic and social development.

The strategic partnership between Petro Rabigh founders Saudi Aramco and Sumitomo Chemical brings together the vast know-how and infrastructure of the world's largest integrated energy enterprise and the technological capabilities of one of the most innovative and diverse chemical companies. Together they established Petro Rabigh as the world's largest single-phase integrated refining and petrochemical complex to fully exploit the material and human resources available and become a trade hub at Rabigh's strategic location at the crossroads of three continents.

The project was based on adding value to the Kingdom's principle natural resources – oil and gas - by converting them into high added value petrochemical products, and diversification of products for greater resilience and downstream impact. Along with the partnerships and investment that Petro Rabigh attracts, and the highly skilled local talent that we recruit and train, this is creating a more vibrant and innovative economy.

Saudi Vision 2030 consolidates Petro Rabigh's role as a catalyst for development, built on strong foundations to ensure that future generations of young Saudis are well prepared to manage the Kingdom's energy resources.

With everyone fully committed to the Vision, Petro Rabigh is set to play a major part in building a thriving country in which all citizens have the opportunity to fulfill their ambitions.

Petro Rabigh II

The Rabigh Phase II program is set to diversify Petro Rabigh's petrochemical slate and drive profitability and growth downstream through new high value added products.

By the end of 2016, Phase II construction reached 97.9% completion, including expansion of the Ethane Cracker Unit and construction of the Cumene/Phenol, MTBE/IB, Nylon-6 plant and Metathesis plant.

Ongoing hiring and recruitment of a qualified and competent workforce for Phase II resulted in over 85% of all required positions being filled by the year's end. As part of Petro Rabigh's vision and commitment to promoting a sustainable economy via the development of local content and expertise, young Saudi graduates and apprentices have been recruited on a continuous basis and developed through a range of training programs to qualify them to successfully operate the world-class Phase II facilities. International recruitment workshops continue to be organized worldwide, with a strong focus on workforce diversification and international expertise.

In preparation for startup, various training programs have either been completed or are being currently finalized. Some of the training programs include Operator Training Simulators, On-Job training, Licensor training, and Vendor training. In addition, an Initial Startup Certification (i-Certificate), program has been implemented to ensure all operators are ready to operate the plants.

By the end of 2016, Phase II construction reached 97.9% completion, including expansion of the Ethane Cracker Unit and construction of the Cumene/Phenol, MTBE/IB, Nylon-6 plant and Metathesis plant.

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COMPANY'S BRIEF AND ACTIVITIES

Rabigh Refining and Petrochemical Company (Petro Rabigh) was established as a Saudi limited liability Company under Commercial Registration No. 4602002161 on 15-08-1426 H (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).

Petro Rabigh has 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.

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).

COMPANY'S ACTIVITIES

Petro Rabigh has 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 2016:

Activity	2016 Sales (SAR Thousands)	Contribution to Sales (%)
Refining	19,423,911	77 %
Petrochemicals	5,722,219	23 %
Total	**25,146,130**	**100%**

For the year ended December 31, 2016

SIGNIFICANT PLANS, DECISIONS AND FUTURE PROSPECTS

The Company foresees normal operations in 2017 and onwards, while the following future prospects are taken into consideration by the Company's management and Board of Directors:

A. PETRO RABIGH TRANSFORMATION ROADMAP

Petro Rabigh continues to implement its Transformation Roadmap towards performance improvement and excellence. By the end of 2016 Petro Rabigh had implemented 68% of the Transformation Roadmap, with a project on-track rate consistently above 70% for the last 24 months, maintaining the objective of successful initial completion by the end of 2017.

The Transformation Master Plan consists of 6 Roadmaps containing 11 Projects, totaling 88 Initiatives with over 4,500 tasks, involving directly more than 130 employees. Following the Operational Excellence principle of Plan/Do/Check/Adjust (PDCA) and recent feedback from the Board, Executive Management and Shareholder Audits, a detailed review process of all Roadmaps was finalized mid-year, including definition and selection of industry-specific KPIs for proper performance monitoring and improving department and section-level accountability for all operating plan action items.

The review process involves an effectiveness assessment of the overall Transformation process, as well as individual assessment of all the Roadmaps. Corrective actions have been initiated to address the gaps, resulting in new tasks recorded under the Transformation Management System, and a new Roadmap 3.6 "Develop Effective Operations" has been initiated, championed by Refinery Manager under the close supervision and sponsorship of GM Operations. Also, three different Steering Committees have been initiated by the President & CEO to bring more focus on key areas of the performance improvement in Reliability, Rabigh II Commissioning and Start-up, Profitability and Cost Control.

Currently the Transformation Roadmap has delivered tangible improved performance in Safety, Human Resources, Logistics, Sales and Marketing, IT and Finance. Going forward, the focus of the Transformation Roadmap has shifted to the core production areas, with Process Engineering, Material Management, Maintenance, Reliability and Operations Roadmaps being critically addressed by dedicated teams of specialists.

In order to ensure proper monitoring and tracking of all activities to improve performance, Petro Rabigh has upgraded its Transformation Performance Management dashboard into a **Corporate Management System** to include the following modules:

Transformation Roadmap
(project management of all related Transformation Roadmap initiatives) – under implementation, 68% achieved.

Key Performance Indicators, Operational Performance
(function and department-level KPI dashboards for proper performance monitoring) – under development and implementation, 90% achieved, operational February 2016.

Accountability
(operating plan derived function and department targets, action-items, manpower requirements, budget and KPIs) – completed.

Shareholders Assessments –
(compilation of all 3 founding shareholders performance assessments, findings and recommendations) – under development and implementation.

Corporate Actions
(initiatives aimed at improving key areas of operations in Petro Rabigh: asset reliability, Phase II, profitability and cost control) – under development and implementation, operational February 2017.

Engineering Recommendations
(compendium of all technical recommendations for overview and tracking, with access to SAP system for further reference) - under development and implementation, operational March 2017.

Safety Recommendations
(interface and overview of all safety management recommendations for tracking and access to SAP safety management system for further reference) - under development and implementation, operational March 2017.

The Corporate Management System ensures that all relevant information for managing Petro Rabigh's business is contained in one place, regularly updated, transparent and accessible in a controlled manner by all concerned parties through the Company's portal. It provides a positive user experience while capturing all relevant data threads for adequate business management.

B. PHASE II IMPLEMENTATION

The Company sees a significant progress of the Phase II construction work during 2016 given the completion of an expansion of the existing Ethane Cracker, MTBE/Isobutylene units, Cumene/Phenol units, electrical and other utility facilities and support services buildings. Ethane Cracker continues to be in operation by raising its capacity to process 125 million SCFD of Ethane. The remaining units including Naphtha Reformer and Aromatics are scheduled to be completed in the second quarter of 2017 and the operation of these units plans to gradually start in the second half of 2017. The delay in these plants is due to construction market challenges.

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.

C. PROJECTS FOR POLYOL PRODUCTION, CLEAN FUEL AND SULFUR RECOVERY

The Company awarded clean fuel project and sulfur recovery project to the contractor who performs engineering, procurement and construction work of these two projects. The projects plan to be completed during the third quarter of 2019.

The sulfur recovery project, with a capacity of 106,000 tons per annum, is one of the necessary additions for the Phase II project in order to ensure the compliance of the project units to related environmental regulations. The clean fuel project is to construct a naphtha processing unit, with a capacity of 17,000 BPSD, to start producing clean fuel during 2019.

Regarding the polyol project (Polyether Polyols), it is still under engineering study and review.

POTENTIAL RISKS & 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. 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 (98%) 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 of December 31, 2016, there were minimal overdue debts equivalent to 1.9% (2015: 10.3%) 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.

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.

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.

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. 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.

RISKS RELATED TO THE ECONOMIC SITUATION

The Company realizes that it operates in a competitive market and the demand for 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 reasonably possible. In 2016 the Company's Transformation Program was redefined, adding focused committees to address the asset reliability, profitability and cost control and Rabigh II expansion program, and to track all management technical recommendations with the goal of reducing process variability, ensuring safe and steady operations, 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:

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

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

c. To ensure that the strategy plan as set by the Board is implemented effectively and to avoid the risk of management diverting from the plan, each organization takes the responsibility of setting key performance indicators (KPIs) which are directly aligned to key strategic objectives. The results of the KPIs 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, 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 Energy and Industry and Mineral Resources, Ministry of Commerce and Investment, 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:

a. 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 fewer 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.

b. The position of chairman of both the Audit Committee and the Marketing Steering Committee are currently occupied by independent directors.

c. 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.

d. Related-party transactions are disclosed in the Board of Directors Report and at General Assembly meetings.

ASSETS, LIABILITIES AND RESULTS OF BUSINESS FOR THE LAST FIVE YEARS

BALANCE SHEET

For the year ended December 31, 2016 (In SAR '000)

	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Current Assets	9,595,738	5,699,999	13,474,468	16,136,502	16,488,519
Non-Current Assets	48,534,315	45,641,050	27,461,323	29,440,244	31,287,030
Total Assets	**58,130,053**	**51,341,049**	**40,935,791**	**45,576,746**	**47,775,549**
Current Liability	11,333,134	7,872,133	12,174,834	15,676,713	16,347,884
Long-Term Loans & Other Liabilities	38,419,046	35,117,518	19,205,094	20,982,576	22,866,723
Equity	8,377,873	8,351,398	9,555,863	8,917,457	8,560,942
Total Liabilities & Equity	**58,130,053**	**51,341,049**	**40,935,791**	**45,576,746**	**47,775,549**

INCOME STATEMENT

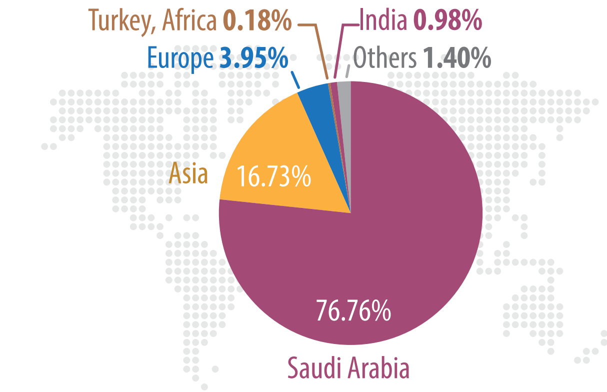
For the year ended December 31, 2016 (In SAR '000)

	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Income	25,146,130	25,513,860	54,236,752	50,597,710	62,010,877
Refined Products	19,423,911	19,500,612	44,096,362	42,865,957	52,541,909
Petrochemical Products	5,722,219	6,013,248	10,140,390	7,731,753	9,468,968
Cost of Goods Sold	(24,038,699)	(25,218,530)	(52,511,512)	(50,136,617)	(60,481,712)
Gross Profit	1,107,431	295,330	1,725,240	461,093	1,529,165
Selling, General & Administrative Expenses	(998,715)	(1,055,425)	(991,502)	(774,105)	(875,201)
Other (expense) income - Net	(72,051)	1,588	(52,309)	672,195	(165,106)
Net Profit (Loss)	**36,665**	**(758,507)**	**681,429**	**359,183**	**488,858**

2016 GEOGRAPHICAL GROSS SALES AND REVENUES ANALYSIS

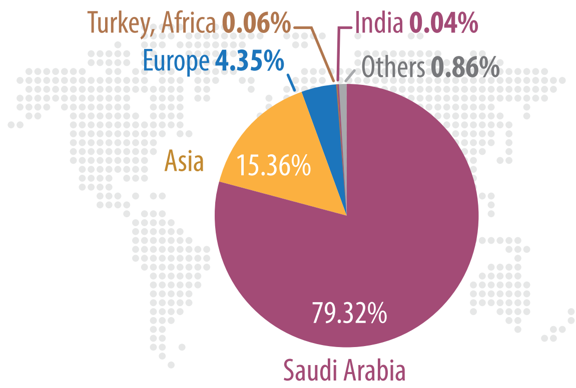
REFINED PRODUCTS SALES

Destinations	Volume (BBL)	%
Asia	19,704,663	16.73%
Saudi Arabia	90,396,504	76.76%
Europe	4,656,162	3.95%
Turkey, Africa	212,202	0.18%
India	1,152,317	0.98%
Others	1,646,786	1.40%
TOTAL	**117,768,635**	**100%**



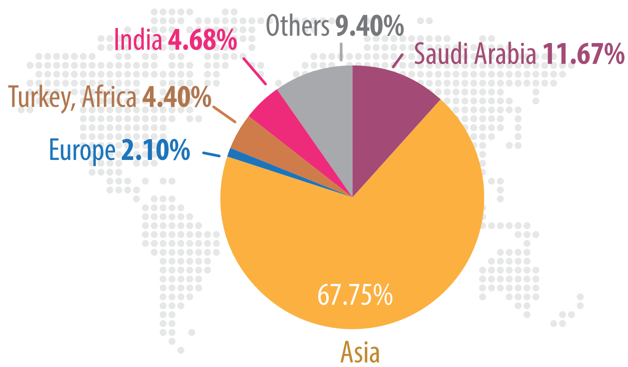
REFINED PRODUCTS GROSS REVENUES

Destinations	Sales (SAR)	%
Asia	2,983,857,308	15.36%
Saudi Arabia	15,407,733,158	79.32%
Europe	845,196,589	4.35%
Turkey, Africa	11,219,149	0.06%
India	7,981,590	0.04%
Others	167,923,249	0.86%
TOTAL	**19,423,911,041**	**100%**



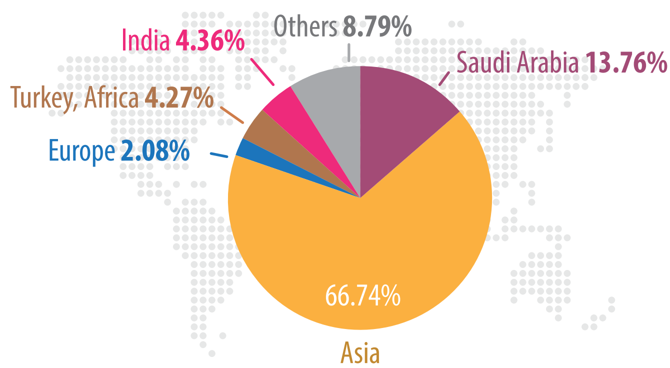
PETROCHEMICAL PRODUCTS SALES

Destinations	Volume (MT)	%
Asia	1,177,349	67.75%
Saudi Arabia	202,786	11.67%
Europe	36,484	2.10%
Turkey, Africa	76,432	4.40%
India	81,286	4.68%
Others	163,320	9.40%
TOTAL	**1,737,658**	**100%**



PETROCHEMICAL PRODUCTS GROSS REVENUES

Destinations	Sales (SAR)	%
Asia	3,818,811,183	66.74%
Saudi Arabia	787,596,769	13.76%
Europe	118,953,971	2.08%
Turkey, Africa	244,430,779	4.27%
India	249,679,466	4.36%
Others	502,746,791	8.79%
TOTAL	**5,722,218,959**	**100%**



MATERIAL DIFFERENCES IN THE OPERATING RESULTS IN COMPARISON TO THE PREVIOUS YEAR

Following is a brief description of the 2016 financial outcome in comparison to the previous year:

- Net income for the year ended December 31, 2016 is SAR 36.7 million (December 31, 2015: Net loss SAR 758.5 million).
- Income per share for the year ended December 31, 2016 is SAR 0.04 per share (December 31, 2015: loss SAR 0.87 per share).
- The gross profit for the year ended December 31, 2016 was SAR 1,107.4 million (December 31, 2015: SAR 295.3 million).
- Operating income for the year ended December 31, 2016 is SAR 108.7 million (December 31, 2015: Operating loss of SAR 760 million).

The main reasons for net income for the year against loss in the previous year were (1) sales and production volume increased after start-up from the total complex shutdown performed in Q4 2015 and (2) feedstock price increase positively impacted inventory valuation. However, this profit was partially offset by narrowed margin for both refined products and petrochemicals in 2016.

COMPLIANCE WITH ACCOUNTING STANDARDS APPROVED BY (SOCPA)

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.

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.

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

COMPANY'S SUBSIDIARIES

N/A

THE PARTICULARS OF THE ISSUED SHARES AND DEBT INSTRUMENTS OF EVERY SUBSIDIARY

N/A

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.

DESCRIPTION OF ANY INTEREST AND CHANGES IN A CLASS OF VOTING SHARES HELD BY PERSONS OTHER THAN THE COMPANY'S DIRECTORS, SENIOR EXECUTIVES AND THEIR RELATIVES

N/A

DESCRIPTION OF ANY INTEREST, CONTRACTUALLY BASED SECURITIES, AND SUBSCRIPTION RIGHTS OF THE COMPANY'S DIRECTORS, SENIOR EXECUTIVES AND THEIR RELATIVES IN THE SHARES OR DEBT INSTRUMENTS OF THE COMPANY OR ANY OF ITS SUBSIDIARIES, TOGETHER WITH ANY CHANGE TO SUCH INTEREST OR RIGHTS

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)	-	-	-	-	-	-
Nasser D. Al-Mahasher*	President & CEO (Executive Director)	-	-	-	-	-	-
Motaz A. Al-Mashouk*	Non-Executive Director	-	-	-	-	-	-
Shigeyuki Yoneda**	Non-Executive Director	-	-	-	-	-	-
Noriaki Takeshita**	Deputy Chairman Non-Executive Director	-	-	-	-	-	-
Takashi Shigemori**	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	-	-	-

- Abdullah S. Al- Suwailem resigned from the Board of Petro Rabigh on September 1, 2016.
- Nasser D. Al-Mahasher was appointed as President & CEO (Executive Director) on September 1, 2016.
- Tomohisa Ohno resigned from the Board of Petro Rabigh on May 31, 2016.
- Takashi Shigemori was appointed as (Executive Director) on May 31, 2016

*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 and their Direct Relatives Interest in Company Stocks and/or Debt Instruments during the Last Financial Year:

Name	Position	Period Start		Period End		Net Change	Change %
		Stocks	Debt Instruments	Stocks	Debt Instruments		
Abdullah M. Al-Qahtani	Vice President, Industrial Security	-	-	-	-	-	-
Bassam A. Al-Bokhari	Vice President, Industrial Relations	252	-	252	-	-	-
Tareq A. Al-Nuaim	Vice President, Engineering & Support	200	-	200	-	-	-
Satoshi Takazawa*	Chief Financial Officer	-	-	-	-	-	-
Naoyuki Inoue***	Chief Financial Officer	-	-	-	-	-	-
Yasuhiko Kitaura**	Senior Vice President, Manufacturing	-	-	-	-	-	-
Seiji Takeuchi*****	Senior Vice President, Manufacturing	-	-	-	-	-	-
Takashi Shigemori	Vice President, Market Development	-	-	-	-	-	-

*Satoshi Takazawa resigned from Petro Rabigh on March 31, 2016
**Yasuhiko Kitaura resigned from Petro Rabigh on May 14, 2016
***Naoyuki Inoue was appointed as (Chief Financial Officer) on May 1, 2016
****Seiji Takeuchi was appointed as (Senior Vice President, Manufacturing) on May 15, 2016

Personnel with Access to Material Company Information:

Khalid N. Al-Nuwaiser*	General Auditor	-	-	-	-	-	-
Eric C. Hyder***	Chief Auditor	-	-	-	-	-	-
Michael C. Smith**	Secretary of the Board of Directors	-	-	-	-	-	-
Carter A. Lawson*****	Secretary of the Board of Directors	-	-	-	-	-	-
Eyad M. Ajaj	Corporate Affairs Manager	2,050	-	2,050	-	-	-

*Khalid N. Al-Nuwaiser resigned from Petro Rabigh on February 11, 2016.
**Michael C. Smith resigned from Petro Rabigh on September 1, 2016.
***Eric C. Hyder appointment as (Chief Auditor) on September 18, 2016
****Carter A. Lawson appointment as (Secretary of the Board of Directors) July 28, 2016

LOANS

A. 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.

The following table shows Petro Rabigh loans from commercial banks, Islamic banks and government agencies:

Lender	In SAR Thousands					
	Loan Availed up to December 31, 2016	Loan Tenor (Years)	Balance on December 31, 2015	Additions during 2016	Repayments during 2016	Balance December 31, 2016
Japan Bank For International Cooperation	16,867,500	12.5 - 13	12,577,139	772,269	(824,013)	12,525,395
Commercial Banks	14,400,000	12.5 - 13	9,872,732	4,812,440	(4,430,237)	10,254,935
Public Investment Fund	8,625,000	12.5 - 13	5,016,513	2,201,250	(329,605)	6,888,158
Islamic Financial Institutions	2,250,000	12.5	1,314,380	-	(235,092)	1,079,288
Sumitomo Mitsui Banking Corporation - Equity Bridge Loans	4,681,125	4	3,588,000	1,093,125	-	4,681,125
Total	**46,823,625**		**32,368,764**	**8,879,084**	**(5,818,947)**	**35,428,901**

B. 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.

The following table lists Petro Rabigh loans from the founding shareholders:

Lender	In SAR Thousands				
	Loan Principle	Loan Tenor (Years)	Balance on December 31, 2015	Repayments During 2016	Balance on December 31, 2016
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**

C. GENERAL CREDIT FACILITY

The general credit facility amounting to SAR 375 million has expired on September 3, 2016 and the terms and conditions for its renewal are currently under negotiations.

DESCRIPTION OF THE CLASSES AND NUMBERS OF ANY CONVERTIBLE DEBT INSTRUMENTS, ANY CONTRACTUALLY BASED SECURITIES, WARRANTS OR SIMILAR RIGHTS ISSUED OR GRANTED BY THE COMPANY DURING THE FINANCIAL YEAR, TOGETHER WITH THE CONSIDERATION RECEIVED BY THE COMPANY IN RETURN

N/A

DESCRIPTION OF ANY CONVERSION OR SUBSCRIPTION RIGHTS UNDER ANY CONVERTIBLE DEBT INSTRUMENTS, CONTRACTUALLY BASED SECURITIES, WARRANTS OR SIMILAR RIGHTS ISSUED OR GRANTED BY THE COMPANY

N/A

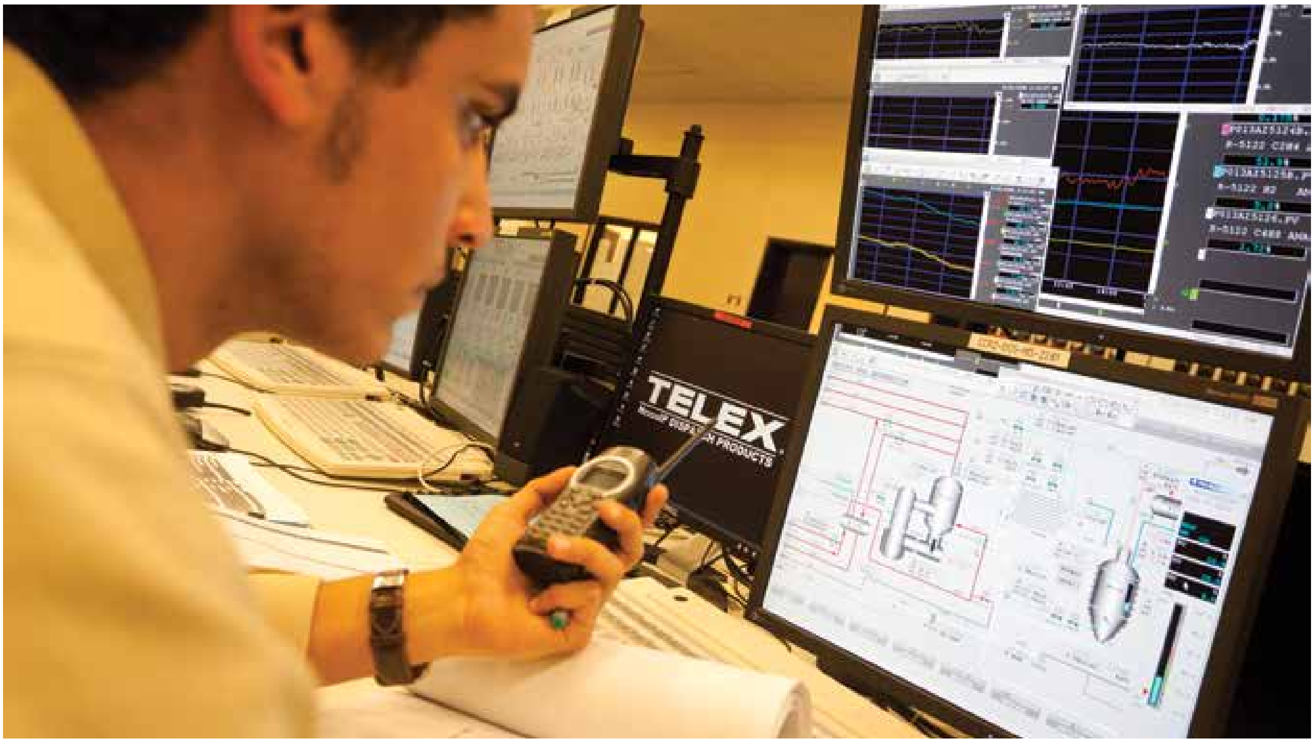
DESCRIPTION OF ANY REDEMPTION OR PURCHASE OR CANCELLATION BY THE COMPANY OF ANY REDEEMABLE DEBT INSTRUMENTS AND THE VALUE OF SUCH SECURITIES OUTSTANDING, DISTINGUISHING BETWEEN THOSE LISTED SECURITIES PURCHASED BY THE COMPANY AND THOSE PURCHASED BY ITS SUBSIDIARIES

N/A

THE NUMBER OF MEETINGS OF THE DIRECTORS HELD DURING THE LAST FINANCIAL YEAR AND THE ATTENDANCE RECORD OF EACH MEETING LISTING NAMES OF THE ATTENDEES

Name	Title	1st Meeting Feb 24, 2016	2nd Meeting April 22, 2016	3rd Meeting July 28, 2016	4th Meeting Sept 28, 2016	5th Meeting Dec 15, 2016	Total Meetings Attended
Abdulaziz M. Al-Judaimi	Chairman (Non-Executive)	√	√	√	√	√	5
Tomohisa Ohno ***	Deputy Chairman (Non-Executive)	√	√	-	-	-	2
Abdullah S. Al-Suwailem*	President & CEO (Executive Director)	√	√	√	-	-	3
Nasser D. Al-Mahasher**	President & CEO (Executive Director)	-	-	-	√	√	2
Motaz A. Al-Mashouk	Non-Executive Director	√	√	√	√	√	5
Shigeyuki Yoneda	Non-Executive Director	√	√	√	√	√	5
Noriaki Takeshita	Deputy Chairman (Non-Executive Director)	√	√	√	√	√	5
Takashi Shigemori****	Executive Director	-	-	√	√	√	3
Saud A. Al-Ashgar	Independent Director	Via Proxy	√	√	√	√	5
Saleh F. Al-Nazha	Independent Director	√	√	√	√	√	5
Waleed A. Bamarouf	Independent Director	√	√	√	√	√	5

*Abdullah S. Al-Suwailem resigned from the Board of Petro Rabigh on September 1, 2016.
**Nasser D. Al-Mahasher was appointed as President & CEO (Executive Director) on September 1, 2016.
***Tomohisa Ohno resigned from the Board of Petro Rabigh on May 31, 2016.
****Takashi Shigemori was appointed as (Executive Director) on May 31, 2016



DESCRIPTION OF ANY TRANSACTION BETWEEN THE COMPANY AND ANY RELATED PARTY

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 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 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 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.

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, 2013.

RABIGH REFINERY COMPLEX LEASE AGREEMENT

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

RABIGH COMMUNITY 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; 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 the founding shareholders and their affiliates covering various operational and logistics support services. These agreements cover the provision of various support services to and by the Company such as human resources, training and recruitment, legal, utilities, information Technology, General Management, Technical Support and Pre-marketing Support. These agreements also cover the ongoing technical support needed for continuous operations and ongoing enhancements such as refining and petrochemical process know-how provided by Saudi Aramco and Sumitomo Chemical respectively and marketing technical services, engineering and safety best practices and training provided by both founding shareholders. The Company shall pay for these services at mutually agreed prices specified in each agreement for the services to be provided. On the other hand, and prior to 2016, Petro Rabigh entered into minor service agreements with associates of its Founding Shareholders:

No.	Related Party	Description of Agreement
1	Aramco Overseas Company (AOC) B.V. (Italy)	Provides assistance to Petro Rabigh employees and their dependents on Out-of-Kingdom assignments
2	Aramco Overseas Company B.V. (Korea)	Provides assistance to Petro Rabigh employees and their dependents on Out of Kingdom assignments
3	Aramco Overseas Company B.V.	AOC to provide Petro Rabigh with recruitment services for in Kingdom positions
4	Aramco Overseas Company B.V.	AOC to provide communications, IT, consulting, engineering, technical, admin or professional services
5	Sadara Chemical Company	Petro Rabigh sells furniture and performs renovation work for SADARA
6	Sumika Middle East Co. Ltd. (SME)	Housing Services Agreement
7	Sumika Middle East Co. Ltd. (SME)	Provide Security Training to 2 employees of SME, a subsidiary of Sumitomo Chemical assigned in Rabigh PlusTech Park
8	Sumika Middle East Co. Ltd. (SME), KSA	Utility Supply by Petro Rabigh
9	Sumitomo Chemical Polymer Compounds, Saudi Arabia Co. LTD.	Housing Services Agreement by Petro Rabigh
10	Sumitomo Chemical Polymer Compounds, Saudi Arabia Co. (SPCS)	Provide Security Training to employees of Sumitomo Chemical Polymer Compounds, Saudi Arabia Co, a subsidiary of Sumitomo Chemical assigned in Rabigh PlusTech Park
11	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, the transactions result in receivable and payable balances with the related parties as set out in the balance sheet in trade and non-trade receivables, trade and other payables, loans and borrowings, accrued expenses and other liabilities amounting to Saudi Riyals 3,722 million (2015: SAR 789 million), SAR 5,912 million (2015: SAR 1,317 million), SAR 5,332 million (2015: SAR 5,213 million) and SAR 94 million (2015: SAR 233 million), respectively. These transactions are summarized as follows:

Nature of Transaction	Amount of transaction In SAR Thousands	
	December 31, 2016	December 31, 2015
Saudi Arabian Oil Company and its associated companies		
Purchase of goods including shortfall of LPG and through-put fee	19,708,849	19,812,749
Sale of refined products	21,741,222	21,946,412
Financial charges	86,526	75,521
Rentals	47,267	44,188
Services provided to shareholders	800	16,985
Secondees' costs	77,611	78,279
Services and other cost charges (credit), net	32,852	15,515
Dividend	-	164,250
Sumitomo Chemical Company Limited and its associated companies		
Purchase of goods	172,888	51,903
Sale of petrochemical products	2,449,226	2,741,071
Financial charges	58,891	47,323
Rentals	709	709
Services provided to shareholders	800	13,047
Secondees' costs	160,271	83,308
Service and other cost charges (credit), net	43,156	22,140
Dividend	-	156,038

INFORMATION RELATING TO ANY BUSINESSES OR CONTRACT TO WHICH THE COMPANY IS A PARTY AND IN WHICH A DIRECTOR OF THE COMPANY, THE CEO, THE CFO OR ANY PERSON RELATED TO ANY OF THEM IS OR WAS INTERESTED, INCLUDING THE NAMES OF PERSONS IN RELATION, THE NATURE, CONDITIONS, DURATIONS AND THE AMOUNT OF THE BUSINESS OR CONTRACT

N/A

DESCRIPTION OF ANY ARRANGEMENT OR AGREEMENT UNDER WHICH A DIRECTOR OR A SENIOR EXECUTIVE OF THE COMPANY HAS WAIVED ANY SALARY OR COMPENSATION

N/A

DESCRIPTION OF ANY ARRANGEMENT OR AGREEMENT UNDER WHICH A SHAREHOLDER OF THE COMPANY HAS WAIVED ANY RIGHTS TO DIVIDENDS

N/A

A STATEMENT OF THE VALUE OF ANY OUTSTANDING STATUTORY PAYMENT ON ACCOUNT OF ANY ZAKAT, TAXES, FEES OR ANY OTHER CHARGES.

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

	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
Department of Zakat & Income Tax	153,520	48,960	98,592	79,894	45,655	27,538
General Organization for Social Insurance	7,853	7,356	6,832	5,718	5,343	4,785
Total	161,373	56,316	105,424	85,612	50,998	32,323

WITHHOLDING TAX LIABILITY ARISING ON NOVATION OF PHASE II PROJECT

The novation of the Phase II project from the sponsoring partners to Petro Rabigh in March 2015 and the subsequent reimbursements of these costs to the original sponsoring partners have resulted in WHT liability implications for Petro Rabigh as a resident entity in KSA.

To this effect, Petro Rabigh has engaged one of the reputable tax consultants in the region, to support calculation and filing of WHT.

Based on the consultant's extensive study and conclusions, Petro Rabigh has recognized SAR 52.1 Million liability for filing of the withholding Tax. This amount consists of SAR 43.5 Million of withheld profit from beneficiaries and SAR 8.62 Million of delay payment. To offset this liability, Petro Rabigh has also recognized SAR 6.75 Million as receivable from the beneficiaries of the payment which attracted the withholding tax; wherever Petro Rabigh was entitled to deduct withholding tax from the payments in accordance with the contractual rights.

Where no such contractual rights existed, such costs which amounted to SAR 15 Million have been capitalized as part of the initial projects costs. Hence, the overall profit and loss impact for the year ended December 31, 2016 would be SAR 30.4 Million.

A STATEMENT AS TO THE VALUE OF ANY INVESTMENTS MADE OR ANY RESERVES SET UP FOR THE BENEFIT OF THE EMPLOYEES OF THE COMPANY

SHARE 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 2016, a total of 1,674 employees have joined the share ownership Incentive Program, and a total of 1,365 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 2016, a total of 510 employees had already joined the program.

EMPLOYEE LOT ALLOWANCE

A part of the Home Ownership Program (HOP) the Company provides an amount of SAR 200,000 as a land lot allowance. This amount is considered as a personal loan depreciating over 10 years of Company service. The employee will only be required to repay this loan, or a prorated amount thereof, if he/she leaves the Company before completing 10 years of continuous service from the loan 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, 2016 for the above mentioned Programs and Funds is as follows:

Description	Balance In SAR Thousands
Shares Ownership Incentive Program for Employees	8,207
Employee Housing Loan - Home Ownership Program (10% Fund)	18,175
Employee Lot Allowance (Home Ownership Program)	43,015
Employer's contribution to Employee Savings Plan	39,305

DECLARATIONS OF THE BOARD OF DIRECTORS

The Board of Directors declares the following:

- 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.

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) were not implemented due to the below:

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. 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.

A STATEMENT OF THE EXTERNAL AUDITOR'S REPORT CONTAINING RESERVATIONS ON THE ANNUAL FINANCIAL STATEMENTS

N/A

THE RECOMMENDATIONS OF THE BOARD OF DIRECTORS TO REPLACE THE EXTERNAL AUDITORS AND THEIR CAUSES

N/A

NAMES OF ANY JOINT STOCK COMPANY OR COMPANIES IN WHICH THE COMPANY BOARD OF DIRECTORS MEMBER ACTS AS A MEMBER OF ITS BOARD OF DIRECTORS

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	-	-
Nasser D. Al-Mahasher** President & CEO, Executive Director	-	-
Motaz A. Al-Mashouk Non-Executive Director	-	-
Shigeyuki Yoneda Non-Executive Director	-	-
Noriaki Takeshita Non-Executive Director	-	-
Takashi Shigemori**** Executive Director	-	-
Saud A. Al-Ashgar Independent Director	-	-
Saleh F. Al-Nazha Independent Director	-	-
Waleed A. Bamarouf Independent Director	Najran Cement	Independent Board Director

*Abdullah S. Al-Suwailem resigned from the Board of Petro Rabigh on September 1, 2016.
**Nasser D. Al-Mahasher was appointed as President & CEO (Executive Director) on September 1, 2016.
***Tomohisa Ohno resigned from the Board of Petro Rabigh on May 31, 2016.
****Takashi Shigemori was appointed as (Executive Director) on May 31, 2016.

FORMATION OF THE BOARD OF DIRECTORS AND CLASSIFICATION OF ITS MEMBERS

The Board of Directors currently consists of 9 members:

Name	Company
Abdulaziz M. Al-Judaimi	Chairman (Non-Executive Director)
Tomohisa Ohno***	Deputy Chairman (Non-Executive Director)
Abdullah S. Al-Suwailem*	President & CEO (Executive Director)
Nasser D. Al-Mahasher**	President & CEO (Executive Director)
Motaz A. Al-Mashouk	Non-Executive Director
Shigeyuki Yoneda	Non-Executive Director
Noriaki Takeshita	Deputy Chairman (Non-Executive Director)
Takashi Shigemori****	Executive Director
Saud A. Al-Ashgar	Independent Director
Saleh F. Al-Nazha	Independent Director
Waleed A. Bamarouf	Independent Director

*Abdullah S. Al-Suwailem resigned from the Board of Petro Rabigh on September 1, 2016.
**Nasser D. Al-Mahasher was appointed as President & CEO (Executive Director) on September 1, 2016.
***Tomohisa Ohno resigned from the Board of Petro Rabigh on May 31, 2016.
****Takashi Shigemori was appointed as (Executive Director) on May 31, 2016.

A BRIEF DESCRIPTION OF THE JURISDICTIONS AND DUTIES OF THE BOARD'S MAIN COMMITTEES

BOARD AUDIT COMMITTEE

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

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

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 respects 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):

Name	Title	Meeting Attended
Saud A. Al-Ashgar	Chairman of Board Audit Committee	5
Waleed A. Bamarouf	Member	5
Noriaki Takeshita	Member	5
Motaz A. Al-Mashouk	Member	5
(3) Eric C. Hyder (1) Muhammad Kattu (1) Hesham Azzouz	General Auditor & Secretary of the Committee (Non-Member)	5

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 Company's Board Nomination, Remuneration & Compensation Committee (NRCC):

Name	Title	Meeting Attended
Motaz A. Al-Mashouk	Chairman of Nomination, Remuneration and Compensation Committee	3
Saleh F. Al-Nazha/ Waleed A. Bamarouf*	Member	2
Noriaki Takeshita	Member	3
Saud A. Al-Ashgar	Member	3
Bassam A. Al-Bokhari	Vice President of Industrial Relations & Secretary of the Committee (Non-Member)	3

*Waleed A. Bamarouf/Saleh F. Al-Nazha as NRCC Member, but could not attend the 3rd NRCC Meeting

MARKETING COMMITTEE

The Marketing Committee (MC) 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 Board Marketing Committee (MC):

Name	Title	Meeting Attended
Saleh F. Al-Nazha	Chairman of Marketing Committee	4
Abdullah S. Al-Suwailem/ Nasser D. Al-Mahasher	Member	4
Noriaki Takeshita	Member	4
Takashi Shigemori	Secretary of the Committee (Non-Member) (Vice President of Market Development)	4

EXECUTIVE COMMITTEE

The purpose of the Executive Committee (EC) is to assist the Board of Directors in overseeing the Company's interests in the most efficient manner while adhering to best practices of corporate governance. Without prejudice to the powers reserved to the Board of Directors, the Executive Committee shall have all the necessary power and authority to undertake the following tasks:

- Review and approve contract award and expenditure requests for items covered in approved business plans, budgets and programs, provided that no individual item shall exceed SAR 187,5 million.
- Review the business plan and recommend such plans to the Board of Directors for approval.
- Review and approve additions to the annual budgets, plans, and programs approved by the Board of Directors, as the Executive Committee may deem necessary from time to time.
- Review and approve redefinitions, cancellations and supplements of previously approved expenditure requests.
- Receive informational reports on miscellaneous subjects and advise the Company's management thereon.
- To the extent permitted under the law, approve the entry of the Company into transactions with any of the Shareholders or related persons, and modify the terms of any agreement in connection with the same.
- Consider reports submitted to it in accordance with specific functions and subjects delegated by the Board of Directors from time to time.
- Perform such other tasks as delegated to it by the Board of Directors from time to time.

The following table shows the composition of the Company's Board Executive Committee (EC):

Name	Title	Meeting Attended
Abdulaziz M. Al-Judaimi	Chairman of Executive Committee	Nil
Shigeyuki Yoneda	Member	Nil
Saleh F. Al-Nazha	Member	Nil
Carter A. Lawson	Secretary of the Committee (Non-Member)	Nil

DETAILS OF COMPENSATION AND REMUNERATION PAID TO THE BOARD OF DIRECTORS, TOP FIVE EXECUTIVES, CEO & CFO

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

	In SAR Thousands			
	Executives board members	Non-Executives Board Members	Independent board members	Five Senior Executive (Including CEO & CFO)
Salaries & Compensation	1,389	-	-	6,220
Allowances	-	-	60	-
Annual Remunerations	-	-	200	-
Incentives Plans	-	-	-	-
Other Compensations or Benefits*	-	-	-	-

*Independent Board members receive an annual bonus of SAR150,000.00 each against their service on the Board.

PUNISHMENT OR PENALTY OR PREVENTIVE RESTRICTION IMPOSED ON THE COMPANY BY THE CAPITAL MARKET AUTHORITY (CMA) OR ANY OTHER SUPERVISORY OR REGULATORY OR JUDICIARY BODY

There was no Punishment or Penalty or Preventive Restriction imposed on the Company by the Capital Market Authority (CMA) or Any Other Supervisory or Regulatory or Judiciary Body.

RESULTS OF THE ANNUAL AUDIT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL PROCEDURES OF THE COMPANY

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 2016 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 2016 audits that can impair the effectiveness of the Company internal control systems.

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INDEPENDENT AUDITORS' REPORT

February 22, 2017

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, 2016 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 32 which form an integral part of the financial statements. These financial statements, which were prepared by the Company in accordance with 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, 2016 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:____________________

برايس وترهاوس كوبرز
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ترخيص رقم ٢٥
س.ت ٤٠٣٠٢٨٩٠٠٢
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BALANCE SHEET

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	December 31, 2016	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents	5	1,381,795	932,396
Time deposits	6	1,286,250	1,370,180
Trade receivables	7	3,696,687	823,894
Inventories	8	2,258,973	2,002,494
Current portion of long-term loans	13	393,372	295,400
Prepayments and other receivables	9	578,661	275,635
		9,595,738	5,699,999
Non-current assets		43,389,614	40,535,527
Property, plant and equipment	10	445,182	473,005
Leased assets	11	249,263	267,232
Intangible assets	12	16,412	16,412
Investment	13	4,433,844	4,348,874
Long-term loans	13	48,534,315	45,641,050
Total assets		58,130,053	51,341,049
Liabilities			
Current liabilities			
Short term borrowings	16	3,105,675	3,255,130
Current maturity of liabilities against capital leases	11	17,352	16,380
Trade and other payables	14	7,256,457	3,510,534
Accrued expenses and other liabilities	15	886,579	1,072,600
Zakat and income tax payable	25	67,071	17,489
		11,333,134	7,872,133
Non-current liabilities			
Loans, borrowings and other long-term liability	16	37,674,856	34,425,507
Liabilities against capital leases	11	499,278	515,615
Provision for deferred employee service	19	8,207	10,725
Employees benefits	17	236,705	165,671
		38,419,046	35,117,518
Total liabilities		49,752,180	42,989,651
Shareholders' equity			
Share capital	18	8,760,000	8,760,000
Statutory reserve	18	87,343	87,343
Employee share ownership plan	19	(8,207)	(10,979)
Accumulated deficit		(461,263)	(484,966)
Total shareholders' equity		8,377,873	8,351,398
Total liabilities and shareholders' equity		58,130,053	51,341,049
Commitments	28		

The accompanying notes 1 to 32 form an integral part of these financial statements.

INCOME STATEMENT

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	December 31, 2016	December 31, 2015
Sales	4,27	25,146,130	25,513,860
Cost of sales	20,27	(24,038,699)	(25,218,530)
Gross profit		1,107,431	295,330
Operating expenses			
Selling and marketing	21	(68,775)	(74,157)
General and administrative	22	(929,940)	(981,268)
Income (loss) from operations		108,716	(760,095)
Other income (expenses)			
Financial charges	23	(389,259)	(281,707)
Other income, net	24	317,208	283,295
Net income (loss) for the year		36,665	(758,507)
Earnings (loss) per share (Saudi Riyals):	26		
• Operating income (loss)		0.12	(0.87)
• Net income (loss)		0.04	(0.87)

The accompanying notes 1 to 32 form an integral part of these financial statements.

CASH FLOW STATEMENT

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	December 31, 2016	December 31, 2015
Cash flows from operating activities			
Net income (loss) for the year		36,665	(758,507)
Adjustments for non-cash items			
Depreciation	10,11	2,401,289	2,148,577
Amortization	12	18,611	26,308
Bad debts	22	-	107,010
Provision for slow moving inventories	8	8,274	7,131
Loss on disposal of property and equipment	24	4,089	-
Provision for deferred employee service	19	254	338
		2,469,182	1,530,857
Changes in working capital			
Trade receivables		(2,872,793)	5,571,180
Inventories		(264,753)	789,772
Prepayments and other receivables		(248,917)	149,286
Trade and other payables		3,745,923	(6,108,838)
Accrued expenses and other liabilities		(186,012)	695,748
Zakat and income tax payable		(17,489)	(83,103)
Employees benefits		71,034	59,045
Net cash generated from operating activities		2,696,175	2,603,947
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(5,231,642)	(18,130,194)
Additions to intangible assets	12	(642)	(120,627)
Investment	13	-	(7,856)
Time deposits	6	83,930	(72,544)
Net movement in loans balances		(182,942)	(2,175,646)
Net cash utilized in investing activities		(5,331,296)	(20,506,867)
Cash flows from financing activities			
Repayments of loans and borrowings		(5,900,069)	(2,086,343)
Proceeds from loans and borrowings		8,879,084	19,124,133
Other net movement in loans, borrowings and other long-term liability		120,879	3,987
Repayment of capital leases		(15,365)	(14,461)
Dividends paid		(9)	(437,597)
Net cash generated from financing activities		3,084,520	16,589,719
Net change in cash and cash equivalents		449,399	(1,313,201)
Cash and cash equivalents at beginning of the year	5	932,396	2,245,597
Cash and cash equivalents at end of the year	5	1,381,795	932,396
Supplemental schedule of non-cash information			
Accrued zakat debited to shareholders' equity net of reimbursements		12,962	12,477
Dividends payable	29	394	403

The accompanying notes 1 to 32 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Employee share ownership plan (ESOP)	Accumulated deficit	Total
January 1, 2016		8,760,000	87,343	(10,979)	(484,966)	8,351,398
Vesting of shares under ESOP	19	-	-	2,772	-	2,772
Net income for the year		-	-	-	36,665	36,665
Zakat and income tax	25	-	-	-	(67,071)	(67,071)
Zakat and income tax reimbursements		-	-	-	54,109	54,109
December 31, 2016		**8,760,000**	**87,343**	**(8,207)**	**(461,263)**	**8,377,873**
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 reimbursements		-	-	-	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**

The accompanying notes 1 to 32 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. GENERAL INFORMATION

Rabigh Refining and Petrochemical Company (the "Company" or "Petro Rabigh") 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 34 billion. Currently, Phase II Expansion Project is under construction stage, the mechanical completion of which is estimated to be during second quarter of 2017. Also see Note 10.

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.

Effective January 1, 2017, the Company's financial statements will be prepared under International Financial Reporting Standards ("IFRS") as endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA"). Upon adoption of IFRS, the Company will be required to comply with the requirements of IFRS 1 - First-time Adoption of International Financial Reporting Standards which will result in certain adjustments.

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.

(e) Provision for pre-novation withholding tax

The management determines withholding tax on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law. Due to the nature and complexity of the services and transactions involved as part of the novation of the contracts related to Phase II Expansion Project, the assessment of withholding tax thereon involves estimates and judgments. Management, with the assistance of its advisors, uses estimates and judgment based on the best available facts and circumstances and interpretations and determines the amount of provision.

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

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

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

2.17 END OF SERVICE BENEFITS

The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employee's length of service and the completion of a minimum service period. Provision is made for amounts payable under the

Saudi Arabian labour law applicable to employees' accumulated periods of service at the balance sheet date and is charged to the income statement.

2.18 EMPLOYEE SAVINGS PROGRAM

The Company operates a thrift savings program (the "Program") on behalf of its employees and the Company matches the employee contribution with an equal, or lesser, contribution towards the Program that is commensurate with the employee's participation seniority in the Program. Participation in the Program by the regular employees who have completed their probationary period is optional and 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, 2016 and 2015, 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 a group of assets and operations engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

3. AGREEMENTS WITH FOUNDING SHAREHOLDERS

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

3.1 CRUDE OIL FEEDSTOCK SUPPLY AGREEMENT

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

3.2 REFINED PRODUCTS LIFTING AND MARKETING AGREEMENT

On March 11, 2006, the Company signed a Refined Products Lifting & Marketing Agreement (RPLMA) with Saudi Aramco as sole "Marketer" of refined products from the Rabigh Refinery. The RPLMA is valid for 10 years from October 1, 2008, and is further extendable for another 5 years. Pursuant to this agreement, Saudi Aramco will lift and market globally, on behalf of the Company as "Seller", the refined products from the integrated refining and petrochemical complex.

3.3 PETROCHEMICAL PRODUCTS LIFTING AND MARKETING AGREEMENT

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

3.4 CREDIT FACILITY AGREEMENT

On March 18, 2006, the Company entered into a Credit Facility Agreement (CFA) with both of its Founding Shareholders. Under the provisions of this agreement, the Founding Shareholders agreed to grant to the Company a loan facility up to a maximum aggregate amount of Saudi Riyals 6,206 million for the development, design and construction of the integrated refining and petrochemical complex. The commitment of Founding Shareholders in respect of this facility expired on July 1, 2013.

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

4 SEGMENT INFORMATION

4.1 BUSINESS SEGMENT

The Company operates an integrated refinery and petrochemical complex. The primary format for segment reporting is based on business segments and is determined on the basis of management's internal reporting structure. The Company's business segments comprise of refined products and petrochemicals.

2016	Refined products	Petrochemicals	Total
Sales	19,423,911	5,722,219	25,146,130
Gross (loss) profit	(250,296)	1,357,727	1,107,431
(Loss) income from operations	(665,326)	774,042	108,716
Net (loss) income for the year	**(722,425)**	**759,090**	**36,665**
2015			
Sales	19,500,612	6,013,248	25,513,860
Gross (loss) profit	(1,213,989)	1,509,319	295,330
(Loss) income from operations	(1,675,601)	915,506	(760,095)
Net (loss) income for the year	**(1,687,788)**	**929,281**	**(758,507)**

2016	Refined products	Petrochemicals	Unallocated	Total
Total assets	15,178,259	40,209,333	2,742,461	58,130,053
Total liabilities	12,680,628	35,879,484	1,192,068	49,752,180
2015	Refined products	Petrochemicals	Unallocated	Total
Total assets	13,696,988	35,311,001	2,333,060	51,341,049
Total liabilities	9,212,370	32,656,262	1,121,019	42,989,651

Cash and cash equivalents, zakat and tax and certain financial assets and liabilities are not allocated to business segments as they are also managed on a Company basis.

4.2 GEOGRAPHICAL SEGMENT

The segment information relating to the year ended December 31, is as follows:

2016	Middle East	Asia Pacific	Others	Total
Sales				
Refined products	19,423,911	-	-	19,423,911
Petrochemicals	2,926,666	2,773,600	21,953	5,722,219
Total	**22,350,577**	**2,773,600**	**21,953**	**25,146,130**
2015	Asia Pacific	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**

5 CASH AND CASH EQUIVALENTS

	Note	2016	2015
Cash in hand		266	304
Cash at banks - current accounts		1,335,811	139,455
Short term deposits	6	45,718	792,637
		1,381,795	**932,396**

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

6 TIME DEPOSITS

	Note	2016	2015
Time deposits		1,331,968	2,162,817
Less: Deposits with maturity of less than three months	5	(45,718)	(792,637)
		1,286,250	**1,370,180**

7 TRADE RECEIVABLES

	Note	2016	2015
Trade		82,136	87,537
Less: provision for doubtful debts		(28,410)	(28,410)
		53,726	**59,127**
Related parties	27	3,642,961	764,767
		3,696,687	**823,894**

8 INVENTORIES

	2016	2015
Raw materials	359,737	311,643
Work in process	598,169	312,861
Finished goods	672,931	757,554
Spare parts and consumables - not held for sale	686,595	662,776
Goods in-transit	8,875	16,720
	2,326,307	**2,061,554**
Less: provision for slow moving spare parts and consumables	(67,334)	(59,060)
	2,258,973	**2,002,494**

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

	Note	2016	2015
January 1		59,060	51,929
Additions	20	8,274	7,131
December 31		**67,334**	**59,060**

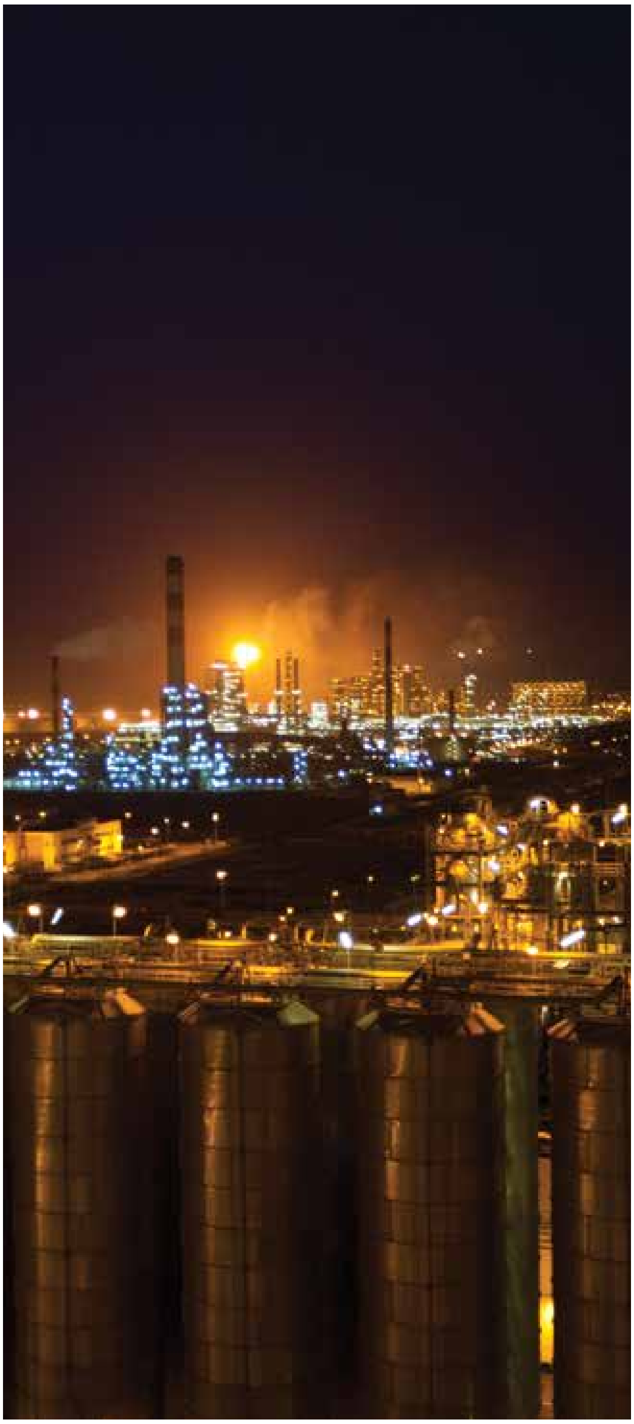
9 PREPAYMENTS AND OTHER RECEIVABLES

	Note	2016	2015
Prepayments		111,311	75,143
Advances to suppliers		342,331	138,780
Deposits		662	662
Advance income tax		19,991	19,991

	Note	2016	2015
Other receivables, net		25,403	17,158
		499,698	**251,734**
Due from related parties	27	78,963	23,901
		578,661	**275,635**

Movement in provision for customs duty is as follows:

	Note	2016	2015
January 1		-	-
Additions		-	107,010
Write-off	22	-	(107,010)
December 31		-	-



10 PROPERTY, PLANT AND EQUIPMENT

	Buildings and infrastructure	Plant, machinery and operating equipment	Vehicles and related equipment	Furniture and IT equipment	Capital projects in progress	Total
Cost						
January 1, 2016	4,717,113	31,867,307	90,272	320,455	16,871,323	53,866,470
Additions	-	106,701	-	-	5,124,941	5,231,642
Transfers	24,589	348,309	400	3,634	(376,932)	-
Disposals	-	(5,993)	-	-	-	(5,993)
December 31, 2016	**4,741,702**	**32,316,324**	**90,672**	**324,089**	**21,619,332**	**59,092,119**
Accumulated depreciation						
January 1, 2016	1,778,471	11,297,966	67,843	186,663	-	13,330,943
Charge for the year	243,919	2,103,308	5,065	21,174	-	2,373,466
Released on disposals	-	(1,904)	-	-	-	(1,904)
December 31, 2016	**2,022,390**	**13,399,370**	**72,908**	**207,837**	**-**	**15,702,505**
Carrying Value:						
At December 31, 2016	**2,719,312**	**18,916,954**	**17,764**	**116,252**	**21,619,332**	**43,389,614**
At December 31, 2015	2,938,642	20,569,341	22,429	133,792	16,871,323	40,535,527

10.1 DEPRECIATION FOR THE YEAR HAS BEEN ALLOCATED AS FOLLOWS:

	Note	2016	2015
Cost of sales	20	2,287,296	2,048,212
General and administrative expenses	22	86,170	72,543
		2,373,466	**2,120,755**

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 1,235 million incurred on such planned periodic maintenance activity.

10.4 CAPITAL PROJECTS-IN-PROGRESS

The capital projects-in-progress at December 31, 2016 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:

Cost of work executed	12,451,311
Intangible assets	118,798
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.

10.5 CAPITALIZATION OF BORROWING COSTS

During the year ended December 31, 2016, the Company has capitalized borrowing costs amounting to Saudi Riyals 427 million (2015: Saudi Riyals 702.9 million) in capital projects-in-progress relating to the construction of the Phase II Expansion Project. Borrowing costs capitalized during the year ended December 31, 2015 of Saudi Riyals 702.9 million include Saudi Riyals 403.9 million of capitalized borrowing costs acquired as part of acquisition of Phase II Expansion Project and Saudi Riyals 299 million of upfront fees incurred in respect of financing arrangements.

10.6 PRE-COMMISSIONING INCOME

Capital projects in progress includes pre-commissioning income amounting to Saudi Riyals 192.6 million (2015: Nil) related to Phase II Expansion Project.

11. LEASES

11.1 CAPITAL LEASES

11.1.1 Leased assets acquired under capital leases, at December 31, are detailed as under:

	Community facilities	Marine terminal facilities	Desalination plant	Total
Cost				
December 31, 2016 and 2015	225,715	288,820	106,015	620,550
Accumulated depreciation				
January 1, 2016	11,286	91,040	45,219	147,545
Charge for the year	9,029	12,557	6,237	27,823
December 31, 2016	20,315	103,597	51,456	175,368
Carrying value:				
At December 31, 2016				
	205,400	185,223	54,559	445,182
At December 31, 2015	214,429	197,780	60,796	473,005

11.1.2 Capital lease obligations at December 31 are as follows:

	2016			2015
	Future minimum lease payments	Interest	Present value of minimum lease payments	Present value of minimum lease payments
Community facilities	399,595	199,387	200,208	204,005
Marine terminal facilities	415,929	166,439	249,490	255,280
Desalination plant	84,988	18,056	66,932	72,710
	900,512	383,882	516,630	531,995

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

	2016	2015
Current portion	17,352	16,380
Non-current portion	499,278	515,615
	516,630	**531,995**

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

	2016	2015
2016	-	47,024
2017	46,997	46,997
2018	46,997	46,997
2019	46,997	46,997
2020	47,024	47,024
2021	46,997	46,997
2022 and thereafter	665,500	665,500
	900,512	**947,536**

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 399.6 million (2015: Saudi Riyals 417.8 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 415.9 million (2015: Saudi Riyals 435.1 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 85 million (2015: Saudi Riyals 94.7 million).

11.1.7 Depreciation for the year has been allocated as follows:

	Note	2016	2015
Cost of sales	20	6,237	6,236
General and administrative expenses	22	21,586	21,586
		27,823	27,822

11.2 Operating leases

11.2.1 The Company has entered into operating leases for land, water and energy conversion plant, vehicles 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, 2016 amounts to Saudi Riyals 527.2 million (2015: Saudi Riyals 552.5 million).

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

	2016	2015
2016	-	569,061
2017	654,294	556,017
2018	542,896	545,217
2019	533,756	528,554
2020	528,186	529,871
2021	527,352	523,858
2022 and thereafter	7,567,304	7,755,176
	10,353,788	**11,007,754**

12. INTANGIBLE ASSETS

	Softwares	Licenses	Deferred charges	Establishment expenses	Total
Cost					
January 1, 2016	230,512	209,114	113,645	5,154	558,425
Additions	642	-	-	-	642
December 31, 2016	**231,154**	**209,114**	**113,645**	**5,154**	**559,067**
Amortization					
January 1, 2016	217,645	73,548	-	-	291,193
Amortization for the year	7,812	10,799	-	-	18,611
December 31, 2016	**225,457**	**84,347**	**-**	**-**	**309,804**
Carrying value:					
December 31, 2016	**5,697**	**124,767**	**113,645**	**5,154**	**249,263**
December 31, 2015	12,867	135,566	113,645	5,154	267,232

Amortization for the year has been allocated as follows:

	Note	2016	2015
Cost of sales	20	17,140	25,185
General and administrative expenses	22	1,471	1,123
		18,611	26,308

13 INVESTMENT AND LONG TERM LOANS

Investment - available for sale:	Note	2016	2015
January 1	13.1	16,412	8,556
Additions	13.2	-	7,856
December 31		**16,412**	16,412

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 quarter of 2017.

Long-term loans: RAWEC	Note	2016	2015
January 1	13.3	4,474,793	2,343,370
Additions	13.4	451,996	2,338,906
Repayments		(295,802)	(207,483)
December 31		4,630,987	4,474,793
Less: current portion		(377,368)	(281,965)
Non-current portion		4,253,619	4,192,828
Loans to employees	13.5	196,229	169,481
Less: current portion		(16,004)	(13,435)
Non-current portion		180,225	156,046
Total non-current portion		4,433,844	4,348,874

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 is being 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 four 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.

14 TRADE AND OTHER PAYABLES

Trade payables:	Note	2016	2015
- Related parties	27	5,813,821	1,249,085
- Others		1,344,389	2,193,266
		7,158,210	**3,442,351**
Other payables - related parties	27	98,247	68,183
		7,256,457	3,510,534

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

15 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2016	2015
Accrued bonus		30,462	50,721
Provision for customer rebates		20,187	40,670
Customer advances		8,254	5,927
Social security payable		7,853	7,356
Withholding tax payable		66,535	14,657
Accrued interest on loans and borrowings		28,330	15,407
Accrued expenses	1,10	623,012	691,950
Dividend payable	29	394	403
Other		7,285	12,787
		792,312	**839,878**
Due to related parties	27	94,267	232,722
		886,579	**1,072,600**

16 LOANS, BORROWINGS AND OTHER LONG-TERM LIABILITY

Loans from banks and financial institutions:	Note	2016	2015
January 1	16.1	32,449,887	15,412,097
Additions	16.2, 16.3	8,879,084	19,124,133
Repayments		(5,900,069)	(2,086,343)
December 31		**35,428,902**	**32,449,887**
Less: current portion		(3,105,675)	(3,255,130)
Non-current portion		**32,323,227**	**29,194,757**
Loans from founding shareholders	16.4	5,331,716	5,213,936
Other long term liability	16.5	19,913	16,814
Total non-current portion		**37,674,856**	**34,425,507**

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 23,049 million have been made by the Company. The loans amounting to Saudi Riyals 18,368 million are repayable in semi-annual repayments commencing from June 2018 and will run up to June 2031, whereas the loan of Saudi Riyals 4,681 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 43,389 million and Saudi Riyals 2,668 million, respectively.

16.3 During the three-month period ended December 31, 2015, the Company 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 of which Saudi Riyals 1,104 million was utilized as of December 31, 2015. During the year, drawdowns and repayments amounting to Saudi Riyals 3,770 million and Saudi Riyals 3,749 million, respectively have been made by the Company. The loan is repayable by March 1, 2017. This loan is denominated in Saudi Riyals and bears financial charges based on prevailing market rates.

16.4 Loans from founding shareholders

Loans	2016	2015
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	378,358	319,468
Sumitomo Chemical Company Limited	378,358	319,468
	5,331,716	**5,213,936**

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.

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.

17. EMPLOYEES BENEFITS

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

	2016	2015
Current portion (included in accrued expenses and other liabilities)	14,324	16,732
Non-current portion	236,705	165,671
	251,029	**182,403**

Employees' benefits comprise of employees savings program and end of service benefits amounting to Saudi Riyals 69.4 million (2015: Saudi Riyals 54.9 million) and Saudi Riyals 181.6 million (2015: Saudi Riyals 127.5 million), respectively.

17.1 End of service benefits

	2016	2015
January 1	127,468	85,028
Provisions	62,453	49,804
Payments	(8,285)	(7,364)
December 31	**181,636**	**127,468**

18. SHARE CAPITAL AND STATUTORY RESERVE

The Company's share capital of Saudi Riyals 8.76 billion at December 31, 2016 and 2015 consists of 876 million fully paid and issued shares of Saudi Riyals 10 each.

In accordance with 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 30% of its share capital.

19. EMPLOYEE SHARE OWNERSHIP PLAN

During the year ended December 31, 2008, the Board of Directors approved the implementation and operation of an Employee share ownership plan ("ESOP"), which provides 5 year service awards to certain levels of staff.

The Company arranged with a commercial bank to subscribe for 1.5 million shares during the IPO at the offer price of Saudi Riyals 21 per share. These ESOP shares are held by the bank in trust for the staff that will become eligible for an award under the plan. Any of the ESOP shares that do not become issuable to eligible employees will be dealt with by the bank in accordance with the Company's instructions, and any disposal proceeds will be for the account of the Company. The Company recognized the liability through provision by amortizing the total cost of the ESOP shares on a straight line basis over a period of 5 years.

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

During 2016, the Company has vested 132,000 shares to eligible employees due for entitlement (2015: 215,200 shares).

20. COST OF SALES

	Note	2016	2015
Raw materials, crude oil and spare parts consumed		20,223,745	20,654,873
Depreciation	10,11	2,293,533	2,054,448
Utilities consumed		688,056	668,453
Personnel costs		544,718	530,078
Repair and maintenance		374,621	374,773
Contracted services		81,824	60,329
Amortization	12	17,140	25,185
Insurance		33,909	26,937
Provision for slow moving spare parts and consumables	8	8,274	7,131
Lease rentals		16,272	12,644
Other overheads		21,360	13,907
		24,303,452	**24,428,758**
(Increase) decrease in inventories		(264,753)	789,772
		24,038,699	**25,218,530**

21. SELLING AND MARKETING EXPENSES

	Note	2016	2015
Freight charges		63,608	71,861
Other		5,167	2,296
		68,775	**74,157**

22. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2016	2015
Personnel costs		614,155	564,935
Depreciation	10,11	107,756	94,129
Repair and maintenance		83,673	78,512
Bad debts	9	-	107,010
IT, networking and data communication		52,918	38,776
Amortization	12	1,471	1,123
Travelling		20,803	22,364
Rent		24,185	22,619
Professional fees		3,135	7,463
Insurance		3,619	5,441
Stationery, telex and telephone		5,203	4,936
Other		13,022	33,960
		929,940	**981,268**

23. FINANCIAL CHARGES

	Note	2016	2015
Interest on loans and borrowings	16	347,764	244,580
Interest on capital leases	11	31,594	32,473
Other		9,901	4,654
		389,259	**281,707**

24. OTHER INCOME, NET

	2016	2015
Interest income on long term loans	269,711	224,695
Port services	42,017	25,635
Gain on sale of scrap sales	19,029	18,600
Miscellaneous income	13,479	15,487
Loss on disposal of property and equipment	(4,089)	-
Other expense, net	(22,939)	(1,122)
	317,208	283,295

24.1 Other expense, net of Saudi Riyals 22.9 million includes pre-novation withholding tax related to the Phase II Expansion Project amounting to approximately Saudi Riyals 21.7 million (see Note 2.4(e)).

25. ZAKAT AND INCOME TAX

25.1 Charge for the year

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

Current year:	2016	2015
Zakat	31,452	17,489
Income tax	35,619	-
	67,071	**17,489**
Previous years:		
Zakat	-	5,844
Income tax	-	(15,044)
	-	(9,200)
Total	**67,071**	**8,289**

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:

	2016	2015
Equity and reserves	9,491,224	8,175,936
Liabilities	39,603,891	36,540,578
Book value of assets	(31,017,044)	(28,382,830)
Carried forward losses	(16,045,287)	(15,214,413)
Zakat base	2,032,784	1,119,271
Zakat base attributable to Saudi founding shareholder	1,258,090	699,545
Zakat charge for the year	31,452	17,489

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

	2016	2015
January 1	17,489	77,259
Provision for the current year	67,071	17,489
Adjustment for previous years	-	(9,200)
Payments	(17,489)	(68,059)
December 31	67,071	17,489

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 General Authority for Zakat and Tax (GAZT) up to the financial year 2015. The Company's zakat and tax assessments have been finalized by GAZT up to and inclusive of the financial year 2008.

The GAZT has issued assessments for the years 2009 and 2010 by raising additional liability of Saudi Riyals 43.7 million and Saudi Riyals 80.7 million for zakat and income tax, respectively. The Company filed an objection for the additional liability raised which was partially accepted and additional liability was reduced to Saudi Riyals 43.5 million for which the Company has filed an appeal with Preliminary Appeal Committee (PAC). Management believes its position to be robust in the area of interpretation. The additional zakat liability is recoverable from Saudi Arabian Oil Company to the extent of Saudi Riyals 26.1 million.

The GAZT has further issued queries for financial years 2011 through 2013 requiring certain information which the Company has duly submitted.

26. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share for the year ended December 31, 2016 and 2015 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.

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
Aramco Asia Japan	Associate of Founding Shareholder
Aramco Services Company	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
Sumika Chemtex Co. Ltd.	Associate of Founding Shareholder

The related party transactions are summarized as follows:

Nature of transactions for the year ended December 31	2016	2015
Saudi Aramco and its associated companies		
Sale of refined products and petrochemical products	21,741,222	21,946,412
Purchase of goods including LPG shortfall and through-put fee	19,708,849	19,812,749
Dividend	-	164,250
Secondees' costs	77,611	78,279
Financial charges	86,526	75,521
Rentals	47,267	44,188
Services provided to shareholders	800	16,985
Services and other cost charges (credit), net	32,852	15,515
Sumitomo Chemical and its associated companies		
Sale of petrochemical products	2,449,226	2,741,071
Purchase of goods	172,888	51,903
Dividend	-	156,038
Secondees' costs	160,271	83,308
Financial charges	58,891	47,323
Rentals	709	709
Services provided to shareholders	800	13,047
Services and other cost charges (credit), net	43,156	22,140

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

	Note	2016	2015
Saudi Aramco and its associated companies			
Trade and other payables	14	5,876,908	1,308,140
Trade and other receivables	7, 9	3,310,352	696,243
Loans and borrowings	16	2,665,858	2,606,968
Accrued expenses and other liabilities	15	56,370	198,943
Employees benefits		2,351	1,534
Sumitomo Chemical and its associated companies			
Loans and borrowings	16	2,665,858	2,606,968
Trade and other receivables	7, 9	411,572	92,425
Accrued expenses and other liabilities	15	37,897	33,779
Trade and other payables	14	35,160	9,128
Employees benefits		6,710	3,387

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 9.9 million (2015: Saudi Riyals 9.4 million) and are included in secondees' cost above.

The remuneration paid to independent directors amounted to Saudi Riyals 0.2 million (2015: Saudi Riyals 0.75 million).

28. COMMITMENTS

(i) As at December 31, 2016, letters of credit issued on behalf of the Company in the normal course of business amounted to Saudi Riyals 10.03 million (2015: Saudi Riyals 4.9 million).

(ii) As at December 31, 2016, capital commitments contracted for but not incurred for the construction and expansion of the existing facilities amounted to Saudi Riyals 1,442 million (2015: Saudi Riyals 4,678 million).

Also, see Note 11.2 for operating lease commitments.

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 Nil (2015: Saudi Riyals 0.04 million).

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 (98%) 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, 2016, there were minimal overdue debts equivalent to 1.9% (2015: 10.3%) 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, except for liabilities against capital leases which is stated at future minimum lease payments.

2016	Less than 1 Year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	3,105,675	3,637,489	20,763,175	13,274,192
Liabilities against capital leases	46,997	46,997	141,018	665,500
Trade and other payables	7,256,457	-	-	-
Accrued expenses and other liabilities	886,579	-	-	-
2015				
Loans and borrowings	3,255,130	7,211,424	14,357,747	12,856,336
Liabilities against capital leases	47,024	46,997	141,018	712,497
Trade and other payables	3,510,534	-	-	-
Accrued expenses and other liabilities	1,072,600	-	-	-

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.

32. APPROVAL AND AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue by the Board of Directors of the Company in their meeting held on Jumada Awwal 25, 1438H (February 22, 2017).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