

A Commitment to Higher Ambitions

2018
ANNUAL REPORT



The Custodian of the Two Holy Mosques
KING SALMAN BIN ABDULAZIZ AL SAUD
King of the Kingdom of Saudi Arabia



His Royal Highness Prince
MOHAMMED BIN SALMAN BIN ABDULAZIZ
Crown Prince, Vice President of the Council of Ministers
and Minister of Defense

Table of Contents



Management Highlights

Board of Directors	6
Executive Management	8
Chairman's message to the Shareholders	9
Management Highlights	10
Safety First	10
Products and Promotion	11
Maximizing Performance, Increasing Profitability	12
Shaping the Future	13
Resource Utilization	14
Commitment to Transparency	15
Safeguarding Information	16
The best Society is a Sustainable Society	17
Petro Rabigh Community One for All, All for One	18
Petro Rabigh and Saudi Arabia Vision 2030	19

Board of Directors' Report

Implemented and non-implemented provisions of CMA's Corporate Governance Regulations, and justifications therefore	21
Names, qualifications, and experience of the Board and Committees Members and Executive Management	21
Names of the companies inside and outside the Kingdom in which a Board member is a member of their current or previous Board member or manager	22
Composition of the Board and classification of its members, as follows: Executive Director, Non-Executive Director, or Independent Director	23
Procedure taken to the Board to inform its members, Non-Executive Directors in particular, of the shareholders' suggestions and remarks on the Company and its performance	24
A brief description of the competencies and duties of the committees, such as the audit committee, the nomination committee and the remuneration committee indicating their names, names of their chairmen, names of their members, the number of their respective meetings, dates of those meetings and the members' attendance details of each meeting	24
The means used by the Board to assess its performance, the performance of its committees and members and the external body which conducted the assessment and its relation with the Company	26
Remuneration of the Board members and Executive Management	26
Punishment, penalty, precautionary procedure or preventive measure imposed on the Company by the Capital Market Authority or any other supervisory, regulatory or judiciary authority, describing the reasons for non-compliance, the imposing authority and the measures undertaken to remedy and avoid such non-compliance in the future	29
Results of the annual review of the effectiveness of the internal control procedures and practices of the Company and the opinion of the audit committee with respect to the adequacy of the Company's internal control system	29

The audit committee's recommendation on the need for appointing an internal auditor for the Company, if there is no internal auditor-----	29
The audit committee's recommendation with conflict with Board resolution or those which the Board disregards relating to the appointment, dismissal, assessment or determining the remuneration of an external auditor, as well as justifications for those recommendations and reasons for disregarding them -----	29
Company's Social Contributions-----	29
Dates of the General Assembly meetings held during the last fiscal year and the names of the Board members who attended them -----	30
Main scope of business of the Company and its affiliates. A statement showing each activity and how it affects the Company businesses and results -----	30
Company's significant plans and decisions (including changes to the structure, expanding the Company's operations or halting them) and the future expectations -----	30
Risks facing the Company (operational, financial or market related) and the policy of managing and monitoring these risks -----	30
Assets, Liabilities and Results of Business for the Last Five Years or since the incorporation date, whichever is shorter-----	32
Geographical analysis of the Company's and its affiliates' revenues Company's Activities-----	33
Material differences in the operational results compared to the preceding year's results, along with any expectations announced by the Company-----	34
Inconsistency with the standards approved by the Saudi Organizations for Certified Public Accountants -----	34
Name of each affiliate Company, its capital, the Company's ownership percentage, the main scope of business, country of operation and country of incorporation -----	34
Shares and debt instruments issued for each affiliate Company -----	34
Dividends distribution policy -----	34
Interest in a class of voting shares held by persons (other than the Company's directors, Senior Executives and their relatives) who have notified the Company of their holdings, together with any change to such interests during the last fiscal year -----	34
Interest, contractual securities or rights issue of the Board Members, Senior Executives and their relatives on shares or debt instruments of the Company or its affiliates, and any change on these interest or rights during the last fiscal year-----	35
Loans (payable upon request or not), a statement of the total indebtedness of the Company and its affiliates, any amounts paid by the Company in repayments of loans during the year, the amount of the principal debts, the creditor name, the loan term and remaining amount -----	36
Convertible debt instruments, contractual securities, preemptive right or similar rights issued or granted by the Company during the fiscal year, as well as stating any compensation obtained by the Company in this regard-----	36
Conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted by the Company -----	36

Redemption, 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 affiliates -----	30
The number of Board meetings held during the last financial year, their dates and the attendance record of each meeting listing the names of the attendees-----	37
Numbers of Company's requests of shareholders records, dates and reasons thereof-----	37
Transactions between the Company and any Related Party-----	38
Business or contract to which the Company is a party and in which a director of the Company, a Senior Executive 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 -----	42
Arrangement or agreement under which a Director or a Senior Executive of the Company has waived any remuneration -----	
Arrangement or agreement under which a shareholder of the Company has waived any rights to dividends -----	42
Paid and outstanding statutory payment on account of any zakat, taxes, fees or any other charges that have not been paid until the end of the annual financial period with a brief description and the reasons therefor -----	42
Investments made or any reserves set up for the benefit of the employees of the Company -----	42
Declarations of the Board of Directors-----	43
If the external auditor's report contains reservations on the annual financial statements, the Board report shall highlight this mentioning the reasons and any relevant information -----	43
If the Board recommended replacing the external auditor before the end of its term, the report shall indicate this mentioning the reasons for the replacement recommendation -----	43
Treasury shares held by the Company and details of the uses of such shares-----	43

Independent Auditor's Report

Independent auditor's repor -----	45
Statement of profit or loss -----	48
Statement of comprehensive income-----	48
Statement of financial position -----	49
Statement of changes in equity -----	50
Statement of cash flows -----	51
Notes to the financial statements -----	52

Board of Directors



Board Chairman
ABDULAZIZ M. AL-JUDAIMI
Non-Executive Director



Deputy Chairman
Noriaki Takeshita
Non-Executive Director



President & CEO
Nasser D. Al-Mahasher
Executive Director



Seiji Takeuchi
Executive Director



Takashi Shigemori
Non-Executive Director



Executive Management



**NASSER D.
AL-MAHASHER**
President & CEO



Finance & Accounting
NAOYUKI INOUE
Chief Financial Officer



Manufacturing
SEIJI TAKEUCHI
Senior Vice President



Industrial Security
ABDULLAH M. AL-QAHTANI
Vice President



Industrial Relations
HESHAM H. AZZOUZ
Vice President



Engineering & Support
ROY A. DE BELLEFEUILLE
Vice President (A)

Chairman's message to the Shareholders



Dear valued shareholders,

On behalf of the Board of Directors and Petro Rabigh's employees, I would like to welcome you and present to you the Company's Annual Report, the External Auditor's report and the audited financial statements for the year ending December 31st, 2018.

The Year 2018 was another success for Petro Rabigh and beheld many achievements that will be the steppingstone towards a more flourishing future worthy of the valuable trust given to us by our shareholders. Among the 2018 achievements, the Company's operational income amounted to over six hundred and sixty million Saudi Riyals. This was achieved while faced with significant challenges including the low refined products profit margins and overall global market conditions.

As we continue to give the most attention to the safety of our employees and assets, the year 2018 witnessed continued improvement regarding safety, recording an impressive 2,969, 177 man-hours of continuous work without lost time injury during the 3rd Quarter only, as well as continued low recordable case rates. Safety supports everything we do, and we shall continue to apply the highest safety standards for our employees and assets.

The year 2018 also witnessed the landmark of both Petro Rabigh Phase I and Phase II becoming operationally integrated within the Petro Rabigh Industrial Complex and providing local and global markets with a wide range of high value-added products.

During 2018, the Board of Directors approved the launch of preliminary studies for a new massive project (Bottom of the Barrel) to upgrade and develop the low-value fuel oil product. The project will establish two main plants and other secondary facilities that will convert low-value fuel oil to high-value products and become a major contributor to the Company's profitability.

Needless to say, the Company's Board of Directors, which the General Assembly elected in October, 2018 consists of highly experienced and dedicated individuals who hold extensive industry-related proficiency in various areas and who are determined to safeguard the Company and the interests of its shareholders and to develop and execute strategic plans that will maximize shareholders value.

Finally, on behalf of Petro Rabigh Board of Directors, I would like to thank all our valued shareholders for their continued trust in the Company. I would also like to thank Petro Rabigh management and employees for their continued commitment and hard work to ensure the success and prosperity of Petro Rabigh.

Abdulaziz M. Al-Judaimi
Chairman of the Board

Safety First

Petro Rabigh reduces its preventable losses at work in any way possible, in homes and communities, and on the road through leadership, awareness, and education. The company is pleased to record in 2018 many performance enhancements regarding safety.



Two million nine hundred sixty-nine thousand one hundred seventy-seven million (2,969,177) man-hours of continuous work without lost time injury were recorded during the period from September 26, 2018, to December 31, 2018.

Over the course of the year, there were one recordable fire incidents and one recordable minor leak incident. A Total Recordable Injury Rate (TRIR) of 0.25 was recorded, and a shallow Process Safety Total Incident Rate (PSTIR) of 0.02 was recorded for the year 2018 which, significantly bettering the previous year's figure of 0.03.

Also in 2018, Petro Rabigh Process Safety Management Team (PSMT) continued to improve and control the execution of Process Safety programs, provide leadership, develop proactive programs, and enhance Process Safety Management (PSM) performance. PSMT, chaired by a member of senior management, selected key individuals to navigate the development and monitoring of various process safety programs.

Petro Rabigh continued throughout the year, the Health, Safety, and Environment

(HSE) Training Courses to keep the large labor force updated with the safety requirements in refining and petrochemical processes and advance the skills necessary for safe operations.

The courses were designed in line with the guidelines of Occupational Safety and Health Administration (OSHA), Gulf Petrochemicals and Chemicals Association (GPCA), and other international bodies, covering both workplace risk and process risk.

Products and Production

In 2018, Petro Rabigh continued its operations and productions and started producing commercially with both phases I and II becoming operationally integrated within Petro Rabigh Industrial Complex and the production of its range of high value-added products, some of which are exclusive to the Kingdom of Saudi Arabia and the Middle East.



Petro Rabigh continues to operate in 2018, providing high-quality products to the market, Thermo Plastic Olefin (TPO), Low-Density Polyethylene (LDPE), Methyl Methacrylate (MMA), Poly Methyl Methacrylate (PMMA), Polyamide PA6 (Nylon 6), Ethylene Propylene Rubber (EPR), Acetone, Phenol, and Aromatics and Benzene and Paraxylene Units.

Petro Rabigh products have a vast range of applications that offer innovative downstream investors the chance to establish new industries in the region, bringing with them new skills and job opportunities.

Maximizing Performance, Increasing Profitability

Rabigh Refining and Petrochemical Company (Petro Rabigh) announced the launch of preliminary studies of the fuel oil development project.



The Board of Directors of Rabigh Refining and Petrochemical Company (Petro Rabigh), approved the launching of preliminary studies for the project to upgrade and develop the low-value fuel oil product, which will establish two main plants and other secondary facilities; to convert low-value fuel oil to diesel and other high-value products at international specifications, with a production capacity of approximately 75 thousand barrels per day.

In September 2018, Petro Rabigh invited a specialized contractor to tender the initial engineering studies needed to evaluate the project.

As the first program of its kind to be conducted in the Middle East, it is expected to have a tangible impact on the efficiency, productivity, and profitability of Petro Rabigh's operations.

Shaping the Future

On 25 March 2018, Petro Rabigh dispatched its first shipment of Phase II product Para Xylene (PX), along with a cargo of Mono Ethylene Glycol (MEG).



The entire shipment, which left Rabigh Port in a medium-size tanker vessel containing 25,000 metric tons (KT) of PX and 15,000 KT of MEG, was destined for one of China's largest manufacturers of purified terephthalic acid (PTA), a product used in Polyester production for materials such as Polyester Fiber, textiles and food and beverage containers.

Petro Rabigh's Phase II Para Xylene plant, which achieved on-spec production in the third week of March 2018, has a production capacity of 1340 Kilotons Per Annum (KTA), while the company's MEG production capacity is 600 KTA. The shipment followed the first on-spec quality shipment of the Phase II product Methyl Methacrylate (MMA) on February 5. Petro Rabigh has an MMA production capacity of 86,000 ton per year by using its highly efficient direct oxidation manufacturing technology and high-performance catalysts. MMA

is widely used in the production of Polymethyl Methacrylate (PMMA), which possesses excellent transparency and weather resistance that makes it ideal for the manufacture of automotive parts, lighting fixtures, optical lenses, and many other applications.

The full slate of Petro Rabigh's Phase II products consists of: Thermo Plastic Olefin (TPO), Polyamide 6 (PA6)/Nylon 6, Poly Methyl Methacrylate (PMMA), Methyl Methacrylate (MMA), Low Density Polyethylene (LDPE), Ethylene Vinyl Acetate (EVA), Methyl Tert-butyl Ether (MTBE), Acetone and Phenol, Ethylene Propylene Rubber (EPR), Benzene and Para Xylene.

Resource Utilization

To act as a mover for economic and social development in the kingdom of Saudi Arabia, Petro Rabigh dynamically supports the use of local labor force, local industry and the improvement of local skills through a commitment to Saudization Integrated with experience and expertise from abroad.



Our meetings and gatherings with the service provider, investors, analysts, contractors, and suppliers reinforce our relations and highlight prospect opportunities for all, by gathering hundreds of agents from numerous outsourcing companies and partner organizations in the country.

Using these channels as new ways of communication, the Procurement Department has conducted Petro Rabigh Supply Chain Excellence Forum - 2018 with the theme "Together, Towards Supply Chain Excellence" at Rabigh PlusTech Park. This Forum is considered as a continuation of previous Forum that was conducted in 2015 for Materials Suppliers with the theme "Towards Partnership".

Key strategic international and local suppliers who provided Chemicals, Spares and General materials were invited. In which 110 Suppliers' Executive Representatives joined as well as Petro Rabigh's Executive Management plus 70 other personals from PRC Management and Procurement Department.

The objectives of the event were to strengthen the relationship with strategic suppliers, Share Petro Rabigh's expectations and upcoming opportunities including the major Operational milestones.

The Forum included Nine (9) MoU - Memorandum of Understanding between PRC and Suppliers to establish different types of materials procurement agreements that will improve the supply chain of Petro Rabigh towards excellence in partnership with the suppliers.

Commitment to Transparency

Petro Rabigh is committed to ensuring transparency for all its shareholders, with the lead of Petro Rabigh Investor Relations, and Corporate Communication to help promote Petro Rabigh's equity profile.



Investor Relations focuses on providing a consistent and transparent message to investors and the stakeholder's community on behalf of Petro Rabigh while keeping the management updated on the investment community sentiments and trends.

All information provided to stakeholders is managed through Petro Rabigh official announcements, Board of Directors Reports and Annual Reports.

Investor Relation Section strives to improve the Company's General Assemblies each passing year, providing quality content to shareholders, logistics and setup of the assemblies, and hospitality arrangements, for attending shareholders as well as offering tours to Petro Rabigh's refining and petrochemicals complex.

Additionally, Petro Rabigh continues to meet with financial analysts to improve engagement with national and domestic investment firms and promote benefits to all related parties through discussions between them and the company's executive management.

Safeguarding Information

Petro Rabigh gives priority to Information Security in order to provide a secure work environment for employees contractors and interested parties by ensuring the confidentiality, integrity & availability of business information assets & information processing facilities.



Petro Rabigh achieved a high Information Security Process in 2018 which was implemented by the following controls:

- Establishing Petro Rabigh Information Security Management System (PRISMA)
- Ensuring proper classification, handling, and protection of information
- Defining, implementing and maintaining Petro Rabigh Information Security Management System (PRISMS)
- Performing information security risk assessments and mitigation techniques
- applicable legal, contractual and regulatory requirements
- Continually reviewing, monitoring and improving the effectiveness of Information Security Management System (PRISMS)

The best Society is a Sustainable Society

Vital to Petro Rabigh's function as a catalyst for economic and social development is its local commitment to improving life for the broader community into the far future.



Petro Rabigh is a leader in several social responsibilities and sustainable development programs and initiatives in Rabigh Governorate. The PRC 2018 Corporate Social Responsibility (CSR) programs started in April 24, 2018, after the General Assembly gave its approval of the Petro Rabigh CSR Policy which aims to build on the success of previous years, reinforcing the Company's commitment to the development of the Kingdom and strengthening its public reputation and brand equity.

The Company's CSR Programs included the Environmental Awareness Program which started the 'Recycling Program' initiative as part of its environmental protection efforts.

The initial phase of the program involves the construction of needed facilities and infrastructure at the Petro Rabigh Community and main complex. An agreement was concluded with a local company (Napco) to handle the recycling of collected materials.

Petro Rabigh Community One for All, All for One

We strive to make a better life at the Petro Rabigh Community. In addition to the various sporting and leisure facilities available all day, all year long, Petro Rabigh organizes events that reinforce the bonds between different nationalities to bring it together as a community.



Petro Rabigh Community is a focal point for educational and public awareness; in 2018, petro rabigh conducted various Community Service Programs:

The first program "Care Baskets Program" which was carried out by a Petro Rabigh Volunteering Team in coordination with Rabigh Al Bir Charitable Society to distribute basic food supplies to needy families in Rabigh area. Three hundred fifty-nine (350) Petro Rabigh employees donated a total of 164,000 Saudi Riyals, which was then matched by the Company through the CSR budget. The figure enabled 50 volunteers to purchase 1,000 food baskets (around 15 tons of food supplies and distribute them to needy families in six villages in Rabigh area.

The second program launched a new 'Kiswat Al-Eid' charity program through which clothes were provided to needy male and female children in Rabigh. One hundred sixty-seven (167) employees participated in the program by donating

46,000 Saudi Riyals, again matched by the Company, leading to 1,000 children receiving clothes or coupons for select stores ahead of Eid Al-Fitr.

Furthermore, the Company sponsored educational and awareness programs including:

- Participation in the Annual Traffic Week Events and awareness campaigns in and outside the Company.
- Summer training programs for local high school students:
- Hosting school and university students to raise awareness of Fire Safety by visiting the (Safety House), which is designed to raise awareness of safety and security,
- Participation in Janadriyah (the Annual National Heritage and Culture Festival) to promote public awareness of the Company and its various achievements, through

direct engagement with thousands of visitors during the 18 days of the festival.

- In response to the 'How to Be an Example' initiative of His Royal Highness Prince Khalid Al-Faisal Advisor to the Custodian of the Two Holy Mosques Prince of Makkah Region, Petro Rabigh launched the following programs:
- The Petro Rabigh Ambassador Program was introduced as part of the Company's (Saifi) Summer Program and provided 157 male and female students with courses in a range of subjects from First Aid to soft skills. The sessions were conducted in association with the Human Resource Fund.
- The Volunteers Program was introduced to promote the spirit of social responsibility, volunteerism, and national belonging.

Petro Rabigh and Saudi Arabia Vision 2030

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.



Petro Rabigh is more than a producer of products essential to everyday modern life. With its vision to be Globally Recognized, Locally Committed, the company is a catalyst for development in the region and aims to place itself firmly at the hub of the Kingdom of Saudi Arabia's vision for economic diversification and sustainability.

This commitment to higher ambitions is embodied in the diverse product range and unique advantages Petro Rabigh offers innovative downstream investors, its local recruitment and sourcing of materials and services, and its strategies for wider economic and social development.

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 playing a part in

building a thriving economy in which all citizens have the opportunity to fulfill their ambitions.

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 principal 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 playing a part in building a thriving country in which all citizens have the opportunity to fulfill their ambitions.



Board of Directors' Report



Board of Directors' Report

1. Implemented and non-implemented provisions of CMA's Corporate Governance Regulations, and justifications therefore

Petro Rabigh implements all the provisions of the Corporate Governance Regulations issued by the Capital Market Authority

2. Names, qualifications, and experience of the Board and committees members and Executive Management

Board Members:

Name	Current position	Previous position	Qualifications	Experience
Abdulaziz M. Al-Judaimi	Chairman (Non-Executive)	Chairman (Non-Executive)	BSc Petroleum Engineering; MBA	36 years
Noriaki Takeshita	Deputy Chairman Non-Executive Director	Deputy Chairman Non-Executive Director	BSc Law	36 years
Nasser D. Al-Mahasher	President & CEO (Executive Director)	President & CEO (Executive Director)	Executive MBA; MSc Chemical Engineering; BS Chemistry	28 years
Takashi Shigemori	Non-Executive Director	Non-Executive Director	Bachelor of Liberal Arts; MBA	33 years
Suleman A. Al-Bargan	Non-Executive Director	Non-Executive Director	BSc Chemical Engineering; MBA	37 years
Shigeyuki Yoneda*	-	Non-Executive Director	Master of Chemical Engineering	42 years
Seiji Takeuchi**	Executive Director	-	BSc, Chemical Engineering; MSc Applied Chemistry	32 years
Saud A. Al-Ashgar	Independent Director	Independent Director	BSc Chemical Engineering	39 years
Saleh F. Al-Nazha	Independent Director	Independent Director	BSc Chemical Engineering	36 years
Waleed A. Bamarouf***	-	Independent Director	BSc Accounting, Certified Public Accountant (SOCPA), Taseem Accredited Business Valuer (ABV), Certified Internal Auditor (CIA), Certified Management Accountant (CMA), Certified Public Accountant (CPA), Executive MBA	22 years
Mohammed A. Al-Omar****	Independent Director	-	BSc Civil Engineering, Executive Management Program	34 years

*Shigeyuki Yoneda resigned from the Board of Petro Rabigh on June 28, 2018.

**Seiji Takeuchi appointed as (Executive Director) on June 28, 2018.

***Waleed A. Bamarouf completed his appointment on November 2, 2018.

****Mohammed A. Al-Omar appointed as (Independent Director) on November 3, 2018.

Committees members:

Name	Current position	Previous position	Qualifications	Experience
Abdulaziz M. Al-Judaimi	Chairman of Executive Committee	Chairman of Executive Committee	BSc Petroleum Engineering; MBA	36 years
Noriaki Takeshita	Member of Audit Committee	Member of Audit Committee	BSc Law	36 years
Nasser D. Al-Mahasher	Member of Marketing Committee	Member of the Marketing Committee	Executive MBA; MSc Chemical Engineering; BS Chemistry	28 years
Takashi Shigemori	Member of Remuneration & Nomination Committee and Marketing Committee and Executive Committee	Member of Remuneration & Nomination Committee and Marketing Committee	Bachelor of Liberal Arts; MBA	33 years
Suleman A. Al-Bargan	Member of Audit Committee and Remuneration & Nomination Committee	Member of Audit Committee and Remuneration & Nomination Committee	BSc Chemical Engineering; MBA	37 years
Shigeyuki Yoneda*	-	Member of Executive Committee	Master of Chemical Engineering	42 years
Seiji Takeuchi**	-	-	BSc, Chemical Engineering; MSc Applied Chemistry	32 years
Saud A. Al-Ashgar	Chairman of Audit Committee and Remuneration & Nomination Committee	Chairman of Audit Committee and Remuneration & Nomination Committee	BSc Chemical Engineering	39 years
Saleh F. Al-Nazha	Chairman of Marketing Committee and Member of Executive Committee	Member of Remuneration & Nomination Committee and Executive Committee and Chairman of Marketing Committee	BSc Chemical Engineering	36 years

Board of Directors' Report

Name	Current position	Previous position	Qualifications	Experience
Waleed A. Bamarouf***	-	Member of Audit Committee	BSc Accounting, Certified Public Accountant (SOCPA), Taqueem Accredited Business Valuer (ABV), Certified Internal Auditor (CIA), Certified Management Accountant (CMA), Certified Public Accountant (CPA), Executive MBA	22 years
Mohammed A. Al-Omar****	Member of Audit Committee and Remuneration & Nomination Committee	-	BSc Civil Engineering, Executive Management Program	34 years

*Shigeyuki Yoneda resigned from the Board of Petro Rabigh on June 28, 2018.

**Seiji Takeuchi appointed as (Executive Director) on June 28, 2018.

***Waleed A. Bamarouf completed his appointment on November 2, 2018.

****Mohammed A. Al-Omar appointed as (Independent Director) on November 3, 2018.

Senior Executives:

Name	Current position	Previous position	Qualifications	Experience
Nasser D. Al-Mahasher	President & CEO	President & CEO	Executive MBA; MSc Chemical Engineering; BS Chemistry	28 years
Abdullah M. Al Qahtani	Vice President, Industrial Security	Vice President, Industrial Security	BSc Electrical Engineering	35 years
Hesham H. Azzouz	Vice President, Industrial Relations	Vice President, Industrial Relations	BSc Industrial Management	34 years
Adel M. Al-Ghamdi*	-	Vice President, Engineering & Support	BSc Chemical Engineering	25 years
Roy A. De Bellefeuille**	Vice President, Engineering & Support (A)	General Manager, Refining, Utilities & Terminal	Bachelors Chemical Engineering; Diploma Collegiate Studies - Pure and Applied Science	41 years
Naoyuki Inoue	Chief Financial Officer	Chief Financial Officer	BSc Law	33 years
Seiji Takeuchi	Senior Vice President, Manufacturing	Senior Vice President, Manufacturing	BSc, Chemical Engineering; MSc Applied Chemistry	32 years

*Adel M. Al-Ghamdi resigned from Petro Rabigh on May 31, 2018

**Roy A. De Bellefeuille appointed as Vice President, Engineering & Support (A) on June 1, 2018.

3. Names of the companies inside and outside the Kingdom in which a Board member is a member of their current or previous Board member or manager

Name	Names of the companies in which a Board member is a member of their current Board or manager	Inside / outside the Kingdom	Legal entity (listed/ unlisted/ limited liability)	Names of the companies in which a Board member is a member of their previous Board or manager	Inside / Outside the Kingdom	Legal entity (listed/ unlisted/ limited liability)
Abdulaziz M. Al-Judaimi	Arab Petroleum Pipelines Company	Outside the Kingdom	Unlisted	-	-	-
	Aramco Overseas Company BV	Outside the Kingdom	Limited liability	-	-	-
	Aramco Overseas Holding Cooperative U.A.	Outside the Kingdom	Limited liability	-	-	-
	Aramco Services Company	Outside the Kingdom	Limited liability	-	-	-
	Excellent Performance Chemicals Company	Inside the Kingdom	Limited liability	-	-	-
	Motiva Enterprises LLC	Outside the Kingdom	Limited liability	-	-	-
	Rabigh Refining & Petrochemical Company	Inside the Kingdom	Listed	-	-	-
	Saudi Aramco Asia Company Ltd	Outside the Kingdom	Limited liability	-	-	-
	Saudi Aramco Power Holding Company	Inside the Kingdom	Limited liability	-	-	-
	Saudi Aramco Products Trading Company	Inside the Kingdom	Limited liability	-	-	-
	Saudi Aramco Total Refining and Petrochemical Company	Inside the Kingdom	Limited liability	-	-	-
	Yanbu Aramco Sinopec Refining Company Limited	Inside the Kingdom	Limited liability	-	-	-

Name	Names of the companies in which a Board member is a member of their current Board or manager	Inside / outside the Kingdom	Legal entity (listed/ unlisted/ limited liability)	Names of the companies in which a Board member is a member of their previous Board or manager	Inside / Outside the Kingdom	Legal entity (listed/ unlisted/ limited liability)
Nasser D. Al-Mahasher	-	-	-	-	-	-
Noriaki Takeshita	Sumitomo Chemical Company	Outside the kingdom	Listed	-	-	-
Suleman A. Al-Bargan	Satorp	Inside the kingdom	Limited liability	-	-	-
	Yasref	Inside the kingdom	Limited liability	-	-	-
Shigeyuki Yoneda*	Sumitomo Chemical Company	Outside the kingdom	Listed	-	-	-
	Sumika Middle East	Outside the kingdom	Listed	-	-	-
Seiji Takeuchi**	Sumitomo Chemical Company	Outside the kingdom	Listed	-	-	-
Takashi Shigemori	Sumitomo Chemical Company	Outside the kingdom	Listed	-	-	-
Saud A. Al-Ashgar	Arab Academy for Research and Studies	Outside the kingdom	Limited liability	S-Oil	Outside the Kingdom (Korea)	Listed
Saleh F. Al-Nazha	-	-	-	Hail Cement	Inside the Kingdom	Listed
Waleed A. Bamarouf***	Najran Cement	Inside the kingdom	Listed	Yanbu National Petrochemical (YANSAB)	Inside the Kingdom	Listed
Mohammed A. Al-Omair****	-	-	-	Samref	Inside the Kingdom	Limited liability
	-	-	-	Satorp	Inside the Kingdom	Limited liability
	-	-	-	Sasref	Inside the Kingdom	Limited liability
	-	-	-	Motor Oil Hellas	Outside the Kingdom	Listed
	-	-	-	Avin	Outside the Kingdom	Listed
	-	-	-	Marafeq	Inside the Kingdom	Limited liability

*Shigeyuki Yoneda resigned from the Board of Petro Rabigh on June 28, 2018.

**Seiji Takeuchi appointed as (Executive Director) on June 28, 2018.

***Waleed A. Bamarouf completed his appointment on November 2, 2018.

****Mohammed A. Al-Omair appointed as (Independent Director) on November 3, 2018.

4. Composition of the Board and classification of its members, as follows: Executive Director, Non-Executive Director, or Independent Director

The Board of Directors currently consists of 9 members, and the following table shows the composition of Petro Rabigh's Board of Directors including the Directors' names and their Board membership classifications:

Name	Membership classifications (Executive Director/ Non-Executive Director/ Independent Director)
Abdulaziz M. Al-Judaimi	Non-Executive Director
Nasser D. Al-Mahasher	Executive Director
Noriaki Takeshita	Non-Executive Director
Suleman A. Al-Bargan	Non-Executive Director
Shigeyuki Yoneda*	Non-Executive Director
Seiji Takeuchi**	Executive Director
Takashi Shigemori	Non-Executive Director
Saud A. Al-Ashgar	Independent Director
Saleh F. Al-Nazha	Independent Director
Waleed A. Bamarouf***	Independent Director
Mohammed A. Al-Omair****	Independent Director

*Shigeyuki Yoneda resigned from the Board of Petro Rabigh on June 28, 2018.

**Seiji Takeuchi appointed as (Executive Director) on June 28, 2018.

***Waleed A. Bamarouf completed his appointment on November 2, 2018.

****Mohammed A. Al-Omair appointed as (Independent Director) on November 3, 2018.

Board of Directors' Report

5. Procedure taken to the Board to inform its members, Non-Executive Directors in particular, of the shareholders' suggestions and remarks on the Company and its performance

Petro Rabigh Investor Relations of the Corporate Affairs Department sends a detailed quarterly report to the Board of Directors to provide them with the shareholders' suggestions, comments and questions about the Company and its performance.

6. A brief description of the competencies and duties of the committees, such as the audit committee, the nomination and remuneration Committee indicating their names, names of their chairmen, names of their members, the number of their respective meetings, dates of those meetings and the members' attendance details of each meeting

Audit Committee:

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

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

The following table shows the names of the Audit Committee members, the Chairman, the number of its meetings and the dates of the meeting and the number of attendance for each meeting:

Name	Title	Meetings Attended (2018)						Number of attendance
		1st Meeting dated Feb. 4	2nd Meeting dated Mar. 7	3rd Meeting dated May 7	4th Meeting dated Jun. 28	5th Meeting dated Aug. 7	6th Meeting dated Nov. 7	
Saud A. Al-Ashgar	Chairman	√	√	√	√	√	√	6
Noriaki Takeshita	Member	√	√	√	√	√	√	6
Suleman A. Al-Bargan	Member	√	√	√	√	√	√	6
Waleed A. Bamarouf*	Member	√	√	√	√	√	Nil	5
Mohammed A. Al-Omair**	Member	Nil	Nil	Nil	Nil	Nil	√	1

*Completed his appointment on November 2, 2018.

**Replaced Waleed A. Bamarouf as Audit Committee Member on November 3, 2018.

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

The following table shows the names of the Nomination and Remuneration Committee members, the Chairman, the number of its meetings and the dates of the meeting and the number of attendance for each meeting:

Name	Title	Meetings Attended (2018)			
		1st Meeting dated Feb. 28	2nd Meeting dated Sep. 12	3rd Meeting dated Dec. 2	Number of attendance
Saud A. Al-Ashgar	Chairman	√	√	√	3
Takashi Shigemori	Member	√	√	√	3
Suleman A. Al-Bargan	Member	√	√	√	3
Waleed A. Bamarouf*	Member	√	√	Nil	2
Mohammed A. Al-Omair**	Member	Nil	Nil	√	1

*Completed his appointment on November 2, 2018.

**Replaced Waleed A. Bamarouf as NRC Member on November 3, 2018.

Marketing Steering Committee:

The Marketing Steering Committee (MC) is formed to guide the Company in marketing its products and the relationship with the marketers. 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 names of the Marketing Steering Committee members, the Chairman, the number of its meetings and the dates of the meeting and the number of attendance for each meeting:

Name	Title	Meetings Attended (2018)				Number of attendance
		1st Meeting dated Feb. 28	2nd Meeting dated Jun. 27	3rd Meeting dated Sep. 12	4th Meeting dated Nov. 5	
Saleh F. Al-Nazha	Chairman	√	√	√	√	4
Nasser D. Al-Mahasher	Member	(Proxy by Saleh Al-Nazha)	√	(Proxy by Saleh Al-Nazha)	(Proxy by Saleh Al-Nazha)	1
Takashi Shigemori	Member	√	√	√	√	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 SR187.5 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.

Board of Directors' Report

- 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	Meetings Attended
Abdulaziz M. Al-Judaimi	Chairman of Executive Committee	Nil
Shigeyuki Yoneda*	Member	Nil
Saleh F. Al-Nazha	Member	Nil
Takashi Shigemori**	Member	Nil

*Shigeyuki Yoneda resigned from the Board on June 28, 2018.

**Takashi Shigemori was appointed as Member of Executive Committee on June 28, 2018.

Note: During 2018, members of the Executive Committee had ratified a number of resolutions by circulation, in accordance with the Committee's charter.

7. The means used by the Board to assess its performance, the performance of its committees and members and the external body which conducted the assessment and its relation with the Company

The Board of Directors has established a mechanism for an annual 'Board Effectiveness Evaluation'. The mechanism elaborates on specific aspects of Board performance to ensure that the evaluation findings clarify any potential problems; identify the root cause(s) of these problems; and test the practicality of specific governance solutions. The annual Board evaluation exercise provides an assessment of the Board performance by the Board members themselves (including the CEO) as the sole sources of information for the evaluation process. This "Board-as-a-Whole" evaluation ensures that the Directors develop a shared understanding of their governance role and responsibilities. The assessment includes ten parameters covering the following premium axes: Membership Accountability; Governance; Board Operations; Legal Responsibility; Financials; Planning; and Board Member Relations.

The Nomination and Remuneration Committee (NRC) presides over the evaluation process, hence, the NRC Secretary will be in charge of conducting the analysis and reporting of the results. A special workshop was conducted for all Board Members by a specialized third-party consultant for the purpose of assessing the Evaluation results and establishing the required Implementation Plan and KPIs.

8. Remuneration of the Board members and Executive Management

Directors Remuneration

Rules of Remuneration Determination

- The remuneration of all Directors shall be recommended by the Board to the General Assembly for approval on an annual basis. The recommendation of the Board to the General Assembly shall be based on the recommendation of the Nomination and Remuneration Committee. The recommendations of the Nomination and Remuneration Committee and the Board shall be in compliance with applicable laws, regulations, and policies (including this Policy).

- The remuneration of Directors could be in the form of specific cash payments, in kind benefits, attendance allowances, a percentage of the Company's annual net profits, or a combination of any of the foregoing.
- Where the remuneration of Directors is distributed as a percentage of the Company's net profits, the maximum total annual remuneration may not exceed 10% of the Company's net profits after deducting the relevant reserves and after distributing profits to the Company's shareholders at a minimum rate of 5% of the Company's paid-up capital.
- In all cases, the total annual remuneration and benefits for each Director, in cash or in kind, must not exceed SAR 500,000.
- Notwithstanding Paragraphs - and - above, the remuneration of independent Directors shall not be in the form of a percentage of the Company's net profits and shall not be, directly or indirectly, based on the profitability of the Company.
- The remuneration of Directors may vary based on the experience, expertise, duties, independence, and attendance record of each Director as well as other relevant considerations.

Additional Remuneration

- The Chairman of the Board may receive remuneration in addition to his remuneration as a Director. Such additional remuneration (if any) shall be recommended by the Nomination and Remuneration Committee and approved by the Board on an annual basis.
- Directors serving in any of the Committees may receive remuneration in addition to their remuneration as Directors.
- Directors serving as Senior Executives may receive remuneration in addition to their remuneration as Directors.
- If the Secretary of the Board is also a Director, then he may receive remuneration in addition to his remuneration as a Director. Such additional remuneration (if any) shall be determined by the Board of Directors (based on the recommendation of the Nomination and Remuneration Committee) on an annual basis.

Board members:

(In SAR Thousands)

Name	Fixed remunerations									Variable remunerations				End-of-service award	Aggregate Amount	Expenses Allowance
	Specific amount	Allowance for attending Board meetings	Total Allowance for attending committee meetings	In-kind benefits	Remunerations for technical, managerial and consultative work	Remunerations of the chairman, Managing Director or Secretary, if a member	Total	Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares (insert the value)	Total			
First: Ind. Board Directors																
1- Saud A. Al-Ashgar	350	0	0	0	0	0	350	0	0	0	0	0	0	0	350	0
2- Saleh F. Nazha	350	0	0	0	0	0	350	0	0	0	0	0	0	0	350	0
3- Waleed A. Bamarouf*	350	0	0	0	0	0	350	0	0	0	0	0	0	0	350	0
4-Mohammed A. Al-Omair**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	1,050	0	0	0	0	0	1,050	0	0	0	0	0	0	0	1,050	0
Second: Non-Exec. Board Directors																
1- Abdulaziz M. Al-Judaimi	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2- Suleman A. Al-Bargan	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3- Noriaki Takeshita	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4- Shigeyuki Yoneda***	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5- Takashi Shigemori	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Third: Exec. Directors																
1-Nasser D. Al-Mahasher	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2- Seiji Takeuchi****	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

*Waleed A. Bamarouf completed his appointment on November 2, 2018.

**Mohammed A. Al-Omair appointed as (Independent Director) on November 3, 2018.

***Shigeyuki Yoneda resigned from the Board of Petro Rabigh on June 28, 2018.

****Seiji Takeuchi appointed as (Executive Director) on June 28, 2018.

Senior Executives Remuneration

Rules of Remuneration Determination

- The remuneration of all Senior Executives shall be recommended by the Nomination and Remuneration Committee and approved by the Board in accordance with the relevant employment contracts and internal policies and compensation plans.
- The Nomination and Remuneration Committee shall review and approve the employment contracts with Senior Executives, including contracts with new appointments. It shall also review and approve any contract with an employee with compensation equivalent to Senior Executives.

Benefits and Incentive Plans

- Senior Executives shall be entitled to certain benefits provided by the Company. Besides pension, benefits are primarily in the areas of medical services, access to the Company's recreational facilities, housing-related allowances (or equivalent), and transportation-related allowances (or equivalent). The nature and levels of benefits for Senior Executives shall be periodically reviewed by the Nomination and Remuneration Committee and approved by the Board.
- The Company may offer Senior Executives variable compensation that is market-informed and subject to the fulfillment of pre-defined performance goals, whether short-term or long-term. Such variable compensation plans shall be subject to the recommendation of the Nomination and Remuneration Committee and the approval of the Board.

Board of Directors' Report

- The Company may offer Senior Executives and other employees opportunities for share ownership through an employee share plan or similar programs. Such plans and programs shall be subject to the recommendation of the Nomination and Remuneration Committee and the approval of the Board and shall be in accordance with applicable laws, regulations, and instructions.

Senior Executives:

(In SAR Thousands)

	Position	Fixed remunerations				Variable remunerations							Total remunerations for Board executives, if any	Aggregate Amount
		Salaries	Allowances	In-kind benefits	Total	Periodic remunerations	Profits	Short-term incentive plans	Long-term incentive plans	Granted shares (insert the value)	Total	End-of-service award		
1	President& CEO	909	677	0	1,586	0	0	0	0	0	0	0	0	1,586
2	Sr. MFT - VP	1,063	957	0	2,020	0	0	0	0	0	0	0	0	2,020
3	VP - IR	799	772	0	1,571	0	0	0	0	0	0	0	0	1,571
4	CFO	900	734	0	1,634	0	0	0	0	0	0	0	0	1,634
5	IS - VP	1,020	836	0	1,856	0	0	0	0	0	0	0	0	1,856
Total		4,691	3,976	0	8,667	0	0	0	0	0	0	0	0	8,667

Committees Members Remuneration

Rules of Remuneration Determination

- The members of the Committees shall be remunerated in accordance with the charter of the relevant Committee.
- Notwithstanding Paragraph above, the Nomination and Remuneration Committee shall review and recommend to the Board the remuneration of the members of the Committees.

Committees members:

(In SAR Thousands)

	Fixed Remuneration (Except for the allowance for attending Board meetings)	Allowance for attending meetings	Total
Audit Committee Members			
1- Saud A. Al-Ashgar	0	0	0
2- Noriaki Takeshita	0	0	0
3- Waleed A. Bamarouf*	0	0	0
4- Suleman A. Al-Bargan	0	0	0
5- Mohammed A. Al-Omair **	0	0	0
Total	0	0	0
Remuneration & Nomination Committee Members			
1- Saud A. Al-Ashgar	0	0	0
2- Waleed A. Bamarouf*	0	0	0
3- Takashi Shigemori	0	0	0
4- Mohammed A. Al-Omair **	0	0	0
5- Suleman A. Al-Bargan	0	0	0
Total	0	0	0
Marketing Committee Members			
1- Saleh F. Al-Nazha	0	0	0
2- Takashi Shigemori	0	0	0
3- Nasser D. Al-Mahasher	0	0	0
Total	0	0	0
Executive Committee Members			
1- Abdulaziz M. Al-Judaimi	0	0	0
2- Shigeyuki Yoneda***	0	0	0
3- Saleh F. Al-Nazha	0	0	0
4- Takashi Shigemori	0	0	0
Total	0	0	0

*Waleed A. Bamarouf completed his appointment on November 2, 2018.

**Mohammed A. Al-Omair appointed as (Independent Director) on November 3, 2018.

***Shigeyuki Yoneda resigned from the Board of Petro Rabigh on June 28, 2018.

9. Punishment, penalty, precautionary procedure or preventive measure imposed on the Company by the Capital Market Authority or any other supervisory, regulatory or judiciary authority, describing the reasons for non-compliance, the imposing authority and the measures undertaken to remedy and avoid such non-compliance in the future

	Violation Issued By	Subject	Date	Amount
1	Saudi Customs	Suspicion of Smuggling of diesel fuel	22 - July - 2018	1,394,815.51 SAR
2	The General Authority for Meteorology and Environmental Protection	Obstructing the Authority employees and preventing them from performing their work	7 - June -2018	10,000 SAR

The company is taking all possible measures to prevent these penalties from re-occurring.

10. Results of the annual review of the effectiveness of the internal control procedures and practices of the Company and the opinion of the audit committee with respect to the adequacy of the Company's internal control system

The primary role of the Internal Audit Office is to assess and monitor the implementation of Petro Rabigh's internal control system and verify the compliance of the Company and its employees with the applicable laws, regulations, instructions and Company policies and procedures.

In accordance with the 2018 annual audit plan approved by the Audit Committee, the Internal Audit Office audited the internal control procedures and practices of the Company's major activities. The General Auditor presented the results and recommendations to the Audit Committee during the Committee regular meetings. Executive management of the Company is committed to implement Internal Audit recommendations within a reasonable time frame established in conjunction with the Internal Audit Office in order to improve the internal control procedures.

It is the opinion of Audit Committee that there were no critical or major observations found during the 2018 audits that can impair the effectiveness of the Company's internal control systems.

11. The audit committee's recommendation on the need for appointing an internal auditor for the Company, if there is no internal auditor

Petro Rabigh already has an established Internal Audit Office headed by General Auditor and consists of a team of experienced internal auditors.

12. The audit committees recommendation with conflict with Board resolution or those which the Board disregards relating to the appointment, dismissal, assessment or determining the remuneration of an external auditor, as well as justifications for those recommendations and reasons for disregarding them.

There was no conflict between the Audit Committee recommendations and the Board resolutions.

13. Company's Social Contributions

Petro Rabigh is a leader in several social responsibility and sustainable development programs and initiatives in Rabigh Governorate. The PRC 2018 Corporate Social Responsibility (CSR) programs started in April 24, 2018, after the General Assembly gave its approval of the Petro Rabigh CSR Policy which aims to build on the success of previous years, reinforcing the Company's commitment to the development of the Kingdom and strengthening its public reputation and brand equity. The Company's CSR Programs included the following:

Program1: Community Service Programs:

- The 'Care Baskets Program' was carried out by a Petro Rabigh Volunteering Team in coordination with Rabigh Al Bir Charitable Society to distribute basic food supplies to needy families in Rabigh area. 359 Petro Rabigh employees donated a total of 164,000 Saudi Riyals, which was then matched by the Company through the CSR budget. The figure enabled 50 volunteers to purchase 1,000 food baskets (around 15 tons of food supplies and distribute them to needy families in six villages in Rabigh area.
- The Company launched a new 'Kiswat Al-Eid' charity program through which clothes were provided to needy male and female children in Rabigh. 167 employees participated in the program by donating 46,000 Saudi Riyals, again matched by the Company, leading to 1,000 children receiving clothes or coupons for select stores ahead of Eid Al-Fitr.

Program 2: Environmental Awareness Program:

- The Company started the 'Recycling Program' initiative as part of its environmental protection efforts. The initial phase of the Program involves construction of needed facilities and infrastructure at the Petro Rabigh Community and main complex. An agreement was concluded with a local company (Napco) to handle the recycling of collected materials.

Program 3: Educational and Awareness Programs:

Company sponsored educational and awareness programs included the following:

- Participation in the annual traffic week events and awareness campaigns in and outside the Company.
- Summer training programs for local high school students.
- Hosting school and university students to raise awareness of fire safety by visiting the 'Safety House', which is designed to raise awareness of safety and security,
- Participation in Janadriyah (the annual national heritage and culture festival) to promote public awareness of the Company and its various achievements, through direct engagement with thousands of visitors during the 18 days of the festival.
- In response to the 'How to Be an Example' initiative of His Royal Highness Prince Khalid Al-Faisal Advisor to the Custodian of the Two Holy Mosques Prince of Makkah Region, Petro Rabigh launched the following programs:
 - a. The Petro Rabigh Ambassador Program was introduced as part of the Company's Saifi Summer Program and provided 157 male and female students with courses in a range of subjects from First Aid to soft skills. The courses were conducted in association with the Human Resource Fund.
 - b. The Volunteers Program was introduced to promote the spirit of social responsibility, volunteerism and national belonging.

Board of Directors' Report

14. Dates of the General Assembly meetings held during the last fiscal year and the names of the Board members who attended them

The **Ordinary General Assembly** meeting (1st meeting) was held in Rabigh at 06:30 PM on Tuesday, 24 April, 2018, chaired by Engineer Abdulaziz M. Al-Judaimi, Chairman of the Board of Directors.

Names of the Board members who attended:

- Abdulaziz M. Al-Judaimi
- Nasser D. Al-Mahasher
- Shigeyuki Yoneda
- Saud A. Al-Ashgar
- Saleh F. Al-Nazha
- Waleed A. Bamarouf
- Takashi Shigemori
- Suleman A. Al-Bargan

The **Extraordinary General Assembly** Meeting (1st meeting) was held in Rabigh at 06:30 PM on Monday, 22 October, 2018, chaired by Engineer Abdulaziz M. Al-Judaimi, Chairman of the Board of Directors.

Names of the Board members who attended:

- Abdulaziz M. Al-Judaimi
- Nasser D. Al-Mahasher
- Noriaki Takeshita
- Takashi Shigemori
- Seiji Takeuchi
- Saleh F. Al-Nazha
- Waleed A. Bamarouf
- Saud A. Al-Ashgar

15. Main scope of business of the Company and its affiliates. A statement showing each activity and how it affects the Company businesses and results

Company's Activities:

Petro Rabigh has two main activities: refining and petrochemical production. The two activities are fully integrated to maximize profit and minimize cost by converting low value products into 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 annually 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 2018:

Activity	2018 Sales (SR Thousands)	Contribution to Sales %
Refining	31,447,298	77%
Petrochemicals	9,550,946	23%
Total	40,998,244	100%

16. Company's significant plans and decisions (including changes to the structure, expanding the Company's operations or halting them) and the future expectations

The company foresees normal operation in 2019 onward, while the following future prospects are taken into consideration by the Company's management and Board of Directors:

- Completion of the CRT and Financial Integration of Phase II
- Developments on the Fuel Oil Upgrade Project
- Periodic Plant T&I

17. Risks facing the Company (operational, financial or market related) and the policy of managing and monitoring these risks

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 principally arises from cash and cash equivalents, time deposits, trade receivables, long-term loans and other receivables. Cash and cash equivalents and time deposits are placed with banks with sound credit ratings. The majority of trade receivables (98.6%) (December 31, 2017: 96%) is from founding shareholders with historically strong credit ratings, and is stated at respective realizable values. In the event of disagreement on any invoice, the marketer is required to pay the full value of the invoice prior to resolution of the disagreement. 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, 2018, there were minimal overdue debts equivalent to 1% (December 31, 2017: 0.6%) 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.

Fair value of financial assets and liabilities carried at amortized cost approximate their carrying amounts.

Interest rate sensitivity

As at December 31, 2018, it is estimated that a general increase / decrease of 50 basis points in floating interest rates on time deposits, loans and borrowings, with all other variables held constant, would increase / decrease the Company's net profit for the year by approximately Saudi Riyals 189.9 million (2017: Saudi Riyals 190.5 million).

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, finance lease liabilities and certain other liabilities. All financial liabilities except for loans and borrowings, finance lease liabilities, 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 exchange rates. The Company's transactions are principally in Saudi Riyals and US Dollars. The Company monitors the fluctuation in currency exchange rates and believes that currency risk is not significant to the Company.

● Risks Related to the Economic Situation

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

● Risks Related to Operations

The Company's sources of revenue rely on the operation of plants and facilities that are influenced by performance and plant capacity utilization, as well as strong engineering support and reliable process information technology infrastructure. The safe and stable operation of the plant is determined by the Operation personnel competency and skill, plant performances, capacity utilization, controlling the hazards and mitigate the risk to as low as reasonable possible.

● 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:

1. 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.

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

3. To ensure that the strategy plan as set by the Board is implemented effectively and to avoid the risk of management diverting from the plan, each organization takes the responsibility of setting key performance indicators (KPI's) which are directly aligned to key strategic objectives. A Corporate Performance Group was created early 2018, and one of its sections is responsible for developing performance measures, reporting systems and KPIs to align strategic objectives and department, section and individual actions.

4. Mid 2018 Management approved the creation of a Risk Management Section part of the Corporate Performance Group, in order to fulfill the mandatory risk management requirements. Subsequently, a Risk Management Charter was approved and a Risk Management Steering Committee (RMSC) was appointed, under the supervision of the P&CEO. Reporting quarterly to the Board Audit Committee – to which the Board delegated the Risk Management authority - the RMSC oversees the development and management of a comprehensive risk management process throughout the company. It addresses the enterprise risk from a holistic perspective, considering 7 risk descriptors (Health & Safety, Environment, Legal, Financial, Reputation, Production and Project Delivery) and a 5x5 Risk Matrix based on 5 risk levels (from Insignificant to Catastrophic) with 5 levels of occurrence likelihood (from Rare to Almost Certain). The Risk Matrix and Risk Thresholds were approved by the RMSC and Board Audit Committee and Risk Registers at department level were defined for all departments throughout PRC. Current work is being performed on finalizing the department risk registers and dashboards and consolidating them into function-level and enterprise-level risk registers and dashboards. According to the Risk Management Charter, internal reporting is performed monthly, reporting to the RMSC on a bi-monthly basis and to the Board Audit Committee on a quarterly basis.

● 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 Compliance Section which is an organization that carries the responsibilities and is accountable for following up on the development of local and international mandatory and voluntary 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. The information regarding current and future changes comes through the Corporate Affairs Department, who is responsible for assuring such surveillance of the regulatory environment and is used by the Corporate Compliance Section to monitor and promote compliance.

Board of Directors' Report

● 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:

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

Petro Rabigh has established a Risk Management Steering Committee reporting to the Board Audit Committee. In addition, an Enterprise Risk Management (ERM) system is being established in order to ensure that risk within the company is mitigated and controlled.

18. Assets, Liabilities and Results of Business for the Last Five Years or since the incorporation date, whichever is shorter

Statement of Profit or loss:

	In SAR Thousands				
	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Sales	40,998,191	34,211,010	25,146,130	25,513,860	54,236,752
Refined Products	31,447,298	26,237,144	19,423,911	19,500,612	44,096,362
Petrochemical Products	9,550,893	7,973,866	5,722,219	6,013,248	10,140,390
Cost of Goods Sold	(38,683,150)	(31,514,986)	(24,038,699)	(25,218,530)	(52,511,512)
Gross Profit	2,315,041	2,696,024	1,107,431	295,330	1,725,240
Selling, General & Administrative Expenses	(1,387,618)	(1,043,071)	(984,865)	(1,055,425)	(991,502)
Other (expense) income - Net	(258,863)	(229,976)	(87,784)	1,588	(52,309)
Net Profit (Loss)	668,560	1,422,977	34,782	(758,507)	681,429

Statement of Comprehensive income:

	In SAR Thousands	
	December 31, 2018	December 31, 2017
Net Profit after Zakat and Income tax	668,560	1,422,977
Remeasurement loss on defined benefit plan	(13,367)	(18,040)
Income Tax effect	2,005	2,706
Items that will not be reclassified to statement of profit or loss in subsequent periods	(11,362)	(15,334)
Total Comprehensive income for the year	657,198	1,407,643

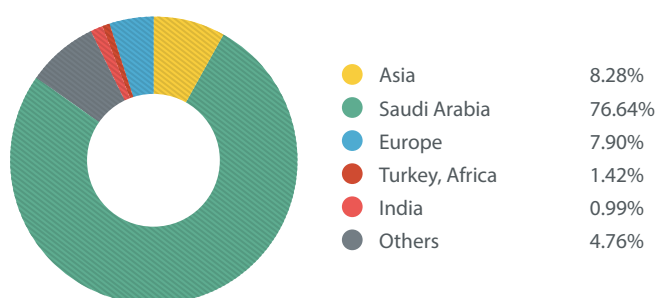
Statement of Financial Position:

	In SAR Thousands				
	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Current Assets	14,636,393	12,746,784	9,594,947	5,732,870	13,474,468
Non-Current Assets	49,457,574	48,928,193	48,651,100	45,668,580	27,461,323
Total Assets	64,093,967	61,674,977	58,246,047	51,401,450	40,935,791
Current Liability	24,889,853	13,873,999	11,333,134	7,872,133	12,174,834
Long-Term Loans & other Liabilities	28,662,094	37,715,171	38,517,397	35,172,991	19,205,094
Equity	10,542,020	10,085,807	8,395,516	8,356,326	9,555,863
Total Liabilities & Equity	64,093,967	61,674,977	58,246,047	51,401,450	40,935,791

19. Geographical analysis of the Company's and its affiliates' revenues Company's Activities:

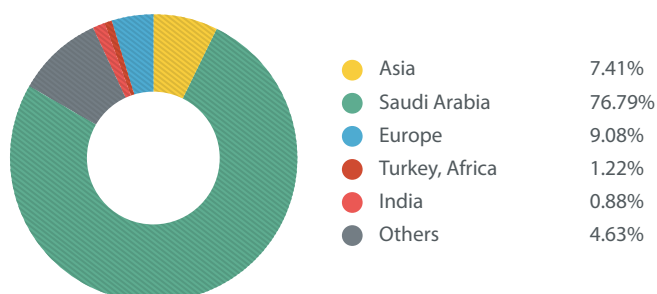
Refined Products Sales

Refined Products		
Destinations	Volume (BBL)	%
Asia	9,440,378	8.28%
Saudi Arabia	87,348,695	76.64%
Europe	9,009,237	7.90%
Turkey, Africa	1,622,789	1.42%
India	1,129,749	0.99%
Others	5,426,665	4.76%
Total	113,977,513	100%



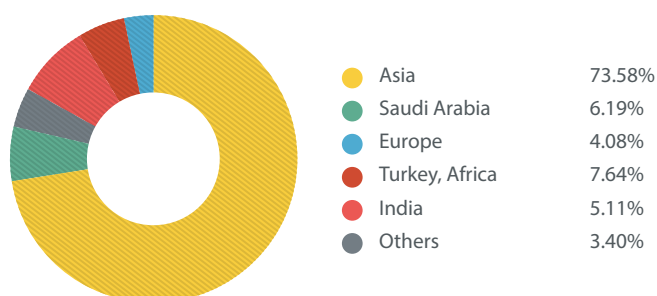
Refined Products Gross Revenues

Refined Products		
Destinations	Sales (SAR)	%
Asia	2,329,419,773	7.41%
Saudi Arabia	24,149,221,928	76.79%
Europe	2,853,902,138	9.08%
Turkey, Africa	383,176,369	1.22%
India	277,052,959	0.88%
Others	1,454,525,074	4.63%
Total	31,447,298,239	100%



Petrochemical Products Sales

Petrochemical		
Destinations	Volume (MT)	%
Asia	1,669,499	73.58%
Saudi Arabia	140,424	6.19%
Europe	92,508	4.08%
Turkey, Africa	173,361	7.64%
India	116,044	5.11%
Others	77,083	3.40%
Total	2,268,919	100%



Board of Directors' Report

Petrochemical Products Gross Revenues

Petrochemical		
Destinations	Sales (SAR)	%
Asia	6,915,366,495	72.41%
Saudi Arabia	591,507,806	6.19%
Europe	420,631,759	4.40%
Turkey, Africa	802,041,135	8.40%
India	521,277,724	5.46%
Others	300,120,821	3.14%
Total	9,550,945,740	100%

20. Material differences in the operational results compared to the preceding year's results, along with any expectations announced by the Company

Following is a brief description of the 2018 financial outcome in comparison to the previous year:

- Net profit for the year ended December 31, 2018 is SAR 669 million (December 31, 2017: Net profit SAR 1,423 million).
- Earnings per share for the year ended December 31, 2018 is SAR 0.76 per share (December 31, 2017: Income SAR 1.62 per share).
- The gross profit for the year ended December 31, 2018 was SAR 2,315 million (December 31, 2017: SAR 2,696 million).
- Operating profit for the year ended December 31, 2018 is SAR 1,016 million (December 31, 2017: Operating profit of SAR 1,704 million).

The decrease in net profit is mainly due to the lower refinery products margin. This was partially offset by improved operational performance and petrochemical sales prices and quantities.

21. Inconsistency with the standards approved by the Saudi Organizations for Certified Public Accountant

The financial statements of the Company have been prepared in compliance with International Financial Reporting Standards (IFRS) as well as other standards and pronouncements as endorsed by Saudi Organization for Certified Public Accountants (SOCPA) in the Kingdom of Saudi Arabia. There is no inconsistency with the standards approved by SOCPA.

22. Name of each affiliate Company, its capital, the Company's ownership percentage, the main scope of business, country of operation and country of incorporation

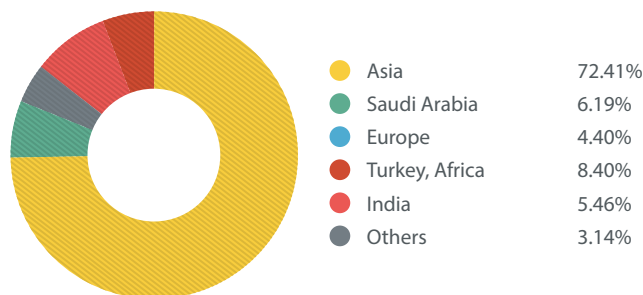
N/A

23. Shares and debt instruments issued for each affiliate Company

N/A

24. Dividends distribution policy

After deducting all general expenses and other costs, including taxes and zakat imposed under Shari'a, the Company's annual net profits shall be allocated as follows:



- Ten percent (10%) of the annual net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve equals one-half (1/2) of the Company's paid-up capital.
- The Ordinary General Assembly may, upon the recommendation of the Board of Directors, set aside a percentage of the annual net profits to form an additional reserve to be allocated for the purpose or purposes decided by the Ordinary General Assembly.
- The Ordinary General Assembly may resolve to form other reserves to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the Shareholders. The Ordinary General Assembly may also deduct amounts from the net profit to create social institutions for the Company's employees, or to support existing institutions of such kind.
- A percentage of no less than 1% of the remaining amounts of the annual net profits shall be distributed to the shareholders unless the Ordinary General Assembly decided otherwise.

The Company may distribute interim dividends on a quarterly or semi-annual basis in accordance with the rules established by the competent authority.

On March 7, 2018, the Board of Directors of Petro Rabigh recommended the dividends distribution to the shareholders of the Company for the financial year ended 31 December 2017, which was approved at the Ordinary General Assembly held on 24 April 2018 as follows:

Number of outstanding shares	Dividend per share	Total amount of dividends distribution	Dividend represent of the nominal value	The dividend distribution date	For Year
876,000,000	0.5 SAR	438,000,000	5%	8 May 2018	2017

25. Interest in a class of voting shares held by persons (other than the Company's directors, Senior Executives and their relatives) who have notified the Company of their holdings, together with any change to such interests during the last fiscal year

N/A

26. Interest, contractual securities or rights issue of the Board members, Senior Executives and their relatives on shares or debt instruments of the Company or its affiliates, and any change on these interest or rights during the last fiscal year

Board Members:

Name	Position	Period Start		Period End		Net Change	Change %
		Stocks	Debt Instruments	Stocks	Debt Instruments		
Abdulaziz M. Al-Judaimi*	Chairman (Non-Executive)	-	-	-	-	-	-
Nasser D. Al-Mahasher*	President & CEO (Executive Director)	-	-	-	-	-	-
Suleman A. Al-Bargan*	Non-Executive Director	-	-	-	-	-	-
Shigeyuki Yoneda**1	Non-Executive Director	-	-	-	-	-	-
Seiji Takeuchi**2	Executive Director	-	-	-	-	-	-
Noriaki Takeshita**	Deputy Chairman Non-Executive Director	-	-	-	-	-	-
Takashi Shigemori**	Non-Executive Director	-	-	-	-	-	-
Saud A. Al-Ashgar	Independent Director	85,400	-	85,400	-	-	-
Saleh F. Al-Nazha	Independent Director	1,000	-	1,000	-	-	-
Waleed A. Bamarouf3	Independent Director	1,000	-	1,000	-	-	-
Mohammed A. Al-Omair4	Independent Director	-	-	12	-	-	-

1 Shigeyuki Yoneda resigned from the Board of Petro Rabigh on June 28, 2018.

2 Seiji Takeuchi appointed as (Executive Director) on June 28, 2018.

3 Waleed A. Bamarouf completed his appointment on November 2, 2018.

4 Mohammed A. Al-Omair appointed as (Independent Director) on November 3, 2018.

*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.

Senior Executives:

Name	Position	Year Start		Year End		Net Change	Change %
		Stocks	Debt Instruments	Stocks	Debt Instruments		
Abdullah M. Al Qahtani	Vice President, Industrial Security	-	-	-	-	-	-
Hesham H. Azzouz	Vice President, Industrial Relations	800	-	800	-	-	-
Roy De Bellefeuille	Vice President, Engineering & Support (A)	-	-	-	-	-	-
Naoyuki Inoue	Chief Financial Officer	-	-	-	-	-	-
Seiji Takeuchi	Senior Vice President, Manufacturing	-	-	-	-	-	-



Board of Directors' Report

27. Loans (payable upon request or not), a statement of the total indebtedness of the company and its affiliates, any amounts paid by the company in repayments of loans during the year, the amount of the principal debts, the creditor name, the loan term and remaining amount

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, 2018	Loan Tenor (Years)	Balance on December 31, 2017	Additions during 2018	Repayments during 2018	Balance December 31, 2018
Japan Bank For International Cooperation	16,867,500	12.5 - 13	11,765,527	-	(1,046,053)	10,719,474
Commercial Banks	14,287,500	12.5 - 13	9,254,418	956,250	(1,497,190)	8,713,478
Public Investment Fund	8,625,000	12.5 - 13	6,584,211	-	(418,421)	6,165,790
Islamic Financial Institutions	2,250,000	12.5	844,196	-	(257,652)	586,544
Sumitomo Mitsui Banking Corporation - Equity Bridge Loans	8,887,500	4	6,556,125	2,331,375	-	8,887,500
Accrued Interest on loans	-	-	26,514	1,102,210	(1,087,794)	40,930
Total	50,917,500	-	35,030,991	4,389,835	(4,307,110)	35,113,716

B) Loans from Founding Shareholders

The Company has also drawn down SAR 2,287.5 million from each of its founding shareholders (totaling to SAR 4,575 million) 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, 2017	Repayments During 2018	Balance December 31, 2018
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 Company has a general credit facility with a local bank amounting to SAR 375 million and is valid till December 1, 2019.

28. Convertible debt instruments, contractual securities, preemptive right or similar rights issued or granted by the company during the fiscal year, as well as stating any compensation obtained by the company in this regard

N/A

29. Conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted by the company

N/A

30. Redemption, 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 affiliates

N/A

31. The number of Board meetings held during the last financial year, their dates and the attendance record of each meeting listing the names of the attendees

Name	Title	1st Meeting Mar. 7, 2018	2nd Meeting Jun. 28, 2018	3rd Meeting Sep. 13, 2018	4th Meeting Dec. 3, 2018	Total Meetings Attended
Abdulaziz M. Al-Judaimi	Chairman (Non-Executive)	√	√	√	√	4
Noriaki Takeshita	Deputy Chairman Non-Executive Director	√	√	√	√	4
Nasser D. Al-Mahasher	President & CEO (Executive Director)	√	√	√	√	4
Shigeyuki Yoneda*	Non-Executive Director	√	√	-	-	2
Seiji Takeuchi**	Executive Director	-	-	√	√	2
Takashi Shigemori	Non-Executive Director	√	√	√	√	4
Suleman A. Al-Bargan	Non-Executive Director	√	√	√	√	4
Waleed A. Bamarouf***	Independent Director	√	√	√	-	3
Mohammed A. Al-Omair****	Independent Director	-	-	-	√	1
Saud A. Al-Ashgar	Independent Director	√	√	√	√	4
Saleh F. Al-Nazha	Independent Director	√	√	√	√	4

*Shigeyuki Yoneda resigned from the Board of Petro Rabigh on June 28, 2018.

**Seiji Takeuchi was appointed as (Executive Director) on June 28, 2018.

***Waleed A. Bamarouf completed his appointment on November 2, 2018

****Mohammed A. Al-Omair was appointed as (Independent Director) on November 3, 2018

32. Numbers of Company's requests of shareholders records, dates and reasons thereof

Seven records were requested for the shareholders of the Company during the year 2018 as shown in the following table:

	Reason	Date
1	To Update the shareholders' database	April 18, 2018
2	For the use of the General Assembly	April 24, 2018
3	For dividend distribution	April 24, 2018
4	To Update the shareholders' database	April 30, 2018
5	For dividend distribution	April 26, 2018
6	To Update the shareholders' database	August 13, 2018
7	For the use of the General Assembly	October 22, 2018



Board of Directors' Report

33. Transactions between the company and any Related Party

Agreement Duration	Amount (in SAR '000)	Agreement Nature and Conditions	Related Party	Related Board Member(s)	Nature of transaction
30 years commencing from October 1, 2008	38,287,105	The Company entered into a Crude Oil Feedstock Supply Agreement (COSA) with Saudi Aramco to supply the Company with its crude oil feedstock requirements, up to a maximum supply of 400,000bpd, solely for use in the integrated refining and petrochemical complex. The 3 Board members associated with this agreement have indirect interest as employees of Saudi Aramco.	Saudi Aramco	Abdulaziz M. Al-Judaimi Nasser D. Al-Mahasher Suleman A. Al-Bargan	Purchase of goods including LPG shortfall and through put fee
Annual Charge	334,876	The Company procures various required materials/goods from Sumitomo Chemical Company and its affiliates for the production of products manufactured by it. The 3 Board members associated with this agreement have indirect interest as employees of Sumitomo Chemical Company.	Sumitomo Chemical Company	Noriaki Takeshita Takashi Shigemori Seiji Takeuchi	Purchase of goods
10 years from October 1, 2008. Further extendable for another 5 years (RPLMA).		The Company signed a Refined Products Lifting & Marketing Agreement (RPLMA) with Saudi Aramco as sole "Marketer" of refined products from the Rabigh Refinery. Pursuant to this agreement, Saudi Aramco will lift and market globally, as "Marketer", the refined products from the integrated refining & petrochemical complex.			
10 years from April 1, 2014. Further extendable for another 5 years (PPLMA)	39,105,085	The Company signed Petrochemical Products Lifting & Marketing Agreement (PPLMA) with Saudi Aramco to market petrochemicals products from the integrated refining and petrochemical complex, further assigned by Saudi Aramco through an Assignment & Assumption Agreement, to Aramco Products Trading Company (ATC) as the "Marketer". SAR 33,140,268 thousand is sales of Refined products and petrochemicals to Saudi Aramco. SAR 5,964,817 thousand is sales to ATC. The 3 Board members associated with this agreement have indirect interest as employees of Saudi Aramco.	Saudi Aramco	Abdulaziz M. Al-Judaimi Nasser D. Al-Mahasher Suleman A. Al-Bargan	Sale of refined products and petrochemical products
10 years from accumulated production date. Further extendable for another 5 years.	6,606,598	The Company signed a Petrochemical Products Lifting & Marketing Agreement (PPLMA) with Sumitomo Chemical Company as "Marketer" of petrochemical products from the integrated refining and petrochemical complex. Pursuant to this agreement, Sumitomo Chemical Company will lift and market globally, as "Marketer", the petrochemical products from the integrated refining and petrochemical complex. An Assignment & Assumption Agreement dated February 23, 2009 assigns Sumitomo Chemical Asia PTE Limited as the "Marketer". SAR 6,582,508 thousand is Sumitomo Chemical Asia PTE Limited. SAR 24,090 thousand is Sumitomo Chemical Polymer Company. Both are Affiliates of Sumitomo Chemical Company, and are a related party. The 3 Board members associated with this agreement have indirect interest as employees of Sumitomo Chemical Company.	Sumitomo Chemical Company	Noriaki Takeshita Takashi Shigemori Seiji Takeuchi	Sale of petrochemical products
25 Years from October 1, 2014	13,736	Rabigh Community Agreement in respect of leases of land and infrastructure facilities. The 3 Board members associated with this agreement have indirect interest as employees of Saudi Aramco.	Saudi Aramco	Abdulaziz M. Al-Judaimi Nasser D. Al-Mahasher Suleman A. Al-Bargan	Financial charges

Agreement Duration	Amount (in SAR '000)	Agreement Nature and Conditions	Related Party	Related Board Member(s)	Nature of transaction
30 years effective from October 1, 2008	12,663	Marine Terminal lease agreement, and Aramco is considered as a related party. The 3 Board members associated with this agreement have indirect interest as employees of Saudi Aramco.	Saudi Aramco	Abdulaziz M. Al-Judaimi Nasser D. Al-Mahasher Suleman A. Al-Bargan	Financial charges
Annual Charge	88,672	Credit Facility Agreement (CFA). Under the provisions of this agreement, the Founding Shareholders agreed to grant to the Company a loan facility for the development, design and construction of the integrated refining and petrochemical complex. The 3 Board members associated with this agreement have indirect interest as employees of Saudi Aramco.	Saudi Aramco	Abdulaziz M. Al-Judaimi Nasser D. Al-Mahasher Suleman A. Al-Bargan	Financial charges
Annual Charge	88,672	Credit Facility Agreement (CFA). Under the provisions of this agreement, the Founding Shareholders agreed to grant to the Company a loan facility for the development, design and construction of the integrated refining and petrochemical complex. The 3 Board members associated with this agreement have indirect interest as employees of Sumitomo Chemical Company.	Sumitomo Chemical Company	Noriaki Takeshita Takashi Shigemori Seiji Takeuchi	Financial charges
Rabigh refinery complex lease agreement: 99 years, with effect from Nov 1, 2005 & may be renewed hereafter for consecutive additional periods as agreed.		a) Rabigh refinery complex lease agreement: 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.			
Terminal Lease Agreement: 30 years effective from October 1, 2008	48,502	b) Terminal Lease Agreement: 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.	Saudi Aramco	Abdulaziz M. Al-Judaimi Nasser D. Al-Mahasher Suleman A. Al-Bargan	Rentals
Rabigh Community Agreement: 25 years effective October 1, 2014		c) Rabigh Community Agreement: In respect of leases of land and infrastructure facilities. The 3 Board members associated with these agreements have indirect interest as employees of Saudi Aramco.			
Annual charge	709	The Company entered into a Land Lease and Infrastructure Usage Agreement dated May 1, 2012 with Rabigh Conversion Industry Management Services Company (RCIMS) which is a wholly owned subsidiary of Sumitomo Chemical Company. The 3 Board members associated with this agreement have indirect interest as employees of Sumitomo Chemical Company.	Sumitomo Chemical Company	Noriaki Takeshita Takashi Shigemori Seiji Takeuchi	Rentals

Board of Directors' Report

Agreement Duration	Amount (in SAR '000)	Agreement Nature and Conditions	Related Party	Related Board Member(s)	Nature of transaction
Annual Charge	600	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 by the Company such as human resources, training and recruitment, legal utilities, information technology, General Management, Technical Support and Premarketing Support. These agreements also cover the ongoing technical support needed for continuous operations and ongoing enhancements such as refining and petrochemical process knowhow provided by Saudi Aramco and Sumitomo Chemical Company 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. The 3 Board members associated with this agreement have indirect interest as employees of Saudi Aramco.	Saudi Aramco	Abdulaziz M. Al-Judaimi Nasser D. Al-Mahasher Suleman A. Al-Bargan	Services provided to shareholders
Annual Charge	600	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 by the Company such as human resources, training and recruitment, legal utilities, information technology, General Management, Technical Support and Premarketing Support. These agreements also cover the ongoing technical support needed for continuous operations and ongoing enhancements such as refining and petrochemical process knowhow provided by Saudi Aramco and Sumitomo Chemical Company 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. The 3 Board members associated with this agreement have indirect interest as employees of Sumitomo Chemicals Company.	Sumitomo Chemical Company	Noriaki Takeshita Takashi Shigemori Seiji Takeuchi	Services provided to shareholders
Continuous term to apply effective from June 12, 2006 until the date on which the Shareholder ceases to be a shareholder of the Company.	76,962	The Company has entered into Secondment Agreements with Saudi Aramco dated June 12, 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. The 3 Board members associated with this agreement have indirect interest as employees of Saudi Aramco.	Saudi Aramco	Abdulaziz M. Al-Judaimi Nasser D. Al-Mahasher Suleman A. Al-Bargan	Seconded's costs
Continuous term to apply effective from July 1, 2006 until the date on which the Shareholder ceases to be a shareholder of the Company.	152,868	The Company has entered into Secondment Agreements with Sumitomo Chemical Company 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. The 3 Board members associated with this agreement have indirect interest as employees of Sumitomo Chemical Company.	Sumitomo Chemical Company	Noriaki Takeshita Takashi Shigemori Seiji Takeuchi	Seconded's costs

Agreement Duration	Amount (in SAR '000)	Agreement Nature and Conditions	Related Party	Related Board Member(s)	Nature of transaction
Annual Charge	89,745	The Company has entered into Services Agreements with founding shareholders and their affiliates covering various operational and logistics support services. These agreements cover the provision of various support services to the Company such as human resources, training and recruitment, legal utilities, information technology, General Management, Technical Support and Premarketing Support. These agreements also cover the ongoing technical support needed for continuous operations and ongoing enhancements such as refining and petrochemical process knowhow provided by Saudi Aramco and Sumitomo Chemical Company 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. The 3 Board members associated with this agreement have indirect interest as employees of Saudi Aramco.	Saudi Aramco	Abdulaziz M. Al-Judaimi Nasser D. Al-Mahasher Suleman A. Al-Bargan	Services and other cost charges (credit),net
Annual Charge	87,130	The Company has entered into Services Agreements with founding shareholders and their affiliates covering various operational and logistics support services. These agreements cover the provision of various support services to the Company such as human resources, training and recruitment, legal utilities, information technology, General Management, Technical Support and Premarketing Support. These agreements also cover the ongoing technical support needed for continuous operations and ongoing enhancements such as refining and petrochemical process knowhow provided by Saudi Aramco and Sumitomo Chemical Company 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. The 3 Board members associated with this agreement have indirect interest as employees of Sumitomo Chemical Company.	Sumitomo Chemical Company	Noriaki Takeshita Takashi Shigemori Seiji Takeuchi	Services and other cost charges (credit),net
-	164,250	The Company's shareholders in their meeting held on April 24, 2018 approved the distribution of Saudi Riyals 438 million, as cash dividends (Saudi Riyal 0.5 per share) for the financial year 2017, representing 5% of the nominal share value. Saudi Aramco's share amounts to SAR 164,250 thousand.	Saudi Aramco	Abdulaziz M. Al-Judaimi Nasser D. Al-Mahasher Suleman A. Al-Bargan	Dividend
-	164,250	The Company's shareholders in their meeting held on April 24, 2018 approved the distribution of Saudi Riyals 438 million, as cash dividends (Saudi Riyal 0.5 per share) for the financial year 2017, representing 5% of the nominal share value. Sumitomo Chemical Company's share amounts to SAR 156,038 thousand net of applicable withholding tax.	Sumitomo Chemical Company	Noriaki Takeshita Takashi Shigemori Seiji Takeuchi	Dividend

Board of Directors' Report

34. Business or contract to which the Company is a party and in which a director of the Company, a Senior Executive 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.

The Board of Directors of the Company declare that except for the information mentioned in point 33 above, there are no businesses or contracts to which the Company is a party, and in which a Director of the Company or its senior executives or any person related to any of them is or was interested.

35. Arrangement or agreement under which a director or a senior executive of the Company has waived any remuneration

N/A

36. Arrangement or agreement under which a shareholder of the Company has waived any rights to dividends

N/A

37. Paid and outstanding statutory payment on account of any zakat, taxes, fees or any other charges that have not been paid until the end of the annual financial period with a brief description and the reasons therefor

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

	2018			
	Paid SAR ('000s)	Charges that have not been paid until the end of the annual financial period SAR ('000s)	Brief description	Reasons
Zakat	33,851	37,437	During the year 2018, the Company filed its Zakat and Tax Return relating to year ended 31 December 2017, with General Authority of Zakat and Tax (GAZT) and paid Zakat amounting to SAR 33,851 thousands.	Zakat payable as at 31 Dec 2018 will be paid when Zakat and Tax Return for 2018 will be filed in the Year 2019.
Taxes	280,994	236,059	During the year 2018, the Company filed its Zakat and Tax Return relating to year ended 31 December 2017, with General Authority of Zakat and Tax (GAZT) and paid Tax amounting to SAR 280,994 thousands.	Income Tax payable as at 31 Dec 2018 will be paid when Zakat and Tax Return for 2018 will be filed in the Year 2019.
General Organization for Social Insurance	115,257	9,197	During the year 2018, the Company paid SAR 115,257 thousands to GOSI.	Balance GOSI payable as at 31 December 2018 is paid to GOSI Authority in the subsequent month of January 2019.
Costs of visas and passports	1,547	0	Paid to Ministry of Interior (MOI).	Renewal of Iqamas, Passports and Visas.
Labor Office Fees	8,650	0	Paid to Ministry Labor Office (MOL).	Renewal of the work permits.

38. Investments made or any reserves set up for the benefit of the employees of the company

Shares Ownership Incentive Program for Employees

The Board of Directors has approved implementation of an employee share ownership plan (ESOP) which provides 800 shares to eligible employees at the end of a 5-year maturity period. To implement this, the Company arranged with a commercial bank to subscribe for 1.5 million shares during the IPO period at the offer price of SAR21 per share. These ESOP shares are managed by Riyadh Capital under an open ended mutual fund which has offered to subscribe and hold such shares "on trust" for the employees as part of an Administrative Service Agreement. These shares, as service awards to employees, are amortized evenly over a period of five years and allocated to eligible employees until the vesting period has been fully met.

As of the end of 2018, a total of 1,667 employees have joined the shares ownership Incentive Program, and a total of 1,463 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 2018, a total of 607 employees have already joined the program.

Employee Lot Allowance

Part of the Home Ownership Program (HOP) the Company provides an amount of SAR 200,000 as 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, 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, 2018 for the above mentioned Programs and Funds is as follows:

Description	(In SAR Thousands)	Balance
Shares Ownership Incentive Program for Employees		6,241
Employee Housing Loan- Home Ownership Program (10% Fund)		14,146
Employee Lot Allowance (Home Ownership Program)		40,094
Employer's contribution to Employee Savings Plan		66,263

39. 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 its activity

40. If the external auditor's report contains reservations on the annual financial statements, the Board report shall highlight this mentioning the reasons and any relevant information

N/A

41. If the Board recommended replacing the external auditor before the end of its term, the report

shall indicate this mentioning the reasons for the replacement recommendation

N/A

42. Treasury shares held by the Company and details of the uses of such shares

Number of treasury shares held by the Company	Treasury Shares value (SAR thousands)	Date of retention	Details of Use
295,063 shares	6,241	29 March 2008	To be allotted to Employees' upon completion of vesting period

Note: The BOD's has approved this report through a circulated resolution on March 2019.



Independent Auditor's Report



Independent auditors' report to the Shareholders of Rabigh Refining and Petrochemical Company

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rabigh Refining and Petrochemical Company ("the Company"), which comprise the statement of financial position as at December 31, 2018, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Zakat and tax related matters

See Note 3(o) to the financial statements for the accounting policy of Zakat and income tax and note 24 and 25 for the disclosure.

The key audit matter	How the matter was addressed in our audit
The Company has recognized a deferred tax credit of SR 97.79 million in the statement of profit or loss and other comprehensive income for the year ended December 31, 2018 and as at that date the net deferred tax asset balance amounted to SR 445.88 million. Refer notes 24 and 25 to the financial statements for related disclosures. The General Authority for Zakat and Tax (GAZT) issued assessments for the years 2009 through 2016 which resulted in additional Zakat and income tax demands in the amount of SR 1,349.7 million and SR 387.8 million respectively. The Company had filed an appeal with the Higher Appellate Committee (HAC) against the assessment for the years 2009 and 2010 and submitted a bank guarantee amounting to Saudi Riyals 43.5 million. The General Secretariat of Tax Committees (GSTC) has requested certain information from the Company in respect of the appeal relating to the years 2009 – 2010 to be able to support the newly formed Higher Committee of Tax for Conflict and Dispute (HCTCD) which the Company has duly submitted. As for the assessment years 2011 to 2016, the objection has been transferred by the GAZT to the recently formed Internal Settlement Committee (ISC). ISC has requested certain information from the Company in respect of the appeal relating to the years 2011 – 2016 which the Company has duly submitted. ISC's resolution relating to assessment years 2011 – 2016 is awaited. Accordingly, no Zakat or tax provision has been made in the financial statements relating to such demands. Any additional Zakat and tax demand that arises on finalization of the assessments is recoverable, through distributable earnings, to the extent of SR 809.8 million and SR 377.7 million, respectively, from the founding shareholders of the Company. Refer note 24 for further details. We considered these matters as a key audit matter due to the judgement involved in the assessment of whether any provision needs to be recognized with respect to additional Zakat and income tax demand raised by GAZT.	We performed the following procedures: ● Obtained deferred tax computation performed by the management and evaluated the reasonableness of such computations. ● Assessed the estimates and judgements applied by management in determining the recoverability of the deferred tax asset balance outstanding at December 31, 2018. ● Reviewed future projections made by the management specifically in respect of Phase II. ● Analyzed the differences between the amounts reported by the Company in Zakat and income tax returns against the amounts assessed by GAZT and obtained an understanding of the nature of such differences and the possibility of any potential outflow of economic benefits. ● Held discussions with the Company's Zakat and tax consultants about the nature of the differences and their assessment of the likelihood of any additional liability. ● Involved our Zakat and Tax expert to review the Zakat and tax and deferred tax computations, status of assessments and correspondence, if any, with the GAZT. ● Assessed the adequacy and appropriateness of the disclosure included in the financial statements.

Independent Auditor's Report

Other matter

The financial statements of Rabigh Refining and Petrochemical Company for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion thereon vide their report dated March 7, 2018.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Rabigh Refining and Petrochemical Company ("the Company").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For KPMG Al Fozan & Partners

Certified Public Accountants



Ebrahim Oboud Baeshen

License No: 382

February 19, 2019

Corresponding to Jumada Al Thani 14, 1440H



KPMG Al Fozan & Partners

Zahrani Business Centre, 9th Floor, Prince Sultan Street,

PO Box 55078, Jeddah 21534, Kingdom of Saudi Arabia. Telephone : +966 12 698 9595, Fax : +966 12 698 9494

www.kpmg.com/sa

Independent Auditor's Report

Statement of profit or loss

(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	December 31, 2018	December 31, 2017
Sales	5,26	40,998,191	34,211,010
Cost of sales	6,26	(38,683,150)	(31,514,986)
Gross profit		2,315,041	2,696,024
Other income, net	9	88,584	50,865
Selling and marketing expenses	7	(439,574)	(73,782)
General and administrative expenses	8	(948,044)	(969,289)
Operating profit		1,016,007	1,703,818
Finance cost	10	(465,765)	(445,974)
Financial income		302,832	257,797
Profit before Zakat and income tax		853,074	1,515,641
Zakat	24	(44,141)	(29,687)
Income tax	24	(140,373)	(62,977)
Net profit after Zakat and income tax		668,560	1,422,977
Earnings per share (Saudi Riyals) - Basic and diluted	11	0.76	1.62

The accompanying notes 1 to 29 form an integral part of these financial statements.

Statement of comprehensive income

(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	December 31, 2018	December 31, 2017
Net profit after Zakat and income tax		668,560	1,422,977
Remeasurement loss on defined benefit plan	22	(13,367)	(18,040)
Income tax effect	24	2,005	2,706
Items that will not be reclassified to statement of profit or loss in subsequent periods		(11,362)	(15,334)
Total comprehensive income for the year		657,198	1,407,643

The accompanying notes 1 to 29 form an integral part of these financial statements.



Statement of financial position

(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	December 31, 2018	December 31, 2017
Assets			
Non-current assets			
Property, plant and equipment	12	44,628,314	43,971,487
Leased assets	13	393,774	417,360
Intangible assets	14	111,443	123,513
Long-term loans	15	3,861,749	4,051,329
Investment	15	16,412	16,412
Deferred tax asset	25	445,882	348,092
		49,457,574	48,928,193
Current assets			
Inventories	18	3,207,445	3,022,322
Trade receivables	15	6,004,714	5,741,361
Current portion of long-term loans	15	420,428	404,248
Prepayments and other receivables	19	2,084,488	941,517
Time deposits	17	1,655,605	1,479,073
Cash and cash equivalents	16	1,263,713	1,158,263
		14,636,393	12,746,784
Total assets		64,093,967	61,674,977
Equity and liabilities			
Equity			
Share capital	20	8,760,000	8,760,000
Statutory reserve	21	249,465	183,745
Employee share ownership plan	22	(6,241)	(7,098)
Retained earnings		1,538,796	1,149,160
Total equity		10,542,020	10,085,807
Non-current liabilities			
Loans, borrowings and other long-term liability	15	27,688,017	36,812,511
Liabilities against finance leases	13	463,576	481,953
Employees' benefits	22	510,501	420,707
		28,662,094	37,715,171
Current liabilities			
Short-term borrowings	15	13,007,494	3,715,280
Current maturity of liabilities against finance leases	13	19,540	18,413
Trade and other payables	15	10,163,333	9,221,871
Accrued expenses and other liabilities	23	1,425,990	610,393
Zakat and income tax payable	25	273,496	308,042
		24,889,853	13,873,999
Total liabilities		53,551,947	51,589,170
Total equity and liabilities		64,093,967	61,674,977

The accompanying notes 1 to 29 form an integral part of these financial statements.

Independent Auditor's Report

Statement of changes in equity

(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	Share capital	Statutory reserve	Employee share ownership plan	Retained earnings (accumulated deficit)	Total
Balance as at January 1, 2018		8,760,000	183,745	(7,098)	1,149,160	10,085,807
Net profit after Zakat and income tax		-	-	-	668,560	668,560
Other comprehensive loss		-	-	-	(11,362)	(11,362)
Total comprehensive income		-	-	-	657,198	657,198
Transfer to statutory reserve	21	-	65,720	-	(65,720)	-
Vesting of shares under employee share ownership plan		-	-	857	-	857
Dividend	28	-	-	-	(438,000)	(438,000)
Income tax reimbursements		-	-	-	236,158	236,158
Balance as at December 31, 2018		8,760,000	249,465	(6,241)	1,538,796	10,542,020
Balance as at January 1, 2017		8,760,000	87,343	(8,207)	(443,620)	8,395,516
Net profit after Zakat and income tax		-	-	-	1,422,977	1,422,977
Other comprehensive loss		-	-	-	(15,334)	(15,334)
Total comprehensive income		-	-	-	1,407,643	1,407,643
Transfer to statutory reserve	21	-	96,402	-	(96,402)	-
Vesting of shares under employee share ownership plan		-	-	1,109	-	1,109
Zakat and income tax reimbursements		-	-	-	281,539	281,539
Balance as at December 31, 2017		8,760,000	183,745	(7,098)	1,149,160	10,085,807

The accompanying notes 1 to 29 form an integral part of these financial statements.



Statement of cash flow

(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	Year ended December 31, 2018	Year ended December 31, 2017
Cash flows from operating activities			
Profit before Zakat and income tax		853,074	1,515,641
<u>Adjustments for non-cash items</u>			
Depreciation	12,13	2,419,861	2,427,863
Finance cost		465,765	445,974
Financial income		(302,832)	(257,797)
Amortization	14	13,234	13,156
Provision for slow moving inventories	18	22,491	10,078
Provision for doubtful receivables		73	-
Loss on disposal of property and equipment	9	21,769	1,267
		3,493,435	4,156,182
<u>Changes in working capital</u>			
Trade receivables		(263,426)	(2,044,674)
Inventories		(207,615)	(773,427)
Prepayments and other receivables		(905,986)	(75,659)
Trade and other payables		1,349,559	2,371,359
Accrued expenses and other liabilities		667,816	(515,476)
Employees benefits		77,284	60,513
		4,211,067	3,178,818
Zakat and income tax paid	25.1	(314,845)	(68,350)
Interest received		281,916	238,719
Interest paid		(234,664)	(256,276)
Net cash generated from operating activities		3,943,474	3,092,911
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(2,927,816)	(2,601,915)
Addition to intangible assets	14	(1,164)	(1,051)
Net movement in time deposits		(176,531)	(192,823)
Long-term loan disbursements	-	(219,613)	(49,303)
Net cash used in investing activities		(3,325,124)	(2,845,092)
Cash flows from financing activities			
Proceeds from loans and borrowings		3,287,625	10,500,000
Repayments of loans and borrowings		(3,316,332)	(10,924,425)
Repayment of finance leases		(46,921)	(46,925)
Dividend paid	28	(437,272)	(1)
Net cash used in financing activities		(512,900)	(471,351)
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the year	16	1,158,263	1,381,795
Cash and cash equivalents at end of the year	16	1,263,713	1,158,263
Supplemental schedule of non-cash information			
Income tax reimbursable from shareholders		236,158	281,539
Addition to property, plant and equipment through accrued expenses and other liabilities		147,055	267,621
Long-term loan repayments settled against capacity payments		388,009	392,525

The accompanying notes 1 to 29 form an integral part of these financial statements.

Notes to the financial statements for the year ended December 31, 2018

(All amounts in thousands of Saudi Riyals unless otherwise stated)

1. General information

Rabigh Refining and Petrochemical Company ("the Company" or "PetroRabigh") is a company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4602002161 issued by the Ministry of Commerce, Jeddah, on Shaaban 15, 1426H (September 19, 2005) subsequently revised by the Ministry of Commerce and Investment, 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 101, 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 fulfilment of precedent conditions. The aggregate cost of the Phase II Expansion Project is currently estimated at Saudi Riyals 36 billion, the completion of which is estimated to be during first half of 2019 (also see Note 12).

2. Basis of preparation

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by Saudi Organization for Certified Public Accountants (SOCPA) in the Kingdom of Saudi Arabia as well as other standards and pronouncements issued by SOCPA (collectively referred to as "IFRS as endorsed in KSA").

These financial statements have been prepared on a historical cost basis except for investment which is measured at fair value through statement of profit or loss. These financial statements are presented in Saudi Arabian Riyals (Saudi Riyals).

2.1 New standards, interpretations and amendments adopted

Since the Company has prepared these financial statements in accordance with IFRS as endorsed by SOCPA, all standards, interpretations and amendments as applicable to the Company are considered until the relevant adoption date.

(a) Standards, interpretations and amendments adopted IFRS 15 – Revenue from Contracts with Customers

The Company has adopted IFRS 15 from January 1, 2018 using modified retrospective method (see Note on Revenue under summary of significant accounting policies). Accordingly, the

comparative information has not been restated and continues to be reported under IAS 18 - Revenue. Previously, the Company was recognising revenue net of certain selling and marketing expenses which are incurred and separately invoiced by the marketers (customers). As per IFRS 15, the Company accounts for consideration payable to a customer as a reduction of the transaction price unless both the following conditions are met:

-the payment to the customer is in exchange for distinct goods or services that the customer transfers to the entity, and

-the fair value of said goods or services can be determined.

The Company has assessed that these selling and marketing expenses are in respect of distinct goods or services that the Company receives from customers and the fair value of the said expenses can also be measured as these are separately invoiced to the Company supported by actual invoices. Accordingly, in 2018, these expenses have not been deducted from revenue and are classified as selling and marketing expenses. The table below summarizes the impact of adoption of IFRS 15 on the financial statements for the year ended December 31, 2018.

Year ended December 31, 2018	As per IFRS 15	As per old policy	Impact of adoption of IFRS 15
Sales	40,998,191	40,637,812	360,379
Selling and marketing expenses	439,574	79,195	(360,379)



(b) Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the financial statements are disclosed below. The Company intends to adopt these standards, where applicable, when they become effective.

Standard / Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty over income tax treatment	January 1, 2019
IFRS 9	Prepayment features with negative compensation (Amendments to IFRS 9)	January 1, 2019
IAS 28	Long-term interests in associates and joint ventures (Amendments to IAS 28)	January 1, 2019
IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual improvements to IFRS 2015 -2017 cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	January 1, 2019
IAS 19	Plan amendment, curtailment or settlement (Amendments to IAS 19)	January 1, 2019
Conceptual Framework	Amendments to References to Conceptual Framework in IFRS Standards	January 1, 2020
IFRS 17	Insurance contracts	January 1, 2021
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

IFRS 16 - Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 - Leases, IFRIC 4 - Determining whether an arrangement contains a lease, SIC-15 Operating leases - Incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases – operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after January 1, 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Company plans to adopt IFRS 16 on the required effective date using the modified retrospective method and therefore comparative information will not be restated and continued to be reported under IAS 17 and IFRIC 4.

The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Company has leases of certain office equipment that are considered of low value.

The Company has performed a detailed impact assessment of IFRS 16. In summary, the impact of adopting IFRS 16 on the date of adoption is expected to be as follows:

Assets	
Right-to-use assets	12,357,463
Prepayments and other receivables	(12,649)
Total right-to-use assets	12,344,814
Lease liabilities	12,344,814

Independent Auditor's Report

Due to the adoption of IFRS 16, the Company's operating profit will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

IFRS 16 further requires additional disclosure for which the Company has considered required changes in the related procedures necessary to collect and disclose the required information.

Except for the effects of IFRS 16 disclosed above, the standards, amendments or interpretations with effective date of January 1, 2019 will not have any material impact on the Company's financial statements, whereas for other above mentioned standards, amendments or interpretations, the Company is currently assessing the implications on the Company's financial statements on adoption.

2.2 Critical accounting estimates and judgments

The preparation of Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Business model for managing financial assets

In making an assessment whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows, the Company considers the following:

- Management's stated policies and objectives for the asset and the operation of those policies in practice;
- how management evaluates the performance of the asset;
- whether management's strategy focuses on earning contractual income;
- the degree of frequency of any expected asset sales;
- the reason for any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

Generally, a business model is a matter of fact which can be evidenced by the way the business is managed and the information provided to management.

Contractual cash flows of financial assets

The Company exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and interest income on the principal outstanding and so may qualify for amortised cost measurement. In making the assessment, the Company considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets that change the amount and timing of cash flows and whether the contractual terms contain leverage.

Defined benefit plan

The cost of post-employment defined benefits are the present value of the related obligation, as determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. With respect to determining the appropriate discount rate, yield and duration of high quality bonds obligation, as designated by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

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.

Lease classification

Management exercises judgments in assessing whether the lease is a finance lease or an operating lease. The judgment as to which category applies to a specific lease depends on management's assessment of whether in substance the risks and rewards of ownership of the asset have been transferred to the lessee. In the instances where management estimates that the risks and rewards have been transferred, the lease is considered as finance lease; otherwise it is accounted for as an operating lease.

The Company has entered into a lease arrangement with Rabigh Arabian Water and Electricity Company ("RAWEC") for providing power, steam and water to the Company through an Independent Water, Steam and Power Plant ("IWSP"). The Company has determined that the significant risk and rewards of the asset under this arrangement are retained by RAWEC and not by the Company and, accordingly, the lease has been classified as operating lease by the Company.

Going concern

As at December 31, 2018, the Company's current liabilities exceed the current assets by Saudi Riyals 10,253 million, primarily

due to the equity bridge loan amounting to Saudi Riyals 8,887.5 million, falling due on July 1, 2019, backed by the founding shareholders' guarantees.

The Company has assessed its ability to continue as a going concern and is not aware of any material uncertainties that may cast significant doubt and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the financial statements of the Company continue to be prepared on going concern basis.

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.

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.

3. Summary of significant accounting policies

(a) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;

- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

(b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Company determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

(c) Revenue recognition

Contracts with customers

The Company has applied IFRS 15 using modified retrospective approach with effect from January 1, 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18. Impact of changes on adoption of IFRS 15 is disclosed in Note 2.1 (a).

Independent Auditor's Report

The Company recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15 and is given below:

Step 1 – Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met;

Step 2 – Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer;

Step 3 – Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties;

Step 4 – Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5 – Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The Company's performance does not create an asset with an alternate use to the Company and the Company has an enforceable right to payment for performance completed to date;
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;
- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue in respect of sale of refined and petrochemical products and port services is recognised over the period as per the related offtake and other agreements with the customers. Transfer of refined and petrochemical products to customers is considered as series of distinct goods and the Company uses output method to measure the progress towards complete satisfaction or performance obligation. The Company has further used IFRS 15 practical expedient of right to invoice, and revenue is booked on monthly basis in respect of goods and services for which the Company has a right to invoice as per the related agreements.

Variable consideration is estimated based on expected value method. Revenue is recorded net of trade discounts, volume rebates and deductibles. Consideration payable to a customer is recognised as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Company. If consideration payable to the customer is a payment for a distinct good or service from the customer, then the Company records such purchase of the good or service in the same way that it accounts for other purchases from suppliers.

In the comparative period, revenue was recognised when significant risks and rewards of ownership had been transferred to the customer upon delivery or shipment of products and in accordance with the related offtake and other arrangements with the Company's customers.

Revenue from port services is recognised when services were rendered.

Dividends

Dividends are recognised when:

- The Company's right to receive the payment is established, which is generally when shareholders approve the dividend;
- It is probable that the economic benefits associated with the dividend will flow to the entity; and
- The amount of the dividend can be measured reliably.

Interest income

Interest income is calculated using the effective interest (profit) rate method. The effective interest rate is the interest rate that exactly discounts the estimated stream of future cash payment or receipts over the expected life of the financial instrument or when appropriate over the shorter period.

(d) Foreign currencies

The Company's financial statements are presented in Saudi Riyals which is also the functional currency of the Company. Transactions in foreign currencies are initially translated by the Company into Saudi Riyals using the exchange rate at the date of the transaction it first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated in the functional currency using the exchange rate ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary assets measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognized in statement of comprehensive income or statement of profit or loss are also recognized in statement of comprehensive income or statement profit or loss, respectively).

(e) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment loss, if any, except for capital projects-in-progress, which are stated at cost less impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition or construction of each asset. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditures are recognized in the statement of profit or loss when incurred. Spare parts that are considered essential to ensure continuous plant operation

whose useful lives are more than one year are capitalized and classified as plant, machinery and operating equipment.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Expenditures incurred on testing and inspections, which are carried normally every 4 years, are capitalized as part of the respective items of property, plant and equipment and amortized over the period of four years. All other repair and maintenance costs are recognized in the statement of profit or loss as incurred.

Pre-commissioning income is recognised net of related incidental costs and is included in capital projects-in-progress.

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
Vehicle and related equipment	3-6
Furniture and IT equipment	3-14

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

(f) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease.

Finance lease

Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the inception date at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Currently, depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of years
Community facilities	25
Marine terminal facilities	30
Desalination plant	17

Operating lease

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

(g) 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 of 5 years and 12-22 years, respectively.

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

(h) Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

(i) Financial instruments

The Company applied the following classification and measurement requirements for financial instruments.

Recognition and derecognition of financial instruments

A financial asset or financial liability is recognised when the Company becomes a party to the contractual provisions of the instrument, which is generally on trade date. The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Independent Auditor's Report

A financial liability is derecognized from the statement of financial position when the Company has discharged its obligation or the contract is cancelled or expires.

Classification of financial instruments

The Company classified its financial assets into the following measurement categories:

- (i) Those to be measured subsequently at amortised cost; or
- (ii) Fair value through profit or loss.

The classification depends on the Company's business model for managing financial assets and the contractual terms of the financial assets cash flows.

The Company classifies its financial liabilities as those measured at amortized cost.

Measurement

Financial instruments at fair value through profit or loss are recognised initially at fair value with transaction costs recognised in the statement of profit or loss as incurred. All other financial instruments are recognised initially at fair value plus directly attributable transaction costs. The Company initially measures the trade receivable at the transaction price as the trade receivable do not contain a significant financing component.

Financial instruments measured at amortized cost

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms represent contractual cash flows that are solely payments of principal and interest.

The Company classifies its financial liabilities as those measured at amortized cost.

Financial instruments measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss comprise items specifically designated as fair value through profit or loss on initial recognition and financial assets held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms represent contractual cash flows that are not solely payments of principal and interest. Where a financial liability is designated at fair value through profit or loss, the movement in fair value attributable to changes in the Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

Upon initial recognition, financial instruments may be designated as fair value through profit or loss. Restrictions are placed on the use of the designated fair value option and the classification can only be used:

- In respect of an entire contract if a host contract contains one or more embedded derivatives;
- If designating the financial instruments eliminates or significantly reduces measurement or recognition inconsistencies (i.e. eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis.

- If financial assets and liabilities are both managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

On initial recognition, for a financial asset the fair value option is only applied if it eliminates an accounting mismatch that would otherwise arise from measuring items on a different basis. The above fair value option criteria remains unchanged for a financial liability.

Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Company has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

(j) Impairment

Financial assets

At each reporting date, the Company applies a three-stage approach to measuring expected credit losses (ECL) on financial assets accounted for at amortized cost. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

(i) Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized.

(ii) Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognized.

(iii) Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortized cost (net of provision) rather than the gross carrying amount.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower, default or delinquency by a borrower, restructuring of a loan or advance by the entity on terms that the entity would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Company such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

It considers available reasonable and supportive forward-looking information.

The Company considers evidence of impairment at both a specific asset and collective level. All individually significant financial instruments found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Impairment losses for a financial instrument are recognised in the statement of profit or loss and reflected in impairment for credit losses. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of profit or loss.

When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the statement of profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the provision. The amount of the reversal is recognised in the statement of profit or loss.

The Company has adopted the simplified approach as allowed by IFRS 9 and measures the loss allowance at an amount equal to lifetime expected credit losses for all trade receivables.

Non-financial assets

The Company assesses, at each reporting date, 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 CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When 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.

External valuers are involved for valuation of significant assets. The involvement of external valuers is decided by the Company after discussion with the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Company also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair

value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations.

Impairment losses are recognized in the statement of profit or loss. An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(k) Trade receivables

Trade receivables are amounts due from customers for sale of goods in the ordinary course of business. Trade receivables are recognized initially at fair value and subsequently carried at amortized cost using effective interest rate method, less provision for impairment, if any. Subsequent recoveries of amounts previously written-off are credited to profit or loss against general and administrative expenses.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using the 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 progress and finished goods, cost include the purchase cost, the cost of refining and processing including an 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.

(m) 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.

Independent Auditor's Report

(n) 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 statement of financial position at fair value and are subsequently measured at amortized cost using the effective yield method, less any impairment in value.

(o) Zakat and income tax

Zakat and income tax are provided for in accordance with the Saudi Arabian fiscal regulations. Zakat and income taxes are charged to the statement of profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Zakat and income tax paid by the Company are reimbursed by the respective shareholders except for general public shareholders and are accordingly adjusted in their respective equity accounts.

Deferred tax is calculated using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax relating to items recognised outside statement of profit or loss is recognised either in statement of comprehensive income or directly in equity.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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.

(p) Employees' benefits

End of service benefits

The Company operates an unfunded post-employment defined benefit plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in statement of comprehensive income. Such actuarial gains and losses are also immediately recognized in retained earnings. Re-measurements are not reclassified to statement of profit or loss in subsequent periods.

Past service costs are recognized in statement of profit or loss on the earlier of:

- the date of the plan amendment or curtailment; and
- the date on which the Company recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Company recognizes the following changes in the net defined benefit obligation under cost of sales and general and administrative expenses in the statement of profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

The defined benefit liability comprises the present value of the defined benefit obligation, less past service costs.

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 statement of profit or loss. 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.

Employee Share Ownership Plan (ESOP)

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 charge in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Shares purchased are kept with a bank acting as trustee for the ESOP and 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.

(q) Segment reporting

Operating segment

An operating 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.

(r) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

4. 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:

4.1 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.

4.2 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, as "Marketer", the refined products from the integrated refining and petrochemical complex. The Company and Saudi Aramco are in the process of renewing the agreement.

4.3 Petrochemical products lifting and marketing agreement

On March 11, 2006 as amended on April 1, 2014, the Company signed 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, as "Marketer", 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.

4.4 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.

4.5 Land lease agreement

The Company has entered into an Amended and Restated Land Lease agreement with Saudi Aramco effective March 16, 2015 for the lease of approximately 20 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. Also see Note 13.2.

4.6 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 Notes 13.1 and 13.2.

4.7 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 13.1 and 13.2.

4.8 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.

4.9 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.

Independent Auditor's Report

5. Segment information

5.1 Operating segment

The Company operates an integrated refinery and petrochemical complex. The primary format for segment reporting is based on operating segments and is determined on the basis of management's internal reporting structure. The Management Committee (collectively considered to be the Chief Operating Decision Maker) monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. The Company's segment profit measure is operating profit (loss). The Company's operating segments comprise of refined products and petrochemicals. Information as of and for the year ended December 31, is summarized below:

2018	Refined products	Petrochemicals	Total	
Sales – external customers	31,447,298	9,550,893	40,998,191	
Depreciation and amortization	754,260	1,678,835	2,433,095	
Operating (loss) / profit	(904,240)	1,920,247	1,016,007	
2017	Refined products	Petrochemicals	Total	
Sales – external customers	26,237,144	7,973,866	34,211,010	
Depreciation and amortization	756,716	1,684,303	2,441,019	
Operating profit	175,272	1,528,546	1,703,818	
2018	Refined products	Petrochemicals	Unallocated	Total
Total assets	22,552,249	37,705,403	3,836,315	64,093,967
Total liabilities	13,059,778	40,218,677	273,492	53,551,947
Capital expenditure	323,631	2,752,404	-	3,076,035
2017	Refined products	Petrochemicals	Unallocated	Total
Total assets	21,387,814	36,979,692	3,307,471	61,674,977
Total liabilities	12,025,780	39,255,350	308,040	51,589,170
Capital expenditure	170,132	2,700,455	-	2,870,587

The Company's revenue from external customers involve Saudi Riyals 39,920 million (December 31, 2017: Saudi Riyals 33,213 million) of revenue generated from 3 customers in the year ended December 31, 2018 (December 31, 2017: 3 customers).

Geographical information for the year ended December 31, is as follows:

2018	Middle East	Asia Pacific	Others	Total
Sales				
Refined products	31,447,298	-	-	31,447,298
Petrochemicals	2,946,866	6,284,635	319,392	9,550,893
Total	34,394,164	6,284,635	319,392	40,998,191
2017	Middle East	Asia Pacific	Others	Total
Sales				
Refined products	26,237,144	-	-	26,237,144
Petrochemicals	3,482,105	4,418,641	73,120	7,973,866
Total	29,719,249	4,418,641	73,120	34,211,010

Middle East market, primarily includes Kingdom of Saudi Arabia whereas Asia Pacific primarily includes Singapore and China.

5.2 Adjustments

Finance cost, financial income, Zakat and income tax including deferred tax, cash and cash equivalents, time deposits and certain assets and liabilities are not allocated to operating segments as they are managed on a Company basis.

Capital expenditure consists of additions to property, plant and equipment and intangible assets.

5.3 Reconciliation of profit

	2018	2017
Operating profit	1,016,007	1,703,818
Finance cost	(465,765)	(445,974)
Financial income	302,832	257,797
Profit before Zakat and income tax	853,074	1,515,641
Zakat	(44,141)	(29,687)
Income tax	(140,373)	(62,977)
Net profit after Zakat and income tax	668,560	1,422,977

6. Cost of sales

	Notes	2018	2017
Raw materials, crude oil and spare parts consumed		34,461,554	27,802,370
Depreciation	12,13	2,321,577	2,321,622
Utilities consumed		971,652	1,070,948
Personnel costs		640,114	603,806
Repair and maintenance		310,287	331,971
Contracted services		73,311	60,859
Amortization	14	11,360	11,360
Insurance		36,900	32,802
Provision for slow moving spare parts and consumables	18	22,491	10,078
Lease rentals		16,721	19,418
Other overheads		24,797	23,179
		38,890,764	32,288,413
Changes in inventories of finished goods, raw materials and spare parts and consumables used		(207,614)	(773,427)
		38,683,150	31,514,986

7. Selling and marketing expenses

	2018	2017
Freight charges	75,532	69,342
Deductibles (see below)	360,379	-
Others	3,663	4,440
	439,574	73,782

Deductibles mainly comprise of freight and handling charges, insurance and customs and storage charges for inventories.

8. General and administrative expenses

	Notes	2018	2017
Personnel costs		611,260	649,051
Depreciation	12,13	98,284	106,241
Repair and maintenance		71,496	56,990
Bad debts		73	46
IT, networking and data communication		65,696	53,218
Amortization	14	1,874	1,796
Travelling		19,302	17,722
Rent		15,736	11,637
Professional fees		7,750	15,689
Insurance		3,962	5,025
Stationery, telex and telephone		5,308	4,846
Others		47,303	47,028
		948,044	969,289

Independent Auditor's Report

9. Other income, net

	2018	2017
Port services	49,861	46,827
Gain on sale of scrap sales	32,501	15,308
Miscellaneous income	30,766	1,043
Loss on disposal of property and equipment	(21,769)	(1,267)
Other expense	(2,775)	(11,046)
	88,584	50,865

10. Finance cost

	2018	2017
Interest on loans and borrowings	425,870	392,776
Interest on finance leases	29,672	30,662
Others	10,223	22,536
	465,765	445,974

11. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the net profit by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	2018	2017
Net profit for the year for basic and dilutive earnings per share	668,560	1,422,977
Weighted average number of shares outstanding during the year (thousands)	876,000	876,000
Adjustment for the effect of dilution in weighted average number of shares outstanding during the year due to ESOP (thousands)	295	336
Basic and diluted earnings per share (Saudi Riyals)	0.76	1.62

12 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, 2017	4,741,702	32,316,324	90,672	324,089	21,732,977	59,205,764
Additions	-	180,978	-	-	2,688,558	2,869,536
Transfers	1,473	226,630	65	10,007	(238,175)	-
Disposals	-	(5,158)	(870)	-	-	(6,028)
December 31, 2017	4,743,175	32,718,774	89,867	334,096	24,183,360	62,069,272
Additions	-	116,633	-	-	2,958,238	3,074,871
Transfers	13,067	186,874	-	15,012	(214,953)	-
Disposals	(1,922)	(46,249)	(46,500)	(42,166)	-	(136,837)
December 31, 2018	4,754,320	32,976,032	43,367	306,942	26,926,645	65,007,306
Accumulated depreciation						
January 1, 2017	2,022,390	13,399,370	72,908	207,837	-	15,702,505
Charge for the year	241,503	2,132,887	4,871	20,780	-	2,400,041
Released on disposals	-	(3,891)	(870)	-	-	(4,761)
December 31, 2017	2,263,893	15,528,366	76,909	228,617	-	18,097,785
Charge for the year	240,780	2,129,645	4,873	20,977	-	2,396,275
Released on disposals	(1,922)	(28,495)	(46,500)	(38,151)	-	(115,068)
December 31, 2018	2,502,751	17,629,516	35,282	211,443	-	20,378,992
Carrying Value:						
At December 31, 2018	2,251,569	15,346,516	8,085	95,499	26,926,645	44,628,314
At December 31, 2017	2,479,282	17,190,408	12,958	105,479	24,183,360	43,971,487

12.1 Depreciation for the year has been allocated as follows:

	Notes	2018	2017
Cost of sales	6	2,315,340	2,315,385
General and administrative expenses	8	80,935	84,656
		2,396,275	2,400,041

12.2 The Company has leased land for the refining and petrochemical facilities from Saudi Arabian Oil Company for a period of 99 years. Also see Note 4.5.

12.3 Capital projects-in-progress

The capital projects-in-progress at December 31, 2018 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 30,630 million from various commercial banks and financial institutions in order to finance the Phase II Expansion Project (also see Note 15). The Company had also acquired administrative expenses amounting to Saudi Riyals 21,757 thousands from founding shareholders.

12.4 Capitalization of borrowing costs

During the year ended December 31, 2018, the Company has capitalized borrowing costs amounting to Saudi Riyals 927.3 million (2017: Saudi Riyals 656 million) in capital projects-in-progress relating to the construction of the Phase II Expansion Project.

12.5 Pre-commissioning income

During the year ended December 31, 2018, pre-commissioning income related to Phase II Expansion Project amounting to Saudi Riyals 961.6 million (2017: Saudi Riyals 776.9 million) is included in Capital projects-in-progress

13. Leases

13.1 Finance leases

13.1.1 Lease assets acquired under finance lease, at December 31, are detailed as under:

	Community facilities	Marine terminal facilities	Desalination plant	Total
Cost				
December 31, 2018, 2017 and January 1, 2017	225,715	288,820	106,015	620,550
Accumulated depreciation				
January 1, 2017	20,315	103,597	51,456	175,368
Charge for the year	9,029	12,557	6,236	27,822
December 31, 2017	29,344	116,154	57,692	203,190
Charge for the year	9,029	8,321	6,236	23,586
December 31, 2018	38,373	124,475	63,928	226,776
Carrying value				
At December 31, 2018	187,342	164,345	42,087	393,774
At December 31, 2017	196,371	172,666	48,323	417,360

13.1.2 Finance lease obligations at December 31 are as follows:

	2018		2017	
	Future minimum lease payments	Interest	Present value of minimum lease payments	Present value of minimum lease payments
Community facilities	363,268	171,475	191,793	196,145
Marine terminal facilities	377,679	140,768	236,911	243,373
Desalination plant	65,569	11,157	54,412	60,848
	806,516	323,400	483,116	500,366

At December 31, the finance lease obligations are presented in the statement of financial position as follows:

	2018	2017
Current portion	19,540	18,413
Non-current portion	463,576	481,953
	483,116	500,366

Independent Auditor's Report

13.1.3 The future minimum lease payments together with the present value of minimum lease payments as of December 31 are as follows:

	2018		2017	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one year	46,997	19,540	46,997	18,413
Two to five years	188,016	83,739	188,016	78,964
More than five years	571,503	379,837	618,500	402,989
Total minimum lease payments	806,516	483,116	853,513	500,366
Less: finance charges	(323,400)	-	(353,147)	-
Present value of minimum lease payments	483,116	483,116	500,366	500,366

13.1.4 Community facilities were acquired under a finance lease agreement from Saudi Aramco over a period of 25 years (Also see Note 4.7). The undiscounted minimum lease payments are Saudi Riyals 363.3 million (2017: Saudi Riyals 381.4 million).

13.1.5 Marine terminal facilities were acquired under a finance lease agreement from Saudi Aramco over a period of 30 years (Also see Note 4.6). The undiscounted minimum lease payments are Saudi Riyals 377.7 million (2017: Saudi Riyals 396.8 million).

13.1.6 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 undiscounted minimum lease payments are Saudi Riyals 65.6 million (2017: Saudi Riyals 75.3 million).

13.1.7 Depreciation for the year has been allocated as follows:

	Notes	2018	2017
Cost of sales	6	6,237	6,237
General and administrative expenses	8	17,349	21,585
		23,586	27,822

13.2 Operating leases

13.2.1 The Company has entered into operating leases for land, water and energy conversion plant and site facilities, with options to renew the leases on expiry of relevant lease periods. Operating lease rental charged to the statement of profit or loss for the year ended December 31, 2018 amounts to Saudi Riyals 748.1 million (2017: Saudi Riyals 548.9 million).

13.2.2 Commitments for minimum lease payments in relation to non-cancellable operating leases as at December 31 are as follows:

	2018	2017
Within one year	928,039	543,988
Two to five years	3,644,906	2,108,106
More than five years	13,190,922	6,962,499
	17,763,867	9,614,593

14. Intangible assets

	Softwares	Licenses	Other	Total
Cost				
January 1, 2017	231,154	209,114	5,154	445,422
Additions	1,051	-	-	1,051
December 31, 2017	232,205	209,114	5,154	446,473
Additions	1,164	-	-	1,164
December 31, 2018	233,369	209,114	5,154	447,637
Amortization				
January 1, 2017	225,457	84,347	-	309,804
Amortization for the year	2,358	10,798	-	13,156
December 31, 2017	227,815	95,145	-	322,960
Amortization for the year	2,436	10,798	-	13,234
December 31, 2018	230,251	105,943	-	336,194
Carrying value:				
December 31, 2018	3,118	103,171	5,154	111,443
December 31, 2017	4,390	113,969	5,154	123,513

Amortization for the year has been allocated as follows:

	Notes	2018	2017
Cost of sales	6	11,360	11,360
General and administrative expenses	8	1,874	1,796
		13,234	13,156

15. Financial assets and financial liabilities

15.1 Financial assets measured at amortized cost

Long-term loans:

	Notes	2018	2017
Loan to RAWEC	15.1.1	4,065,479	4,254,940
Loans to employees	15.1.2	216,698	200,637
Long-term loans		4,282,177	4,455,577
Less: current portion of long-term loans		(420,428)	(404,248)
Non-current portion of long-term loans		3,861,749	4,051,329
Trade receivables	15.1.3	6,004,714	5,741,361

15.1.1 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. The loan is being settled in monthly repayments, which commenced from June 30, 2008 and will run upto November 30, 2023.

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 in monthly repayments, which commenced from July 31, 2016 and will run upto June 30, 2031. These loans are secured by the assets of RAWEC.

The loan is settled by offsetting against monthly utilities payments to RAWEC. During the year ended December 31, 2018, loan amounting to Saudi Riyals 388.6 million (2017: Saudi Riyals 373.1 million) have been offset against monthly utility payments to RAWEC amounting to Saudi Riyals 1,198 million (2017: Saudi Riyals 1,117.3 million).

Independent Auditor's Report

15.1.2 The Company's eligible employees are provided with loans under an employees' home ownership program. The cost of the land is advanced to employees free of interest cost provided the employee serves the Company for a minimum period of 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.

15.1.3 Trade receivables of the Company are as follows:

	Notes	2018	2017
Trade		112,836	259,394
Less: Loss allowance		(28,410)	(28,410)
		84,426	230,984
Related parties	26	5,920,288	5,510,377
		6,004,714	5,741,361

Following is the ageing matrix used by the Company for analysis of trade receivables:

	Total	Neither past due nor impaired	Past due but not impaired					More than 24 months impaired
			Less than 6 months	6 to 12 months	12 to 18 months	18 to 24 months	More than 24 months	
Balance	6,033,124	5,973,936	3,081	20,245	89	207	7,156	28,410
Less: Loss allowance	(28,410)	-	-	-	-	-	-	(28,410)
December 31, 2018	6,004,714	5,973,936	3,081	20,245	89	207	7,156	-
December 31, 2017	5,741,361	5,733,441	(1,707)	84	(316)	963	8,896	-

Financial assets also include cash and cash equivalents (Note 16), time deposits (Note 17) and other receivables (Note 19) that are measured at amortized cost. Further, substantially all of the trade receivables are measured at amortised cost.

15.2 Financial assets measured at fair value through profit and loss

	2018	2017
Investment in Rabigh Arabian Water and Electricity Company	16,412	16,412

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

The above valuation is carried at Level 3 fair valuation as the management has determined that carrying value of the investment approximates the fair value.



15.3 Financial liabilities measured at amortized cost

Loans, borrowings and other long-term liability	Note	2018	2017
Loans from banks and financial institutions:	15.3.1		
Opening balance		35,030,991	35,457,232
Additions		4,389,835	11,275,269
Repayments		(4,307,110)	(11,701,510)
Closing balance		35,113,716	35,030,991
Less: current portion		(13,007,494)	(3,715,280)
Non-current portion		22,106,222	31,315,711
Loans from founding shareholders	15.3.2	5,555,980	5,473,166
Other long-term liability	15.3.3	25,815	23,634
Total non-current portion		27,688,017	36,812,511
Trade and other payables	15.3.4	10,163,333	9,221,871

15.3.1 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.

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 30,630 million out of which drawdowns amounting to Saudi Riyals 28,267.5 million have been made by the Company as at December 31, 2018. The loans amounting to Saudi Riyals 19,380 million are repayable in semi-annual repayments commencing from June 2019 and will run up to June 2031, whereas the loan of Saudi Riyals 8,887.5 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 under Inter-creditor Agreement and other financing documents 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 44,628 million and Saudi Riyals 2,919 million, respectively.

During the year ended December 31, 2015, the Company entered into a working capital facility of Saudi Riyals 1,875 million with a local commercial bank on prevailing market rates. As at December 31, 2018, the facility is unutilized (December 31, 2017: unutilized).

15.3.2 Loans from founding shareholders

	2018	2017
Loans:		
Saudi Arabian Oil Company	2,287,500	2,287,500
Sumitomo Chemical Company Limited	2,287,500	2,287,500
Accumulated interest:		
Saudi Arabian Oil Company	490,490	449,083
Sumitomo Chemical Company Limited	490,490	449,083
	5,555,980	5,473,166

Loans from the founding shareholders are availed as part of the Credit Facility Agreement and bear financial charges. Repayment shall be made on demand on achieving the conditions set by the financial institutions under the Inter-creditor Agreement. The loan is secured by promissory note issued by the Company in favour of each shareholder equivalent to drawdowns. During the year ended December 31, 2018, the Company paid interest amounting to Saudi Riyals 94.5 million to Saudi Arabian Oil Company and Sumitomo Chemical Company Limited.

15.3.3 Other long-term liability

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

Independent Auditor's Report

15.3.4 Trade and other payables

	2018	2017
Trade payables:		
- Related parties	8,837,625	7,861,961
- Others	1,260,690	1,277,509
	10,098,315	9,139,470
Other payables – related parties	65,018	82,401
	10,163,333	9,221,871

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 4.8 and 4.9).

In addition to loans, borrowings and trade payables, financial liabilities include accrued and other liabilities (Note 24) that are measured at amortized cost.

15.4 Financial instruments 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.

Audit committee

The audit committee is appointed by the Board of Directors. The 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 internal 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 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 principally arises from cash and cash equivalents, time deposits, trade receivables, long-term loans and other receivables. Cash and cash equivalents and time deposits are placed with banks with sound credit ratings. The majority of trade receivables (98.6%) (December 31, 2017: 96%) is from founding shareholders with historically strong credit ratings, and is stated at respective realizable values. In the event of

disagreement on any invoice, the marketer is required to pay the full value of the invoice prior to resolution of the disagreement. 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, 2018, there were minimal overdue debts equivalent to 1% (December 31, 2017: 0.6%) 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.

Market risk

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 4). 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.

Fair value of financial assets and liabilities carried at amortized cost approximate their carrying amounts.

Interest rate sensitivity

As at December 31, 2018, it is estimated that a general increase / decrease of 50 basis points in floating interest rates on time deposits, loans and borrowings, with all other variables held constant, would increase / decrease the Company's net profit for the year by approximately Saudi Riyals 189.9 million (2017: Saudi Riyals 190.5 million).

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 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, finance lease liabilities and certain other liabilities. All financial liabilities except for loans and borrowings, finance lease liabilities, 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 finance leases which are stated at future minimum lease payments.

	Less than 3 months	3 to 12 months	2 to 5 years	Over 5 years
2018				
Loans and borrowings	-	14,042,649	13,410,055	18,312,495
Liabilities against finance leases	11,716	35,281	188,016	571,503
Trade and other payables	8,874,067	1,289,266	-	-
Accrued expenses and other liabilities	1,425,989	-	-	-
	10,311,772	15,367,196	13,598,071	18,883,998
2017				
Loans and borrowings	-	4,607,863	21,936,165	18,643,673
Liabilities against finance leases	11,716	35,281	188,016	618,500
Trade and other payables	7,821,923	1,399,948	-	-
Accrued expenses and other liabilities	610,393	-	-	-
	8,444,032	6,043,092	22,124,181	19,262,173

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value.

The Company considers share capital, retained earnings and statutory reserve as Company's capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

16. Cash and cash equivalents

	Note	2018	2017
Cash in hand		236	276
Cash at banks - current accounts		625,977	1,031,032
Short term deposits	17	637,500	126,955
		1,263,713	1,158,263

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

17. Time deposits

	Note	2018	2017
Time deposits		2,293,105	1,606,028
Less: Deposits with maturity less than three months	16	(637,500)	(126,955)
		1,655,605	1,479,073

Independent Auditor's Report

18. Inventories

	2018	2017
Raw materials (at cost)	440,860	369,535
Work-in-progress (at net realizable value)	847,711	1,040,064
Finished goods (at net realizable value)	808,750	739,545
Goods-in-transit (at cost)	66,512	29,479
Spare parts and consumables (at net realizable value)	1,043,612	843,699
	3,207,445	3,022,322

During the year ended December 31, 2018, Saudi Riyals 130.6 million (December 31, 2017: Saudi Riyals 60.9 million) was recognized as an expense under cost of sales in order to bring the inventory at net realizable value.

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

	Note	2018	2017
January 1		77,412	67,334
Additions	6	22,491	10,078
Utilised		(19,593)	-
December 31		80,310	77,412

19. Prepayments and other receivables

	Note	2018	2017
Prepayments		65,592	61,482
Advances to suppliers		456,841	519,367
Deposits		662	662
Advance income tax and value added tax		1,135,024	25,768
Other receivables, net		43,945	19,697
		1,702,064	626,976
Due from related parties	26	382,424	314,541
		2,084,488	941,517

20. Share capital

The Company's authorised and issued share capital of Saudi Riyals 8.76 billion at December 31, 2018 and 2017 consists of 876 million fully paid shares of Saudi Riyals 10 each. The founding shareholders of the Company are Saudi Arabian Oil Company (Saudi Aramco) and Sumitomo Chemical Company Limited (Sumitomo Chemical) and each of them hold 37.5% of the shares.

21 Statutory reserve

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 50% of its share capital. This reserve is not available for distribution to shareholders.

22. Employees' benefits

	Note	2018	2017
End of service benefits	22.1	413,395	348,195
Employee share ownership plan	22.2	6,241	7,098
Employees' savings program	22.3	115,564	90,142
Total employees benefits		535,200	445,435
Less: Current portion of employee benefits under accrued and other liabilities		(24,699)	(24,728)
Non-current portion of employee benefits		510,501	420,707

22.1 End of service benefits

	2018	2017
Company's own employees	388,768	322,879
Founding shareholders' seconded employees	24,627	25,316
	413,395	348,195

The Company has a post-employment defined benefit plan for its own employees. The benefits are required by Saudi Arabian labor and Workman Law. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Kingdom of Saudi Arabia.

The following table summarizes the components of the net benefit expense recognized in the statement of profit or loss and statement of comprehensive income and amounts recognized in the statement of financial position.

Net benefit expense recognized in statement of profit or loss:	2018	2017
Current service cost	50,834	43,423
Interest cost on benefit obligation	11,835	10,022
	62,669	53,445

Net benefit expense recognised in statement of comprehensive income:	2018	2017
Actuarial loss arising from experience	17,232	2,234
Actuarial (gain) loss arising from changes in demographic assumptions	(4,253)	6,686
Actuarial loss arising from changes in financial assumptions	388	9,120
	13,367	18,040

Movement in present value of defined benefit obligation:	2018	2017
Defined benefit obligation at beginning of the year	322,879	257,946
Current service cost	50,834	43,423
Interest cost	11,835	10,022
Actuarial loss arising from experience	17,232	2,234
Actuarial (gain) loss arising from changes in demographic assumptions	(4,253)	6,686
Actuarial loss arising from changes in financial assumptions	388	9,120
Benefits paid	(10,147)	(6,552)
Defined benefit obligation at end of the year	388,768	322,879

Significant assumptions used in determining the post-employment defined benefit obligation include the following:

	2018	2017
Discount rate	4.25%	3.75%
Salary escalation rate	4%	3.5%
In service mortality	Employers' Groups reinsurance rates	Employers' Groups reinsurance rates
Withdrawal before normal retirement age	Age-wise	Age-wise

The weighted average duration of the defined benefit obligation as at December 31, 2018 is 11.5 years (December 31, 2017: 14.1 years).

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is shown below:

Discount rate:

	2018	2017
1% increase in discount rate	348,217	282,548
1% decrease in discount rate	437,464	372,444

Independent Auditor's Report

Salary escalation rate:

	2018	2017
1% increase in salary escalation rate	438,634	372,644
1% decrease in salary escalation rate	346,518	281,613

Voluntary exit rate:

	2018	2017
5% increase at each age	372,879	307,130
5% decrease at each age	402,077	334,050

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

22.2 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 2018, the Company has vested 40,800 shares to eligible employees due for entitlement (December 31, 2017: 52,800 shares).

The carrying amount of the liability relating to the ESOP at December 31, 2018 was Saudi Riyals 6.2 million (2017: Saudi Riyals 7.1 million).

22.3 Employees' 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.

Balance in employees' savings program is presented in the statement of financial position as follows:

	2018	2017
Current portion (included in accrued expenses and other liabilities)	1,222	1,142
Non-current portion	114,341	89,000
	115,563	90,142

23. Accrued expenses and other liabilities

	Note	2018	2017
Accrued bonus		71,560	106,202
Accrued customer rebates		46,269	38,086
Customer advances		13,743	13,824
Social security payable		9,197	8,426
Withholding tax and value added tax payable		897,382	16,809
Accrued expenses		147,316	254,548
Dividend payable		1,120	393
Other		9,612	7,113
		1,196,199	445,401
Due to related parties	26	229,791	164,992
		1,425,990	610,393

24. Zakat and income tax

24.1 Charge for the year

Zakat and tax for the year is as follows:

	2018	2017
Zakat for the year	37,438	27,148
Income tax for the year	236,059	280,894
Deferred tax income for the year	(97,790)	(219,363)
Zakat in respect of preceding year	6,703	2,539
Income tax in respect of preceding year	99	(1,260)
	182,509	89,958

Income tax and deferred tax income has been recognised as follows:

	2018	2017
Statement of profit or loss:		
Income tax	236,158	279,634
Deferred tax	(95,785)	(216,657)
	140,373	62,977
Statement of comprehensive income – deferred tax income	(2,005)	(2,706)

During the year ended December 31, 2017 pursuant to the Royal Order A/136, all the shares in Kingdom resident companies held by Saudi Arabian Oil Company (Saudi Aramco) are subject to income tax law rather than zakat effective January 1, 2017. Accordingly, income tax has been recognised for Saudi Aramco's owned interest in the Company.

Zakat for the year is attributable to the following components:

	2018	2017
Equity and reserves	11,098,201	11,372,443
Liabilities	41,524,756	40,498,654
Book value of assets	(34,331,901)	(32,405,359)
Carried forward losses	(12,300,952)	(15,121,992)
Zakat base	5,990,104	4,343,746
Zakat base attributable to general public	1,497,526	1,085,936
Zakat for the year	37,438	27,148

Reconciliation between income tax expense and accounting profit at applicable tax rate is as follows:

	2018	2017
Profit before tax	853,074	1,515,641
Profit subject to income tax (75%)	639,806	1,136,731
Income tax at applicable tax rate (20%)	127,961	227,346
Tax effect of non-deductible expenses:		
Withholding tax	10,670	5,457
Educational assistance	453	248
Thrift savings contributions	-	2,077
Others	1,190	1,331
Effect of change in tax status of founding shareholder (principally due to deferred income tax credit)	-	(172,222)
Effect of income tax in respect of preceding year	99	(1,260)
Income tax for the year	140,373	62,977

The Company has filed its Zakat and income tax returns with General Authority for Zakat and Tax ("GAZT") up to the financial year 2017. 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 up to 2016 by raising additional Zakat, tax and delay fine demand of Saudi Riyals 1,349.7 million and Saudi Riyals 387.8 million, respectively. The Company had filed an appeal with the Higher Appeal Committee, now replaced by Higher Committee of Tax for Conflict and Disputes (HCTCD) against assessment for the years 2009 and 2010 and submitted a bank guarantee amounting to Saudi Riyals 43.5 million. The General Secretariat of Tax Committees (GSTC) has requested certain information from the Company in respect of the appeal relating to the years 2009 and 2010 in order to facilitate a hearing at the newly formed HCTCD. The Company has duly submitted the information to GSTC.

The Company's objection for the years 2011 to 2016 has been transferred by the GAZT to the recently formed Internal Settlement Committee (ISC). The ISC has requested certain information from the Company in respect of the appeal, which the Company has duly submitted. The management expects a favorable outcome of the objections against additional demands for the years 2009 to 2010 and 2011 to 2016 respectively.

If any additional Zakat and tax demand arises on finalization of assessments then it is recoverable to the extent of Saudi Riyals 809.8 million and Saudi Riyals 377.7 million, respectively from the founding shareholders of the Company.

25. Zakat and tax asset and liability

25.1 The movement of zakat and income tax payable is as follows:

	2018	2017
Balance at the beginning of the year	308,042	67,071
Provision for the current year	273,497	308,042
Adjustment for previous years	6,802	1,279
Payments	(314,845)	(68,350)
Balance at the end of the year	273,496	308,042



Independent Auditor's Report

25.2 The component wise movement of deferred tax asset is as follows:

	Property, plant and equipment	Tax losses carried forward	Employees' benefits	Trade receivables and inventories	Others	Total
2018						
Balance at the beginning of the year	(1,930,262)	2,201,492	52,229	15,873	8,760	348,092
Tax income recognised in statement of profit or loss	170,905	(83,869)	7,775	435	539	95,785
Tax income recognised in statement of comprehensive income	-	-	2,005	-	-	2,005
Balance at the end of the year	(1,759,357)	2,117,623	62,009	16,308	9,299	445,882
2017						
Balance at the beginning of the year	(1,027,629)	1,126,346	20,999	7,181	1,832	128,729
Tax income recognised in statement of profit or loss	(902,633)	1,075,146	28,524	8,692	6,928	216,657
Tax income recognised in statement of comprehensive income	-	-	2,706	-	-	2,706
Balance at the end of the year	(1,930,262)	2,201,492	52,229	15,873	8,760	348,092

26. Related party transactions and balances

Related parties comprise of founding shareholders of the Company being Saudi Aramco and Sumitomo Chemical, their subsidiaries and associates and other companies with common directorship with significant influence on other companies and key management personnel. Transactions with related parties arise mainly from purchases, sales of refined and petrochemical products, credit facilities, secondments and various lease arrangements and are undertaken at approved contractual terms.

Related party transactions are summarized as follows:

Nature of transactions for the year ended December 31	2018	2017
Saudi Arabian Oil Company and its associated companies		
Purchase of goods including LPG shortfall and through-put fee	38,287,105	27,512,283
Sale of refined products and petrochemical products	39,105,085	29,833,620
Finance cost	115,071	97,761
Seconded's costs	76,962	51,472
Rentals	48,502	47,865
Services provided to shareholders	600	442
Services and other cost charges (credit), net	89,745	40,453
Dividend	164,250	-
Sumitomo Chemical Company and its associated companies		
Purchase of goods	334,876	292,276
Sale of petrochemical products	6,606,598	3,692,655
Seconded's costs	152,868	161,491
Finance cost	88,672	70,724
Rentals	709	709
Services provided to shareholders	600	442
Services and other cost charges (credit), net	87,130	121,785
Dividend	156,038	-

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

Saudi Aramco and its associated companies	Notes	2018	2017
Loans and borrowings	15	2,777,990	2,736,583
Trade and other payables	15	8,849,034	7,862,541
Trade and other receivables	15, 19	5,273,578	5,022,170
Accrued expenses and other liabilities	23	167,887	69,853
Employees benefits		350	312

Sumitomo Chemical and its associated companies	Notes	2018	2017
Loans and borrowings	15	2,777,990	2,736,583
Trade and other receivables	15, 19	1,029,134	802,748
Accrued expenses and other liabilities	23	61,904	95,139
Trade and other payables	15	53,609	81,821
Employees benefits		800	1,418

Transactions with key management personnel

Transactions with key management personnel on account of short-term benefits amounted to Saudi 18.7 million (2017: Saudi Riyals 14.17 million) and are included in secondees' cost above. The remuneration paid to directors amounted to Saudi Riyals 1.05 million (2017: Saudi Riyals 0.45 million).

27. Commitments

(i) As at December 31, 2018, letters of credit issued on behalf of the Company in the normal course of business amounted to Saudi Riyals 16.9 million (December 31, 2017: Saudi Riyals 24.6 million).

(ii) As at December 2018, capital commitments contracted for but not incurred amounted to Saudi Riyals 360.3 million (December 31, 2017: Saudi Riyals 1,185 million).

Also, see Note 13 for lease commitments.

28. Dividend

The Company's shareholders in their meeting held on April 24, 2018 approved the distribution of Saudi Riyals 438 million, as cash dividends (Saudi Riyal 0.5 per share) for the financial year 2017, representing 5% of the nominal share value.

29. Approval and authorization for issue

These financial statements were approved and authorized for issue by the Board of Directors of the Company on Jumada Thani 14, 1440H (February 19, 2019).





The background of the page features an abstract design with large, overlapping green triangles and polygons. The colors range from a light, lime green to a darker, forest green. The shapes create a sense of depth and movement, with some areas appearing to recede into the distance while others come forward.

Rabigh Refining & Petrochemical Company

P. O. Box: 101, Rabigh - 21911,

Kingdom of Saudi Arabia

Fax: 966 12 425 8696, Tel.: 966 12 4251213, 966 12 4258820

www.petrorabigh.com