شركة رابغ للتكرير و البتروكيماويات
Rabigh Refining & Petrochemical Co.

بترورابغ
Petro Rabigh

ANNUAL REPORT 2021

Best-in-class integrated refining and petrochemical company, operating in a sustainable manner to maximize shareholder value.

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, Deputy Prime Minister and
Minister of Defense of the Kingdom of Saudi Arabia

Table of contents

Management Highlights

Board of Directors' Report

Financial Statements and Independent Auditor's Report

Board of Directors

Board Chairman
Ibrahim Q. Al-Buainain
Non-Executive Director

Deputy Chairman
Noriaki Takeshita
Non-Executive Director

President & CEO
Othman A. Al-Ghamdi
Executive Director

Seiji Takeuchi
Executive Director

Takashi Shigemori
Non-Executive Director

Suleman A. Al-Bargan
Non-Executive Director

Abdullah J. Al-Faifi
Independent Director

Mohammed A. Al-Omair
Independent Director

Saleh F. Al-Nazha
Independent Director

Executive Management

OTHMAN A. AL-GHAMDI
President & CEO

Finance & Accounting
AKIHIKO HIRAOKA
Chief Financial Officer

Engineering & Support
MOHAMMED M. FARSI
Vice President

Manufacturing
NORIAKU OKU
Senior Vice President

Industrial Security
SAMI S. AL-DOSSARY
Vice President

Industrial Relations
BANDER S. AL JUAID
Vice President

Market Development
YASSER AL-GHAMDI
Vice President

Chairman's message to the Shareholders

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

On behalf of the Board of Directors and the Company's employees, I would like to present to you the Company's Annual Report, the External Auditor's report, and the Audited Financial Statements for the year ending December 31st, 2021.

The significant accomplishments of the year 2021 were the distinguished safety record; Achieving the highest profitability in the Company's history; Successfully overcoming the effects of the (Covid-19) pandemic; Effective implementation of the comprehensive development plan for Petro Rabigh, which covers all sectors of the Company; implementing new initiatives aimed at increasing the Company's revenue; Preparing to increase the Company's capital by offering rights issue; as well as implementing ambitious programs to develop the leadership cadres and the functional capabilities of all employees. These and many other achievements were the results of the concerted efforts and perseverance of the work team to meet the challenges and achieve the set goals.

We also continued our progress towards our goals of adding financial value to our Company by implementing the shareholder value improvement program, which was launched at the beginning of the year under the leadership of the president and leadership team of Petro Rabigh. This program supported and helped enhance the shareholder value by saving millions and transforming it into revenue. The program implemented more than 50 approved initiatives, achieving savings of more than 310 million Saudi riyals, equivalent to approximately $83 million, by the end of 2021.

The Company's performance in Health, Safety, and Environment improved significantly during 2021, as the total recordable injury rate was the best ever in the Company's history. We also continued to achieve improvements in process safety and the safety of contractors. These improvements include restructuring the Health, Safety, Security, and Environment committees to ensure synchronization and better monitor performance. The "Buddy Manager" program was implemented to enhance contractor safety performance, as well as present Safety awards for employees and contractors.

The Company has received several external awards in health, safety, and the environment from the Royal Society for the Prevention of Accidents, in the United Kingdom and the National Safety Council in the United States of America.

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's management and employees for their continued commitment and hard work to ensure the success and prosperity of Petro Rabigh.

Ibrahim Q. Al-Buainain
Chairman of the Board

Safety is the cornerstone of Petro Rabigh's operations

The Company is committed to protect the health & safety of its employees and contractors as stated in its Quality, Safety, Health, Environment, and Security (QSHES) Policy.

TRIR: 0.02
Total Recordable Injury / Illness Rate

1,000,000
One Million work hours award from National Safety Council

9,500,000
9.5 Million safe man-hours without employee LTI (Lost Time Injury)

5,000,000
5 million consecutive work hours without an occupational injury

20,943
Safety training sessions were completed

In 2021, there were no employees or contractor fatalities in Petro Rabigh. The Company achieved its best-ever TRIR (Total Recordable Injury / Illness Rate) of 0.02 for Petro Rabigh employees and logged 9.5 million safe man-hours without employee LTI (Lost Time Injury).

Also, in 2021, Petro Rabigh received the Royal Society for Prevention of Accidents (RoSPA, UK) "Gold Health and Safety Award", an internationally recognized award for demonstrating an ongoing commitment to raising health and safety standards. Petro Rabigh Safety Management System and its compliance performance were audited and assessed on the set criteria for the award. The audit evaluated key performance areas such as health and safety leadership, worker participation, employee competency, hazard identification, risk assessments, safety communication, active monitoring of compliance performance safety requirements, reporting and investigation of incidents, tracking and implementation of safety recommendations, safety management system audits, and COVID-19 response.

Additionally, Petro Rabigh received Million Work Hours Award from National Safety Council, based in the USA, for achieving 5 million consecutive work hours without an occupational injury or illness resulting in days away from work, demonstrating Petro Rabigh's commitment to health and safety. The period for this award was from January 10, 2021, to July 11, 2021.

Safety Committees are restructured and replaced with Health, Safety, Security, and Environment (HSSE) Committees at all levels. The restructuring provides a more comprehensive platform for monitoring and steering various subcommittees and programs, including; Process Safety Management, Occupational Safety & Health, Security, Cyber Security, Contractors Safety, Emergency Response, and Environment. The HSSE Steering Committee resides above all subcommittees and is led by President & CEO. One of the new changes is assigning a board member to the HSSE Steering Committee.

Petro Rabigh has established Executive Management Weekly Plant Walkthroughs to signal Management accountability and commitment towards safety.

These walkthroughs were led by President & CEO as well as executive management members and were conducted in operation plants, workshops, laboratories, warehouses, and laydown yards, throughout the year. The walkthroughs were followed with individual and departmental safety recognitions.

Process Safety is one of the integral components of the Petro Rabigh Safety Management System. In 2021, Petro Rabigh continued its various process safety programs monitored and guided by the Process Safety Management Subcommittee. In-house HAZOP revalidation studies were completed for EPR, Alkylation, PEG, Naphtha, and MTBE plants. Reporting process safety near misses was enhanced through awareness sessions and an improved reporting platform. An online platform for monitoring Integrity Operating Windows (IOW) was established. In 2021, Process Safety Total Incident Rate was 0.02.

Safety training plays a significant role in enhancing employees' safety knowledge and subsequently improving safety performance. In 2021, Petro Rabigh launched the Safety Boot Camp Program involving workshops for safety leadership & safety culture and targeted general managers, managers, section heads, and supervisors.

The program covered nearly 50 employees and will continue to go on. Petro Rabigh has also conducted two training sessions on Taproot Incident Investigation & Root Cause Analysis to improve employees' incident & technical investigation skills. Moreover, the Online safety training library for safety courses identified in the safety training matrix was enhanced, and 20,943 training sessions were completed with an achievement of 98% training completion with respect to the target set for 2021.

Contractor safety management is a very important part of Petro Rabigh's overall safety program, and it is always an endeavor to work towards improving contractors' safety performance. In 2021, Petro Rabigh introduced Buddy Manager Program involving Petro Rabigh & Contractors' leaders' engagement, field reviews, interaction with contractor workers at site, review safety program implementation, safety audit, etc.

The contractors' best performers are recognized at different venues to ensure positive enforcement of safety rules and strengthen safety culture among contractors, including the Executive Management Weekly Plant Walkthroughs. In 2021, the Contractors Total Recordable Injury Rate was 0.15, which improved the performance in 2019 & 2020.

Occupational health and the well-being of employees are among the top priorities in Petro Rabigh

In 2021, Petro Rabigh conducted Medical Surveillance of employees, which included the Hearing & Vision test for 758 employees and Periodical Medical Examination for 470 employees.

Petro Rabigh also conducted Medical Program for Firefighters of 90 employees as per NFPA Guidelines and Biological Monitoring of employees who are potentially exposed to Benzene. Also, more than 60 comprehensive exposure surveys covering noise, chemical exposure, and other occupational hazards were conducted.

In 2021, Annual Radiation Protection Assessments were conducted by a government-approved third party. The assessments included the survey of Forty-Eight (48) Radiation sealed sources and X-Ray Machines and wipe leak tests to ensure the source holders' integrity.

Protecting the environment is everyone's responsibility

Protecting the environment is the essence of the company's operational excellence. In 2021, a sustained effort was spent in ensuring that the surrounding environment of PRC complex was not harmed, in spite of its strong operational activities. This was made possible through the company's strong support in enhanced compliance monitoring programs, environmental projects and waste minimization initiatives.

Air Emission

The Leak Detection and Repair Survey, under Fugitive Emission Monitoring Program, was successfully completed. Through the utilization of TVA & sensitive gas detection equipment, the survey was able to capture leaking sources in all tanks, pipelines, and vessels within the complex and thus appropriate mitigation measures were taken. A total of 550,000 sources have been surveyed and any leak detected was repaired, resulting in a 0.23% leak detection success limit against the 2% best practice limit for the program as defined by the Environmental Protection Agency (EPA).

SRU3 successfully started operating in 2021. The operation of this plant will reduce acid gas flaring and SO2 emissions from PRC operations significantly.

It is expected that the SO2 emissions from this plant shall be in compliance with the new SO2 emission standard under MOE regulations, without the need for further upgrade.

Water Quality
To pursue sustainable development, PRC plans to upgrade the existing wastewater treatment plant. The FEED stage of the project has been completed and shall progress with the EPC stage, as the key milestone next to be achieved.

Marine Protection
The marine survey for 2021 was completed and results showed that PRC operations had no significant adverse impact on the property of seawater, sediment, and ecological status of the marine environment. Furthermore, the most sensitive ecosystems in the investigated area were also observed.

Waste Minimization
Program to conserve resources and energy is one of the company's main objectives in protecting the environment. A sound industrial waste management program proved its value by reducing waste volume at the source and enhancing the principle of 4Rs (Reduce, Reuse, Recycle and Recover). This in fact promotes putting less strain on natural resources by finding ways to reuse or recycle industrial waste leading to a lesser need to produce new raw materials. In 2021, by offering for sale various by-products, the company was able to generate revenue and saving the off-site disposal costs. Such initiatives shall be sustained by identifying other by-products with market value.

Petro Rabigh defined its Strategic Objectives to achieve its new Vision

Petro Rabigh has defined its Strategic Objectives to achieve its new vision of becoming best in class Refining and Petrochemical, through succeeding on its mission to maximize shareholder value.

Safety
Achieve Zero Safety Incidents

Asset management
Reach 1st Quartile in Mechanical Availability

Net Cash Margin
Realize 1st Quartile Performance in Net Cash Margin

Commercial Excellence
Reach optimal product mix and maximize sales in high netback enclaves

People
Attract, retain and develop a competent workforce

Work environment
Create an engaging work environment by fostering a collaborative and rewarding performance culture

Sustainability
Evolve into a sustainable business through strengthening Environment, Social and Governance (ESG) aspects

Business competitiveness
Enhance configuration to achieve business competitiveness through a capital efficient step-wise investment approach

Financial
Achieve a sound financial structure

Together shaping Petro Rabigh's future

Petro Rabigh has established a strategic direction designed to achieve and sustain a company and workforce that are truly best-in-class in the refining and petrochemical industries.

The revised Vision reflects Petro Rabigh identity in neat and clear fashion to be easily understood at all levels of organization.

Petro Rabigh revised Vision statement

"Best in class integrated refining and petrochemical company, operating in a sustainable manner"

Petro Rabigh's revised values

Integrity

At Petro Rabigh, when we make a commitment, we keep it. It is expected of us to be fair in our dealings. We create trust on and off the job. We are ethical. We can be counted upon to respect all others. Our conduct in business is beyond reproach. We build and nurture relationships for the long-term. We stand up against misconduct.

Excellence

As a dynamic company with cutting-edge technology, we benchmark, innovate, and continually improve. We do not accept mediocrity. We set challenging goals, whether working alone or with a team. We are entrusted and counted on to rigorously pursue the very best outcomes for the company. We challenge and develop ourselves and strive for excellence in all that we do.

Teamwork

We work together, we solve problems and get results in a collaborative manner. We communicate clearly, honestly and openly. We act as a caring and proactive team members and treat success of our team as our own.

Passion

We embrace the company's business as our own. We take ownership of company decisions and performance. We protect company assets and interests. Our commitments go beyond the workplace.

Citizenship

We act with full social responsibility, providing economic growth of our community, and creating trustful and lasting relationships with our partners.

Accountability

We take full responsibility for everything we do. We are responsible for the outcome. We have the power to create and the duty to deliver.

These strategic objectives and values are defined with these directions and guidelines:

Safety-Achieve zero-safety incidents

Asset management-Reach 1st quartile in Mechanical Availability and Operating Expense

- Gross margin-Realize 1st quartile in Net Cash Margin
- Commercial Excellence-Reach optimal product mix and go-to-market strategy through commercial excellence
- People-Attract, retain and develop a competent workforce
- Work environment-Create an engaging work environment by fostering collaboration and rewarding performance culture
- Sustainability-Evolve into a sustainable business through strengthening Environment, Social and Governance (ESG)
- Business competitiveness-Enhance configuration to achieve business competitiveness through a capital efficient step-wise investment approach
- Financial-Achieve a sound financial structure

Petro Rabigh response to COVID-19 Pandemic

Since the COVID-19 Mitigation Taskforce was established in Year-2020, the task force has led the implementation of health and safety protocols in Petro Rabigh, in line with the advisories from the government health sectors.

As an initiative, it had observed earlier of year-2021 the installation of infrared thermal scanners at the major buildings' main entrances, in addition to appointing a staff to handle and monitor the daily temperature checking for all stationed employees and visitors in each of the buildings.

After detecting the COVID-19 Delta variant, a series of announcements on the latest protocols involving employees and supervisors on dealing with symptoms for effective reporting communication and employee awareness.

The health sector identified travel and home isolation requirements depending on affected countries grouped into three risk levels. As directed by the health sector, the recreational facilities & restaurant dine-in services had been suspended to prevent the spread of the virus and only allowed to avail the food take-out services, and later on, made it easy and let them dine-in with the minimum gatherings. Assigned COVID-19 Marshals were on top of the Taskforce to ensure that all employees and establishment facilities followed the protocols and violated the violators.

Aside from Tawakkalna, the Sehhaty application was introduced, which allows individuals to book an appointment for the COVID-19 vaccine and choose from the detected nearby affiliated medical facilities for convenience.

Another feature is storing COVID-19 vaccine or health passport information that can be downloaded for travel requirements. COVID-19 test appointment & test results information can be found as well on the app and archives all the COVID-19 information, which individuals went through.

On the other hand, the COVID-19 vaccine became mandatory prior to entering the facilities. It was noticed that employees found it difficult to secure the COVID-19 vaccine through the app due to high demands across the nation. COVID-19 vaccine and influenza vaccine campaigns were arranged by COVID-19 Taskforce in collaboration with the government health sector and affiliated medical facilities, which secured a good number of vaccines administered and patronized by the eligible

employees and contractors. At the beginning of the fourth quarter of the year-2021, the government health authorities announced the ease of restriction for private and public places, where no longer required wearing facemask except close space areas, which allowed total capacity in recreational facilities, dine-in restaurants, gatherings, as well as in transit buses that allows 100% carrying capacity. In comparison, 50% of the carrying capacity still applies for inter-city transport, etc., since the inflation case found it decreasing. It was an achievement to Petro Rabigh that no cases have been recorded in the first two months of the last quarter of the year-2021.

Despite the ease of restriction, the newly discovered COVID-19 strain variant called "Omicron", which was firstly identified in South Africa on November 24, 2021, and the first omicron case ever recorded in Saudi Arabia in December 2021, Petro Rabigh's COVID-19 Taskforce current priorities is to amend the COVID-19 contingency plan on how to deal with the new variant, which found it as a quick virus spreader. It is worth mentioning that the Taskforce has obtained access to generating the up-to-date COVID-19 cases for Petro Rabigh employees through Seha Business – Aman website, which found it as fast and effective in generating data cases accurately. Assist employees in obtaining the required three doses of COVID-19 vaccine or booster shot to achieve 100% immunization after the government health sector announced the mandatory requirement in accessing the facilities, which will take effect in February 2022. The encouragement graphics have been displayed in the end-user's desktop locked screen to remind about the importance of booster shot vaccine and getting vaccinated to control the spread of COVID-19.

Human Resources works closely with Business areas

Petro Rabigh continues to strengthen its workforce by building organizational capability to encourage retention and enhance ongoing performance. Human Resources works closely with business areas to ensure development opportunities are integrated and, where possible, co-designed with subject matter experts from the business to ensure the content aligns to business activities.

This approach also ensures that development activities are clearly defined to meet the needs of the business and are supported with relevant tools and resources to ensure a blended approach to learning.

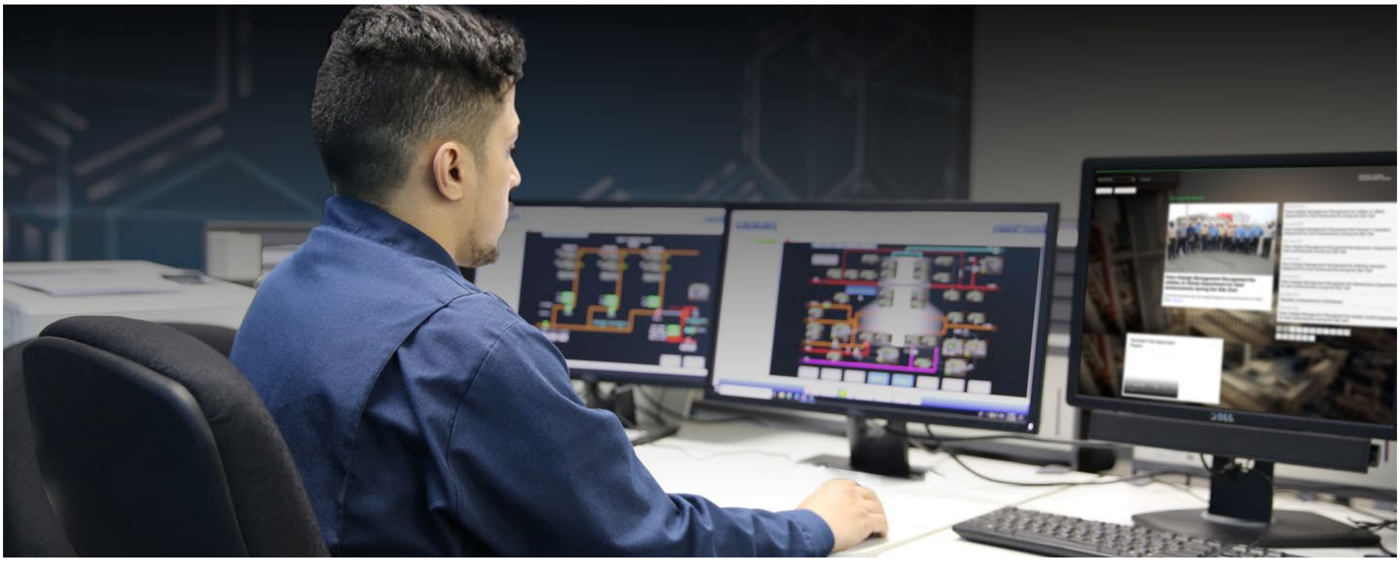
In 2021, we undertook analysis as part of our workforce planning activities to help us understand the capabilities we require now and in the future to deliver business objectives. As a result of this analysis, several initiatives have been implemented:

- Creating learning and development solutions for capability focus areas, including stakeholder relationship management, behavior and leadership management, and working with people. These solutions were supported by offerings foundational skills, including communication skills, change management, performance management, team building, business information technology applications, and career management
- supporting managers and employees with a range of tools and resources available electronically through the in-house built platform called "HUB". Resources include e-learning programs, articles, videos, tools, and templates provided in an interactive, accessible, and self-paced learning environment

HUB
Your development destination

- continuous implementation of targeted talent management initiatives for supervisory level, Section heads, and Executive to enhance leadership capability and ensure effective succession planning.

Petro Rabigh is committed to Safety and enhancing individual employee knowledge and awareness level. In 2021, more than 3009 participants enrolled in Safety training which has boosted the safety training certification to 98 % overall.



Petro Rabigh is committed to enhancing the training and development of all employees in different fields with high-standard training and development programs.

In continuing efforts to provide intensive work experience and Job knowledge to Petro Rabigh industrial employees, in 2021, a new Structured Training Program (STP) for Plant Operators has been introduced to enhance Operators' job skills and core competencies through a dedicated self e-learning program.

Petro Rabigh continues to support employees to complete relevant tertiary studies to improve their professional skills and knowledge through the Education Reimbursement Program

In 2021, more than 122 employees received study assistance through paid study leave and financial assistance to undertake tertiary education.

Petro Rabigh continues to support its entry-level employee cohort to develop their skills, experience, and capabilities to become engaged and productive department members. In 2021, we engaged 37 University Fresh graduates.

Each has been assigned to a development program targeted to their specific needs to transition into the workforce effectively.

Aspects of the development programs include induction, formal training to achieve a professional qualification, foundational skills training, mentoring, project work, as well as placements in the business to ensure effective on-the-job learning. In addition to the government guideline and to support Saudis, Petro Rabigh, in coordination with HRDF, has enrolled 196 trainees. 95 CO-OP for university students, 37 High schools, summer student programs, and 36 Tamheer trainees focused on developing mostly recent Saudi university graduates.

Each cohort undertakes a development program targeted to their specific needs to enable effective development programs, including induction and formal training to achieve a professional qualification, foundational skills training, mentoring, and on-the-job learning.

Petro Rabigh on a journey of Business Excellence and Sustainability

ISO (International Standard Organization) accredited business inevitably puts the organizations at the top of the list, inspiring confidence and trust in all stakeholder. It persuades the organizations to keep moving on the path of the Continuous Improvement.

International Organization for Standardization

Adherence to the management system standards and certifications are one of the key sources to materialize the strategic objectives derived from Petro Rabigh's Vision and Mission statements and it also helps to lay foundations and sustain the Business Excellence by a systemic way. Economic, environmental and societal dimensions are all directly addressed by ISO standards.

Petro Rabigh is sustaining ISO 9001:2015 (Quality Management Systems), ISO 14001:2015 (Environmental Management Systems) and ISO 45001:2018 (Occupational Health & Safety Management Systems) certificates since May, 2011.

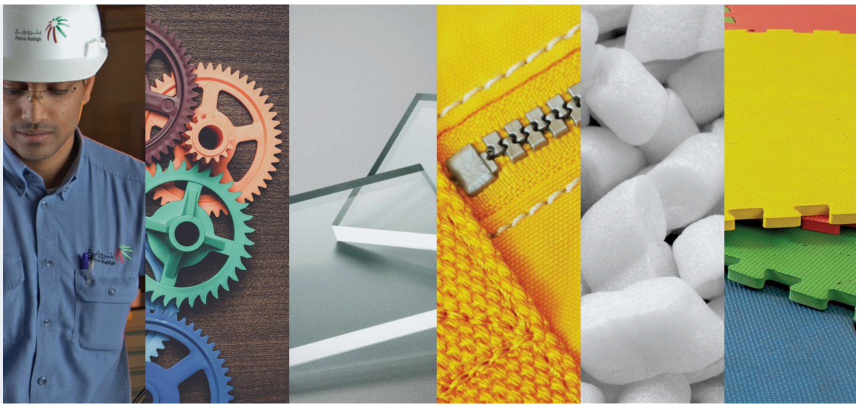
Continuation of ISO Certifications confirms Petro Rabigh's management commitments towards Business Excellence and ESG Sustainability. Petro Rabigh created a mechanism to deliver continual improvements in ESG performance with definable results for all stakeholders.

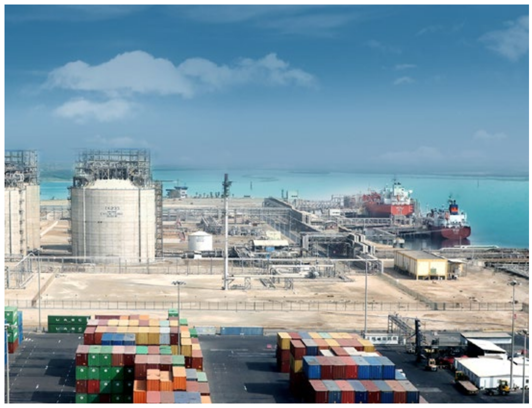
The award of such Certifications is a clear indication that the organization is operating within the realm of internationally recognized standards and best practices. Petro Rabigh is one of the few company that acquired the latest versions soon after the release of the standards, which is clear evidence of Petro Rabigh's management agility and Continuous Improvement commitments. The current certificates are valid until November, 2022 and Petro Rabigh has not only plan to continue these certifications, but also to get the additional certification of RC 14001 (Responsible Care).

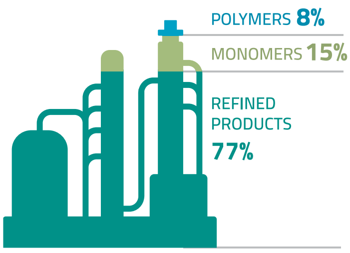
Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

Petro Rabigh has maximized its Petrochemical yields for crude intake

By optimizing the Vacuum Gasoil (VGO) yield, achieving 100% utilization of HOFCC at lower crude rates. In addition, transportation fuels (Jet, Gasoline, Diesel) productions were maximized from the complex, meanwhile reducing the production of low valued fuel oil.







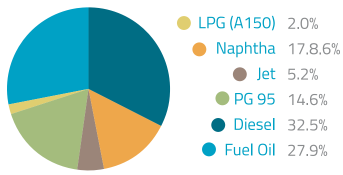
Complex Production Break-up

During 2021, Petro Rabigh has managed to sustain a stable and optimal operation with an optimized overall complex utilization of 89.9%, processing major feedstock of 19.36 MM Tons, producing 15.6 MMT of refined products & 4.43 MMT of Petrochemical products.

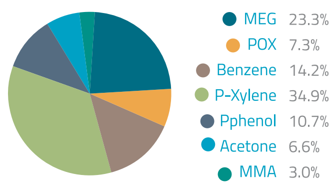
The operations of the most profitable complex units (Monomer & Polymers) were maximized and averaged over 100% for the year, supporting the bottom line.

In addition, supported by a dedicated task force for investigating and mitigating Hydrocarbon losses to protect the environment and improve the Complex overall economics, Petro Rabigh achieved the best performance ever with a yearly average Hydrocarbon loss of 1.16 wt% of the total processed inputs.

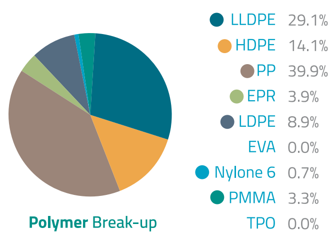
Further, Petro Rabigh achieved Hydrocarbon losses of less than 0.5 Wt%, towards the year-end, placing Petro Rabigh among the best in class performers.



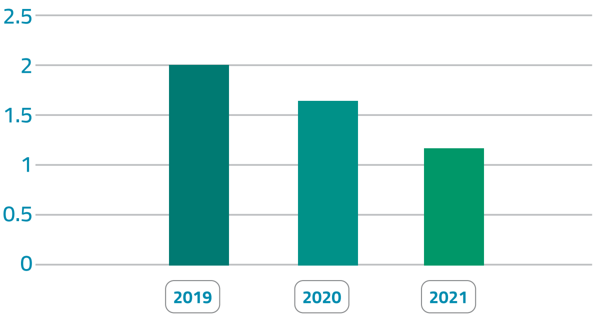
Refinery Break-up



Monomer Break-up



Polymer Break-up



Hydrocarbon loss in %

Sustainable growth is the core of the Saudi Arabia Vision 2030

Sustainable growth is the core of the Saudi Arabia Vision 2030, and Petro Rabigh's Sustainability (Environmental, Social, and Governance -ESG) strategy and practices continue to contribute to the goals of Saudi Vision 2030.

Organizations face an evolving landscape of environmental, social, and governance (ESG) related risks that can affect their profitability, success, and even survival. Globalization has already changed the competitive environment of companies, and a more globalized economy is compelling companies to change the ESG practices in emerging markets and challenging environments. Nowadays, more than ever, corporate leadership recognizes measurable Environmental, Social, and Governance performance. Petro Rabigh is transforming its business by focusing on ESG integration in every aspect of the company. In 2021, Petro Rabigh refreshed its vision, mission, and strategic objectives that set out clearly ESG focused directions to do the business.

Petro Rabigh is also deeply intertwined with ESG concerns; therefore, a strong ESG proposition will help to tap new markets and expand into existing ones.

After in-depth materiality analysis, we developed a Sustainability (ESG) strategy; our strategic Sustainability (ESG) initiatives focus on the following top nine (9) material areas:

Governance and Ethics

Petro Rabigh is realigning its governance, policies, and systems with the national vision 2030 and international ESG criteria and standards. We ensure that our business practices exceed the standards' expectations by continuously monitoring, measuring, publishing ESG and sustainability management information. We strongly adhere to the applicable global reporting guidelines, disclosures, and transparency standards. Furthermore, Petro Rabigh establishes its strategic ESG and sustainability intent by aligning with international initiatives, including the UN Global Compact (UNGC), UN SDGs, and other global ESG projects.

Resource Consumption and Efficiency

Our company is one of Saudi Arabia's main petrochemical and refinery installations and, as such, has national strategic importance. Accordingly, we need to ensure our continued viability and resilience by demonstrating and reporting best in international class in production efficiency to our shareholders and interested third parties. Water production, consumption, and efficiency of use are significant issues that need to be addressed as it has a high embodied carbon content and environmental footprint. Looking to the longer term, Petro Rabigh will embrace and harness the circular economy at an industrial scale to source and process renewable resources as raw materials. In addition, the displacement and replacement of fossil fuel-based energy sources with renewable energy sources will become an increasing priority as the organization progresses towards a lower carbon footprint.

Atmospheric and GHG emissions

Due to the nature of our business, Petro Rabigh is a producer of carbon dioxide, methane, and other GHG and atmospheric emissions in Saudi Arabia. We understand, appreciate, and respond to the market and investor sentiment by embracing and keeping well informed of international developments and expectations as it concerns our operational emissions. GHG and other gaseous emissions are being targeted in our strategy to minimize and mitigate our environmental impact. Carbon footprints and emissions intensities have become standard performance metrics.

Liquid Effluent Discharges

Being located on the Red Sea and close to sensitive ecological balance, the marine environment and surroundings are impacted by our releases. The reduction and minimization of pollutant loads is an environmental management imperative that is closely tracked. Petro Rabigh will ensure the highest possible environmental management standards and leadership for all of our activities, including works and services undertaken by our employees, suppliers, and contractors.

Waste Management

With progressive success, Petro Rabigh has undertaken waste management and minimization programs for several years. We believe that adopting a circular economy framework for the internal treatment and reuse of our waste products will accelerate our waste minimization program.

Occupational Health & Safety (OHS)

We understand that Petro Rabigh activities and products (both on and off-site) have significant potential to cause life-changing harm and major damages to our employees, local communities, suppliers, contractors, and end-users. Our Occupational Health and Safety management and performance standards are non-negotiable to ensure that all stakeholders and their interests are met. We believe our business viability, reputation, legal and financial obligations are profoundly reliant on our OHS performance.

Human Capital

Our top talent attraction, retention, diversity, and inclusion (D&I) programs are being actively monitored, nurtured, and evaluated at all levels to attain the best in-country performance. The performance appraisal process is robust and effective, promoting our best candidates to fill the leadership roles.

Our supply chain service providers and contractors are encouraged to meet the same Employment and labor standards.

Biodiversity Net Gain

Our facilities are located on the Red Sea and in close proximity to ecologically sensitive areas. The full nature and scale of our company's past, current, and future impacts, both positive and negative, onto these natural environments are continuously scrutinized and assessed, including end-of-life products' wastes and environmental emissions.

Community Engagement & Development

Our company is one of the primary and competitive employers in Rabigh and surrounding areas, including northern Jeddah. As the community provides the majority of employees plus day-to-day services, our continued success is dependent on the development and engagement of our local community. The local community's loyalty to Petro Rabigh has sustained it during challenging times. Ongoing community support and development is vital to ensure the company's future success and value. Leveling up social inequality will broaden our employment pool and spur the growth of marginalized and vulnerable groups. In addition, the community expects to be protected from harm from our operations or emergencies.

Sustainable Procurement and Supply Chain

Our robust procurement system helps the company avoid ESG business risks by maximizing beneficial opportunities of local sourcing, environmentally responsible goods and socio-economic development. We aim to maximize positive environmental, social and economic impacts over the entire life cycle of the goods and services provided by suppliers and our diverse supply chains.

Petro Rabigh ESG factors are being integrated alongside the typical price and quality considerations into company's procurement processes and procedures. Our procurement team undertakes effective and comprehensive ESG and quality due diligence during the procurement, tendering and award phases. Our sustainable practices ensure that the organization only works with suppliers who are meeting ESG terms.

Emergency Preparedness and Business Continuity

As part of our social license to operate, we are obliged to protect our employees, local communities, and natural environment from operational and crisis related harms. We ensure our compliance with legislation, Civil Defense requirements and international ESG standards by establishing, maintaining, monitoring, testing and demonstrating our Emergency Preparedness and Business continuity capacity and competence.

Board of Directors' Report

1. AT A GLANCE

A. CORE VALUES

Vision

"Best-in-Class Integrated Refining and Petrochemical Company, Operating in a Sustainable Manner"

Petro Rabigh is one of the world's largest integrated refining and petrochemicals complex, Petro Rabigh houses one of the world's largest high olefins fluid catalytic cracker (HOFCC) unit and a world-scale ethane cracker. We are one of the Kingdom's largest producers of polypropylene, polyethylene and mono ethylene glycol and are the first producer of propylene oxide in the Middle East. Our products have markets throughout Europe, the Middle East, North Africa and East Asia.

We believe in our Vision. It inspires us to strive for excellence to be best-in-class, and make a positive and sustainable impact on the world. That is who we are!

Mission

Our mission gives us a sense of purpose. It is a guiding principles that motivates us to be at our best, and work together towards one goal.

We are here to:
Maximize shareholder value, utilizing our integrated resources in a world-class manner.

We believe that we are all shareholders; investors and employees, and we have a collective obligation to maximize return on investment for all of us together

To achieve this goal, we have to maintain a reliable, sustainable level of productivity and optimum performance to drive growth and profitability.

Not only must our facilities and equipment be world-class, our people must be world-class too.

Petro Rabigh's engineers, operators, technicians, specialists, and administrators, are among the most capable in the industry.

All of this empowers our company with the tools of world leadership, and we will continue to strive and pursue our continuous mission in the future.

Values

Our corporate values form the guiding principles by which Petro Rabigh and its employees conduct their daily business dealings and relationships. These values are the elements which constitute our character and identity as a company.

Integrity
In Petro Rabigh, when we make a commitment, we keep it. We are fair and ethical Our conduct in business is beyond reproach, and we stand up against misconduct.

Excellence
We benchmark, innovate, and challenge ourselves continually improve.

Passion
We love what we do, and embrace the Company business as our own.

Teamwork
We work together, solve problems together, and get results in a collaborative manner to succeed together and celebrate together, and become best-in-class.

Accountability
We take our work with high professionalism. We take full responsibility for everything we do and the outcomes.

Citizenship
We act with full social responsibility, fueling economic growth for our communities, and creating trustful and lasting relations with our partners, for our precious Kingdom.

B. MAIN SCOPE

Company's Activities:

Petro Rabigh has two main activities: Refining and Petrochemicals Production. The two activities are fully integrated to maximize profit and minimize cost by recovering and 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 115 million barrels of gasoline, naphtha, jet fuel, diesel and fuel oil annually.

Petrochemicals

The Company has a capacity to produce up to 2.8 million tons annually of polyethylene, mono ethylene glycol, polypropylene and propylene oxide & other petrochemical derivatives, from crude oil, ethane and butane feedstock supplied by Saudi Aramco and 1.9 million tons of Para xylene, Benzene, Phenol, Acetone by upgrading Naphtha produced from crude.

The following table includes the two activities contribution to Petro Rabigh business during the year 2021:

Activity	2021 Sales (SAR Thousands)	Contribution to Sales (%)
Refining	27,925,978	61%
Petrochemicals	17,712,088	39%
Total	45,638,066	100%

2. BUSINESS PERFORMANCE

1. Assets, Liabilities and Results of Business for the Last Five Years

Statement of Profit or loss:

	In SAR Thousands				
	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Sales	**45,638,066**	**21,870,198**	**34,061,975**	**40,998,191**	**34,211,010**
Refined Products	27,925,978	13,213,695	25,876,797	31,447,298	26,237,144
Petrochemical Products	17,712,088	8,656,503	8,185,178	9,550,893	7,973,866
Cost of sales	(40,881,573)	(22,772,807)	(32,344,064)	(38,683,150)	(31,514,986)
Gross profit (loss)	4,756,493	(902,609)	1,717,911	2,315,041	2,696,024
Selling, General and Administrative Expenses	(1,716,064)	(1,588,839)	(1,366,724)	(1,387,618)	(1,043,071)
Other (expense) income - net	(1,003,768)	(1,289,680)	(895,338)	(258,863)	(229,976)
Net profit (loss) after Zakat and tax	2,036,661	(3,781,128)	(544,151)	668,560	1,422,977

Statement of Comprehensive Income:

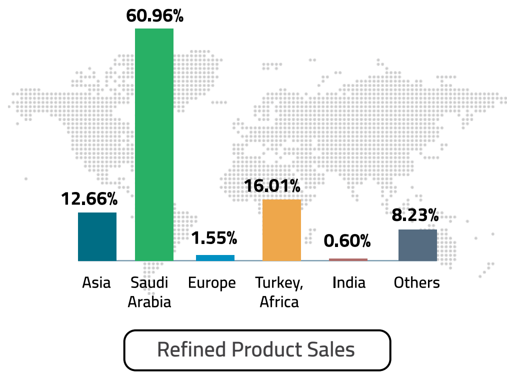
	In SAR Thousands				
	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Net profit (loss) after Zakat and tax	2,036,661	(3,781,128)	(544,151)	668,560	1,422,977
Remeasurement gain (loss) on defined benefit plan	43,122	(61,619)	(69,187)	(13,367)	(18,040)
Tax effect	(3,234)	4,621	10,378	2,005	2,706
Items that will not be reclassified to statement of profit or loss in subsequent periods	39,888	(56,998)	(58,809)	(11,362)	(15,334)
Total comprehensive income (loss) for the year	**2,076,549**	**(3,838,126)**	**(602,960)**	**657,198**	**1,407,643**

Statement of Financial Position:

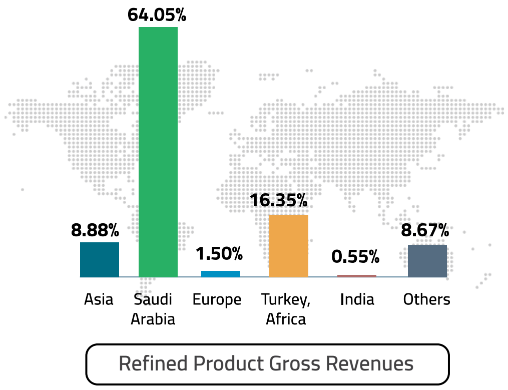
	In SAR Thousands				
	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Current assets	17,895,462	9,506,504	11,520,263	14,636,393	12,746,784
Non-current assets	55,466,561	61,187,505	62,509,385	49,457,574	48,928,193
Total assets	**73,362,023**	**70,694,009**	**74,029,648**	**64,093,967**	**61,674,977**
Current liabilities	33,801,080	20,185,156	27,946,114	24,889,853	13,873,999
Non-current liabilities	31,255,032	44,305,370	36,042,127	28,662,094	37,715,171
Equity	8,305,911	6,203,483	10,041,407	10,542,020	10,085,807
Total equity and liabilities	73,362,023	70,694,009	74,029,648	64,093,967	61,674,977

2. Geographical analysis of the Company's revenues

Refined Products Sales		
Destinations	Volume (BBL)	%
Asia	12,902,806	12.66%
Saudi Arabia	62,142,478	60.96%
Europe	1,576,424	1.55%
Turkey, Africa	16,319,722	16.01%
India	609,611	0.60%
Others	8,388,622	8.23%
Total	**101,939,663**	**100%**

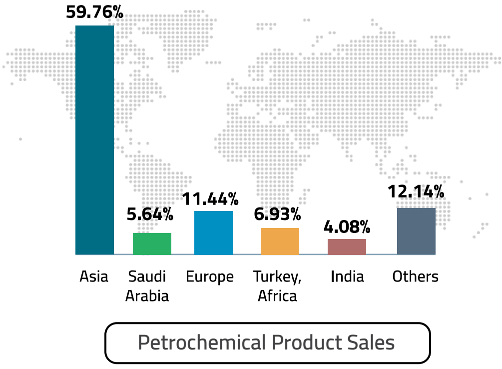


Refined Product Gross Revenues[1]		
Destinations	Sales (SAR)	%
Asia	2,480,574,627	8.88%
Saudi Arabia	17,886,917,155	64.05%
Europe	417,854,601	1.50%
Turkey, Africa	4,565,823,126	16.35%
India	154,096,571	0.55%
Others	2,420,711,968	8.67%
Total	**27,925,978,048**	**100%**

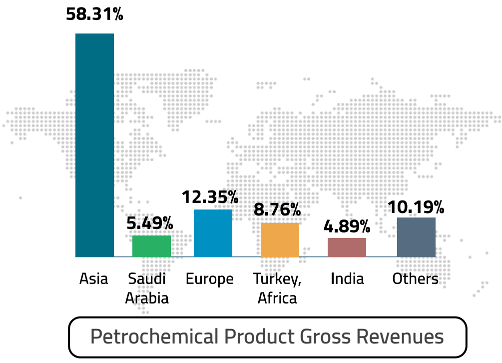


[1] Revenues for the year based on products destinations

Petrochemical Product Sales		
Destinations	Volume (MT)	%
Asia	2,572,908	59.76%
Saudi Arabia	242,965	5.64%
Europe	492,385	11.44%
Turkey, Africa	298,495	6.93%
India	175,645	4.08%
Others	522,863	12.14%
Total	**4,305,260**	**100%**



Petrochemical Product Gross Revenues [1]		
Destinations	Sales (SAR)	%
Asia	10,328,563,333	58.31%
Saudi Arabia	973,034,419	5.49%
Europe	2,187,565,792	12.35%
Turkey, Africa	1,552,459,875	8.76%
India	865,658,202	4.89%
Others	1,804,805,906	10.19%
Total	**17,712,087,528**	**100%**



[1] Revenues for the year based on products destinations

3. 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 2021 financial outcome in comparison to the previous year:

- Net profit after Zakat and Tax for the year ended December 31, 2021 is SAR 2,037 million (December 31, 2020: net loss SAR 3,781 million).
- Earnings per share for the year ended December 31, 2021 is SAR 2.32 per share (December 31, 2020: loss per share SAR 4.32).
- The gross profit for the year ended December 31, 2021 is SAR 4,756 million (December 31, 2020: gross loss SAR 903 million).
- Operating profit for the year ended December 31, 2021 is SAR 3,192 million (December 31, 2020: operating loss SAR 2,436 million).

The reason for the net profit during the current year as compared to loss in the previous year is due to the fact that the current year has witnessed improved margins on petrochemical products, due to improvement in market conditions. This was caused by the gradual recovery of the global economy from the impact of Covid-19 pandemic. Additionally, last year the Company witnessed total complex shutdown for periodic Test & Inspection activities for 60 days coupled with lower demand and lower margin on petrochemical products due to the on-going pandemic. The current year ended December 31, 2021 has witnessed highest profit earned by the Company since its inception.

4. Compliance with the standards approved by the Saudi Organization for Certified Public Accountant (SOCPA)

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 SOCPA. There is no inconsistency with the standards approved by SOCPA.

5. 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

6. Shares and debt instruments issued for each Affiliate Company

N/A

7. Loans (payable upon request or not), a statement of the total indebtedness of the Company, 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 entered into Consortium Loan Agreements with commercial banks and financial institutions for development, design, and construction of integrated refining and petrochemical complex (Phase I Project) and for the Expansion Project (Phase II Project). The loans relating to Phase I Project have been repaid in full during December 2021.

The following table shows loans from commercial banks and financial institutions:

Lender	In SAR Thousands					
	Loan Availed up to December 31, 2021	Loan Tenor (Years)	Balance on December 31, 2020	Additions during 2021	Repayments during 2021	Balance December 31, 2021
Japan Bank For International Cooperation	16,867,500	12.5 - 13	7,410,359	-	(1,627,753)	5,782,606
Commercial Banks	10,031,250	12.5 - 13	2,048,620	-	(169,764)	1,878,856
Public Investment Fund	8,625,000	12.5 - 13	4,544,419	-	(781,893)	3,762,526
Islamic Financial Institutions	5,756,250	12.5 - 13	541,139	-	(44,843)	496,296
Sumitomo Mitsui Banking Corporation - Equity Bridge Loans	11,250,000	5	11,250,000	-	-	11,250,000
Accrued Interest on loans	-	-	8,221	364,490	(363,741)	8,970
Total	**52,530,000**	**-**	**25,802,758**	**364,490**	**(2,987,994)**	**23,179,254**

B) Loan from Saudi Industrial Development Fund (SIDF)

During the year ended December 31, 2019, the Company entered into a loan agreement with SIDF to replace a portion of the loans for Phase II Expansion Project (see Note 15.3.1). The facility available under this loan agreement amounts to Saudi Riyals 3,600 million and is fully utilized as at December 31, 2021. The loan is repayable in unequal semi-annual instalments commencing from Rabi Aakhir 1443H corresponding to November 2021 to Shawwal 1453H corresponding to January 2032. Upfront fee amounting to Saudi Riyals 288 million was deducted at the time of receipt of the loan and is amortised over the loan term. The loan also bears a follow up fee to be paid on semi-annual basis. The loan has certain covenants, which among other things requires certain financial ratios to be maintained. The loan facility is secured by a mortgage on the property, plant and equipment of the Company amounting to Saudi Riyals 7,200 million.

C) Loans from Founding Shareholders

(i) Loans from the founding shareholders are availed as part of the Credit Facility Agreement and bear financial charges. The Company has drawn down SAR 2,287.5 million from each of its founding shareholders (totaling to SAR 4,575 million). Repayment shall be made on demand on achieving the conditions set by the financial institutions under the Inter-creditor Agreement. The loans are secured by promissory note issued by the Company in favor of each shareholder equivalent to drawdowns.
The following table lists the loans from the founding shareholders:

Lender	In SAR Thousands					
	Loan Principal	Loan Tenor (Years)	Balance on December 31, 2020	Additions during 2021	Repayments during 2021	Balance December 31, 2021
Saudi Aramco	2,287,500	NA	2,287,500	-	-	2,287,500
Sumitomo Chemical	2,287,500	NA	2,287,500	-	-	2,287,500
Accumulated Interest	-	-	1,305,150	86,324	-	1,391,474
Total	**4,575,000**	**NA**	**5,880,150**	**86,324**	**-**	**5,966,474**

(ii) The Company also entered into the following agreements in 2020:

- Revolving corporate facilities with Saudi Aramco and Sumika Finance Company Limited, a wholly owned subsidiary of Sumitomo Chemical, based on prevailing market rates. The facilities available under each of these agreements amount to Saudi Riyals 2,812.5 million (collectively Saudi Riyals 5,625 million) and are fully utilized as at December 31, 2021. These facilities are secured by the promissory notes issued by the Company in favor of each lender.

- Corporate facility agreement with Saudi Aramco. The facility available under this agreement amounts to Saudi Riyals 1,875 million and is utilized to the extent of Saudi Riyals 562.5 million as at December 31, 2021. The facility bears financial charges based on prevailing market rates. The facility is secured by promissory note issued by the Company in favor of Saudi Aramco to the extent of drawdown made.

D) Other Facilities

- The Company has signed an agreement with local commercial bank on prevailing market rates for capital facilities. During the year ended December 31, 2021, drawdowns and repayments amounting to Saudi Riyals 12,698 million and Saudi Riyals 13,829 million, respectively have been made by the Company with a closing balance of Saudi Riyals Nil as at the statement of financial position date.

- The Company has a credit facility of Saudi Riyals 375 million with a local commercial bank on prevailing market rates. As at the statement of financial position date, the facility has been utilized to the extent of Saudi Riyals 111 million by the Company.

8. 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

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

N/A

10. Redemption, purchase or cancellation by the company of any redeemable debt instruments and the value of such securities outstanding

N/A

11. Transactions between the Company and any Related Party

Agreement Nature, Condition and Duration (Amounts in SAR'000)

1. Purchase of Goods (Amount: 35,482,296)

(a) Crude Oil Feedstock Supply Agreement (COSA) with Saudi Aramco for the supply of crude oil feedstock requirements in respect of the Complex, up to a maximum supply of 400,000 bpd. **Duration:** 30 years commencing from October 1, 2008.

(b) Ethane Feedstock Supply Agreements with Saudi Aramco for the supply of ethane feedstock requirements in respect of the Complex, up to a maximum supply of 125 million Standard Cubic Feet per Day (MMSCFD). **Duration:** 20 years commencing from respective effective dates stated in the Agreements.

(c) Butane Feedstock Supply Agreement with Saudi Aramco for the supply of butane feedstock requirements in respect of the Complex, up to a maximum supply of 12,000 barrels per day (bpd). **Duration:** 20 years commencing from December 1, 2008.

(d) Petroleum Product Sales Agreement with Saudi Aramco for the supply of fuel oil up to a maximum of 32 MBD monthly which the Company would, in turn, supply to Rabigh Arabian Water and Electricity Company (RAWEC) for use as fuel for the provision of certain utilities to the Company. **Duration:** 25 years commencing from June 1, 2008.

(e) Fuel Oil Supply Agreement with Saudi Aramco for the supply of fuel oil up to a maximum of 20 MBD monthly, which the Company would, in turn, supply, to RAWEC for use as fuel for the provision of certain utilities to the Company. **Duration:** 25 years commencing from February 15, 2018.

(f) Allocated Sales Gas Supply agreement with Saudi Aramco for the supply of Sales Gas up to a maximum of 50 MMSCF per day. **Duration:** 20 years commencing from July 1, 2020.

(g) The Company also has various other agreements for materials, goods and services with Saudi Aramco and its affiliated Companies. **Duration:** Annual Charge.

Related Party: Saudi Aramco and its associated companies

The 3 Board members associated with this agreement have indirect interest as employees of Saudi Aramco:
Ibrahim Q. Al-Buainain / Othman A. Al-Ghamdi / Suleman A. Al-Bargan

2. Purchase of Goods (Amount: SAR 182,893)

The Company has various agreements for materials, goods and services with Sumitomo Chemical Company and its affiliated Companies. Duration: Annual Charge.
Related Party: Sumitomo Chemical Company and its associated companies.

The 3 Board members associated with this agreement have indirect interest as employees of Sumitomo Chemical Company:
Noriaki Takeshita / Takashi Shigemori / Seiji Takeuchi

3. Sale of Refined Products & Petrochemical Products (Amount: SAR 35,718,493)

(a) Phase I Refined Products Offtake Agreement (RPOA) with Saudi Aramco as a "Buyer" of certain refined products listed therein. Duration: 5 years commencing from May 1, 2019, and further extendable for another 5 year period.

b) Sulphur and Refined Products Lifting and Marketing Agreement (SRPLMA) with Saudi Aramco as a global "marketer" of certain refined products listed therein. **Duration:** 5 years commencing from May 1, 2019, and is further extendable for an additional 5 year period.

(c) Liquefied Petroleum Gas and Light Naphtha Lifting and Marketing Agreement with Saudi Aramco as global "Marketer" of liquefied petroleum gas and light naphtha. **Duration:** 10 years commencing from November 30, 2018 and further extendable for an additional 5 year period (also see d below).

(d) Phase II Light Naphtha Offtake Agreement with Saudi Aramco as "Buyer" of Light Naphtha produced by the Complex effective from September 1, 2021. **Duration:** Valid up to November 30, 2028, and further extendable for an additional 5 year period.

(e) Phase I Petrochemical Products Marketing Agreement (PPMA) with Saudi Aramco as global "Marketer" of Phase I petrochemical products. Pursuant to an Assignment and Assumption Agreement dated March 28, 2017, Saudi Aramco assigned its rights and obligations under its respective PPMAs to its affiliate, Aramco Trading Company (ATC). Further, pursuant to Assignment and Assumption Agreements dated February 11, 2020, ATC assigned its rights and obligations under: (i) the Propylene Oxide PPMA, to Aramco Trading Singapore PTE. Ltd (ATS) and (ii) remaining respective PPMAs, to Aramco Chemicals Company (ACC). During the year ended December 31, 2021, both ATS and ACC transferred their rights and obligations under their respective PPMAs to Saudi Basic Industries Corporation (SABIC) pursuant to Transfer Agreements effective from October 5, 2021. **Duration:** 10 years commencing from April 1, 2014, and further extendable for another two consecutive 5 year periods.

(f) Phase II Petrochemical Products Marketing Agreements with Saudi Aramco as global "Marketer" of Phase II petrochemical products. Pursuant to Assignment and Assumption Agreements dated February 11, 2020, Saudi Aramco assigned its rights and obligations under its PPMAs to its affiliates; Aramco Chemicals Company (ACC) and Aramco Trading Singapore PTE Ltd. (ATS). During the year ended December 31, 2021, ACC transferred its rights and obligations under its PPMAs to Saudi Basic Industries Corporation (SABIC), Aramco Trading Company (ATC) and Arlanxeo Netherlands B.V and ATS transferred its rights and obligations under its respective PPMAs to Saudi Basic Industries Corporation (SABIC) pursuant to Transfer Agreements effective from October 5, 2021. **Duration:** 10 years commencing from the accumulated production date and further extendable for another 5 years.

(g) Domestic Distribution Agreement (DDA) with Aramco Trading Company (ATC) as local "Distributor" of certain petrochemical products for onward sale and distribution within the Kingdom. Pursuant to an Assignment and Assumption Agreement dated February 11, 2020 ATC transferred its rights and obligations under the DDA to ACC. During the year ended December 31, 2021, ACC transferred its rights and obligations under the DDA to SABIC pursuant to a Transfer Agreement effective from October 5, 2021. **Duration:** The supply and distribution obligations of each party with respect to a given product will terminate upon the expiration or termination of the global product lifting and marketing agreement corresponding to the same product.

Related Party: Saudi Aramco and its associated companies

The 3 Board members associated with this agreement have indirect interest as employees of Saudi Aramco:
Ibrahim Q. Al-Buainain / Othman A. Al-Ghamdi / Suleman A. Al-Bargan

ATC, ACC, ATS, SABIC and ARLANXEO are Saudi Aramco affiliates.

4. Sale of Petrochemical Products (Amount: SAR 8,218,070)

(a) Phase I Petrochemical products marketing agreement (PPMA) with Sumitomo Chemical Asia PTE Limited (Affiliate of Sumitomo Chemicals Company) as global "Marketer" of Phase I petrochemical products. **Duration:** 10 years commencing from April 1, 2014, and further extendable for another two consecutive 5 year periods.

(b) Phase II Petrochemical products marketing agreements with Sumitomo Chemical Asia PTE Limited (affiliate of Sumitomo Chemicals Company) as global "Marketer" of Phase II petrochemical products. **Duration:** 10 years commencing from the accumulated production date and further extendable for another 5 years.

(c) Liquefied Petroleum Gas and Light Naphtha lifting and marketing agreement with Sumitomo Chemical Company as global "Marketer" of liquefied petroleum gas and light naphtha. **Duration:** 10 years commencing from November 30, 2018 and further extendable for an additional 5 year period.

Related Party: Sumitomo Chemical Company and its associated companies

The 3 Board members associated with this agreement have indirect interest as employees of Sumitomo Chemical Company:
Noriaki Takeshita / Takashi Shigemori / Seiji Takeuchi

5. Financial Charges (Amount: SAR 175,222)

(a) Credit Facility Agreement (CFA) with Saudi Aramco pursuant to which, the founding shareholders have made a loan facility of up to a maximum aggregate amount of Saudi Riyals 6,206 million available to the Company, for the purposes of developing, designing and constructing the Complex. **Duration:** Annual Charge

(b) Revolving Corporate Facility Agreement with Saudi Aramco pursuant to which, a corporate facility of Saudi Riyals 2,812.5 million has been made available to the Company. **Duration:** Annual Charge

(c) Corporate Facility Agreement with Saudi Aramco pursuant to which, a facility of Saudi Riyals 1,875 million has been made available to the Company. **Duration:** Annual Charge

(d) Rabigh Community Agreement with Saudi Aramco in respect of leases of land and infrastructure facilities.
Duration: 25 years from October 1, 2014.

(e) Terminal Lease Agreement with Saudi Aramco in respect of the existing Rabigh Marine Terminal. Pursuant to this agreement, Saudi Aramco grants to the Company an exclusive right to use and operate the Rabigh Terminal Facilities and the Rabigh Terminal Site. **Duration:** 30 years effective from October 1, 2008.

(f) Land Lease Agreement with Saudi Aramco for lease of approximately 20 million square meters of land. **Duration:** 99 years, with effect from Nov 1, 2005 and subject to extension for additional consecutive periods as may be agreed between the parties.

(g) Land lease and Infrastructure Usage Agreement (LLIUA) with Saudi Aramco, pursuant to which for an annual fee of Saudi Riyals 2.455 per square meter, the Company leases approximately 200,000 square meters of land located within the Rabigh PlusTech Park Site and is granted the right to access and use the industrial park infrastructure. **Duration:** This agreement expired on September 30, 2021 with the acquisition of Rabigh Plustech Park by the Company from Saudi Aramco and Rabigh Conversion Industry Management Services Company (RCIMS) effective on October 1, 2021.

(h) Rabigh PlusTech Park Land Lease Agreement with Saudi Aramco pursuant to which, Saudi Aramco leases approximately 2.4 million square meters of land at PlusTech Park Site to the Company. **Duration:** 35 years effective from October 1, 2021 and subject to extension for additional consecutive periods as may be agreed between the parties.

Related Party: Saudi Aramco and its associated companies

The 3 Board members associated with this agreement have indirect interest as employees of Saudi Aramco:

Ibrahim Q. Al-Buainain / Othman A. Al-Ghamdi / Suleman A. Al-Bargan

6. Financial Charges (Amount: SAR 99,624)

(a) Credit Facility Agreement (CFA) with Sumitomo Chemical Company, pursuant to which, the founding shareholders have made a loan facility of up to a maximum aggregate amount of Saudi Riyals 6,206 million available to the Company, for the purposes of developing, designing and constructing the Complex. **Duration:** Annual Charge

(b) Revolving Corporate Facility Agreement with Sumika Finance Company Limited (wholly owned subsidiary of Sumitomo Chemical Company) pursuant to which, a corporate facility of Saudi Riyals 2,812.5 million has been made available to the Company. **Duration:** Annual Charge.

(c) Land lease and infrastructure usage agreement (LLIUA) with RCIMS - an affiliate of Sumitomo Chemical Company, pursuant to which, for an annual fee of Saudi Riyals 3.545 per square meter, the Company leases approximately 200,000 square meters of land located within the Rabigh PlusTech Park Site and is granted the right to access and use the industrial park infrastructure. **Duration:** This agreement expired on September 30, 2021 with the acquisition of Rabigh Plustech Park by the Company from Saudi Aramco and RCIMS effective October 1st 2021.

Related Party: Sumitomo Chemical Company and its associated companies

The 3 Board members associated with this agreement have indirect interest as employees of Sumitomo Chemical Company:
Noriaki Takeshita / Takashi Shigemori / Seiji Takeuchi

7. Rentals (Amount: SAR 21,943)

(a) Land Lease Agreement with Saudi Aramco for lease of approximately 20 million square meters of land. **Duration:** 99 years, with effect from Nov 1, 2005 and subject to extension for additional consecutive periods as may be agreed between the parties.

(b) Terminal Lease Agreement with Saudi Aramco in respect of the existing Rabigh Marine Terminal. Pursuant to this agreement, Saudi Aramco grants to the Company an exclusive right to use and operate the Rabigh Terminal Facilities and the Rabigh Terminal Site. **Duration:** 30 years effective from October 1, 2008.

(c) Rabigh Community Agreement with Saudi Aramco in respect of leases of land and infrastructure facilities. **Duration:** 25 years effective October 1, 2014.

(d) Land Lease and Infrastructure Usage Agreement (LLIUA) with Saudi Aramco, pursuant to which for an annual fee of Saudi Riyals 2.455 per square meter, the Company leases approximately 200,000 square meters of land located within the Rabigh PlusTech Park Site and is granted the right to access and use the industrial park infrastructure. **Duration:** This agreement expired on September 30, 2021 with the acquisition of Rabigh PlusTech Park by the Company from Saudi Aramco and RCIMS effective October 1st 2021.

(e) Rabigh PlusTech Park Land Lease Agreement with Saudi Aramco pursuant to which, Saudi Aramco leases approximately 2.4 million square meters of land at PlusTech Park Site to the Company. **Duration:** 35 years effective from October 1, 2021 and subject to extension for additional consecutive periods as may be agreed between the parties.

Related Party: Saudi Aramco and its associated companies

The 3 Board members associated with this agreement have indirect interest as employees of Saudi Aramco:
Ibrahim Q. Al-Buainain / Othman A. Al-Ghamdi / Suleman A. Al-Bargan

8. Rentals (Amount: SAR 265)

Land Lease and Infrastructure Usage Agreement (LLIUA) with RCIMS - an affiliate of Sumitomo Chemical Company, pursuant to which, for an annual fee of Saudi Riyals 3.545 per square meter, the Company leases approximately 200,000 square meters of land located within the Rabigh PlusTech Park Site and is granted the right to access and use the industrial park infrastructure. **Duration:** This agreement expired on September 30, 2021 with the acquisition of Rabigh PlusTech Park by the Company from Saudi Aramco and RCIMS effective October 1st 2021.

Related Party: Sumitomo Chemical Company and its associated companies

The 3 Board members associated with this agreement have indirect interest as employees of Sumitomo Chemical Company:
Noriaki Takeshita / Takashi Shigemori / Seiji Takeuchi

9. Secondees' Costs (Amount: SAR 21,499)

Secondment Agreement with Saudi Aramco dated June 12, 2006 pursuant to which, Saudi Aramco may, from time to time, second certain personnel to the Company to assist in the conduct of its business and operations. **Duration:** Continuous term to apply effective from June 12, 2006 until the date on which the shareholder ceases to be a shareholder of the Company

Related Party: Saudi Aramco and its associated companies

The 3 Board members associated with this agreement have indirect interest as employees of Saudi Aramco:
Ibrahim Q. Al-Buainain / Othman A. Al-Ghamdi / Suleman A. Al-Bargan

10. Secondees' Costs (Amount: SAR 18,733)

Secondment Agreement with Sumitomo Chemical Company dated July 1, 2006 pursuant to which, Sumitomo Chemical Company may, from time to time, second certain personnel to the Company to assist in the conduct of its business and operations. **Duration:** Continuous term to apply effective from July 1, 2006 until the date on which the shareholder ceases to be a shareholder of the Company.

Related Party: Sumitomo Chemical Company and its associated companies

The 3 Board members associated with this agreement have indirect interest as employees of Sumitomo Chemical Company:
Noriaki Takeshita / Takashi Shigemori / Seiji Takeuchi

11. Services and Other Cost Charges, Net (Amount: SAR 493)

Services agreements with Saudi Aramco and its affiliates in respect of various operational and logistical support services. These agreements cover the provision of support services to and by the Company such as human resources, training and recruitment, legal, utilities, information technology, general management, technical and pre-marketing support. These agreements also cover the ongoing technical support needed for continuous operations, and the marketing technical services, engineering and safety best practices and training being provided by Saudi Aramco. The Company pays for these services at the mutually agreed prices specified in each agreement. **Duration:** Annual Charge

Related Party: Saudi Aramco and its associated companies

The 3 Board members associated with this agreement have indirect interest as employees of Saudi Aramco:
Ibrahim Q. Al-Buainain / Othman A. Al-Ghamdi / Suleman A. Al-Bargan

12. Services and Other Cost Charges, Net (Amount: SAR 4,356)

Services Agreements with Sumitomo Chemical Company and its affiliates in respect of various operational and logistical support services. These agreements cover the provision of support services to and by the Company such as human resources, training and recruitment, legal, utilities, information technology, general management, technical and pre-marketing support. These agreements also cover the ongoing enhancements (such as refining and petrochemical process know-how) and the marketing technical services, engineering and safety best practices and training being provided by Sumitomo Chemical Company. The Company pays for these services at the mutually agreed prices specified in each agreement. **Duration:** Annual Charge

Related Party: Sumitomo Chemical Company and its associated companies

The 3 Board members associated with this agreement have indirect interest as employees of Sumitomo Chemical Company:
Noriaki Takeshita / Takashi Shigemori / Seiji Takeuchi

12. Businesses or contracts 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 businesses or contracts.

The Board of Directors of the Company declared that except for the information mentioned in Item 11 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.

13. 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 therefore

The Company's outstanding amounts to Zakat, Tax and Customs Authority (ZATCA) and General Organization for Social Insurance (GOSI) are as follows:

	2021		Brief description	Reasons
	Paid SAR ('000s)	Charges that have not been paid until the end of the annual financial period SAR ('000s)		
Zakat	Nil	40,089	During the year 2021, the Company filed its Zakat and Tax Return relating to year ended 31 December 2020, with ZATCA and the Zakat and Tax payable for the year 2020 as per the filed Return was Nil.	Zakat payable as at 31 December 2021 amounting to SAR 40,089 thousands will be paid when the Zakat and Tax Return for Year 2021 will be filed with ZATCA during 2022.
Tax	Nil	1,725	During the year 2020, the Company filed its Zakat and Tax Return relating to year ended 31 December 2019, with ZATCA. Income Tax payable was Nil as per the filed Return.	Income Tax payable as at 31 December 2021 amounting to SAR 1,725 thousands will be paid when the Zakat and Tax Return for Year 2021 will be filed with ZATCA during 2022.
General Organization for Social Insurance	115,402	8,679	During the year 2021, the Company paid SAR 115,402 thousands to GOSI.	Balance GOSI payable as at 31 December 2021 is paid to GOSI Authority in the subsequent month of January 2022.
Costs of visas and passports	1,340	0	Paid to Ministry of Interior (MOI).	Renewal of Iqamas, Passports and Visas.
Labor Office Fees	609	0	Paid to Ministry Labor Office (MOL).	Renewal of the work permits.

14. Investments made or any reserves set up for the benefit of the employees of the Company

A. Shares Ownership Incentive Program for Employees

In 2008, the Board of Directors approved implementation of an Employee Share Ownership Plan (ESOP) which provided 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, were to be amortized evenly over a period of five years and allocated to eligible employees when the vesting period was fully completed. Out of 1,894 employees who originally participated in the Program, a total of 1,650 employees completed the 5-year vesting period and became eligible for the allotted shares ownership.

B. Home Ownership Incentive Program

The Board of Directors of Petro Rabigh approved implementing an incentive program for the Saudi employees 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 2021, a total of 733 employees have already joined the program.

C. 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.

D. Annual Variable Bonus Scheme

The Company administers an Annual Variable Bonus Scheme that is performance and profitability driven, with profitability as a bonus trigger (no profitability, no bonus) and a bonus ceiling of 3.5 monthly basic salaries. The Scheme allocates 70% weight to the Company Performance as measured by a set of specific KPIs, and 30% to Employee Performance. Detailed KPIs covering the Company's Corporate Objectives are established to measure the Company performance, reflect quantified results, and drive employee positive behavior, with special emphasis on Safety and Compliance.

E. Supplemental Cost of Living Allowance

Following the Royal Decree issued in 2018 to offset rising costs of living, the Board of Directors approved, in January 2018, the payment of a similar allowance to all Saudi Regular Employees and Apprentices with basic monthly salaries not exceeding SAR20,000. In line with the new Royal Decree issued in December 2019 ordering an extension of the monthly Cost-of-Living Allowance of SAR1,000 until end-2020, however, it was suspended by the government effective June 1, 2020 as part of measures to address the impact of the COVID-19.

F. 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, 2021 for the above mentioned Programs and Funds is as follows:

Description	Balance in SAR Thousands
Shares Ownership Incentive Program for Employees	4,510
Employee Housing Loan- Home Ownership Program (10% Fund)	23,592
Employee Lot Allowance (Home Ownership Program)	31,994
Employer's contribution to Employee Savings Plan	104,603

15. 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

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

N/A

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

A. As a part of Plant Utilization improvement, the Company started the evaluation targeting to increase the capacity of core plants.

B. Company is focusing on the production of new grades with better physical properties to capture higher margins.

C. Modifications were implemented to receive by ship a sweeter and lighter Crude Oil (e.g. Arabian Extra Light) from Saudi Aramco as a contingency to reduce the impact of future potential low margins associated with the high volume production of High Sulfur Fuel Oil (HSFO). Implementing the change in Crude Oil type will be an economic based decision, however the near term future market projections do not warrant changing from the current intake of Arab Light Crude Oil. Every month, as part of the Short Range Operating Plan, the change in Crude Oil type is being evaluated.

3. RISK MANAGEMENT

The business of Petro Rabigh relies on Oil Refining and Petrochemical Production which is exposed to the following potential risks:

A. Financial 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, trade receivables, long-term loans and other receivables. Cash and cash equivalents are placed with banks with sound credit ratings. The majority of trade receivables representing 99.3% (December 31, 2020: 97.4%) is from founding shareholders and their affiliates 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. The Company does not obtain collaterals over receivables. As at December 31, 2021, there were overdue debts equivalent to 2% (December 31, 2020: 7%) of the trade receivables of Company's allowed credit periods. The loans are receivable from employees and are secured by mortgages on the related housing units. The Company is not exposed to significant credit risk on other receivables.

Commodity Price Risk

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

Fair Value and Cash Flow Interest Rate Risks

The Company is exposed to the risk 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 of December 31, 2021, it is estimated that a general increase / decrease of 50 basis points in floating interest rates on loans and borrowings, with all other variables held constant, would increase / decrease the Company's profit for the year by approximately Saudi Riyals 170.2 million (December 31, 2020: Saudi Riyals 192.8 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, lease liabilities and accrued expenses and other liabilities. All financial liabilities except for loans and borrowings, lease liabilities, are non-commission bearing and expected to be settled within 12 months from the date of statement of financial position.

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.

B. 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. There are number of influential factors; Crude & Naphtha price volatility in response to COVID-19 lockdowns, higher shipping freights impacted the global trade flow caused by the supply chain disruptions & natural disasters (e.g. Suez Canal blockage, hurricanes in the west & typhoons in the east). The downturn of both international and local economic conditions will likely set off a decline in demand for both refined and petrochemical products that would impact Petro Rabigh's planned sales and targeted revenues. Upward inflationary risks and risks associated with government actions can further put pressure on the demand of company's products. Therefore, the Company continuously and closely monitors market condition, supply and demand condition, interest and exchange rates to forecast and plan for any potential downturns.

C. Risks Related to Operations

The Company's sources of revenue heavily rely on the smooth operation of plants and facilities that are dependent on the risk factors including but not limited to the plant performance & capacity utilization, Crisis management including the Pandemic Covid-19, protection of the HSSE essentials, strong engineering support, reliable operational technology infrastructure, dependable supply chain, adherence to the applicable legal and regulatory requirements etc.

The ongoing Pandemic Covid-19 risk is well mitigated so far by strict adherence with the rules set out by Ministry of Health / Petro Rabigh's COVID -19 Management Team and the operational continuity plans established by PRC Management. In order to maintain steady operations, Petro Rabigh Management has reviewed all operations related risks and developed mitigation plans.

D. Risks Related to Governance

The Board of Directors, among its other responsibilities, performs the role of setting the Company's strategic direction. In doing so the Board relies on management's reports and representations regarding the Company's operations and activities. Accordingly, there is a potential risk in exercising this role if inaccurate or incomplete information is delivered to the Board of Directors, which could lead to ineffective direction and possibly result in an impact on profitability. To manage and to mitigate against this risk, the Company's Board of Directors continuously reviews the Company's compliance to Corporate Governance Rules and Regulations by exercising control mechanisms including but not limited to:

i. Establishing Board committees which meet regularly, prior to Board meetings, to monitor, evaluate, review and report, or make recommendations, to the Board on various matters including but not limited to Safety, Corporate Planning, Sales, Marketing, Company Compensation plans, Audit Reviews, etc.

ii. Ensuring that Key Performance Indicators (KPI's) are directly aligned to key strategic objectives and targets set by the Board.

iii. The Board of Directors assumes responsibility for the overall management and supervision of the Company and provides strategic leadership, guidance to company's management. Petro Rabigh has developed a Corporate Governance Framework, which includes policies and procedures that promote effective governance principles and best practices. Petro Rabigh Corporate Governance Framework sets out roles, responsibilities, and methods of decision-making. To build good governance capabilities, enhance performance and achieve Company's objectives, Petro Rabigh has also established Management Steering Committees including the Risk Management Steering Committee (RMSC). The purpose of the RMSC is to assist the BAC in fulfilling its responsibilities related to risk and compliance. The RMSC Charter includes the Committee's' related Duties, Responsibilities, Authorities and Risk Management Policy. A new department (Governance & Risk Management Department) was established with the defined roles and responsibilities to facilitate, coordinate, monitor and improve corporate governance and risk management performance to help and support the RMSC.

Strategic success of any organization begins with effective and efficient Enterprise Risk Management (ERM), as an effective ERM program can help organizations to manage their risks and maximize opportunities.

Petro Rabigh apprehended and implemented Enterprise Risk Management (ERM); ERM includes the methods and processes used by the Company to manage risks and seize opportunities related to the achievement of its objectives.

ERM is established in line with the BAC approved Risk Management Policy and the Risk Appetite Statement, which defined the level of risk that the organization is willing to accept in the pursuit of its objectives. The ERM Framework addresses the enterprise risk from a holistic perspective, considering six (6) risk descriptors (Health & Safety, Environment, Legal & Regulatory Compliance, Project Delivery, Reputation and Financial Impact) and a 5 x 5 Risk Assessment Matrix based on 5 risk "Severity" levels (from Insignificant to Catastrophic) with 5 levels of "likelihood" (from Rare to Almost Certain). The Risk Assessment Matrix and Risk Thresholds were approved by the RMSC and BAC as part of "Risk Appetite Statement Guidelines". The BAC formally endorsed nine (09) risks as corporate risks and the status of these corporate risks along with other ERM important activities are periodically reported to BAC. Comprehensive Risk Registers are established throughout the Company and at different levels i.e. Department, Function and Corporate level. Risk Registers are periodically reviewed and updated, as and when required to keep the risk related information up-to-date. Risk management activities are continuously monitored at different levels and risk reporting is also performed at different levels e.g. Reporting to the RMSC on quarterly basis and to the BAC on bi-annual basis. During 2021, Risk maturity assessment was also conducted to identify the improvement opportunities and improvement plans. IAO is also auditing Risk Management activities on a regular basis, as per the audit schedule to ensure the effectiveness of the Risk Management System. Under the supervision of RMSC, Governance & Risk Management Department is building and fostering a risk aware - culture within the Company that emphasizes and demonstrates the benefits of risk management including the risk based thinking and risk based decision-making practices.

E. Risks Related to Regulations

The Company is operating in a dynamic environment and its business operation is governed by local as well as international applicable laws and regulations. In case of changes in regulations or legislation(s), the Company operations may be affected. Companies must abide by regulations set by governing bodies that oversee their industry. Therefore, any change in regulations can cause a rippling effect across an industry. Regulations can increase costs of operations, introduce legal and administrative hurdles, and sometimes even restrict a company from doing business. To mitigate such risks, Petro Rabigh has established a Governance & Risk Management (GRM) Department 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 are deemed to have direct or implied restrain on the Company's operations, 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, Ministry of Industry and Mineral Resources, Ministry of Commerce and Investment, the CMA, in addition to International regulations such as trade and anti-dumping laws and environmental regulations, etc. The information regarding current and future changes comes through the Corporate Affairs & Investor Relations Department, that is responsible for assuring such surveillance of the regulatory environment and is used by the Governance & Risk Management (GRM) Department to monitor and promote compliance. Governance & Risk Management (GRM) Department work closely with proponent departments e.g. Safety, Environment and Health, Office of Legal Affairs, etc. The Risk Management Steering Committee (RMSC) also oversees the Compliance Management affairs and the Governance & Risk Management (GRM) Department periodically reports on compliance management to the RMSC.

F. 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:

i. 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 with, thus ensuring that no resolution may be adopted solely without the approval of one of the independent directors.

ii. The Chairman positions of the BAC, NRC and the MSC are currently occupied by independent Directors.

iii. 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.

iv. Related-party transactions are voted by non-related members in the BAC and Board of Directors, and are disclosed in the Board Report and at General Assembly meetings.

G. Risk Related to COVID-19 Pandemic

COVID-19 Pandemic may be considered as phenomenal era in the 21st century that hits small and large scale companies across the globe, which caused major impact in financial, sales, logistics, and business operations with restriction in the mobility of the individuals, etc. since it began in the latter part of year-2019. The Company established a Taskforce to handle such fast rising pandemic and implement the health & safety protocols, reporting & communication in the most effective and efficient way in parallel to government authorities protocols to mitigate the spread of COVID-19.

4. SOCIAL RESPONSIBILITY AND ESG

A. Company's Social Contributions (CSR)

This year was a tremendous challenge for CSR function due to the COVID-19 pandemic. Despite the stringent COVID-19 precautionary measures, CSR carried out some initiatives that complement ongoing programs and maintained a broad impact on society's wellbeing, culture, and health by working responsibly with the society it operates within.

The Kingdom of Saudi Arabia (KSA) launched the National Campaign for Charitable Activities on its National Platform for Charitable Work (Ehsan) to support charitable giving in KSA which is developed by the Saudi Data and Artificial Intelligence Authority (SDAIA). Petro Rabigh contributed 1,000,000 Saudi Riyals to the program in the month of Ramadan.

Makkah Gov. Prince Khalid Al-Faisal established the new headquarters of the Prince Khalid Al-Faisal Institute for Moderation at King Abdul Aziz University. Since its establishment, the Institute has begun providing educational programs and training sessions to build and enhance capacities cognitively and professionally, according to society's demands. In 2021, Petro Rabigh contributed 1,000,000 Riyals to the Institute.

Another program from the Makkah Region Projects Digital Exhibition, which attracted more than 100 development ventures in the fields of building a developing place with a human face. The weeklong exhibition, held at the Jeddah Super Dome, witnessed the launch of the fifth round of the Makkah Days for Programming and Artificial Intelligence. A pioneering initiative of the Makkah Cultural Forum, under the title "How to Be a Role Model in the Digital World", as well as discussion sessions on the latest technology developments in the media and advertisement fields. Petro Rabigh contributed 2,000,000 Saudi Riyals to the Makkah Electronic Achievements Exhibition project.

Ramadan programs were very successful as Petro Rabigh implemented the Care Baskets program, which provided basic food commodities and distributed them to the needy families in Rabigh. The Company contributed more than 880,000 Saudi Riyals, which provided 1,600 food baskets, and in collaboration with Al-Bir Charity Association, distributed the baskets to the local villages and in Rabigh town.

To develop and promote Petro Rabigh CSR programs in 2022, a plan is being developed to partner with leading organizations and launch new programs that will encourage employee participation and volunteerism. Ensure that the implementation plan is on track and that the objectives and initiatives (programs, projects, and indicators) are being implemented on schedule. Maintain Petro Rabigh's commitment to social responsibility and continuously support the social and economic development of the local community and the Kingdom, and serve as a role model for others.

B. Environmental, Social, and Governance (ESG)

On the other hand, Sustainable growth is the core of the Saudi Arabia Vision 2030, and Petro Rabigh's Sustainability (Environmental, Social, and Governance -ESG) strategy and practices continue to contribute to the goals of Saudi Vision 2030. Organizations face an evolving landscape of environmental, social, and governance (ESG) related risks that can affect their profitability, success, and even survival. Globalization has already changed the competitive environment of companies, and a more globalized economy is compelling companies to change the ESG practices in emerging markets and challenging environments. Nowadays, more than ever, corporate leadership recognizes measurable Environmental, Social, and Governance performance. Petro Rabigh is transforming its business by focusing on ESG integration in every aspect of the company. In 2021, Petro Rabigh had revitalized its vision, mission, and strategic objectives that set out clearly ESG focused directions to do the business.

5. CORPORATE GOVERNANCE

1. Compliance with the CMA's Corporate Governance Regulations

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
Ibrahim Q. Al-Buainain	Chairman (Non-Executive Director)	Chairman (Non-Executive Director)	BS Mechanical Engineering MBA Global Management Master's Degree - Innovation & Global Leadership	32 years
Noriaki Takeshita	Deputy Chairman (Non-Executive Director)	Deputy Chairman (Non-Executive Director)	BS Law	39 years
Othman A. Al-Ghamdi	President & CEO (Executive Director)	-	MS Chemical Engineering MBA	32 years
Seiji Takeuchi	Non-Executive Director	Executive Director	BS Chemical Engineering MS Applied Chemistry	35 years
Takashi Shigemori	Non-Executive Director	Non-Executive Director	Bachelor of Liberal Arts MBA	36 years
Suleman A. Al-Bargan	Non-Executive Director	Non-Executive Director	BS Chemical Engineering MBA	40 years
Abdullah J. Al-Faifi [1]	Independent Director	-	BS Accounting	37 years
Saleh F. Al-Nazha	Independent Director	Independent Director	BS Chemical Engineering	38 years
Mohammed A. Al-Omair	Independent Director	Independent Director	BS Civil Engineering	36 years
Saud A. Al-Ashgar [1]	Independent Director	Independent Director	BS Chemical Engineering	41 years

[1] Abdullah J. Al-Faifi replaced Saud A. Al-Ashgar from the board as an Independent Director effective November 3, 2021.

Committees Members:

Name	Current Position	Previous Position	Qualifications	Experience
Ibrahim Q. Al-Buainain	Chairman of Executive Committee	Chairman of Executive Committee	BS Mechanical Engineering MBA Global Management Master's Degree - Innovation & Global Leadership	32 years
Noriaki Takeshita	Member of Audit Committee	Member of Audit Committee	BS Law	39 years
Othman A. Al-Ghamdi	Member of Marketing Steering Committee	-	MS Chemical Engineering MBA	32 years
Takashi Shigemori	Member of Nomination & Remuneration Committee Marketing Steering Committee Executive Committee	Member of Nomination & Remuneration Committee Marketing Steering Committee Executive Committee	Bachelor of Liberal Arts MBA	36 years
Suleman A. Al-Bargan	Member of Audit Committe Nomination & Remuneration Committee	Member of Audit Committe Nomination & Remuneration Committee	BS Chemical Engineering MBA	40 years
Seiji Takeuchi	-	-	BS Chemical Engineering MS Applied Chemistry	35 years
Saud A. Al-Ashgar[1&2]	Chairman of Audit Committee Nomination & Remuneration Committee	Chairman of Audit Committee Nomination & Remuneration Committee	BS Chemical Engineering	41 years
Abdullah J. Al-Faifi [1]	Chairman of Audit Committee Member of Nomination & Remuneration Committee	-	BS Accounting	37 years
Saleh F. Al-Nazha	Chairman of Marketing Steering Committee Member of Executive Committee	Chairman of Marketing Steering Committee Member of Executive Committee	BS Chemical Engineering	38 years
Mohammed A. Al-Omair [2]	Chairman of Nomination & Remuneration Committee Member of Audit Committee	Member of Audit Committee	BS Civil Engineering	36 years

[1] Abdullah J. Al-Faifi replaced Saud A. Al-Ashgar from the board as an Independent Director and Chairman of the Audit Committee effective November 3, 2021.

[2] Mohammed A. Al-Omair replaced Saud A. Al-Ashgar as Chairman of the Nomination & Remuneration Committee effective November 3, 2021.

Executive Management:

Name	Current Position	Previous Position	Qualifications	Experience
Othman A. Al-Ghamdi	President & CEO	-	BS Chemical Engineering MBA	32 years
Naoyuki Inoue [4]	Chief Financial Officer	Chief Financial Officer	BS Law	36 years
Noriaki Oku [1]	Sr. Vice President (A), Manufacturing	-	BS Chemical Engineering MS Chemical Engineering	29 years
Seiji Takeuchi [1]	Sr. Vice President, Manufacturing	Sr. Vice President, Manufacturing	BS Chemical Engineering MS Applied Chemistry	35 years
Bander S. Al-Juaid	Vice President (A), Industrial Relations	Vice President (A), Industrial Relations	BS Computer Science	19 years
Mohammed M. Farsi [2]	Vice President (A), Engineering & Support	-	BS Chemical Engineering MS Chemical Engineering	19 years
Hassan H. Al-Yami [2]	Vice President (A), Engineering & Support	Vice President (A), Engineering & Support	BS Mechanical Engineering	31 years
Yasser D. Al-Ghamdi [3]	Vice President (A), Market Development	Manager, Production Planning	BS Chemical Engineering	19 years
Hiroshi Shimizu [3]	Vice President (A), Market Development	Vice President (A), Market Development	BS Law	34 years
Sami S. Al-Dossary	Vice President (A), Industrial Security	Manager Industrial Security	BS Computer Science	35 years

[1] Noriaki Oku was appointed acting Sr. VP for Manufacturing effective January 18, 2021 replacing Seiji Takeuchi who completed his assignment in Petro Rabigh.

[2] Mohammed M. Farsi was appointed acting VP for Engineering & Support effective March 1, 2021 replacing Hassan Al-Yami.

[3] Yasser D. Al-Ghamdi was appointed acting VP for Market Development effective December 7, 2021 replacing Hiroshi Shimizu.

[4] Akihiko Hiraoka was appointed CFO replacing Naoyuki Inoue who will be completing his assignment in Petro Rabigh effective March 1, 2022.

3. Name 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	Current	Inside / Outside the Kingdom	Previous	Inside / Outside the Kingdom
Ibrahim Q. Al-Buainain	Petredec *	Outside the Kingdom	-	-
	Bahri *	Inside the Kingdom	-	-
	Bahri Chemicals **	Inside the Kingdom	-	-
	Aramco Trading Company **	Inside the Kingdom	-	-
	Aramco Trading Singapore **	Outside the Kingdom	-	-
	Aramco Trading Fujairah **	Outside the Kingdom	-	-
	Aramco Trading Limited (London) **	Outside the Kingdom	-	-
	Aramco Chemical Company **	Inside the Kingdom	-	-
	Hyundai Oil Bank Co. Ltd.	Outside the Kingdom	-	-
	S-Oil *	Outside the Kingdom	-	-
	SATORP **	Inside the Kingdom	-	-
Noriaki Takeshita	Sumitomo Chemical Company *	Outside the Kingdom	-	-
Othman A. Al-Ghamdi	-	-	S-Oil *	Outside the Kingdom

Name	Current	Inside / Outside the Kingdom	Previous	Inside / Outside the Kingdom
Suleman A. Al-Bargan	SATORP **	Inside the Kingdom	-	-
	YASREF **	Inside the Kingdom	-	-
	MOTIVA **	Outside the Kingdom	-	-
Seiji Takeuchi	Sumitomo Chemical Company *	Outside the Kingdom	-	-
Takashi Shigemori	Sumitomo Chemical Company *	Outside the Kingdom	-	-
	Sumitomo Seika Chemicals Company	Outside the Kingdom	-	-
Saud A. Al-Ashgar [1]	-	-	S-Oil **	Outside the Kingdom
Saleh F. Al-Nazha	-	-	-	-
Mohammed A. Al-Omair	-	-	SAMREF**	Inside the Kingdom
	-	-	SATORP **	Inside the Kingdom
	-	-	SASREF**	Inside the Kingdom
	-	-	Motor Oil Hellas*	Outside the Kingdom
	-	-	Avin *	Outside the Kingdom
	-	-	MARAFEQ**	Inside the Kingdom
Abdullah J. Al-Faifi [1]	Nama Petrochemical Co.*	Inside the Kingdom	-	-
	AlOthaim Investment Co.*	Inside the Kingdom		
	AlOthaim Market Co.*	Inside the Kingdom		
	Tanami Arabia Co.*	Inside the Kingdom		

[1] Abdullah J. Al-Faifi replaced Saud A. Al-Ashgar from the board as an Independent Director effective November 3, 2021.

* Listed

** Limited Liability

*** Unlisted

4. Composition of the Board and classification of its members as follows

No.	Name	Membership Classifications
1	Ibrahim Q. Al-Buainain	Non-Executive Director
2	Noriaki Takeshita	Non-Executive Director
3	Othman A. Al-Ghamdi	Executive Director
4	Seiji Takeuchi	Non-Executive Director
5	Suleman A. Al-Bargan	Non-Executive Director
6	Takashi Shigemori	Non-Executive Director
7	Abdullah J. Al-Faifi [1]	Independent Director
8	Saud A. Al-Ashgar [1]	Independent Director
9	Saleh F. Al-Nazha	Independent Director
10	Mohammed A. Al-Omair	Independent Director

5. Procedure taken by 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 Corporate Affairs & Investor Relations Department, compiles shareholders' suggestions, comments and questions about the company's performance into a quarterly report for the Board of Directors.

6. A brief description of the competencies and duties of the committees

Board Audit Committee:

The BAC consists of four members who are fully experienced in Accounting Standards, Audit and Business Laws, which enables them to fulfill their duties smoothly. The responsibilities and duties of this Committee include, but not limited to, the following:

a. Reviewing; Management's high-level summary of the top existing and emerging risks facing the Company, and Management's mitigation plan for the most significant enterprise-wide risks.

b. Overseeing and supervising the Internal Audit Office (IAO) to ensure that the IAO had the appropriate standing and independent to effectively fulfill its responsibilities.

c. Ensuring that the General Auditor had the authority to report significant observations to the Committee without interference or censorship and that the issues are appropriately acted by Management.

d. Reviewing the effectiveness of the IAO including its compliance with the applicable standards for the professional practices of internal auditing

e. Approving, with the External Auditors, the annual audit plan and all changes to the plan.

f. Submitting recommendations to the Board regarding the appointment, dismissal, and remuneration of the External Auditors after reviewing their scope of work, terms of engagement and qualifications, with such recommendation having regard to the independence of the External Auditors.

g. Reviewing the performance and supervising the activities of the External Auditors and approving any activity beyond the scope of the audit work assigned to them during the performance of their duties.

h. Reviewing the External Auditors' reports, and comments in relation to the Company's financial statements, and following up on the actions taken in relation to the same.

i. Reviewing significant accounting and reporting issues, including recent professional and regulatory pronouncements and understanding their impact on financial reports

j. Reviewing, expressing opinions on, and make recommendations to the Board regarding the interim and annual financial statements of the Company prior to their presentation to the Board to ensure integrity, fairness and consistency.

k. Reviewing the overall system of internal controls implemented by Management and consider its effectiveness, including financial reporting controls and information technology security and controls

l. Reviewing the contracts and transactions to be entered into by the Company with any related party and making recommendations to the Board in relation to the same.

The following table shows the names of the BAC members and the number of its meetings and the dates of the meeting and the number of attendance for each meeting:

Name	Title	Audit Committee Meeting Attendance in 2021				
		1st Feb 17	2nd Apr 27	3rd July 27	4th Oct 26	Number of Attendance
Saud A. Al-Ashgar [1]	Chairman	√	√	√	√	4
Abdullah J. Al-Faifi [1]	Chairman	-	-	-	-	0
Noriaki Takeshita	Member	√	√	√	√	4
Suleman A. Al-Bargan	Member	√	√	√	√	4
Mohammed A. Al-Omair	Member	√	√	√	√	4

[1] Abdullah J. Al-Faifi replaced Saud A. Al-Ashgar as Chairman effective November 3, 2021.

Nomination and Remuneration Committee (NRC):

The NRC consists of four members. The responsibilities and duties of this committee include, but are not limited to, the following:

a. Preparing, recommending to the Board, and overseeing policies and criteria in relation to the appointment of Directors and members of the Company's executive management;

b. Ensuring that all necessary and appropriate inquiries are made into the backgrounds and qualifications of Board candidates before recommending them to the Board for nomination;

c. At least annually, reviewing, assessing, and recommending to the Board the skills, qualifications, and credentials required for membership in the Board and the Company's executive management, including setting the time commitment required for such membership and the job specifications for executive, non-executive, and independent Directors and members of the Company's Executive Management;

d. Reviewing, regularly, the structure, size, composition, strengths, and weaknesses of the Board (including the skills, knowledge, and experience) and the Company's Executive Management; endorsing appropriate recommendations to the Board that are compatible with the interests of the Company;

e. Preparing, recommending to the Board, and overseeing the implementation and disclosure of a policy for the remuneration of Directors, Executives of the Company, and members of the Committees of the Board, which shall be presented before the General Assembly for approval;

f. Determining the points of strengths and weakness in the Board, and recommending remedies that are compatible with the Company's interest;

g. Regularly reviewing and assessing the effectiveness and appropriateness of the remuneration policy and make recommendations to the Board in relation to the same;

The following table shows the names of the NRC members and the number of its meetings and the dates of the meeting and the number of attendances for each meeting:

Name	Title	NRC Meeting Attendance in 2021				
		1st Mar 28	2nd Jun 17[2]	3rd Sep 1	4th Nov 29	Number of Attendance
Saud A. Al-Ashgar[1]	Chairman	√	√	√	-	3
Mohammed A. Al-Omair[1]	Member/ Chairman	√	√	√	√	4
Takashi Shigemori	Member	√	√	√	√	4
Suleman A. Al-Bargan	Member	√	√	√	√	4
Abdullah J. Al-Faifi[1]	Member	-	-	-	√	1

[1] Mohammed A. Al-Omair replaced Saud A. Al-Ashgar as Chairman effective November 3, 2021 while Abdullah J. Al-Faifi was appointed as new member.

[2] No meeting was conducted in June 17, however, a resolution in lieu of the meeting has been routed for endorsement.

Marketing Steering Committee:

The Marketing Steering Committee consists of three members. The tasks and responsibilities of this committee include, but are not limited to, the following:

a. Reviewing the Company's annual and quarterly production and supply plan for the Company's Products for the following period, which the Company will provide to the Marketers;

b. Working with each of the Marketers (separately) in developing their respective Annual Marketing Plan for the Products, which plan will be submitted to the Board for approval;

c. Reviewing and making recommendations regarding the Company's and the Marketers' strategies and actions related to legal compliance (e.g. with regard to anti-trust laws and export regulations);

d. Monitoring the Company's compliance with the marketing and lifting agreements and reviewing and approving any amendment with necessary consideration of any related agreements;

e. Developing, endorsing and recommending to the Board of Directors for its approval; (a) a Refined Products Annual Marketing Plan, and (b) a Petrochemical Products Annual Marketing Plan for the Company;

f. Ensuring that all such Marketing Plans are developed with the Company's operating and production plans to be prepared by the Company;

g. Ensuring that Marketers' pricing methodologies do not expose the Company to any anti-dumping risks anywhere in the world where the Company's products are being sold.

The following table shows the names of the MSC members and the number of its meetings and the dates of the meeting and the number of attendances for each meeting:

Name	Title	MSC Meeting Attendance in 2021			
		1st Mar 18	2nd Jun 27	3rd Sep 5	Number of Attendance
Saleh F. Al-Nazha	Chairman	√	√	√	3
Othman A. Al-Ghamdi	Member	√	√	√	3
Takashi Shigemori	Member	√	√	√	3

Executive Committee (EXCOM):

The EXCOM may adopt resolutions by circulating the proposed resolutions in writing or in electronic format to all the Members for their approval and signature. Promptly following the conclusion of each meeting of the EXCOM, or the adoption of a written resolution, the Secretary shall distribute the meeting minutes and/or the resolutions of the EXCOM to the Board and to each Member.

The EXCOM shall have the authority to undertake the following:

a. 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 SAR187.5million;

b. Review the business plan and recommend such plan to the Board for approval;

c. Review and approve additions to the annual budgets, plans, and programs approved by the Board, as the EXCOM may deem necessary from time to time, provided that no individual addition shall exceed SAR187.5 million in value;

d. Review and approve redefinitions, cancellations and supplements of previously approved expenditure requests, provided that no individual item shall exceed SAR187.5 million;

e. Receive informational reports on miscellaneous subjects and advise the Company's Management thereon;

f. To the extent permitted under the law, and without prejudice to the responsibilities of the BAC, 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;

g. Consider reports submitted to it in accordance with specific functions and subjects delegated by the Board from time to time;

h. Perform such other tasks as delegated to it by the BOD from time to time.

The following table shows the names of the EXCOM members and the number of its meetings and the dates of the meeting and the number of attendance for each meeting:

Name	Title	EXCOM Meeting Attendance in 2021			
		1st May 25	2nd Aug 10	3rd Oct 19	Number of Attendance
Ibrahim Q. Al-Buainain	Chairman	√	√	√	3
Saleh F. Al-Nazha	Member	√	√	√	3
Takashi Shigemori	Member	√	√	√	3

During 2021, 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 findings; 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 P&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 axis: Membership Accountability; Governance; Board Operations; Legal Responsibility; Financials; Planning; and Board Member Relations. The NRC presides over the evaluation process, hence, the NRC Secretary will be in charge of conducting the analysis and reporting of the results.

8. Remuneration of the Board members and Executive Management

Directors Remuneration

Rules of Remuneration Determination

a. 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 NRC. The recommendations of the NRC and the Board shall be in compliance with applicable laws, regulations, and policies (including this Policy).

b. 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.

c. 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.

d. In all cases, the total annual remuneration and benefits for each Director, in cash or in kind, must not exceed SAR 500,000.

e. Notwithstanding Paragraphs b and c 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.

f. 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

I. 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 NRC and approved by the Board on an annual basis.

II. Directors serving in any of the Committees may receive remuneration in addition to their remuneration as Directors.

III. Directors serving as Senior Executives may receive remuneration in addition to their remuneration as Directors.

IV. If the Secretary of the Board is one of the Board 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 (based on the recommendation of the NRC) on an annual basis.

Board (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: Independent Board Directors																
1- Saud A. Al-Ashgar[1]	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-Mohammed A. Al-Omair	350	0	0	0	0	0	**350**	0	0	0	0	0	**0**	**0**	**350**	0
4-Abdullah J. Al-Faifi[1]	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- Ibrahim Q. Al-Buainain	0	0	0	0	0	0	**0**	0	0	0	0	0	**0**	**0**	0	0
2- Noriaki Takeshita	0	0	0	0	0	0	**0**	0	0	0	0	0	**0**	**0**	0	0
3- Suleman A. Al-Bargan	0	0	0	0	0	0	**0**	0	0	0	0	0	**0**	**0**	0	0
4- Takashi Shigemori	0	0	0	0	0	0	**0**	0	0	0	0	0	**0**	**0**	0	0
5-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**
Third: Exec. Directors																
1-Othman A. Al-Ghamdi	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**

[1]Abdullah J. Al-Faifi replaced Saud A. Al-Ashgar as an Independent Director effective November 3, 2021.

Senior Executives Remuneration

Rules of Remuneration Determination

a. The remuneration of all Senior Executives shall be recommended by the NRC and approved by the Board in accordance with the relevant employment contracts and internal policies and compensation plans.

b. The NRC 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

a. Senior Executives are 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 NRC and approved by the Board.

b. 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 NRC and the approval of the Board.

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

Senior Executives: (In SAR Thousands)

The following table sets out the aggregated remuneration paid to the Company's five highest paid Senior Executives, inclusive of the CEO and CFO positions.

	Fixed remunerations				Variable remunerations								
	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	Total remunerations for Board executives, if any	Aggregate Amount
Total	**3,765**	**1,894**	**0**	**5,659**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**5,659**

Committee Members Remuneration

Rules of Remuneration Determination

a. The members of the Committees shall be remunerated in accordance with the charter of the relevant Committee.

b. Notwithstanding Paragraph above, the NRC shall review and recommend to the Board the remuneration of the members of the Committees.

Committee 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 [1]	0	0	0
2- Noriaki Takeshita	0	0	0
3- Suleman A. Al-Bargan	0	0	0
4- Mohammed A. Al-Omair	0	0	0
5- Abdullah J. Al-Faifi [1]	0	0	0
Total	**0**	**0**	**0**
Remuneration & Nomination Committee Members			
1- Saud A. Al-Ashgar [2]	0	0	0
2- Mohammed A. Al-Omair [2]	0	0	0
3- Takashi Shigemori			
4- Suleman A. Al-Bargan	0	0	0
5- Abdullah J. Al-Faifi [2]			
Total	**0**	**0**	**0**
Marketing Committee Members			
1- Saleh F. Al-Nazha	0	0	0
2- Takashi Shigemori	0	0	0
3- Othman A. Al-Ghamdi	0	0	0
Total	**0**	**0**	**0**
Executive Committee Members			
1- Ibrahim Q. Al-Buainain	0	0	0
2- Saleh F. Al-Nazha	0	0	0
3- Takashi Shigemori	0	0	0
Total	**0**	**0**	**0**

[1] Saud A. Al-Ashgar was replaced by Abdullah J. Al-Faifi as Chairman of the Audit Committee effective November 3, 2021

[2] Saud A. Al-Ashgar was replaced by Mohammed A. Al-Omair as Chairman of the Remuneration & Nomination Committee effective November 3, 2021 while Abdullah J. Al-Faifi was appointed as member

9. Punishment, penalty, precautionary procedure or preventive measure imposed on the Company by the CMA or any other supervisory, regulatory or judiciary authority

No punishment, penalty, precautionary procedure or preventive measure was imposed on the Company by any supervisory, regulatory or judiciary authority during 2021.

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

The primary role of the IAO is to assess and monitor the implementation of Petro Rabigh 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 2021 annual audit plan approved by the BAC, the IAO audited the internal control procedures of the Company's major activities. The General Auditor presented the results and recommendations to the BAC 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 IAO in order to improve the internal control procedures.

It is the opinion of BAC, the system of internal control is sound in design and has been duly implemented and that its financial practices in all material respect are in line with accepted accounting standards followed in the Kingdom of Saudi Arabia. Further, there were no critical or major observations observed during the 2021 audits that can impair the effectiveness of the Company's internal control systems.

11. The BAC's recommendation on the need for appointing an internal auditor for the Company

Petro Rabigh has an established IAO headed by General Auditor and consists of a team of experienced Internal Auditors.

12. The BAC 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. The General Assembly meetings held during the last fiscal year

There were two General Assembly Meetings held in Rabigh on April 7, 2021 and on October 20, 2021. Ibrahim Q. Al-Buainain, Chairman of the Board of Directors, chaired the General Assembly in both occasions.

Names of the Board Members who attended:

April 7, 2021

1. Ibrahim Qassim Al-Buainain
2. Othman Ali Al-Ghamdi
3. Suleman Amer Al-Bargan
4. Saud Abdulrahman Al-Ashgar
5. Saleh Fahad Al-Nazha
6. Mohammed Abdullatif Al-Omair

October 20, 2021

1. Ibrahim Qassim Al-Buainain
2. Othman Ali Al-Ghamdi
3. Suleman Amer Al-Bargan
4. Saud Abdulrahman Al-Ashgar
5. Saleh Fahad Al-Nazha
6. Mohammed Abdullatif Al-Omair
7. Noriaki Takeshita – (proxy by Mohammed A. Al-Omair)
8. Takashi Shigemori – (proxy by Saud A. Al-Ashgar)

14. 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.

15. 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

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

Board Members:

Name	Position	Period Start		Period End		Net Change	Change %
		Stock	Debt Instruments	Stocks	Debt Instruments		
Ibrahim Q. Al-Buainain	Chairman (Non-Executive Director)	-	-	-	-	-	-
Noriaki Takeshita	Deputy Chairman (Non-Executive Director)	-	-	-	-	-	-
Othman A. Al-Ghamdi	President & CEO (Executive Director)	-	-	4,400	-	-	-
Suleman A. Al-Bargan	Non-Executive Director	-	-	-	-	-	-
Seiji Takeuchi	Non-Executive Director	-	-	-	-	-	-
Takashi Shigemori	Non-Executive Director	-	-	-	-	-	-
Saud A. Al-Ashgar [1]	Independent Director	85,400	-	85,400	-	-	-
Abdullah J. Al-Faifi [1]	Independent Director	-	-	100	-	-	-
Saleh F. Al-Nazha	Independent Director	1,000	-	1,000	-	-	-
Mohammed A. Al-Omair	Independent Director	12	-	12	-	-	-

[1] Abdullah J. Al-Faifi replaced Saud A. Al-Ashgar as an Independent Director effective November 3, 2021.

Senior Executives:

Name	Position	Period Start		Period End		Net Change	Change %
		Stock	Debt Instruments	Stocks	Debt Instruments		
Naoyuki Inoue	Chief Financial Officer	-	-	-	-	-	-
Noriaki Oku [1]	Senior Vice President (A), Manufacturing	-	-	-	-	-	-
Seiji Takeuchi [1]	Senior Vice President, Manufacturing						
Mohammed M. Farsi [2]	Vice President (A), Engineering & Support	-	-	-	-	-	-
Hassan A. Al-Yami [2]	Vice President (A), Engineering & Support						
Yasser D. Al-Ghamdi [3]	Vice President (A), Market Development	-	-	-	-	-	-
Hiroshi Shimizu [3]	Vice President (A), Market Development						
Bander S. Al-Juaid	Vice President (A), Industrial Relation	800	-	800	-	-	-
Sami S. Al-Dossary	Vice President (A), Industrial Security	7,000		7,000			

[1] Noriaki Oku was appointed acting Sr. VP for Manufacturing effective January 18, 2021 replacing Seiji Takeuchi who completed his assignment in Petro Rabigh.

[2] Mohammed M. Farsi was appointed acting VP for Engineering & Support effective March 1, 2021 replacing Hassan Al-Yami.

[3] Yasser D. Al-Ghamdi was appointed acting VP for Market Development effective December 7, 2021 replacing Hiroshi Shimizu.

17. Board meetings held during the last financial year

Name	Title	1st Meeting March 22, 2021	2nd Meeting June 28, 2021	3rd Meeting Sept. 8, 2021	4th Meeting Dec. 6, 2021	Total Meetings Attended
Ibrahim Q. Al-Buainain	Chairman (Non-Executive Director)	√	√	√	√	4
Noriaki Takeshita	Deputy Chairman (Non-Executive Director)	√	√	√	√	4
Othman A. Al-Ghamdi	President & CEO (Executive Director)	√	√	√	√	4
Seiji Takeuchi	Non-Executive Director	√	√	√	√	4
Takashi Shigemori	Non-Executive Director	√	√	√	√	4
Suleman A. Al-Bargan	Non-Executive Director	√	√	√	√	4
Mohammed A. Al-Omair	Independent Director	√	√	√	√	4
Saud A. Al-Ashgar [1]	Independent Director	√	√	√	-	3
Abdullah J. Al-Faifi [1]	Independent Director	-	-	-	√	1
Saleh F. Al-Nazha	Independent Director	√	√	√	√	4

[1] Abdullah J. Al-Faifi replaced Saud A. Al-Ashgar from the board as an Independent Director effective November 3, 2021.

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

Ten records were requested for the shareholders of the Company during the year 2021 as shown in the following table:

No.	Reason	Date
1	Corporate Action	March 23, 2021
2	Annual General Meeting	April 7, 2021
3	Corporate Action	June 8, 2021
4	Corporate Action	July 31, 2021
5	Corporate Action	August 25, 2021
6	Annual General Meeting	October 20, 2021
7	Corporate Action	October 28, 2021
8	Corporate Action	November 8, 2021
9	Corporate Action	November 28, 2021
10	Corporate Action	December 30, 2021

19. Arrangements or agreements under which a director or a Senior Executive of the Company has waived any remuneration

N/A

20. Arrangements or agreements under which a shareholder of the Company has waived any rights to dividends

N/A

21. 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 activities

22. 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

Financial Statements and Independent Auditor's Report

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

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, 2021, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including summary of 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, 2021, 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 Chartered and Professional 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.

Revenue recognition

The key audit matter

Revenue recognition

Revenue from sales of refined and petrochemical products is recognized as per the related offtake agreements with the customers ("the offtakers"). The Company uses IFRS 15 practical expedient of right to invoice, and revenue is booked on periodic basis in respect of products for which the Company has the right to invoice as per the related agreements. Whilst significant portion of the Company's revenue is based on the final prices as stipulated in the related offtake agreements (based on international market pricing). For some products, the Company initially records revenue based on provisional price mechanism which is based on independent external market quotations at the time of transfer of control of the products which are later adjusted based on actual selling prices received from the offtakers. This provisional price is the best industry estimate based on the independent external prices prevailing in the market at that time. Subsequent to the sale of these products to the end customers by the Company's offtakers on actual market price, a positive or negative net back adjustment is made by the Company to the initial provisional price. This adjustment is finalized on a regular basis whenever the related product is sold as stipulated in the related agreements.

Based on the above factors and the materiality of the amounts involved, we have considered revenue recognition as a key audit matter.

Refer to note 3(c) to the financial statements for the Company's accounting policy relating to revenue recognition.

How the matter was addressed in our audit

We performed the following procedures to address the key audit matter:

- obtained an understanding of the nature of revenue contracts used by the Company for each significant revenue stream, tested a sample of representative sales contracts to confirm our understanding and assessed whether or not management's application of IFRS 15 requirements was in accordance with the accounting standard;
- tested relevant processes and controls established by the management to ensure appropriate recognition of revenue;
- performed tests of details on a sample of sales
- transactions and vouched back to source documents;
- evaluated provisional price adjustment as at year end for the sales made near to the year-end;
- performed cut-off procedures to ensure that revenue is recognized when the control is transferred to the offtakers and in the correct accounting period;
- obtained confirmations from the offtakers in respect of value of products sold; and
- assessed adequacy of the disclosures related to revenue in the notes to the financial statements.

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.

Auditors' responsibilities for the audit of the financial statements

- 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 Professional Services,

Ebrahim Oboud Baeshen

License No. 382

Jeddah

KPMG

Statement of profit or loss

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

	Notes	For the year ended December 31, 2021	For the year ended December 31, 2020
Sales	5,25	**45,638,066**	21,870,198
Cost of sales	6,25	**(40,881,573)**	(22,772,807)
Gross profit (loss)		**4,756,493**	(902,609)
Other income, net	7	**152,042**	55,790
Selling and marketing expenses	8	**(834,580)**	(660,715)
General and administrative expenses	9	**(881,484)**	(928,124)
Operating profit (loss)		**3,192,471**	(2,435,658)
Financial charges	10	**(1,089,212)**	(1,505,447)
Financial income		**195,927**	201,662
Profit (loss) before Zakat and tax		**2,299,186**	(3,739,443)
Zakat	23	**(40,089)**	(2,915)
Tax	23	**(222,436)**	(38,770)
Profit (loss) after Zakat and tax		**2,036,661**	(3,781,128)
Earnings (loss) per share (Saudi Riyals) - Basic and diluted	11	**2.32**	(4.32)

Statement of comprehensive income

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

	Notes	For the year ended December 31, 2021	For the year ended December 31, 2020
Profit (loss) after Zakat and tax		**2,036,661**	(3,781,128)
Remeasurement gain (loss) on defined benefit plan	21	**43,122**	(61,619)
Tax effect	23	**(3,234)**	4,621
Items that will not be reclassified to statement of profit or loss in subsequent periods		**39,888**	(56,998)
Total comprehensive income (loss) for the year		**2,076,549**	(3,838,126)

Statement of financial position

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

	Notes	As at December 31, 2021	As at December 31, 2020
Assets			
Non-current assets			
Property, plant and equipment	12	**44,090,232**	46,049,609
Right-of-use assets	13	**10,668,958**	11,341,575
Intangible assets	14	**370,866**	431,511
Long-term loans	15	**179,101**	2,983,461
Investment	15	**16,412**	16,412
Deferred tax asset	24	**140,992**	364,937
		55,466,561	61,187,505
Current assets			
Inventories	17	**3,806,450**	3,070,656
Trade receivables	15	**8,257,121**	3,990,411
Current portion of long-term loans	15	**5,223**	466,053
Prepayments and other receivables	18	**1,854,707**	963,242
Cash and cash equivalents	16	**3,971,961**	1,016,142
		17,895,462	9,506,504
Total assets		**73,362,023**	70,694,009
Equity and liabilities			
Equity			
Share capital	19	**8,760,000**	8,760,000
Statutory reserve	20	**252,134**	252,134
Employees' share ownership plan	21	**(4,510)**	(4,611)
Accumulated losses		**(701,713)**	(2,804,040)
Total equity		**8,305,911**	6,203,483
Non-current liabilities			
Loans, borrowings and other long-term liability	15	**19,830,200**	32,328,206
Lease liabilities	13	**10,645,187**	11,198,777
Employees' benefits	21	**779,645**	778,387
		31,255,032	44,305,370
Current liabilities			
Current maturity of loans and borrowings	15	**18,898,428**	10,883,720
Current maturity of lease liabilities	13	**588,445**	566,974
Trade and other payables	15	**12,397,978**	7,690,127
Accrued expenses and other liabilities	22	**1,874,415**	1,044,335
Zakat and tax payable	24	**41,814**	-
		33,801,080	20,185,156
Total liabilities		**65,056,112**	64,490,526
Total equity and liabilities		**73,362,023**	70,694,009

Statement of changes in equity

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

	Share capital	Statutory reserve	Employees' share ownership plan	Accumulated losses	Total
Balance as at January 1, 2021	**8,760,000**	**252,134**	**(4,611)**	**(2,804,040)**	**6,203,483**
Net profit after Zakat and tax	**-**	**-**	**-**	**2,036,661**	**2,036,661**
Other comprehensive income	**-**	**-**	**-**	**39,888**	**39,888**
Total comprehensive income	**-**	**-**	**-**	**2,076,549**	**2,076,549**
Vesting of shares under employees' share ownership plan	**-**	**-**	**101**	**-**	**101**
Zakat and income tax reimbursements	**-**	**-**	**-**	**25,778**	**25,778**
Balance as at December 31, 2021	**8,760,000**	**252,134**	**(4,510)**	**(701,713)**	**8,305,911**
Balance as at January 1, 2020	8,760,000	252,134	(4,813)	1,034,086	10,041,407
Net loss after Zakat and tax	-	-	-	(3,781,128)	(3,781,128)
Other comprehensive loss	-	-	-	(56,998)	(56,998)
Total comprehensive loss	-	-	-	(3,838,126)	(3,838,126)
Vesting of shares under employees' share ownership plan	-	-	202	-	202
Balance as at December 31, 2020	8,760,000	252,134	(4,611)	(2,804,040)	6,203,483

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

	Notes	For the year ended December 31, 2021	For the year ended December 31, 2020
Cash flows from operating activities			
Profit (loss) before Zakat and tax		**2,299,186**	(3,739,443)
Adjustments for non-cash items			
Depreciation	12,13	**3,102,734**	3,113,642
Financial charges	10	**1,089,212**	1,505,447
Financial income		**(195,927)**	(201,662)
Amortization	14	**82,236**	80,425
Provision for slow moving inventories	17	**8,937**	18,083
Impairment loss on receivables	9	**627**	-
Loss on disposal of property, plant and equipment	7	**4,284**	4,788
Gain on derecognition of right-of-use assets and lease liabilities	7	**(840)**	(123)
		6,390,449	781,157
Changes in working capital			
Inventories		**(744,731)**	317,486
Trade receivables		**(4,267,336)**	1,373,675
Prepayments and other receivables		**(865,688)**	1,020,305
Trade and other payables		**4,707,851**	(1,253,515)
Accrued expenses and other liabilities		**825,562**	(128,367)
Employees' benefits		**44,481**	63,465
		6,090,588	2,174,206
Zakat and income tax paid	24.1	**-**	(18,134)
Interest received		**175,877**	185,744
Interest paid		**(969,832)**	(1,397,917)
Net cash from operating activities		**5,296,633**	943,899
Cash flows from investing activities			
Purchase of property, plant and equipment	12	**(456,135)**	(2,348,839)
Proceeds from long-term loans		**3,285,241**	13,172
Net cash from (used in) investing activities		**2,829,106**	(2,335,667)
Cash flows from financing activities			
Proceeds from loans and borrowings		**12,698,075**	17,879,343
Repayments of loans and borrowings		**(17,296,763)**	(15,229,342)
Repayment of lease liabilities		**(571,222)**	(558,177)
Dividend paid		**(10)**	-
Net cash (used in) from financing activities		**(5,169,920)**	2,091,824
Net increase in cash and cash equivalents		**2,955,819**	700,056
Cash and cash equivalents at beginning of the year	16	**1,016,142**	316,086
Cash and cash equivalents at end of the year	16	**3,971,961**	1,016,142
Supplemental schedule of non-cash information			
Zakat and income tax reimbursable from shareholders		**25,778**	-
Addition to property, plant and equipment through accrued expenses and other liabilities		**536**	10,401
Long-term loan repayments settled against capacity payments	15	**379,882**	442,077
Addition to intangible assets through property, plant and equipment	14	**21,591**	17,629
Addition to right-of-use assets	13	**55,939**	23,488

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 and Investment, Jeddah, on Shaaban 15, 1426H (September 19, 2005) subsequently revised by 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 (the 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.

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 Chartered and Professional 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 and defined benefits obligations which is recognised at the present value of future obligations using the Projected Unit Credit Method. These financial statements are presented in Saudi Arabian Riyals (Saudi Riyals).

2.1 New standards, interpretations and amendments

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
IAS 37	Onerous contracts – cost of fulfilling a contract	January 1, 2022
IFRS Standards	Annual improvements to IFRS standards 2018 – 2020	January 1, 2022
IAS 16	Property, plant and equipment: proceeds before intended use	January 1, 2022
IFRS 3	Reference to the conceptual framework	January 1, 2022
IFRS 17	Insurance contracts	January 1, 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	January 1, 2023
IAS 8	Definition of Accounting Estimate - Amendment	January 1, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction`	January 1, 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
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

The standards, interpretations and amendments with effective date of January 1, 2022 will not have any material impact on the Company's financial statements, whereas for other above mentioned standards, interpretations and amendments, 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. Also see Note 26.

2. 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 Company exercises judgement in determining 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. The Company reviews the residual value and useful lives annually and future depreciation charges are adjusted where the Company believes the useful lives differ from previous estimates.

During the year ended December 31, 2021, the Company reviewed the depreciable period for the capital expenditures relating to testing and inspection of property plant and equipment, which will be carried out every 5 years instead of 4 years based on technical assessment and advice from the Company's technical team. This change in the depreciable period has resulted in decrease in depreciation expenses and increase in net profit for the year ended December 31, 2021 by Saudi Riyals 69.1 million.

Extension options for leases

In case of lease contracts where extension options are also available to the Company, judgement is applied in evaluating whether it is reasonably certain to exercise the option. The Company reassesses whether it is reasonably certain to exercise the extension options, upon the occurrence of either a significant event or significant change in circumstances that are within the control of the Company.

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 be 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 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 as 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.

Revenue from port services is recognised when services are 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 of 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 5 years, are capitalized as part of the respective items of property, plant and equipment and amortized over the period of five 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	12-50
Plant, machinery and operating equipment	2-40
Vehicle and related equipment	6-25
Furniture and IT equipment	5-14

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

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, less any accumulated depreciation and impairment losses, if any and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentive received. The estimated useful life of right-of-use assets are determined on the same basis as those of property, plant and equipment, except for leasehold land for which the estimated useful life is considered to be the lease term.

The lease liability is initially measured at the present value of the lease payments to be made over the lease term, discounted using the Company's incremental borrowing rate (if the interest rate implicit in the lease is not available). Lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

Any such re-measurement in the lease liability is adjusted against the carrying value of the right-of-use asset or charged to profit or loss if carrying value of the related asset is zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense 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.

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. The classification of financial assets is defined in Note 15.

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.

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.

(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.

(n) Zakat and 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 founding 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.

(o) 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 (accumulated losses). 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.

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. Participation in the program by the regular employees who have completed their probationary period is optional and employees may choose the option to invest or not to invest in the program. The contributions from the Company are recognized as employees' 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.

Employees' Share Ownership Plan (ESOP)

The employees' service cost of share options granted to employees under the Employees' 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 equity until the options vest and the underlying shares are transferred to the employees. 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 (accumulated losses) as an equity adjustment.

(p) 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.

(q) 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.

(r) Investment property

Investment properties are lands and buildings held for purposes rental income or capital appreciation or both. Investment properties are measured in accordance with the cost model and depreciation is calculated on straight line basis over their useful lives. Investment properties are derecognized when they are sold or when they are occupied by the Company or if they are not held to increase their value.

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"), each having 37.5% equity interest in the share capital of the Company. The Company has entered into various agreements with founding shareholders and their affiliates including among others some of the key agreements which are relevant to the financial reporting are summarised below:

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 in respect of the Complex, up to a maximum supply of 400,000 barrels per day (bpd). The price at which Saudi Aramco sells the crude oil feedstock to the Company is based, amongst other variable market factors, on international crude oil prices. The COSA is valid for 30 years commencing from October 1, 2008.

4.2 Ethane feedstock supply agreements

The Company entered into Ethane Feedstock Supply Agreements on January 28, 2006 and March 16, 2015 with Saudi Aramco for the supply to the Company of its ethane feedstock requirements in respect of the Complex, up to a maximum aggregate supply of 125 million standard cubic feet per day (MMSCFD). The price at which Saudi Aramco sells the ethane feedstock to the Company is the price commonly applied by Saudi Aramco to industrial customers in the Kingdom. The Ethane Feedstock Supply Agreements are valid for 20 years commencing from the respective effective dates stated in the Agreements.

4.3 Butane feedstock supply agreement

On January 28, 2006, the Company entered into a Butane Feedstock Supply Agreement with Saudi Aramco for the supply to the Company of its butane feedstock requirements in respect of the Complex, up to a maximum supply of 12,000 bpd. The price at which Saudi Aramco sells the butane feedstock to the Company is the price commonly applied by Saudi Aramco to its industrial customers in the Kingdom. The Butane Feedstock Supply Agreement is valid for 20 years commencing from December 1, 2008.

4.4 Petroleum product sales agreement

On July 3, 2006, the Company entered into a Petroleum Product Sales Agreement with Saudi Aramco for the supply of fuel oil up to a maximum of 32 MBD monthly which the Company would, in turn, supply to Rabigh Arabian Water and Electricity Company (RAWEC) for use as fuel for the provision of certain utilities to the Company. The price at which Saudi Aramco sells the fuel oil to the Company is the government established price prevailing on the date of product delivery to the Company. The agreement is valid for 25 years commencing from June 1, 2008.

4.5 Fuel oil supply agreement

On March 16, 2015, the Company entered into a Fuel Oil Supply Agreement with Saudi Aramco for the supply of fuel oil up to a maximum of 20 MBD monthly which the Company would, in turn, supply to RAWEC for use as fuel for the provision of certain utilities to the Company. The price at which Saudi Aramco sells the fuel oil to the Company is the government established price prevailing on the date of product delivery to the Company. The agreement is valid for 25 years commencing from February 15, 2018.

4.6 Allocated Sales gas supply agreement

On July 1, 2020, the Company entered into an Allocated Sales Gas Supply Agreement with Saudi Aramco for the supply of Sales Gas up to a maximum of 50 MMSCF per day. The price at which Saudi Aramco sells the Sales Gas to the Company is the prevailing domestic market price in the Kingdom of Saudi Arabia, as established by the relevant Governmental entity from time to time. The Allocated Sales Gas Supply Agreement is valid for 20 years commencing from July 1, 2020.

4.7 Phase I Refined products offtake agreement

On June 13, 2019, the Company entered into a Phase I Refined Products Offtake Agreement (RPOA) with Saudi Aramco as a "Buyer" of certain refined products listed therein produced by the Complex. The RPOA is valid for 5 years commencing from May 1, 2019, and is further extendable for another 5 year period.

4.8 Sulphur and Refined Products lifting and marketing agreement

On June 13, 2019, the Company entered into a Sulphur and Refined Products Lifting and Marketing Agreement (SRPLMA) with Saudi Aramco as a global "marketer" of certain refined products listed therein produced by the Complex. The SRPLMA is valid for 5 years commencing from May 1, 2019, and is further extendable for an additional 5 year period.

4.9 Liquefied Petroleum Gas and Light Naphtha lifting and marketing agreements

On March 16, 2015, the Company entered into Liquefied Petroleum Gas and Light Naphtha Lifting & Marketing Agreements with the founding shareholders as global "Marketers" of liquefied petroleum gas and light naphtha from the Complex. The agreements are valid for 10 years commencing from November 30, 2018 and are further extendable for an additional 5 year period. However, on November 22, 2021, the Company entered into a Phase 2 Light Naphtha Offtake Agreement (Note 4.10) with Saudi Aramco pursuant to which, effective from September 1, 2021, Saudi Aramco will purchase and offtake Light Naphtha from the Company in accordance with the terms and conditions mentioned in the Phase 2 Light Naphtha Offtake Agreement and whereas Liquefied Petroleum Gas shall continue to be lifted and marketed in accordance with the Liquefied Petroleum Gas and Light Naphtha Lifting & Marketing Agreements.

4.10 Phase 2 Light Naphtha Offtake Agreement

On November 22, 2021, the Company entered into a Phase 2 Light Naphtha Offtake Agreement with Saudi Aramco as "Buyer" of Light Naphtha produced by the Complex. This Agreement is effective from September 1, 2021 and is valid upto November 30, 2028, and is further extendable for another 5 year period.

4.11 Phase I Petrochemical products marketing agreements

On March 11, 2006 as amended on April 1, 2014, the Company entered into the Petrochemical Products Marketing Agreements (PPMA) with Saudi Aramco and Sumitomo Chemical Asia PTE Limited as global "Marketers" of Phase I petrochemical products produced by the Complex. The PPMAs are valid for 10 years commencing from April 1, 2014, and are further extendable for another two consecutive 5 year periods. Pursuant to Assignment and Assumption Agreements dated March 28, 2017, Saudi Aramco assigned its rights and obligations under its respective PPMAs to its affiliate, Saudi Aramco Products Trading Company (ATC). Further, pursuant to Assignment and Assumption Agreements dated February 11, 2020, ATC assigned its rights and obligations under: (i) the Propylene Oxide PPMA, to Aramco Trading Singapore PTE. Ltd (ATS) and (ii) remaining respective PPMAs, to Aramco Chemicals Company (ACC). During the year ended December 31, 2021, both ATS and ACC transferred their rights and obligations under their respective PPMAs to Saudi Basic Industries Corporation (SABIC) pursuant to Transfer Agreements effective from October 5, 2021.

4.12 Phase II Petrochemical products marketing agreements

On March 16, 2015, the Company entered into Petrochemical Products Marketing Agreements with Saudi Aramco and Sumitomo Chemical Asia PTE Limited as global "Marketers" of Phase II petrochemical products produced by the Complex. The agreements are valid for 10 years commencing from the accumulated production date and are further extendable for another 5 years. Pursuant to Assignment and Assumption Agreements dated February 11, 2020, Saudi Aramco assigned its rights and obligations under its PPMAs to its affiliates; Aramco Chemicals Company (ACC) and Aramco Trading Singapore PTE Ltd. (ATS). During the year ended December 31, 2021,

ACC transferred its rights and obligations under its PPMAs to Saudi Basic Industries Corporation (SABIC), Aramco Trading Company (ATC) and Arlanxeo Netherlands B.V and ATS transferred its rights and obligations under its respective PPMAs to Saudi Basic Industries Corporation (SABIC) pursuant to Transfer Agreements effective from October 5, 2021.

4.13 Domestic distribution agreement

On October 3, 2018, the Company entered into a Domestic Distribution Agreement (DDA) with ATC as local "Distributor". Pursuant to the terms of the DDA, the Company supplies certain petrochemical products to ATC for onward sale and distribution within the Kingdom. Pursuant to an Assignment and Assumption Agreement dated February 11, 2020 ATC transferred its rights and obligations under the DDA to ACC. During the year ended December 31, 2021, ACC transferred its rights and obligations under the DDA to SABIC pursuant to a Transfer Agreement effective from October 5, 2021. The supply and distribution obligations of each party with respect to a given product will terminate upon the expiration or termination of the global product lifting and marketing agreement corresponding to the same product.

4.14 Technology license agreements

The Company has entered into certain technology licence agreements with Sumitomo Chemical as "Licensor". Pursuant to these agreements, the Company licenses the relevant technologies to be used in the process units for particular products. The agreements will remain valid for a period of 15 years commencing on the license grant effective date (as so notified to the Company by Sumitomo Chemical).

4.15 Credit facility agreement

The Company entered into a Credit Facility Agreement (CFA) with its founding shareholders effective March 18, 2006. Pursuant to the terms of the CFA, the founding shareholders have made a loan facility of up to a maximum aggregate amount of Saudi Riyals 6,206 million available to the Company, for the purposes of developing, designing and constructing the Complex.

4.16 Revolving corporate facilities agreements

The Company has entered into revolving corporate facilities agreements with Saudi Aramco and Sumika Finance Company Limited, a wholly owned subsidiary of Sumitomo Chemical on September 30, 2020. Pursuant to the terms of these facilities agreements, each lender has made a corporate facility of Saudi Riyals 2,812.5 million (collectively Saudi Riyals 5,625 million) available to the Company.

4.17 Corporate facility agreement

The Company has entered into a corporate facility agreement with Saudi Aramco on September 30, 2020. Pursuant to the terms of this agreement, Saudi Aramco has made available a facility of Saudi Riyals 1,875 million to the Company.

4.18 Land lease agreement

On November 1, 2005 as amended and restated on March 16, 2015, the Company entered into a Land Lease Agreement with Saudi Aramco. Pursuant to the terms of the Land Lease Agreement, Saudi Aramco leases approximately 20 million square meters of land to the Company at a rate of Saudi Riyal 1 per square meter per annum, for a period of 99 years, subject to extension for additional consecutive periods as may be agreed between the parties.

4.19 Rabigh Plustech Park Land Lease Agreement

On November 21, 2021, the Company entered into Rabigh Plustech Park Land Lease Agreement with Saudi

Aramco. Pursuant to the Agreement, Saudi Aramco leases approximately 2.4 million square meters of land at Plustech Park Site to the Company at a rate of Saudi Riyal 1 per square meter per annum, for a period of 35 years effective from October 1, 2021 and subject to extension for additional consecutive periods as may be agreed between the parties.

4.20 Rabigh Plustech Park Asset Transfer Agreements

On November 21, 2021 and November 2, 2021, the Company entered into Rabigh Plustech Park Asset Transfer Agreements with Saudi Aramco and Rabigh Conversion Industry Management Services Company (RCIMS) an affiliate of Sumitomo Chemical respectively pursuant to which effective October 1, 2021, both Saudi Aramco and RCIMS agreed to transfer the assets owned by them in Rabigh Plustech Park to the Company for a purchase price of Saudi Riyals 375 each (collectively Saudi Riyals 750).

4.21 Terminal lease agreement

On March 2, 2006, the Company entered into a Terminal Lease Agreement with Saudi Aramco in respect of the existing Rabigh Marine Terminal. Pursuant to the terms of this agreement, Saudi Aramco grants to the Company an exclusive right to use and operate the Rabigh Terminal Facilities and the Rabigh Terminal Site for a period of 30 years.

4.22 Rabigh community agreement

The Company has entered into a 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 an annual rate of Saudi Riyals 16.5 million and Saudi Riyals 18.2 million, respectively.

4.23 Secondment agreements

On June 12, 2006 and July 1, 2006, the Company entered into Secondment Agreements with Saudi Aramco and Sumitomo Chemical respectively pursuant to which, the founding shareholders may, from time to time, second certain personnel to the Company to assist in the conduct of its business and operations. Each agreement will remain valid until such time as the relevant founding shareholder ceases to be a shareholder of the Company.

4.24 Services agreements

The Company has entered into certain services agreements with the founding shareholders and their affiliates in respect of various operational and logistical support services. These agreements cover the provision of support services to and by the Company such as human resources, training and recruitment, legal, utilities, information technology, general management, technical and pre-marketing support. These agreements also cover the ongoing technical support needed for continuous operations, being provided by Saudi Aramco, the ongoing enhancements (such as refining and petrochemical process know-how) being provided by Sumitomo Chemical and the marketing technical services, engineering and safety best practices and training being provided by both founding shareholders. The Company pays for these services at the mutually agreed prices specified in each agreement.

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:

2021	Refined products	Petrochemicals	Unallocated	Total
Sales – external customers	27,925,978	17,712,088	-	45,638,066
Depreciation and amortization	605,144	2,579,826	-	3,184,970
Operating (loss) profit	(1,044,580)	4,237,051	-	3,192,471
Total assets	23,210,164	46,011,747	4,140,112	73,362,023
Total liabilities	21,595,430	42,744,913	715,769	65,056,112
Capital expenditure	135,977	342,285	-	478,262
2020	**Refined products**	**Petrochemicals**	**Unallocated**	**Total**
Sales – external customers	13,213,695	8,656,503	-	21,870,198
Depreciation and amortization	708,406	2,485,661	-	3,194,067
Operating loss	(1,772,413)	(663,245)	-	(2,435,658)
Total assets	21,206,418	47,927,847	1,559,744	70,694,009
Total liabilities	16,735,579	45,186,556	2,568,391	64,490,526
Capital expenditure	923,351	1,453,518	-	2,376,869

The Company's revenue from external customers amounts to Saudi Riyals 44,659 million (December 31, 2020: Saudi Riyals 21,358 million) generated from 8 customers in the year ended December 31, 2020 (December 31, 2020: 4 customers).

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

2021	Middle East	Asia Pacific	Others	Total
Sales				
Refined products	24,864,719	2,677,777	383,482	27,925,978
Petrochemicals	2,085,435	15,217,406	409,247	17,712,088
Total	**26,950,154**	**17,895,183**	**792,729**	**45,638,066**

2020	Middle East	Asia Pacific	Others	Total
Sales				
Refined products	11,815,709	1,393,570	4,416	13,213,695
Petrochemicals	688,263	7,846,826	121,414	8,656,503
Total	**12,503,972**	**9,240,396**	**125,830**	**21,870,198**

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

5.2 Adjustments

Financial charges, financial income, Zakat and tax, cash and cash equivalents, loans and borrowings and certain assets and liabilities are not allocated to operating segments as they are managed on a Company-wide basis.

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

5.3 Reconciliation of profit (loss)	Notes	2021	2020
Operating profit (loss)		3,192,471	(2,435,658)
Financial charges	10	(1,089,212)	(1,505,447)
Financial income		195,927	201,662
Profit (loss) before Zakat and tax		**2,299,186**	**(3,739,443)**
Zakat	23	(40,089)	(2,915)
Tax	23	(222,436)	(38,770)
Profit (loss) after Zakat and tax		**2,036,661**	**(3,781,128)**

6. Cost of sale

6. Cost of sale	Notes	2021	2020
Raw materials, crude oil and spare parts consumed		**36,726,439**	17,800,531
Depreciation	12,13	**2,939,930**	2,928,958
Utilities consumed		**403,925**	308,087
Personnel costs		**1,004,266**	937,294
Repair and maintenance		**347,268**	290,566
Contracted services		**49,528**	40,820
Amortization	14	**45,450**	45,691
Insurance		**81,359**	61,773
Provision for slow moving spare parts and consumables	17	**8,937**	18,083
Other overheads		**19,202**	23,518
		41,626,304	22,455,321
Changes in inventories of finished goods, raw materials and spare parts and consumables used		**(744,731)**	317,486
		40,881,573	22,772,807

7. Other income, net

7. Other income, net	Notes	2021	2020
Port services		**54,256**	34,928
Gain on sale of scrap sales		**92,989**	16,034
Miscellaneous income		**8,938**	9,997
Loss on disposal of property, plant and equipment		**(4,284)**	(4,788)
Gain on derecognition of right-of-use assets and lease liabilities		**840**	123
Other expenses		**(697)**	(504)
		152,042	55,790

8. Selling and marketing expenses

	Notes	2021	2020
Freight charges		**76,192**	86,939
Deductibles (see below)		**742,907**	571,301
Others		**15,481**	2,475
		834,580	660,715

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

9. General and administrative expenses

	Notes	2021	2020
Personnel costs		**463,424**	484,477
Depreciation	12,13	**162,804**	184,684
Repairs and maintenance		**77,714**	89,164
Impairment loss on receivables		**627**	-
IT, networking and data communication		**57,591**	70,462
Amortization	14	**36,786**	34,734
Travelling		**9,668**	1,892
Rent		**750**	373
Professional fees		**30,325**	23,235
Insurance		**2,677**	9,720
Stationery, telex and telephone		**8,671**	8,178
Others		**30,447**	21,205
		881,484	928,124

10. Financial charges

	Notes	2021	2020
Interest on loans and borrowings		**679,219**	1,076,523
Interest on finance leases		**397,235**	415,491
Others		**12,758**	13,433
		1,089,212	1,505,447

11. Earnings (loss) per share

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

Diluted earnings (loss) per share is calculated by dividing the profit (loss) for the year 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.

	2021	2020
Profit (loss) for the year for basic and diluted earnings per share	**2,036,661**	(3,781,128)
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)	**213**	217
Basic and diluted earnings (loss) per share (Saudi Riyals)	**2.32**	(4.32)

12. Property, plant and equipment

	Notes	Buildings and infrastructure	Plant, machinery and operating equipment	Vehicles and related equipment	Furniture and IT equipment	Capital projects in progress	Total
Cost							
January 1, 2020		10,712,035	54,296,357	43,367	561,296	2,509,072	68,122,127
Additions		-	321,491	-	-	2,037,749	2,359,240
Transfers							
Within property, plant and equipment	12.1	236,113	2,601,546	1,472	25,101	(2,864,232)	-
Intangible assets	14	-	-	-	-	(17,629)	(17,629)
Disposals		(336)	(25,818)	-	-	-	(26,154)
December 31, 2020		**10,947,812**	**57,193,576**	**44,839**	**586,397**	**1,664,960**	**70,437,584**
Additions		-	142,698	-	-	313,973	456,671
Transfers							
Within property, plant and equipment		176,584	756,294	3,593	18,849	(955,320)	-
Intangible assets	14	-	-	-	-	(21,591)	(21,591)
Disposals		-	(43,494)	(1,462)	(4,350)	-	(49,306)
December 31, 2021		11,124,396	58,049,074	46,970	600,896	1,002,022	70,823,358
Accumulated depreciation							
January 1, 2020		2,607,362	19,131,655	36,324	235,979	-	22,011,320
Charge for the year		246,795	2,106,902	1,133	43,191	-	2,398,021
Released on disposals		(336)	(21,030)	-	-	-	(21,366)
December 31, 2020		**2,853,821**	**21,217,527**	**37,457**	**279,170**	**-**	**24,387,975**
Charge for the year		240,047	2,103,866	1,352	44,908	-	2,390,173
Released on disposals		-	(39,210)	(1,462)	(4,350)	-	(45,022)
December 31, 2021		**3,093,868**	**23,282,183**	**37,347**	**319,728**	**-**	**26,733,126**
Carrying Value:							
At December 31, 2021		**8,030,528**	**34,766,891**	**9,623**	**281,168**	**1,002,022**	**44,090,232**
At December 31, 2020		8,093,991	35,976,049	7,382	307,227	1,664,960	46,049,609

Property, plant and equipment includes investment property amounting to Saudi Riyals 750 (Also see Note 25.4).

Depreciation for the year has been allocated as follows:

		2021	2020
Cost of sales	6	**2,281,550**	2,270,578
General and administrative expenses	9	**108,623**	127,443
		2,390,173	2,398,021

12.1 Planned periodic maintenance

During the previous year ended December 31, 2020, the Company had conducted planned periodic maintenance activity for its integrated operational facilities and production plants. This planned periodic maintenance activity required shutdown of all integrated operational facilities and production plants from March 1, 2020 to April 30, 2020 and amounted to Saudi Riyals 1,212.3 million.

13. Leases

13.1 Right-of-use assets

	Land, buildings and infrastructure	Plant and machinery	Vehicles	Total
Cost				
January 1, 2020	1,234,445	11,660,838	86,222	12,981,505
Additions	-	-	23,488	23,488
Derecognition	-	-	(11,392)	(11,392)
December 31, 2020	**1,234,445**	**11,660,838**	**98,318**	**12,993,601**
Additions	44,172	-	11,767	55,939
Derecognition	(17,804)	-	(651)	(18,455)
December 31, 2021	**1,260,813**	**11,660,838**	**109,434**	**13,031,085**
Accumulated depreciation				
January 1, 2020	**197,880**	**716,908**	**27,619**	**942,407**
Charge for the year	35,032	652,980	27,609	715,621
Released on derecognition	-	-	(6,002)	(6,002)
December 31, 2020	**232,912**	**1,369,888**	**49,226**	**1,652,026**
Charge for the year	35,285	652,980	24,296	712,561
Released on derecognition	(2,210)	-	(250)	(2,460)
December 31, 2021	**265,987**	**2,022,868**	**73,272**	**2,362,127**
Carrying value				
At December 31, 2021	**994,826**	**9,637,970**	**36,162**	**10,668,958**
At December 31, 2020	1,001,533	10,290,950	49,092	11,341,575

Depreciation for the year has been allocated as follows:

		2021	2020
Cost of sales	6	**658,380**	658,380
General and administrative expenses	9	**54,181**	57,241
		712,561	715,621

13.2 Lease liabilities

Lease liabilities as at December 31, are as follows:

	2021		2020	
	Minimum lease payments	Interest	Present value of minimum lease payments	Present value of minimum lease payments
Land, buildings and infrastructure	2,699,623	1,586,292	1,113,331	1,107,705
Plant and machinery	13,018,872	2,936,177	10,082,695	10,607,348
Vehicles	39,032	1,426	37,606	50,698
	15,757,527	4,523,895	11,233,632	11,765,751

Lease liabilities as at December 31, are presented in the statement of financial position as follows:

	2021	2020
Current portion	**588,445**	566,974
Non-current portion	**10,645,187**	11,198,777
	11,233,632	11,765,751

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

	2021		2020	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within twelve months	**965,659**	**588,445**	962,248	566,974
One to five years	**3,778,230**	**2,458,128**	3,799,884	2,403,551
More than five years	**11,013,638**	**8,187,059**	11,891,840	8,795,226
Total minimum lease payments	**15,757,527**	**11,233,632**	16,653,972	11,765,751
Less: finance charges	**(4,523,895)**	**-**	(4,888,221)	-
Present value of minimum lease payments	**11,233,632**	**11,233,632**	11,765,751	11,765,751

13.3 During the year ended December 31, 2021, the Company's expenses relating to short-term leases and low value assets are Saudi Riyals 450 thousands (December 31, 2020: Saudi Riyals 480 thousands) and Saudi Riyals 2,338 thousands (December 31, 2020: Saudi Riyals 3,206 thousands), respectively.

14. Intangible assets

	Software	Licenses	Other	Total
Cost				
January 1, 2020	417,997	430,326	5,154	853,477
Additions	17,629	-	-	17,629
December 31, 2020	435,626	430,326	5,154	871,106
Additions	21,591	-	-	21,591
December 31, 2021	**457,217**	**430,326**	**5,154**	**892,697**
Amortization				
January 1, 2020	237,697	121,350	123	359,170
Amortization for the year	41,238	38,450	737	80,425
December 31, 2020	278,935	159,800	860	439,595
Amortization for the year	43,394	38,105	737	82,236
December 31, 2021	**322,329**	**197,905**	**1,597**	**521,831**
Carrying value:				
December 31, 2021	**134,888**	**232,421**	**3,557**	**370,866**
December 31, 2020	156,691	270,526	4,294	431,511

Amortization for the year has been allocated as follows:

	Note	2021	2020
Cost of sales	6	**45,450**	45,691
General and administrative expenses	9	**36,786**	34,734
		82,236	80,425

15. Financial assets and financial liabilities

15.1 Financial assets measured at amortized cost

Long-term loans:	Note	2021	2020
Loan to RAWEC	15.1.1	-	3,213,207
Loans to employees	15.1.2	**184,324**	236,307
Long-term loans		**184,324**	3,449,514
Less: current portion of long-term loans		**(5,223)**	(466,053)
Non-current portion of long-term loans		**179,101**	2,983,461
Trade receivables	15.1.3	**8,257,121**	3,990,411

15.1.1. The Company has entered into various agreements namely Water and Energy Conversion Agreement (WECA), Facility Agreement and RAWEC Shareholders' Agreement (the "Agreements'), dated August 7, 2005 as amended on October 31, 2011, with RAWEC 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 up to 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 provided 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 up to June 30, 2031. These loans are secured by the assets of RAWEC.

During the three-month period ended December 31, 2021, the Company and RAWEC entered into a Memorandum of Understanding (MOU) which was formally signed on January 11, 2022, whereby RAWEC intends to borrow under a refinancing facility made available to RAWEC by a commercial bank to prepay the entire loan and its related interest cost accrued on the loan amount to the Company. Further, in accordance to the terms and conditions of the MOU, RAWEC will also pay the Company a refinancing fee (the "refinancing fee') amounting to approximately Saudi Riyals 236.25 million in order to share the future benefits of its refinancing in a fair and equitable manner, subject to release of all the securities on RAWEC's assets by the Company. On December 30, 2021 RAWEC has paid off the entire loan outstanding to the Company in accordance with the MOU. The refinancing fee has not been recorded in these financial statements as the Company is currently in the process of initiating the request to its lenders for the release of securities of RAWEC's assets.

15.1.1.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:

	Note	2021	2020
Trade		55,857	132,639
Less: provision for doubtful debts		-	(28,410)
		55,857	104,229
Related parties	25	8,201,264	3,886,182
		8,257,121	3,990,411

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	**8,257,121**	**8,102,778**	**148,659**	**4,398**	**136**	**-**	**1,150**	**-**
Less: Loss allowance	-	-	-	-	-	-	-	-
December 31, 2021	8,257,121	8,102,778	148,659	4,398	136	-	1,150	-
December 31, 2020	3,990,411	3,742,083	95,306	135,181	8,906	6,564	2,371	-

Financial assets also include cash and cash equivalents (Note 16) and other receivables (Note 18) that are measured at amortized cost.

15.2 Financial assets measured at fair value through profit and loss

	2021	2020
Investment in RAWEC	**16,412**	16,412

The Company holds 1% shares in the capital of 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

	Note	2021	2020
Loans from banks and financial institutions	15.3.1	**23,179,254**	25,802,758
Loan from Saudi Industrial Development Fund (SIDF)	15.3.2	**3,243,426**	3,296,058
Loans and facilities from founding shareholders and their affiliates	15.3.3	**12,157,872**	12,633,855
Other facilities	15.3.4	**111,458**	1,444,909
Other long-term liability	15.3.5	**36,618**	34,346
		38,728,628	43,211,926
Less: current portion		**(18,898,428)**	(10,883,720)
Non-current portion		**19,830,200**	32,328,206
Trade and other payables	15.3.6	**12,397,978**	7,690,127

15.3.1 Loans from banks and financial institutions

The Company had entered into Consortium Loan Agreements with commercial banks and financial institutions for development, design, and construction of integrated refining and petrochemical complex. The facilities available under these Consortium Loan Agreements had been utilized in full by July 2008. The loans that were repayable in semi-annual instalments from June 2011 to December 2021 have been fully repaid by the Company.

During the year ended December 31, 2015, the Company further entered into Consortium 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 which have been utilized in full by the Company. The loan amounting to Saudi Riyals 19,380 million are repayable in semi-annual instalments from June 2019 to June 2031. During December 2020, a portion of loan amounting to Saudi Riyals 3,312 million has been repaid from the proceeds of loan from SIDF (see Note 15.3.2). The equity bridge loan guaranteed by founding shareholders amounting to Saudi Riyals 11,250 million had initial maturity of July 1, 2019, which during the year ended December 31, 2020, has been further rescheduled to October 1, 2022.

The aforementioned loans are denominated in US Dollar and Saudi Riyal and bear financial charges based on prevailing market rates. The loans are secured by property, plant and equipment and cash and cash equivalents of the Company with a carrying value of Saudi Riyals 44,090 million and Saudi Riyals 3,972 million, respectively.

15.3.2 Loan from SIDF

During the year ended December 31, 2019, the Company entered into a loan agreement with SIDF to replace a portion of the loans for Phase II Expansion Project (see Note 15.3.1). The facility available under this loan agreement amounts to Saudi Riyals 3,600 million and is utilized as at December 31, 2021. The loan is repayable in unequal semi-annual instalments commencing from Rabi Aakhir 1443H corresponding to November 2021 to Shawwal 1453H corresponding to January 2032. Upfront fee amounting to Saudi Riyals 288 million was deducted at the time of receipt of the loan and is amortised over the loan term. The loan also bears a follow up fee to be paid on semi-annual basis. The loan has certain covenants, which among other things requires certain financial ratios to be maintained. The loan facility is secured by a mortgage on the property, plant and equipment of the Company amounting to Saudi Riyals 7,200 million.

15.3.3 Loans and facilities from founding shareholders and their affiliates

(a) 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 loans are secured by promissory note issued by the Company in favor of each shareholder equivalent to drawdowns.

	2021	2020
Saudi Aramco	**2,287,500**	2,287,500
Sumitomo Chemical	**2,287,500**	2,287,500
Accumulated interest:		
Saudi Aramco	**695,737**	652,575
Sumitomo Chemical	**695,737**	652,575
	5,966,474	5,880,150

(b) The Company entered into the following agreements in 2020:

Revolving corporate facilities with Saudi Aramco and Sumika Finance Company Limited, a wholly owned subsidiary of Sumitomo Chemical, based on prevailing market rates. The facilities available under each of these agreements amount to Saudi Riyals 2,812.5 million (collectively Saudi Riyals 5,625 million) and are fully utilized as at December 31, 2021. These facilities are secured by the promissory notes issued by the Company in favor of each lender.

Corporate facility agreement with Saudi Aramco. The facility available under this agreement amounts to Saudi Riyals 1,875 million and is utilized to the extent of Saudi Riyals 562.5 million as at December 31, 2021. The facility bears financial charges based on prevailing market rates. The facility is secured by promissory note issued by the Company in favor of Saudi Aramco to the extent of drawdown made.

15.3.4 Other facilities

(a) The Company has working capital facilities of Saudi Riyals 1,875 million with local commercial banks on prevailing market rates. During the year ended December 31, 2021, drawdowns and repayments amounting to Saudi Riyals 12,698 million and Saudi Riyals 13,829 million, respectively have been made by the Company with a closing balance of Saudi Riyals Nil as at the statement of financial position date (December 31, 2020: Saudi Riyals 1,131 million).

(b) The Company has a credit facility of Saudi Riyals 375 million with a local commercial bank on prevailing market rates. As at the statement of financial position date, the facility has been utilized to the extent of Saudi Riyals 111 million by the Company (December 31, 2020: Saudi Riyals 312 million).

15.3.5 Other long-term liability

Other long-term liability represents withholding tax on accumulated interest on loan from Sumitomo Chemical (see Note 15.3.3 a) in accordance with Saudi Arabian Income Tax Law.

15.3.6 Trade and other payables

	2021	2020
Trade payables:		
Related parties	**10,978,479**	6,338,255
Others	**1,325,595**	1,277,257
	12,304,074	7,615,512
Other payables – related parties (see below)	**93,904**	74,615
	12,397,978	7,690,127

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 4.23 and 4.24).

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 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, trade receivables, long-term loans and other receivables. Cash and cash equivalents are placed with banks with sound credit ratings. The majority of trade receivables representing 99.3% (December 31, 2020: 97.4%) is from founding shareholders and their affiliates 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. The Company does not obtain collaterals over receivables. As at December 31, 2021, there were overdue debts equivalent to 2% (December 31, 2020: 7%) of the trade receivables of Company's allowed credit periods. The loans are receivable from employees and are secured by mortgages on the related housing units. The Company is not exposed to significant credit risk on other receivables.

Commodity price risk
The Company is exposed to the risk of fluctuations in the prevailing market prices on the refined and petrochemical products it produces. The Company's policy is to manage these risks through the use of contract-based prices with major customers, based on the agreements entered by the Company (Note 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 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, 2021, it is estimated that a general increase / decrease of 50 basis points in floating interest rates on loans and borrowings, with all other variables held constant, would increase / decrease the Company's profit for the year by approximately Saudi Riyals 170.2 million (December 31, 2020: Saudi Riyals 192.8 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 (Note 15.3.6), loans and borrowings (Note 15.3.1, 15.3.2, 15.3.3, 15.3.4 and 15.3.5), lease liabilities (Note 13.2) and accrued expenses and other liabilities (Note 22). All financial liabilities except for loans and borrowings, lease liabilities, are non-commission bearing and expected to be settled within 12 months from the date of statement of financial position.

The following analysis provides the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position 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 lease liabilities, which are stated at minimum lease payments.

2021	Less than three months	Three to twelve months	One to five years	Over five years
Loans and borrowings	111,458	12,998,439	12,808,750	14,672,046
Lease liabilities	234,403	731,256	3,778,230	11,013,638
Trade and other payables	11,034,367	1,363,611	-	-
Accrued expenses and other liabilities	1,874,415	-	-	-
	13,254,643	**15,093,306**	**16,586,980**	**25,685,684**
2020	**Less than three months**	**Three to twelve months**	**One to five years**	**Over five years**
Loans and borrowings	1,492,835	9,825,729	19,124,759	15,024,291
Lease liabilities	237,770	724,478	3,799,884	11,891,840
Trade and other payables	6,364,949	1,325,178	-	-
Accrued expenses and other liabilities	1,044,335	-	-	-
	9,139,889	**11,875,385**	**22,924,643**	**26,916,131**

Capital management

The primary objective of the Company's capital management is to ensure that it maintains strong credit worthiness and 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 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

	2021	2020
Cash in hand	**233**	233
Cash at banks - current accounts	**3,971,728**	1,015,909
	3,971,961	1,016,142

17. Inventories

	2021	2020
Raw materials (at cost)	**536,257**	371,933
Work-in-progress (at net realizable value)	**1,001,753**	812,258
Finished goods (at net realizable value)	**1,064,892**	693,483
Goods-in-transit (at cost)	**11,468**	11,500
Spare parts and consumables (at net realizable value)	**1,192,080**	1,181,482
	3,806,450	3,070,656

During the year ended December 31, 2021, in order to carry the inventory at net realizable value, the net movement in provision for inventory except for spare parts and consumables has resulted in Saudi Riyals Nil (December 31, 2020: Nil) expense under cost of sales.

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

	Note	2021	2020
January 1		**106,870**	88,787
Additions	6	**8,937**	18,083
December 31		**115,807**	106,870

18. Prepayments and other receivables

	Note	2021	2020
Prepayments		**59,373**	73,212
Advances to suppliers		**107,387**	84,539
Advance tax and value added tax		**1,587,995**	782,796
Other receivables, net		**60,873**	15,161
		1,815,628	955,708
Due from related parties	25	**39,079**	7,534
		1,854,707	963,242

19. Share capital

The Company's authorized and issued share capital of Saudi Riyals 8.76 billion at December 31, 2021 and 2020 consists of 876 million fully paid shares of Saudi Riyals 10 each. The founding shareholders of the Company are Saudi Aramco and Sumitomo Chemical and each of them hold 37.5% of the shares.

20. 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 losses, to a statutory reserve until such reserve equal 50% of its share capital. This reserve is not available for distribution to shareholders.

21. Employees' benefits

	Note	2021	2020
End of service benefits	21.1	**611,627**	645,318
Employees' share ownership plan	21.2	**4,510**	4,611
Employees' savings program	21.3	**169,477**	166,350
Total employees' benefits		**785,614**	816,279
Less: Current portion of employees' benefits under accrued expenses and other liabilities		**(5,969)**	(37,892)
Non-current portion of employees' benefits		**779,645**	778,387

21.1 End of service benefits

	2021	2020
Company's employees	**605,754**	628,760
Founding shareholders' seconded employees	**5,873**	16,558
	611,627	645,318

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

The following table summarizes the components of the net benefit expense recognized in the statement of profit or loss, statement of comprehensive income and movement in present value of defined benefit obligation in the statement of financial position.

	2021	2020
Net benefit expense recognized in statement of profit or loss:		
Current service cost	**69,485**	63,934
Interest cost on benefit obligation	**13,745**	16,101
	83,230	80,035
Net benefit expense recognized in statement of comprehensive income:		
Actuarial (gain) loss arising from experience	**(11,308)**	783
Actuarial loss (gain) arising from changes in demographic assumptions	**3,011**	(5,760)
Actuarial (gain) loss arising from changes in financial assumptions	**(34,825)**	66,596
	(43,122)	61,619
Movement in present value of defined benefit obligation:		
January 1	**628,760**	508,816
Current service cost	**69,485**	63,934
Interest cost on benefit obligation	**13,745**	16,101
Actuarial (gain) loss arising from experience	**(11,308)**	783
Actuarial loss (gain) arising from changes in demographic assumptions	**3,011**	(5,760)
Actuarial (gain) loss arising from changes in financial assumptions	**(34,825)**	66,596
Benefits paid during the year	**(63,114)**	(21,710)
December 31	**605,754**	628,760

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

	2021	2020
Discount rate	**2.75%**	2.25%
Salary escalation rate	**4%**	4%
In service mortality	SOA RP14 Total Dataset mortality with scale MP-14	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, 2021 is 11.9 years (December 31, 2020: 11.7 years).

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

Discount rate:	2021	2020
1% increase in discount rate	**540,666**	562,435
1% decrease in discount rate	**683,773**	708,509
Salary escalation rate:		
1% increase in salary escalation rate	**682,009**	708,713
1% decrease in salary escalation rate	**540,765**	560,858
Voluntary exit rate:		
5% increase at each age	**561,055**	572,025
5% decrease at each age	**671,882**	714,751

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.

21.2 Employees' share ownership plan

During the year ended December 31, 2008, the Board of Directors approved the implementation and operation of an Employees' share ownership plan ("ESOP"), which provides 5 years 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 Company's eligible employees 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 the eligible employees, they are accounted for as a deduction from shareholders' equity. During the year ended December 31, 2021, the Company has vested 4,800 shares to eligible employees due for entitlement (December 31, 2020: 9,600 shares).

The carrying amount of the ESOP at December 31, 2021 is Saudi Riyals 4.5 million (December 31, 2020: Saudi Riyals 4.6 million).

21.3 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:

	2021	2020
Current portion (included in accrued expenses and other liabilities)	**404**	21,945
Non-current portion	**169,073**	144,405
	169,477	166,350

22. Accrued expenses and other liabilities

	note	2021	2020
Accrued bonus		150,278	124,907
Accrued customer rebates		-	41,998
Customer advances		91,761	18,634
Social security payable		8,679	9,919
Withholding tax and value added tax payable		1,349,261	522,651
Accrued expenses		477	9,288
Dividend payable		1,045	1,055
Others		**5,221**	26,736
		1,606,722	755,188
Due to related parties	25	**267,693**	289,147
		1,874,415	1,044,335

23. Zakat and tax

23.1 Charge (income) for the year

Zakat and tax for the year ended December 31, is as follows:

	note	2021	2020
Zakat for the year		**40,089**	-
Income tax for the year		**1,725**	-
Deferred tax expense for the year (see below)		**223,945**	34,149
Zakat for the preceding years	23.3	**-**	2,915
		265,759	37,064

Income tax and deferred tax for the year ended December 31, has been recognised as follows:

	note	2021	2020
Statement of profit or loss:			
Income tax		**1,725**	-
Deferred tax (see below)		**220,711**	38,770
Tax expense for the year	23.2	**222,436**	38,770
Statement of comprehensive income – Deferred tax expense (income)		**3,234**	(4,621)

23.2 Zakat base and tax expense reconciliatio

Zakat for the year ended December 31, is attributable to the following components:

	2021	2020
Share capital, reserves and carried forward losses	**8,773,769**	(9,231,012)
Liabilities and provisions	**39,827,208**	36,017,486
Assets	**(46,073,518)**	(30,026,814)
Zakat base	**2,527,459**	(3,240,340)
Zakat base attributable to Saudi founding shareholder and general public shareholding (2021 and 2020: 62.5%)	**1,579,662**	(2,025,213)
Zakat for the year	**40,089**	-

Some of the above-mentioned amounts have been adjusted in arriving at the Zakat charge for the year.

Reconciliation between profit (loss) before Zakat and tax at applicable tax rate and tax expense for the year ended December 31, is as follows:

	2021	2020
Profit (loss) before Zakat and tax	**2,299,186**	(3,739,443)
Profit (loss) subject to tax (2021 and 2020: 37.5%)	**862,195**	(1,402,291)
Tax at applicable tax rate (20%)	**172,439**	(280,458)
Effect of change in tax status of founding shareholder as at January 1, 2020	**-**	219,690
Tax effect of non-deductible expenses:		
Interest expense in excess of allowable limit	**35,921**	82,802
Withholding tax	**2,915**	4,002
Educational assistance	**214**	195
Others	**10,947**	12,539
Tax expense for the year	**222,436**	38,770

23.3 Status of assessments

The Company has filed its Zakat and income tax returns with Zakat, Tax and Customs Authority ("ZATCA") up to the financial year 2020. The Company's Zakat and tax assessments have been finalized by ZATCA up to the financial year 2008 and for the years 2011 up to 2016.

The ZATCA had issued assessments for the years 2009 and 2010 by raising additional Zakat and tax demand of Saudi Riyals 43.3 million and Saudi Riyals 0.2 million, respectively. The Company had filed an appeal with the Higher Appeal Committee for the years 2009 and 2010, now replaced by Tax Violations and Disputes Appellate Committee (TVDAC) and submitted a bank guarantee amounting to Saudi Riyals 43.5 million. During the year ended December 31, 2021 TVDAC issued its decision reducing the additional Zakat and Tax demand to Saudi Riyals 31.4 million and Saudi Riyals Nil respectively, which the Company had objected and requested TVDAC for reconsideration of their decision and also submitted its request to Tax Violations and Disputes Resolution Committee (TVDRC) for the matters referred to them by TVDAC.

The ZATCA had issued assessments for the years 2017 and 2018 by raising additional Zakat and tax demand of Saudi Riyals 100.7 million and Saudi Riyals 10.5 million, respectively. The Company has filed an appeal against the assessment with General Secretariat of Tax Committees (GSTC).

During the year ended 31 December 2021, ZATCA had also issued assessments for the years 2019 and 2020 by raising additional Zakat liability of Saudi Riyals 73.8 million. The company has filed objection with ZATCA and waiting for the revised assessment. The Company has submitted the bank guarantees amounting to Saudi Riyals 36.9 million for the liability under objection related to the years 2019 and 2020.

The management expects a favourable outcome against the aforementioned additional demands. If any additional Zakat and tax arises on finalization of the aforementioned additional demands, it is recoverable to the extent of Saudi Riyals 56.2 million and Saudi Riyals 0.7 million for Zakat and tax respectively from the founding shareholders of the Company.

24 Zakat and tax asset and liability

24.1 The movement of Zakat and income tax payable is as follows:

	note	2021	2020
January 1		-	15,219
Charge for the current year	23.1	**41,814**	-
Adjustment for preceding years	23.3	-	2,915
Payments during the year		-	(18,134)
December 31		**41,814**	-

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

2021	Property, plant and equipment	Tax losses carried forward	Employees' benefits	Trade receivables and inventories	Others	Total
January 1	**(1,344,864)**	**1,646,849**	**48,398**	**10,146**	**4,408**	**364,937**
Tax expense recognised in statement of profit or loss	(217,727)	(575)	708	(1,461)	(1,656)	(220,711)
Tax income recognised in statement of comprehensive income	-	-	(3,234)	-	-	(3,234)
December 31	**(1,562,591)**	**1,646,274**	**45,872**	**8,685**	**2,752**	**140,992**
2020						
January 1	(2,106,371)	2,399,627	78,704	17,580	9,546	399,086
Tax expense recognised in statement of profit or loss	761,507	(752,778)	(34,927)	(7,434)	(5,138)	(38,770)
Tax income recognised in statement of comprehensive income	-	-	4,621	-	-	4,621
December 31	(1,344,864)	1,646,849	48,398	10,146	4,408	364,937

25. 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.

25.1 Transactions with related parties

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. Significant related party transactions for the year ended December 31, are summarized as follows:

	2021	2020
Saudi Aramco and its associated companies		
Purchase of goods	**35,482,296**	17,378,945
Sale of refined products and petrochemical products	**35,718,493**	17,166,549
Financial charges	**175,222**	188,553
Rentals	**21,943**	20,693
Secondees' costs	**21,499**	28,712
Service and other cost charges, net	**493**	83,660
Sumitomo Chemical and its associated companies		
Purchase of goods	**182,893**	92,261
Sale of petrochemical products	**8,218,070**	3,633,912
Financial charges	**99,624**	77,762
Rentals	**265**	278
Secondees' costs	**18,733**	33,051
Service and other cost charges, net	**4,356**	2,277

25.2 Balances with related parties

Significant balances as at December 31, arising from transactions with related parties are as follows:

	note	2021	2020
Saudi Aramco and its associated companies			
Loans and borrowings	15	**6,360,363**	6,879,866
Trade and other payables	15	**11,057,768**	6,402,123
Trade and other receivables	15,18	**7,023,117**	3,717,025
Accrued expenses and other liabilities	22	**168,149**	164,940
Employees' benefits		**242**	90
Sumitomo Chemical and its associated companies			
Loans and borrowings	**15**	**5,797,509**	5,753,989
Trade and other payables	15	**14,615**	10,747
Trade and other receivables	15,18	**1,217,226**	176,691
Accrued expenses and other liabilities	22	**99,544**	124,207
Employees' benefits		**66**	520

25.3 Transactions with key management personnel

Transactions with key management personnel on account of short-term benefits amounted to Saudi Riyals 13.5 million (December 31, 2020: Saudi Riyals 19 million) of which Saudi Riyals 7.7 million (December 31, 2020: Saudi Riyals 9.5 million) are included in secondees' costs above (see Note 25.1). The remuneration paid to directors amounted to Saudi Riyals 1.05 million (December 31, 2020: Saudi Riyals 1.05 million).

25.4 Acquisition of Rabigh Plus Tech Park

During the year ended December 31, 2021, the Company has acquired Rabigh Plus Tech Park (RPTP) effective from October 1, 2021, an asset comprising of an industrial complex adjacent to the Company's integrated refining and petrochemical complex developed and managed jointly by Saudi Aramco and RCIMS, an affiliate of Sumitomo Chemical. The acquisition is executed through asset transfer agreements (Note 4.20) for the infrastructure with Saudi Aramco and RCIMS at a nominal amount of Saudi Riyals 750 and a land lease agreement with Saudi Aramco (Note 4.19) for a period of 35 years effective from October 1, 2021 for the land on which RPTP is located. This transaction has been recognised as asset acquisition from the founding shareholders at the agreed nominal value of Saudi Riyals 750 (USD 200) as an investment property and credited payables in the proportion of shareholding.

The fair value of the investment property amounting to Saudi Riyals 171.24 million has been arrived on the basis of the valuation exercise carried out by Jones Lang LaSalle Saudi Arabia Co. for Real Estate Valuation (JLL Co.), an independent certified licensed valuer JLL Co. is a firm licensed by Taqeem (Saudi Authority for Accredited Valuers) and is also regulated by the Royal Institution of Chartered Surveyors ("RICS").

The Valuation has been undertaken using the Depreciated Replacement Cost (DRC) method of valuation which is a form of cost approach defined by the RICS Valuation Global Standards (July 2017) and in conformity with the guidance notes of the International Valuation Standards (2017 Edition).

The valuation is carried at Level 3 fair valuation in determining and disclosing the fair values of its investment properties.

26. Impacts of the Pandemic

Since early 2020, the Novel Coronavirus Pandemic (COVID-19) has spread globally across various geographies causing disruption to businesses and economic activities thereby impacting the oil prices and products demand.

Whilst it is challenging to predict the full extent and duration of business and economic impacts, the Company's management has considered the potential impacts of COVID-19 on the Company's operations and concluded that as of the issuance date of these financial statements, no significant changes are required to the judgements and key estimates. The Company is continuously monitoring the evolving scenario and any change in the judgements and key estimates will be reflected as part of the operating results and cash flows of the future reporting periods.

27. Contingencies and commitments

(i) In addition to the amounts disclosed in notes 15.3.3 and 23.3 respectively, bank guarantees and letters of credit issued on behalf of the Company as at December 31, 2021 amounted to Saudi Riyals 1,545 million (December 31, 2020: Saudi Riyals 3,030 million).

(ii) In addition to the amounts disclosed in note 13.2, capital commitments contracted for but not incurred as at December 31, 2021 amounted to Saudi Riyals 66.3 million (December 31, 2020: Saudi Riyals 105 million).

(iii) During the year Saudi Electricity Company ("SEC") raised a claim against the Company alleging that the Company breached the Power Supply Agreement (the "Agreement") by importing power in excess of the 130MWs threshold set in the Agreement. After payment of an undisputed amount of Saudi Riyals 56.4 million, the remaining disputed amount is Saudi Riyals 317.98 million which consists of penalty on Grid Utilization Fee for 2018 and higher Grid Utilization Fee for 2019 & 2020 compared to the threshold stated as per the Agreement. The matter was initially submitted for the review of Dispute Resolution Committee (the "Committee") under the Electricity Cogeneration Regulatory Authority. In addition to the above, SEC increased the claimed amount to Saudi Riyals 365.7million by adding Saudi Riyals 47.7 million as Grid Utilization Fee for 2021 which was the subject of a new Grid Utilization Agreement negotiated by the Company and SEC, and not part of the above dispute. On December 19, 2021, the Committee issued an administrative decision ordering the Company to pay SEC the claim amount of Saudi Riyals 365.7 million. The Company's management believes that the Committee's decision is flawed on various grounds and represents a breach of the Kingdom's laws, regulations, and/or Shari'a laws. The Company is preparing to file an appeal of the Committee's decision on several grounds with the Administrative Court at the Board of Grievances. The Company's management is confident about the favourable outcome of the appeal; therefore, no provision in this respect has been made in these financial statements.

28. Proposed Equity restructuring

On December 6, 2021, the Company's Board of Directors recommended to the Company's shareholders to restructure its equity structure by:

(i) reducing the Company's share capital against the Company's accumulated losses of upto Saudi Riyals 1,205 million; and

(ii) increasing the Company's share capital through a rights issue with a total value of Saudi Riyals 7,950 million.

The Company has appointed a financial advisor to manage the restructuring process and has submitted the required applications relating to the restructuring to the Capital Market Authority on January 9, 2022 and is awaiting regulatory approvals before calling for an extraordinary general assembly meeting of the Company's shareholders to resolve and approve the equity restructuring.

29. Approval and authorization for issue

These financial statements were approved and authorized for issue by the Board of Directors of the Company on Shaaban 6, 1443H (March 9, 2022).

شركة رابغ للتكرير و البتروكيماويات
Rabigh Refining & Petrochemical Co.

P. O. Box: 101, Rabigh - 21911, Kingdom of Saudi Arabia
Investor Relations, Tel: +966-12-425-1234, Fax: +966-12-425-8696

Email: Investor.Relations@petrorabigh.com

www.petrorabigh.com