

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)

UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
JUNE 30, 2013
AND INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2013

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LIMITED REVIEW REPORT

July 21, 2013

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

Scope of review

We have reviewed the accompanying interim balance sheet of Rabigh Refining and Petrochemical Company (the "Company") as of June 30, 2013 and the interim income statement for the three-month and six-month periods ended June 30, 2013, and the interim statements of cash flows and changes in shareholders' equity for the six-month period then ended and the related notes which form an integral part of these interim financial statements. These interim financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the standard of Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of such limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting standards generally accepted in Saudi Arabia.

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RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
Interim balance sheet
(All amounts in Saudi Riyals thousands unless otherwise stated)

		June 30,	
	Note	2013	2012
		(Unaudited)	(Unaudited)
Assets			
Current assets			
Cash and cash equivalents	5	2,651,813	3,377,670
Trade receivables		7,389,160	7,336,054
Inventories		4,370,146	3,679,382
Current portion of long-term loans	4	188,800	180,550
Prepayments and other receivables		289,511	285,973
		14,889,430	14,859,629
Non-current assets			
Property, plant and equipment		27,130,707	29,161,432
Leased assets		306,971	326,941
Intangible assets		235,585	290,466
Investments	3	8,556	8,556
Long-term loans	4	2,511,880	2,645,041
		30,193,699	32,432,436
Total assets		45,083,129	47,292,065
Liabilities			
Current liabilities			
Current maturity of liabilities against capital leases		10,825	10,802
Current maturity of long-term borrowings	5	1,756,585	1,606,433
Trade and other payables		13,326,469	13,648,424
Accrued expenses and other current liabilities		857,410	717,683
Accrued zakat		-	-
		15,951,289	15,983,342
Non-current liabilities			
Long-term borrowings	5	16,455,269	18,211,854
Liabilities against capital leases		344,142	354,967
Loan from founding shareholders	5	4,575,000	4,575,000
Provision for deferred employee service		30,524	26,960
Employee termination benefits		60,479	41,916
		21,465,414	23,210,697
Total liabilities		37,416,703	39,194,039
Shareholders' equity			
Share capital	6	8,760,000	8,760,000
Statutory reserve	6	-	2,436,458
Employee share ownership plan		(31,623)	(31,924)
Accumulated deficit		(1,061,951)	(3,066,508)
Total shareholders' equity		7,666,426	8,098,026
Total liabilities and shareholders' equity		45,083,129	47,292,065

The notes on pages 7 to 15 form an integral part of these interim financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
Interim income statement
(All amounts in Saudi Riyals thousands unless otherwise stated)

Note	Three-month period ended June 30,		Six-month period ended June 30,	
	2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)
Sales	14,195,604	14,844,319	24,384,967	30,842,442
Cost of sales	(14,203,277)	(14,671,090)	(24,841,178)	(30,287,763)
Gross profit (loss)	(7,673)	173,229	(456,211)	554,679
Operating expenses				
Selling and marketing	(16,835)	(33,392)	(24,576)	(53,660)
General and administrative	(186,404)	(202,026)	(358,588)	(411,818)
Income (loss) from operations	(210,912)	(62,189)	(839,375)	89,201
Other income (expenses)				
Financial charges	(78,173)	(96,614)	(155,172)	(189,094)
Other	52,385	54,441	99,784	111,376
Net income (loss) for the period	(236,700)	(104,362)	(894,763)	11,483
Income (loss) per share (Saudi Riyals):				
8				
▪ Operating income (loss)	(0.24)	(0.07)	(0.96)	0.10
▪ Net income (loss)	(0.27)	(0.12)	(1.02)	0.01

The notes on pages 7 to 15 form an integral part of these interim financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
Interim cash flow statement
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Six month period ended	
	June 30, 2013	June 30, 2012
	(Unaudited)	(Unaudited)
Cash flow from operating activities		
Net income (loss) for the period	(894,763)	11,483
<u>Adjustments for non-cash items</u>		
Provision for doubtful debts	-	14,205
Depreciation	1,064,070	1,063,877
Amortization	27,441	27,436
Loss on disposal of property and equipment	823	4,061
Provision for deferred employee service awards and employees share ownership plan	672	3,201
Provision for employees termination benefits	12,790	12,296
Financial charges, net	155,172	189,094
	366,205	1,325,653
<u>Changes in working capital</u>		
Trade receivables	421,120	1,709,590
Inventories	(384,070)	350,161
Prepayments and other receivables	(18,345)	5,766
Trade and other payables	(1,101,591)	(1,692,374)
Accrued expenses and other current liabilities	58,307	(70,981)
Zakat	(27,952)	(12,358)
Employees termination benefits paid	(1,617)	(2,341)
Net cash (utilized in) generated from operating activities	(687,943)	1,613,116
Cash flow from investing activities		
Purchase of property and equipment	(47,709)	(85,033)
Proceeds from disposal of property and equipment	-	253
Net movement in loans balances	64,053	74,489
Net cash generated from (utilized in) investing activities	16,344	(10,291)
Cash flow from financing activities		
Repayment of long-term borrowings	(803,216)	(803,216)
Financial charges paid	(103,544)	(127,108)
Repayment of capital leases	(5,500)	(5,113)
Net cash utilized in financing activities	(912,260)	(935,437)
Net change in cash and cash equivalents	(1,583,859)	667,388
Cash and cash equivalents at beginning of period	4,235,672	2,710,282
Cash and cash equivalents at end of period	2,651,813	3,377,670

The notes on pages 7 to 15 form an integral part of these interim financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
Interim statement of changes in shareholders' equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Employee share ownership plan (ESOP)	Accumulated deficit	Total
January 1, 2013		8,760,000	2,485,344	(31,873)	(2,652,529)	8,560,942
Vesting of shares under ESOP		-	-	250	-	250
Net loss for the period		-	-	-	(894,763)	(894,763)
Transfer of statutory reserve to accumulated deficit	6	-	(2,485,344)	-	2,485,344	-
Zakat		-	-	-	(6)	(6)
Zakat reimbursement		-	-	-	3	3
June 30, 2013		8,760,000	-	(31,623)	(1,061,951)	7,666,426
January 1, 2012		8,760,000	2,436,458	(31,965)	(3,078,795)	8,085,698
Vesting of shares under ESOP		-	-	41	-	41
Net income for the period		-	-	-	11,483	11,483
Zakat		-	-	-	2,010	2,010
Zakat reimbursements		-	-	-	(1,206)	(1,206)
June 30, 2012		8,760,000	2,436,458	(31,924)	(3,066,508)	8,098,026

The notes on pages 7 to 15 form an integral part of these financial statements.

RABIGH REFINING AND PETROCHEMICAL COMPANY

(A Saudi Joint Stock Company)

Notes to the interim financial statements

For the three-month and six-month periods ended June 30, 2013 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information

Rabigh Refining and Petrochemical Company ("the Company" or "PetroRabigh") is a company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4602002161 issued by the Ministry of Commerce, Jeddah, on Shaaban 15, 1426H (September 19, 2005). The Founding Shareholders of the Company resolved on Rabi Al Awal 28, 1428H (corresponding to April 16, 2007) to change the legal status of the Company from a Limited Liability Company to a Joint Stock Company with an increased share capital of Saudi Riyals 6,570 million registered under the revised Commercial Registration issued by the Ministry of Commerce, Riyadh with effective date of Shawal 22, 1428H (November 3, 2007).

The Company launched an Initial Public Offering (IPO) of 219 million shares, equivalent to 25% of its post-issue enlarged capital, at Saudi Riyals 21 per share from January 5 to 12, 2008, on approval of application for admission of the shares to the official list by the Capital Market Authority. Following the IPO, the total authorized capital was increased from 657 million shares to 876 million shares at a par value of Saudi Riyals 10 per share under the revised Commercial Registration issued by the Ministry of Commerce, Riyadh with effective date of Muharram 14, 1429H (January 23, 2008).

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

The Company commenced its refined and petrochemical products operation effective October 1, 2008 and July 1, 2009, respectively.

The Company's registered office is located at Rabigh Refining and Petrochemical Company, P.O. Box 666, Rabigh 21911, Kingdom of Saudi Arabia.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The accompanying interim financial statements have been prepared under the historical cost convention on the accrual basis of accounting, as modified by revaluation of available-for-sale investments, and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants (SOCPA).

The interim financial statements for the three-month and six month periods ended June 30, 2013 have been prepared in accordance with SOCPA's Standard of Review of Interim Financial Reporting, on the basis of integrated periods, which views each interim period as an integral part of the financial year. Accordingly, revenues, gains, expenses and losses of the period are recognized during the period. The accompanying interim financial statements include all adjustments, comprising mainly of normal recurring accruals, considered necessary by the management to present fair statements of financial position, results of operations and cash flows. The results of operations for the interim period may not represent a proper indication of the annual results of operations. The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2012.

2.2 Functional and presentation currency

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

2.3 Critical accounting estimates and judgments

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

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
Notes to the interim financial statements
For the three-month and six-month periods ended June 30, 2013 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

(a) Provision for doubtful debts

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

(b) Useful lives of property, plant and equipment

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

(c) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognized in the income statement. The recoverable amount is the higher of an asset's net selling price and the value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

(d) Impairment of available for sale investments

The Company exercises judgment to consider the impairment of available for sale investments as well as their underlying assets. This includes the assessment of objective evidence which causes other than temporary decline in the value of investments. Any significant and prolonged decline in the fair value of the equity investment below its cost is considered as objective evidence for the impairment. The determination of what is 'significant' and 'prolonged' requires judgment. The Company also considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(e) Impairment of non-financial assets

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

2.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less from the purchase date.

2.5 Trade receivables

Trade receivables are carried at original amounts less provision made for doubtful accounts. A provision for doubtful accounts is established when there is a significant doubt that the Company will be able to collect all amounts due according to the original terms of agreement.

RABIGH REFINING AND PETROCHEMICAL COMPANY**(A Saudi Joint Stock Company)****Notes to the interim financial statements****For the three-month and six-month periods ended June 30, 2013 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

2.6 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using weighted average method. In the case of finished goods and work in process, cost includes raw materials, labor, and an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.7 Property, plant and equipment

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

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the income statement when incurred.

Expenditure incurred on testing and inspection are capitalized as part of the respective items of property, plant and equipment and amortized over the period of four years.

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

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

2.8 Leased assets

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

	Number of years
Desalination plant	17
Marine terminal facilities	30
Medical equipment	3

2.9 Intangible assets

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

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

	Number of years
Software	5
Licenses	15 - 22.5

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
Notes to the interim financial statements
For the three-month and six-month periods ended June 30, 2013 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

2.10 Investment – available for sale

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

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

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

2.11 Trade and other payables

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

2.12 Provisions

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

2.13 Zakat and income tax

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

2.14 Employee termination benefits

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

2.15 Employee Share Ownership Plan

The employee service cost of share options granted to employees under the Employee Share Ownership Plan (ESOP) is measured by reference to the fair value of the Company's shares on the date on which the options are granted. This cost is recognized as an employee expense, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of shares that will ultimately vest. The income statement charge for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

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

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

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 (All amounts in Saudi Riyals thousands unless otherwise stated)

2.16 Revenue recognition

Revenue is principally derived from refining and wholesale trading in petroleum and petrochemical products and their by-products. It is recognized in accordance with the off-take agreement and other relevant agreements with the Company's customers when the title of product passes to them.

Revenue from port services is recognized when services are rendered.

2.17 Expenses

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

2.18 Operating leases

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

2.19 Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, for the three-month and six month periods ended June 30, 2013 and 2012, are recognized in the income statement.

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

2.20 Segment reporting

(a) Business segment

A business segment is group of assets and operations:

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

(b) Geographical segment

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

3 Investment

	2013	2012
	(Unaudited)	(Unaudited)
Investment – available for sale	8,556	8,556

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

RABIGH REFINING AND PETROCHEMICAL COMPANY**(A Saudi Joint Stock Company)****Notes to the interim financial statements****For the three-month and six-month periods ended June 30, 2013 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Long-term loans

	Note	2013 (Unaudited)	2012 (Unaudited)
Long-term loans			
Current portion (RAWEC)	4.2	188,800	180,550
Non-current portion:			
RAWEC loan facilities	4.2	2,445,652	2,634,452
Loans to employees	4.3	66,228	10,589
		2,511,880	2,645,041
		2,700,680	2,825,591

4.1 The Company has entered into various agreements namely Water and Energy Conversion Agreement ("WECA"), Facility Agreement and RAWEC Shareholders' Agreement (the "Agreements") with Rabigh Arabian Water and Electricity Company (RAWEC), a Saudi limited liability company (the "Contractor") and other developers, to develop a plant, on build, own, operate and transfer basis, that will utilize fuel oil, steam condensate and sea water to produce desalinated water, steam and electric power, to be supplied to the Company under WECA dated August 7, 2005 as amended subsequently on October 30, 2011. Through these agreements, the Company provided a portion of project finance through drawdowns over the construction period of the project. The project achieved commercial closing date on June 1, 2008.

4.2 The Company has also provided a loan under a Facility Agreement in the total amount of Saudi Riyals 3.9 billion which carries interest at 5.765% per annum and is being settled through offsetting of monthly utilities related payments to RAWEC from June 30, 2008 to November 30, 2023. The loan is secured by a charge over all the assets of the RAWEC.

4.3 The Company's certain eligible employees are provided with loans under an employee home ownership program. The cost of the land is advanced to employees free of interest cost provided the employee serves the Company for a minimum period of five years while the construction cost of the house is amortized and repayable only at 90% of the loan amount to the Company over a period of seventeen years free of interest. These loans are secured by mortgages on the related houses. Ownership of the housing unit is transferred to the employee upon full payment of the amounts due.

5 Long-term borrowings**5.1 Loans from banks and financial institution**

The Company has entered in a Consortium Loan Agreement with various commercial banks and financial institutions for development, design, construction and operation of Rabigh development project. The facilities available under the loan agreement have been utilized in full and drawdowns made which finished on July 1, 2008.

The loan is payable in semi-annual repayments which commenced from June 2011. The consortium loan agreement includes financial and operational covenants, which among other things; require certain financial ratios to be maintained. The loan is secured by property, plant and equipment and cash and cash equivalents of the Company with a carrying value of Saudi Riyals 27,131 million and Saudi Riyals 2,652 million, respectively and guarantees from the Founding Shareholders.

Repayments under the loan facilities commenced from June 2011, and will run up to 2021. The loan facilities are classified in the balance sheet as follows:

	2013 (Unaudited)	2012 (Unaudited)
Current portion	1,756,585	1,606,433
Non-current portion	16,455,269	18,211,854
	18,211,854	19,818,287

RABIGH REFINING AND PETROCHEMICAL COMPANY**(A Saudi Joint Stock Company)****Notes to the interim financial statements****For the three-month and six-month periods ended June 30, 2013 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

5.2 Loan from founding shareholders

	2013 (Unaudited)	2012 (Unaudited)
Saudi Arabian Oil Company	2,287,500	2,287,500
Sumitomo Chemical Company	2,287,500	2,287,500
	4,575,000	4,575,000

Loans from the founding shareholders are availed as part of the Credit Facility Agreement. Repayment shall be made on demand, after the first repayment made as per the Consortium Loan Agreement, financial completion date and achieving the criteria set by the financial institutions under the Inter-creditor Agreement. The loan is secured by promissory note issued by the Company in favor of each shareholder equivalent to drawdowns.

6 Share capital and statutory reserve

The Company's share capital of Saudi Riyals 8.76 billion at June 30, 2013 (June 30, 2012: Saudi Riyals 8.76 billion) consists of 876 million fully paid and issued shares of Saudi Riyals 10 each (June 30, 2012: 876 million shares of Saudi Riyals 10 each).

The net proceeds from the issuance of new shares during the IPO in January 2008 resulted in a share premium of Saudi Riyals 2,409 million, which was transferred to statutory reserve in accordance with the Company's Articles of Association. Further, in accordance with the Company's Articles of Association and the Regulation for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer each year at least 10% of its net income to a statutory reserve until such reserve equal 50% of its share capital. This reserve is currently not available for distribution to the shareholders.

Pursuant to the Board of Directors' resolution as approved by the shareholders' Extraordinary General Assembly on June 24, 2013, the Company transferred statutory reserve amounting to Saudi Riyals 2.485 billion to accumulated deficit.

7 Zakat and income tax**7.1 Charge for the period**

Zakat charge for the period ended June 30, 2013 amounts to Nil (June 30, 2012: Nil). In view of the adjusted tax losses relating to foreign shareholders, no income tax has been accrued for the period.

7.2 Status of assessments

The Department of Zakat and Income Tax (DZIT) has issued assessments for the years 2006 and 2008 by raising an aggregate Zakat liability of Saudi Riyal 32 million. The Company has filed an objection which was rejected by the DZIT and on the request of the Company the assessments were transferred to Preliminary Appeal Committee (PAC) for adjudication. Management believes its position regarding the DZIT adjustment to be robust in the area of interpretation, and that it is too early to be able to estimate a probable settlement amount. Any settlement amount eventually agreed with DZIT will not impact on the future earnings of the Company, as it will be recoverable from a founding shareholder - Saudi Arabian Oil Company.

The DZIT has also issued queries for 2009 and 2010 financial years requiring certain information pertaining to various elements of financial statements. The Company is preparing responses to these queries including certification by an independent auditor for imports. The declaration for 2012 financial year was already filed and the Company's current certificate which expired on June 3, 2013 is under process for renewal.

8 Earnings / loss per share

Earnings / loss per share for the three-month and six-month periods ended June 30, 2013 have been computed by dividing the operating income / loss and net income / loss for the period by the weighted-average number of ordinary shares outstanding during the respective period of 876 million shares (2012: 876 million shares).

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9 Segment reporting

The Company operates an integrated petroleum refining and petrochemical complex. The primary format for segment reporting is based on business segments (refined products and petrochemicals) and is determined on the basis of management's internal reporting structure. The Company does not distinguish financial and non-financial information beyond gross profit or loss as the operating and financial accounting systems are structured to produce financial and operational information appropriate for an integrated petroleum refining and petrochemical complex. Accordingly, assets and liabilities are also not split into segments. In the opinion of management providing information beyond gross profit or loss levels will not affect the decisions of the users of the financial statements in view of its nature of operations. The segment information relating to the three-month and six-month periods ended June 30 is as follows:

	For the three-month period ended			For the six-month period ended		
	Refined products	Petrochemicals	Total	Refined products	Petrochemicals	Total
2013 (Unaudited)						
Sales	12,300,993	1,894,611	14,195,604	21,382,828	3,002,139	24,384,967
Cost of sales	(12,875,836)	(1,327,441)	(14,203,277)	(22,638,695)	(2,202,483)	(24,841,178)
Gross (loss) profit	(574,843)	567,170	(7,673)	(1,255,867)	799,656	(456,211)
2012 (Unaudited)						
Sales	12,337,617	2,506,702	14,844,319	26,072,497	4,769,945	30,842,442
Cost of sales	(12,958,591)	(1,712,499)	(14,671,090)	(26,786,395)	(3,501,368)	(30,287,763)
Gross (loss) profit	(620,974)	794,203	173,229	(713,898)	1,268,577	554,679

10 Related party transactions and balances

Related party transactions mainly represent purchase and sales of goods and services which are undertaken at contractual terms and are approved by management of the following entities:

<u>Name of entity</u>	<u>Relationship</u>
Saudi Arabian Oil Company	Founding Shareholder
Sumitomo Chemical Company Limited	Founding Shareholder
Sumitomo Chemical Engineering Company Limited	Associate of Founding Shareholder
Sumitomo Chemical Asia Pte Limited	Associate of Founding Shareholder
Rabigh Conversion Industry Management Services Co.	Associate of Founding Shareholder
Sumika Alchem Company Limited	Associate of Founding Shareholder
Sumika Chemical Analysis Service Limited	Associate of Founding Shareholder

Significant transactions with the founding shareholders and associates arise from purchase of crude oil feedstock, sale of refined and petrochemical products, credit facilities, terminal lease, secondment, service refinery complex lease and community lease agreements. In addition to the loan from founding shareholders, as set out in Note 5, the above mentioned transactions result in receivables and payables balances with the related parties as set out in the balance sheet in trade and non-trade receivables, trade and other payables and accrued expenses and other current liabilities amounting to Saudi Riyals 7,142.3 million (2012: Saudi Riyals 7,019.9 million), Saudi Riyals 12,962.2 million (2012: Saudi Riyals 13,259.9 million) and Saudi Riyals 596 million (2012: Saudi Riyals 505 million) respectively. These transactions are summarized as follows:

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Nature of transactions (six months period ended June 30)

	2013	2012
	(Unaudited)	(Unaudited)
Saudi Arabian Oil Company		
Purchase of feedstock	23,024,116	27,524,127
Sale of refined products	21,382,828	26,072,497
Financial charges	23,030	24,689
Seconded's and services costs	60,818	48,495
Sumitomo Chemical Company Limited and its associated companies		
Purchase of goods	11,557	23,545
Sale of petrochemical products	2,372,185	3,767,956
Financial charges	23,030	24,689
Seconded's and services costs	17,651	22,547

The land used for the Refinery and Petrochemical plant is on operating lease from one of the founding shareholders for a period of 99 years.

Transactions with key management personnel

Key management personnel of the Company comprise key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. Transactions with key management personnel on account of salaries and other short-term benefits amounted to Saudi Riyals 4.4 million (2012: Saudi Riyals 5 million) and are included in seconded's and services cost above.

11 Contingencies and commitments

11.1 Contingencies

The foreign contractors which were involved in the construction projects of the plant have lodged claims against the Company. As of June 30, 2013, the deposited amount with a bank in respect of outstanding claims is Saudi Riyals 27.4 million (June 30, 2012: Saudi Riyals 57 million). The management is reviewing the claims with the counter parties and believes that the eventual outcome will not result in any significant impact on the interim financial statements.

11.2 Commitments

As at June 30, 2013, capital commitments contracted for but not incurred for the construction and expansion of the existing petrochemical plant and facilities amounts to Saudi Riyals 108 million (2012: Saudi Riyals 125 million).

Non-cancellable operating lease rentals are as follows:

	2013	2012
	(Unaudited)	(Unaudited)
Less than one year	582,621	568,520
Between one to five years	2,119,933	2,104,650
More than five years	8,297,405	8,778,783
	10,999,959	11,451,953

12 Approval and authorization for issue

These interim financial statements were approved and authorized for issue by the Board Audit Committee, as delegated by the Board of Directors, on Ramadan 9, 1434H (July 18, 2013).