

**SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A SAUDI JOINT STOCK COMPANY)**

CONDENSED INTERIM FINANCIAL INFORMATION
(UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS
ENDED JUNE 30, 2023 AND REPORT ON REVIEW OF
CONDENSED INTERIM FINANCIAL INFORMATION

**SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A SAUDI JOINT STOCK COMPANY)
CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023**

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Report on review of condensed interim financial information

**To the shareholders of Saudi Aramco Base Oil Company - Luberef
(A Saudi Joint Stock Company)**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Saudi Aramco Base Oil Company - Luberef (the "Company") as of June 30, 2023 and the related condensed interim statement of comprehensive income for the three-month and six-month periods then ended and the condensed interim statements of changes in equity and cash flows for the six-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

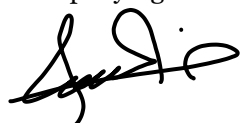
July 31, 2023



SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Condensed interim statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

		As at June 30, 2023 (Unaudited)	As at December 31, 2022 (Audited)
	Note		
Assets			
Non-current assets			
Property, plant and equipment	4	4,745,086,223	4,819,031,974
Right-of-use assets	5	131,333,802	94,374,111
Intangible assets		16,822,573	18,114,450
Employees' home ownership receivables		1,172,878	1,950,015
Loans to employees		17,507,143	16,482,646
Total non-current assets		4,911,922,619	4,949,953,196
Current assets			
Inventories		566,344,663	583,888,377
Trade receivables	6	1,248,669,603	1,023,142,016
Prepayments and other assets		33,361,466	27,554,656
Short-term deposits	7	1,171,123,551	148,200,192
Cash and cash equivalents	8	993,792,857	1,912,078,489
Total current assets		4,013,292,140	3,694,863,730
Total assets		8,925,214,759	8,644,816,926
Equity and liabilities			
Equity			
Share capital		1,687,500,000	1,687,500,000
Statutory reserve		418,308,217	418,308,217
Treasury shares		(57,420,000)	(57,420,000)
Share based payment reserve		4,350,000	-
Retained earnings		3,093,682,052	3,034,443,369
Total equity		5,146,420,269	5,082,831,586
Liabilities			
Non-current liabilities			
Long-term borrowings	9	1,856,250,000	1,940,625,000
Lease liabilities	5	123,208,597	97,451,267
Employee benefit obligations		273,639,599	263,126,392
Other non-current liabilities		43,857,714	44,416,885
Total non-current liabilities		2,296,955,910	2,345,619,544
Current liabilities			
Trade and other payables	10	1,053,722,955	674,488,529
Accrued expenses and other liabilities	11	182,644,134	237,096,902
Current portion of long-term borrowings	9	166,418,930	164,234,591
Lease liabilities	5	22,173,614	10,339,938
Zakat and income tax payable	16	56,878,947	130,205,836
Total current liabilities		1,481,838,580	1,216,365,796
Total liabilities		3,778,794,490	3,561,985,340
Total equity and liabilities		8,925,214,759	8,644,816,926

The accompanying notes form an integral part of this condensed interim financial information.



Khalid Dawood Al-Faddagh
Delegated Board Member and
Audit Committee's Chairman



Tareq Abdulaziz Al Nuaim
President & Chief Executive
Officer



Mohammed A. Al Nafea
Chief Financial Officer

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Condensed interim statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

		Three-month period ended June 30,		Six-month period ended June 30,	
	Note	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Audited)
Revenue	13	2,613,029,574	3,342,494,565	4,409,773,608	6,083,238,087
Cost of revenue	14	(2,062,517,439)	(2,749,157,267)	(3,304,519,195)	(4,983,475,634)
Gross profit		550,512,135	593,337,298	1,105,254,413	1,099,762,453
Selling and distribution expenses		(5,920,208)	(10,883,601)	(17,700,766)	(45,447,566)
General and administrative expenses	15	(64,090,032)	(56,710,218)	(139,461,895)	(108,250,148)
Other income		917,607	6,264,817	6,100,303	6,630,886
Fair value (loss) gain on derivative financial instruments		(766,474)	4,601,001	-	6,335,789
Operating profit		480,653,028	536,609,297	954,192,055	959,031,414
Finance income		31,350,726	4,353,332	62,726,906	6,769,465
Finance costs		(35,006,555)	(13,128,718)	(69,482,519)	(25,842,710)
Profit before zakat and income tax		476,997,199	527,833,911	947,436,442	939,958,169
Zakat and income tax	16	(22,142,556)	(90,362,737)	(46,912,009)	(199,853,646)
Profit for the period		454,854,643	437,471,174	900,524,433	740,104,523
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss:</i>					
Re-measurement gain on defined benefit liabilities		-	20,214,633	-	20,214,633
Deferred tax relating to remeasurement gain		-	(2,830,049)	-	(2,830,049)
		-	17,384,584	-	17,384,584
Total comprehensive income for the period		454,854,643	454,855,758	900,524,433	757,489,107
Basic and diluted earnings per share	17	2.70	2.60	5.35	4.39

The accompanying notes form an integral part of this condensed interim financial information.



Khalid Dawood Al-Faddagh
Delegated Board Member and
Audit Committee's Chairman



Tareq Abdulaziz Al Nuaim
President & Chief Executive
Officer

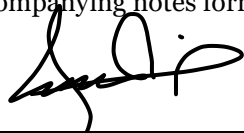


Mohammed A. Al Nafea
Chief Financial Officer

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Condensed interim statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Treasury shares	Share-based payment reserve	Retained earnings	Total equity
Balance as at January 1, 2022 (Audited)	441,000,000	220,500,000	-	-	3,583,046,248	4,244,546,248
Profit for the period	-	-	-	-	740,104,523	740,104,523
Other comprehensive income for the period	-	-	-	-	17,384,584	17,384,584
Total comprehensive income for the period	-	-	-	-	757,489,107	757,489,107
Dividends(Note 20)	-	-	-	-	(1,263,709,646)	(1,263,709,646)
Zakat and income tax recovered from shareholders	-	-	-	-	138,709,646	138,709,646
Dividends - net	-	-	-	-	(1,125,000,000)	(1,125,000,000)
Balance as at June 30, 2022 (Audited)	441,000,000	220,500,000	-	-	3,215,535,355	3,877,035,355
Balance as at January 1, 2023 (Audited)	1,687,500,000	418,308,217	(57,420,000)	-	3,034,443,369	5,082,831,586
Profit for the period	-	-	-	-	900,524,433	900,524,433
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	900,524,433	900,524,433
Current period charge	-	-	-	4,350,000	-	4,350,000
Dividends (Note 20)	-	-	-	-	(841,285,750)	(841,285,750)
Balance as at June 30, 2023 (Unaudited)	1,687,500,000	418,308,217	(57,420,000)	4,350,000	3,093,682,052	5,146,420,269

The accompanying notes form an integral part of this condensed interim financial information.



Khalid Dawood Al-Faddagh
Delegated Board Member and Audit
Committee's Chairman



Tareq Abdulaziz Al Nuaim
President & Chief Executive
Officer






Mohammed A. Al Nafea
Chief Financial Officer

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Condensed interim statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Six-month period ended June 30,	
	2023	2022
	(Unaudited)	(Audited)
Cash flows from operating activities		
Profit before zakat and income tax	947,436,442	939,958,169
<u>Adjustments for:</u>		
Depreciation and amortization	162,752,850	169,297,981
Finance income	(62,726,906)	(6,769,465)
Employee related expenses	4,651,548	102,423
Finance cost	69,482,519	25,842,710
Fair value gain on derivative financial instruments	-	(6,335,789)
Provision for employee benefits obligations	13,937,507	13,497,921
Impairment loss on financial assets	27,552,583	6,675,499
Provision for (reversal of) slow moving inventories	(922,190)	837,690
<u>Changes in working capital:</u>		
Inventories	18,465,904	(111,071,039)
Trade receivables	(253,080,170)	(608,088,083)
Prepayments and other assets	(5,312,859)	17,427,619
Trade and other payables	373,858,505	262,703,002
Accrued expenses and other liabilities	(54,452,768)	139,449,470
Cash generated from operations	1,241,642,965	843,528,108
Finance income received	58,792,863	5,733,020
Employee benefit obligations paid	(3,424,300)	(31,393,076)
Zakat and income tax paid	(120,238,898)	(170,886,810)
Net cash inflow from operating activities	1,176,772,630	646,981,242
Cash flows from investing activities		
Payments for property, plant and equipment	(80,228,478)	(16,811,255)
Payments for intangible assets	(231,095)	-
Investment in short-term deposits	(1,402,485,869)	(594,805,220)
Withdrawals from short-term deposits	387,782,970	595,468,398
Collection against employee loans	2,161,526	5,570,779
Disbursement of employee loans	(3,436,757)	(1,931,036)
Net cash outflow from investing activities	(1,096,437,703)	(12,508,334)
Cash flows from financing activities		
Repayments of borrowings	(84,375,000)	(61,875,000)
Finance cost paid	(64,362,951)	(23,015,952)
Finance cost element of lease payments	(2,608,274)	(41,434)
Principal element of lease payments	(6,424,334)	(456,362)
Dividends	(840,850,000)	(1,125,000,000)
Cash outflow from financing activities	(998,620,559)	(1,210,388,748)
Net decrease in cash and cash equivalents	(918,285,632)	(575,915,840)
Cash and cash equivalents at the beginning of the period	1,912,078,489	1,349,486,502
Cash and cash equivalents at the end of the period	993,792,857	773,570,662
Supplemental information for non-cash information		
Additions to right-of-use assets and lease liabilities	44,015,340	-
Recognition of provision for decommissioning liability	-	7,013,736

The accompanying notes form an integral part of this condensed interim financial information.

		
Khalid Dawood Al-Faddagh Delegated Board Member and Audit Committee's Chairman	Tareq Abdulaziz Al Nuaim President & Chief Executive Officer	Mohammed A. Al Nafea Chief Financial Officer

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the condensed interim financial information
(All amounts in Saudi Riyals unless otherwise stated)

1. General information

Saudi Aramco Base Oil Company – Luberef (the “Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia. The Company commenced its operations in Jeddah in 1978 and in Yanbu in 1998. The purpose of the Company is to construct, own and operate refineries of lubricating oils and to purchase, sell, transport, market, import and export lubricating oils, additives, lubricating oil blending stocks, by-products and other related petroleum products.

The Company is registered under Commercial Registration No. 4030010447 issued in Jeddah on Ramadan 3, 1396H (corresponding to 29 August 1976). The Company was converted from a limited liability company to a closed joint stock company pursuant to resolution number 1173 dated Muharram 20, 1444H (corresponding to August 18, 2022) issued by the Ministry of Commerce. On December 28, 2022, the Company completed its Initial Public Offering and its ordinary shares were listed on the Saudi Stock Exchange (“Tadawul”) accordingly the Company has been categorised as a Saudi Joint Stock Company. The Company is currently under process to update its status in the commercial registration certificate from closed joint stock company to joint stock company.

The condensed interim financial information includes the financial information of the Company's head office in Jeddah, its branch in Yanbu and its operations in Hamriyah Free Zone Authority, United Arab Emirates (UAE). The Commercial Registration Number of Yanbu branch is 4700004941. The license certificate number of 11857 for operations in Hamriyah was issued with a status of Free Zone Establishment Company (“the Establishment”) by the Government of Sharjah (UAE), on 26 Rabi-ul-Awal 1435H (corresponding to January 27, 2014).

Saudi Arabian Oil Company (“Saudi Aramco”) is the majority shareholder, immediate and ultimate parent of the Company. The Company is ultimately controlled by the government of the Kingdom of Saudi Arabia.

2. Basis of preparation

2.1 Statement of compliance

This condensed interim financial information of the Company has been prepared in accordance with International Accounting Standard 34 – “Interim Financial Reporting” (“IAS 34”), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2022. IAS 34 states that the condensed interim financial information is intended to provide an update on the latest complete set of annual financial statements. Hence, IAS 34 requires less disclosure in interim financial information than International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia (“IFRS”), and other standards and pronouncements issued by the SOCPA, required in annual financial statements.

The Company has elected to present a single condensed interim statement of comprehensive income and presents its expenses by function. The Company reports cash flows from operating activities using the indirect method.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost basis, except for defined benefit obligations which are recognised at the present value of future obligations using the Projected Unit Credit Method, lease liabilities measured at their discounted present value and derivative financial instruments measured at fair value. This condensed interim financial information is presented in Saudi Arabian Riyals (“Saudi Riyals”) being the functional and presentation currency of the Company.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the condensed interim financial information
(All amounts in Saudi Riyals unless otherwise stated)

2.3 New and amended standards

New and amended standards

The Company has adopted the following relevant amendments to IFRS which are effective for periods beginning on and after January 1, 2023, and have no impact on the Company:

Title	Key requirements
IFRS 17, 'Insurance Contracts'	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 has fundamentally changed the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.
Definition of Accounting Estimates – Amendments to IAS 8	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

Standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for June 30, 2023 reporting period and have not been early adopted by the Company. The relevant standards, interpretations and amendments issued, but are not yet effective are disclosed below.

Title	Key requirements	Effective date
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 'Presentation of Financial Statements, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.	January 1, 2024
Leases on Sale and Leaseback – Amendment to IFRS 16	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	January 1, 2024

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the condensed interim financial information
(All amounts in Saudi Riyals unless otherwise stated)

Significant accounting policies

The accounting policies adopted by the Company for the preparation of the condensed interim financial information are consistent with those followed in preparation of the Company's annual financial statements for the year ended December 31, 2022.

The condensed interim financial information includes the accounts of the Company's branch in Hamriyah Free Zone Authority, United Arab Emirates (UAE). The reporting period of the Company's branch is the same as that of the Company i.e. December 31.

3. Critical accounting estimates and judgements

In preparing this condensed interim financial information, management has made judgements and estimates that affect determination and application of accounting policies and the reported amounts of assets and liabilities, income and expense and accompanying disclosures. Uncertainty about 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 were the same as those described in the last annual financial statements.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the condensed interim financial information
(All amounts in Saudi Riyals unless otherwise stated)

4. Property, plant and equipment

The movement in property, plant and equipment is as follows:

	Manufacturing plants	Buildings and leasehold improvements	Furniture and fixtures	Other machinery and equipment	Motor vehicles	Capital work in progress	Total
At December 31, 2022 (Audited)							
Cost	7,737,477,336	330,983,340	27,367,141	243,888,449	2,355,698	196,630,111	8,538,702,075
Accumulated depreciation	3,204,783,809	280,545,116	26,901,680	205,226,808	2,212,688	-	3,719,670,101
Net book value	4,532,693,527	50,438,224	465,461	38,661,641	143,010	196,630,111	4,819,031,974
Six-month ended June 30, 2023 (Unaudited)							
Opening net book value	4,532,693,527	50,438,224	465,461	38,661,641	143,010	196,630,111	4,819,031,974
Additions	-	-	-	-	-	80,228,478	80,228,478
Transfers	4,562,516	-	-	696,240	-	(5,258,756)	-
Depreciation charge	(147,785,467)	(2,929,094)	(74,628)	(3,330,040)	(55,000)	-	(154,174,229)
Closing net book value	4,389,470,576	47,509,130	390,833	36,027,841	88,010	271,599,833	4,745,086,223
At June 30, 2023 (Unaudited)							
Cost	7,742,039,852	330,983,340	27,367,141	244,584,689	2,355,698	271,599,833	8,618,930,553
Accumulated depreciation	3,352,569,276	283,474,210	26,976,308	208,556,848	2,267,688	-	3,873,844,330
Net book value	4,389,470,576	47,509,130	390,833	36,027,841	88,010	271,599,833	4,745,086,223

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
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Notes to the condensed interim financial information
(All amounts in Saudi Riyals unless otherwise stated)

Manufacturing plants includes deferred refinery turnaround costs. The movement in deferred refinery turnaround costs during the year ended, is analyzed as under:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cost:		
Opening balance	113,672,712	113,672,712
Addition	45,265,139	-
Closing balance	158,937,851	113,672,712
Accumulated depreciation:		
Opening balance	94,568,819	71,858,815
Amortization during the period / year	8,450,368	22,710,004
Closing balance	103,019,187	94,568,819
Carrying amount	55,918,664	19,103,893

5. Leases

5.1 Right-of-use assets

	Lands	Generators	Head office building	Others	Total
At January 1, 2022					
(Audited) – book value	92,411,018	-	-	9,200,072	101,611,090
Depreciation	(4,325,475)	-	-	(2,911,504)	(7,236,979)
At December 31, 2022					
(Audited) - book value	88,085,543	-	-	6,288,568	94,374,111
Additions*	-	30,168,396	13,846,944	-	44,015,340
Depreciation	(2,162,738)	(2,514,033)	(923,126)	(1,455,752)	(7,055,649)
At June 30, 2023					
(Unaudited) - book value	85,922,805	27,654,363	12,923,818	4,832,816	131,333,802

* During the period, the Company entered into lease agreements for electric generators for Jeddah refinery and new head office building in Jeddah.

5.2 Lease liabilities

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Opening balance	107,791,205	112,802,992
Additions	44,015,340	-
Lease payments during the period / year	(9,032,608)	(10,079,110)
Interest on lease liabilities during the period / year	2,608,274	5,067,323
Closing balance	145,382,211	107,791,205
	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current	22,173,614	10,339,938
Non-current	123,208,597	97,451,267
	145,382,211	107,791,205

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the condensed interim financial information
(All amounts in Saudi Riyals unless otherwise stated)

Amounts recognised in the condensed interim statement of comprehensive income

	Three-month period ended June 30,		Six-month period ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Audited)
Depreciation charge on right-of-use assets	4,387,114	1,809,245	7,055,649	3,618,490
Interest expense (included in finance costs)	1,199,985	1,256,296	2,608,274	2,485,620
Expense relating to short-term leases (included in selling and distribution expenses)	2,575,503	2,938,277	5,864,097	5,081,284

6. Trade receivables

	Note	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade receivables		709,293,254	664,463,277
Related parties	12	578,007,656	369,757,463
		1,287,300,910	1,034,220,740
Allowance for expected credit losses		(38,631,307)	(11,078,724)
		1,248,669,603	1,023,142,016

Trade receivables amounting to Saudi Riyals 563.29 million (December 31, 2022: Saudi Riyals 444.37 million) have been offset in the condensed interim statement of financial position.

Movement in provision for impairment of trade receivables is as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Opening balance	11,078,724	5,351,541
Charge for the period / year*	27,552,583	5,727,183
Closing balance	38,631,307	11,078,724

* During the period ended June 30, 2023, the management has made an impairment loss provision against the receivable balances of Saudi Riyals 12.03 million on a customer based in Sudan due to political instability that is causing the risk of recoverability.

7. Short-term deposits

The Company deposited Saudi Riyals 1,162.9 million in Shariah compliant short-term deposits having up to 147 days maturity period on which interest income accrued amounts to Saudi Riyals 8.22 million (December 31, 2022: Saudi Riyals 146.85 million in a 94-day short-term deposit on which interest income accrued amounts to Saudi Riyals 1.35 million). These short-term deposits were held by commercial banks and are due to mature from September 5, 2023 to October 5, 2023. The Company places new short-term deposits upon maturity.

The short-term deposits are held with banks having sound credit rating and yield financial income at prevailing market rates. The fair value at each reporting date is estimated to be the same as their carrying value.

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8. Cash and cash equivalents

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash in hand	80,000	110,000
Cash at banks	156,119,546	128,807,946
Time deposits	837,593,311	1,783,160,543
	<u>993,792,857</u>	<u>1,912,078,489</u>

As at June 30, 2023, the Company had deposited Saudi Riyals 833.52 million in Shariah compliant time deposits having up to 89 days maturity period on which interest income accrued amounts to Saudi Riyals 4.07 million (December 31, 2022: Saudi Riyals 1,533.59 million in time deposits having up to 41 days maturity period on which interest income accrued amounts to Saudi Riyals 7.66 million). These time deposits were held by commercial banks and were due to mature from July 2, 2023 to August 28, 2023.

Cash at banks and time deposits are placed with banks with sound credit ratings. Time deposits are placed with local commercial banks and yield financial income at prevailing market rates with original maturities of three months or less.

9. Borrowings

Long-term borrowings comprise of the following:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Islamic banking facilities (Murabaha)	2,022,668,930	2,104,859,591
Less: current portion of long-term borrowings	(166,418,930)	(164,234,591)
	<u>1,856,250,000</u>	<u>1,940,625,000</u>

Currency denomination of the borrowings in Saudi Riyals equivalent is as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Saudi Riyals	1,517,029,231	1,578,652,410
United States Dollars ("USD")	505,639,699	526,207,181
	<u>2,022,668,930</u>	<u>2,104,859,591</u>

These facilities bear finance costs at market rates, which are generally based on Saudi Inter Bank Offered Rate ("SIBOR") for Saudi Riyals denominated borrowings and on Term Secured Overnight Financing Rate ("Term SOFR") for USD denominated borrowings. The spread during the six month period ended June 30, 2023 on these facilities varied between 0.75% - 1 % per annum (year ended December 31, 2022: 0.75% - 1 % per annum). Moreover, there is no collateral on the Company's assets due to these long-term borrowing agreements. The long-term borrowing agreements contain certain covenants, which among other things, require the Company to maintain net debt to equity and certain other financial ratios. As at June 30, 2023 and December 31, 2022, the Company was compliant with all the covenants with the lenders.

As at June 30, 2023, the Company has a short-term bank facility from a local commercial bank for managing its working capital amounting to Saudi Riyals 40 million (December 31, 2022: Saudi Riyals 40 million). The facility is denominated in Saudi Riyals and bears finance costs based on prevailing market rates for SIBOR +1.5%. There are no financial covenants applicable to the Company under such facility with the respective bank. The facility is unsecured. The maturity of the bank facility is within twelve months. Total unused credit facility available to the Company as at June 30, 2023 is approximately Saudi Riyals 40 million (December 31, 2022: Saudi Riyals 40 million).

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10. Trade and other payables

	Note	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Related parties	12	919,453,302	506,405,952
Thrift plan obligation		30,024,833	32,788,709
Third parties		48,648,182	64,757,755
Other payables		55,596,638	70,536,113
		1,053,722,955	674,488,529

Trade payables are unsecured and are usually paid within 3-12 months of recognition. The carrying amounts of trade payables are considered to approximate their fair values, due to their short-term nature.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company has agreements with Saudi Aramco to purchase feedstock and return by-product in Jeddah refinery and purchase fuel oil and return by-product (marine heavy fuel oil) in Yanbu refinery. The settlement of the balance related to these transactions takes place after 60 to 90 days and net payment is made to or received from Saudi Aramco. The balances may be offset in all circumstances and meet the requirements of offsetting in IFRS.

The following table presents the recognised financial instruments that are offset, or subject to enforceable netting arrangements:

	Gross amounts	Amounts setoff	Net amounts presented
<i>Effects of offsetting on the condensed interim statement of financial position</i>			
June 30, 2023 (Unaudited)			
Related party receivables	1,141,298,018	(563,290,362)	578,007,656
Related party payables	1,482,743,664	(563,290,362)	919,453,302
<i>Effects of offsetting on the statement of financial position</i>			
December 31, 2022 (Audited)			
Related party receivables	814,125,221	(444,367,758)	369,757,463
Related party payables	950,773,710	(444,367,758)	506,405,952

11. Accrued expenses and other liabilities

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Accrued expenses	91,896,022	112,666,571
Net VAT payable	48,735,096	55,306,385
Accrual for rebates and discounts	21,956,677	42,955,800
Accrued bonus	10,575,025	20,795,081
Unused employees' leaves balance	9,481,314	5,373,065
	182,644,134	237,096,902

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12. Related party transactions and balances

Related parties comprise the shareholders and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Related parties also include business entities in which certain directors or senior management have an interest (other related parties). Moreover, the Company is ultimately controlled by the government of the Kingdom of Saudi Arabia.

Transactions with key management personnel

Key management personnel include all the heads of departments and key personnel involved in Company's operations. The compensation to key management personnel is shown below:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Short-term employee benefits	8,261,260	7,913,009	17,457,259	15,732,084
Provision for employee benefit obligations	782,618	610,975	1,463,413	1,261,513

During the six-month period ended June 30, 2023, the Company has remunerated Saudi Riyals 1.73 million to non-executive independent directors for attending the board of directors' meetings (six-month period ended June 30, 2022: Saudi Riyals 0.01 million).

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Significant transactions and balances with related parties in the ordinary course of the business included in the condensed interim financial information are summarized below:

Related party	Nature of transaction	Transactions				Balance as at	
		Three-month period ended		Six-month period ended			
		June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)	June 30, 2023 (Unaudited)	June 30, 2022 (Audited)	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Due from related parties							
Saudi Aramco	Sales of by-products	902,026,847	1,354,944,868	1,336,392,820	2,528,843,492	311,931,442	121,653,295
SAMREF	Sales of by-products	161,543,619	282,651,842	355,179,424	483,291,532	121,051,686	147,221,722
S-Oil Singapore Pte. Ltd.	Sales of base oil	315,367,903	371,435,693	505,469,124	673,932,807	105,155,667	68,819,553
S-Oil Corporation	Sales of base oil	26,671,957	-	26,671,957	-	12,582,995	24,647,153
Motiva Trading LLC	Sales of base oil	16,780,045	-	16,780,045	-	16,780,045	-
Aramco Chemical Company	Sales of base oil	-	5,328,705	-	5,328,705	-	6,174,172
Aramco Lubricants and Retail Company	Sales of base oil	2,388,454	-	8,406,094	-	10,505,821	1,241,568
						578,007,656	369,757,463
Due to related parties							
Saudi Aramco	Purchase of feedstock, materials and utilities	1,611,521,868	2,475,059,613	2,527,002,157	4,474,305,142	877,251,779	468,739,601
	Technical and management support services	9,349,451	6,763,663	12,656,514	12,169,461	26,982,526	25,972,188
	Lease rental for Jeddah refinery land and Yanbu refinery pipeline	660,878	660,878	1,321,757	1,321,757	-	-
SAMREF	Technical and management support services	275,198	468,322	275,198	468,322	-	-
S-Oil Corporation	Purchase of base oil	163,151,433	-	218,987,998	17,908,285	15,218,997	11,694,163
						919,453,302	506,405,952

The Company's revenues derived from sales to Saudi Aramco and other affiliates accounted for approximately 30% and 21% (six-month period ended June 30, 2022: 42% and 19%) respectively, of the total revenue.

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13. Revenue

The Company derives revenue from the transfer of goods at a point in time and revenue from freight and services to Saudi Aramco over a period of time. The Company has the following major product lines:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Audited)
Revenue from base oil sales	1,492,368,240	1,643,914,370	2,608,849,293	2,962,693,648
Revenue from by-products sales	1,120,661,334	1,698,580,195	1,800,924,315	3,120,544,439
	2,613,029,574	3,342,494,565	4,409,773,608	6,083,238,087

During the six-month period ended June 30, 2023, the Company has recognized revenue from freight services amounting to Saudi Riyals 100.65 million (six-month period ended June 30, 2022: Saudi Riyals 77.7 million).

The management has categorized its geographical operations as follows:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Audited)
Geographic information				
Revenues from local sales				
Kingdom of Saudi Arabia	1,526,726,717	2,257,083,530	2,575,651,475	4,130,040,046
Revenues from export sales				
United Arab Emirates	623,533,305	491,996,870	1,122,201,357	953,522,054
India	197,108,421	289,421,336	336,851,370	204,191,793
Singapore	47,443,144	69,736,237	76,770,297	458,144,094
Egypt	36,516,584	115,100,611	64,528,481	115,100,611
United States of America	72,518,459	-	73,253,567	-
Others	109,182,944	119,155,981	160,517,061	222,239,489
Total	2,613,029,574	3,342,494,565	4,409,773,608	6,083,238,087

14. Cost of revenue

	Three-month period ended June 30,		Six-month period ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Audited)
Cost of materials	1,877,596,206	2,547,175,916	2,938,938,612	4,644,218,347
Depreciation on property, plant and equipment	76,206,028	82,029,700	153,860,527	164,117,427
Employee related costs	45,767,472	48,699,592	96,548,353	92,525,628
Depreciation on right-of-use assets	3,232,652	1,461,064	5,437,625	2,922,129
Amortization of intangible assets	233,938	55,974	486,782	145,745
Others	59,481,143	69,735,021	109,247,296	79,546,358
	2,062,517,439	2,749,157,267	3,304,519,195	4,983,475,634

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15. General and administrative expenses

	Three-month period ended June 30,		Six-month period ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Audited)
Employee related costs	26,362,875	38,511,930	69,714,177	75,804,325
Impairment losses on financial assets	13,287,820	5,215,012	27,552,583	6,675,499
Consultancy charges	13,961,754	4,683,129	19,583,954	11,724,526
Telephone and postage	1,074,813	2,316,525	2,733,883	2,849,855
Business travel	888,190	893,816	1,750,436	1,103,650
Depreciation on right-of-use assets	1,154,462	92,807	1,618,024	696,361
Insurance	539,835	323,935	1,240,386	685,277
Amortization of intangible assets	518,093	503,650	1,036,190	1,007,302
Depreciation on property, plant and equipment	153,957	309,017	313,702	409,017
Others	6,148,233	3,860,397	13,918,560	7,294,336
	64,090,032	56,710,218	139,461,895	108,250,148

16. Zakat and income tax

The Company is subject to zakat which is payable at 2.58% of approximate zakat base (excluding adjusted net income for the year) and at 2.5% of the adjusted net income for the year.

16.1 Charge for the period

The charge for the period, consists of the following:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Audited)
Zakat charge	22,142,556	7,609,049	46,912,009	9,526,410
Income tax charge	-	43,008,776	-	79,692,569
Deferred tax charge	-	39,744,912	-	110,634,667
	22,142,556	90,362,737	46,912,009	199,853,646

The Company was listed on Tadawul on December 28, 2022 and is only subject to zakat charge which resulted in an increase in the zakat expense and a decrease in the income tax expense in the current period.

16.2 Provision for zakat and income tax

The movement in zakat and income tax payable is as follows:

	Income tax	Zakat	Total
At January 1, 2022 (Audited)	130,709,876	19,805,736	150,515,612
Charge for the year	192,219,241	21,449,883	213,669,124
Payment	(221,453,432)	(12,525,468)	(233,978,900)
At December 31, 2022 (Audited)	101,475,685	28,730,151	130,205,836
Charge for the period	-	46,912,009	46,912,009
Payment	(99,193,822)	(21,045,076)	(120,238,898)
At June 30, 2023 (Unaudited)	2,281,863	54,597,084	56,878,947

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16.3 Status of certificates and final assessments

The Company has filed its zakat and income tax return up to the year ended December 31, 2022. During the six-month period ended June 30, 2023, the Zakat, Tax and Customs Authority ("ZATCA") issued a preliminary assessment for the financial year 2017, against which the Company has filed an extension which was approved by the ZATCA.

17. Earnings per share

Earnings per share has been calculated by dividing the net profit attributable to the owners of the Company by the weighted average number of shares outstanding during the period.

	Three-month period ended June 30,		Six-month period ended June 30,	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Net profit attributable to owners of the Company	454,854,643	437,471,174	900,524,433	740,104,523
Weighted average number of shares*	168,170,000	168,170,000	168,170,000	168,750,000
Basic / diluted earnings per share (Saudi Riyals per share)	2.70	2.60	5.35	4.39

*On August 18, 2022, the total share capital was revised to Saudi Riyals 1,687.5 million comprising 168.75 million shares. Since this represents a change in the number of basic shares without a corresponding change in resources (i.e. capitalization effect of retained earnings), the weighted average number of basic shares outstanding during all reported years is adjusted retrospectively. Weighted average number of shares are adjusted to reflect the effect of treasury shares held by the Company.

As at June 30, 2023, the potential ordinary shares pertains to employees' share-based compensation in respect of a grant that was awarded to the Company's eligible employees under the plan terms of the grant. The grant did not have a significant dilution effect on basic earnings per share for the six-month period ended June 30, 2023. There were no issuances involving potential ordinary shares for the six-month ended June 30, 2022.

18. Operating segment

The Company is engaged to construct, own and operate refineries of lubricating oils and to purchase, sell, transport, market, import and export lubricating oils, additives, lubricating oil blending stocks, by-products and other related petroleum products. The Company operates in Jeddah and Yanbu region of Saudi Arabia and has an operation in Al-Hamriyah in the United Arab Emirates. For management purposes, the Company is organized as a single business unit aligned with its principal business activity.

The Company has determined that the Company's Board of Directors and the President & CEO, being Chief Operating Decision Maker ("CODM") and are responsible for making decisions regarding the allocation of resources and assessment of performance of the Company. The CODM monitors the operating results of the Company as a whole for the purpose of making decisions about resource allocation and performance assessment of the Company's business. The CODM evaluates the performance on the basis of revenues, total operating expenses, EBITDA, net income and return on equity.

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19. Commitments and contingencies

19.1 Commitments

- a) As at June 30, 2023, the Company had outstanding capital commitments of Saudi Riyals 1,320.86 million (December 31, 2022: Saudi Riyals 416.76 million) in respect of additions to property, plant and equipment at its Jeddah and Yanbu refineries.

19.2 Contingencies

- a) As at June 30, 2023 the letters of guarantees issued by banks on behalf of the Company is Nil (December 31, 2022: Saudi Riyals 2.31 million) and letters of credit issued by banks on behalf of the Company is Saudi Riyals 3.86 million (December 31, 2022: Saudi Riyals 4.41 million).
- b) A contractor for Yanbu Expansion Project has submitted claims to the Company amounting to Saudi Riyals 222.52 million (December 31, 2022: Saudi Riyals 222.52 million). After the assessment on the procedural and substantive grounds, the management has rejected these claims. This claim is not filed in any court of law. The Company is not expecting any cash outflow on these claims therefore no provision has been recorded in the condensed interim financial information.

20. Dividends

On April 30, 2023, the shareholders approved a dividend of Saudi Riyals 841.29 million, equivalent to Saudi Riyals 5 per share which was paid in May 2023 (six-month period ended June 30, 2022: Saudi Riyals 1,263.71 million which was paid in May 2022).

Subsequent to the six-month period ended June 30, 2023, on July 27, 2023, the board of directors approved an interim dividend of Saudi Riyals 841.28 million, equivalent to Saudi Riyals 5 per share.

21. Approval of condensed interim financial information

The board of directors has delegated their authority for approval of the condensed interim financial information to audit committee members accordingly this condensed interim financial information was approved and authorized for issue by the audit committee members of the Company on July 27, 2023.