

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2018 AND REPORT ON REVIEW OF INTERIM
FINANCIAL STATEMENTS

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018

Table of contents	Page
Report on review of interim financial statements	1 – 2
Condensed interim statement of profit or loss	3
Condensed interim statement of comprehensive income	4
Condensed interim statement of financial position	5
Condensed interim statement of changes in equity	6
Condensed interim statement of cash flows	7
Notes to the condensed interim financial statements	8 – 20



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Independent Auditors' Report On Review Of Interim Financial Statements

The Shareholders
Rabigh Refining and Petrochemical Company
(A Saudi Joint Stock Company)
Rabigh, Kingdom of Saudi Arabia.

Introduction

We have reviewed the accompanying September 30, 2018 condensed interim financial statements of Rabigh Refining and Petrochemical Company ("the Company") which comprises:

- the condensed interim statement of profit or loss for the three month and nine month periods ended September 30, 2018;
- the condensed interim statement of comprehensive income for the three month and nine month periods ended September 30, 2018
- the condensed interim statement of financial position as at September 30, 2018;
- the condensed interim statement of changes in equity for the nine-month period ended September 30, 2018;
- the condensed interim statement of cash flows for the nine month period ended September 30, 2018; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is 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 that are 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 September 30, 2018 condensed interim financial statements of Rabigh Refining and Petrochemical Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

Other matter

The financial statements of **Rabigh Refining and Petrochemical Company** for the year ended December 31, 2017, for the three month period ended 31 March 2018 and for the nine month period ended September 30, 2017 were audited and reviewed by another auditor who expressed an unmodified opinion and conclusions thereon vide their reports dated March 7, 2018, May 7, 2018 and October 30, 2017 respectively.

For KPMG Al Fozan & Partners
Certified Public Accountants



Ebrahim Oboud Baeshen
License No. 382

Jeddah, Safar 27, 1440H
Corresponding to November 5, 2018



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

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

		Three-month period ended September 30,		Nine-month period ended September 30,	
	Notes	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Sales	4	12,041,246	9,141,317	32,640,403	24,687,342
Cost of sales		(11,433,748)	(8,039,519)	(30,596,669)	(22,885,736)
Gross profit		607,498	1,101,798	2,043,734	1,801,606
Selling and marketing expenses	2.1	(62,027)	(19,565)	(337,365)	(58,583)
General and administrative expenses		(201,764)	(272,478)	(687,897)	(713,227)
Other income, net		8,941	17,042	63,354	38,144
Operating profit		352,648	826,797	1,081,826	1,067,940
Financial charges		(121,532)	(100,430)	(330,892)	(325,189)
Financial income		74,823	66,307	225,019	187,919
Profit before Zakat and income tax		305,939	792,674	975,953	930,670
Zakat	10	(12,848)	(28,573)	(46,381)	(57,084)
Income tax	10	(49,656)	(57,635)	(155,486)	(91,151)
Net profit after Zakat and income tax		243,435	706,466	774,086	782,435
Earnings per share (Saudi Riyals) – Basic and diluted	5	0.28	0.81	0.88	0.89

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.

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

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

		Three-month period ended September 30,		Nine-month period ended September 30,	
	Note	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net profit after Zakat and income tax		243,435	706,466	774,086	782,435
Remeasurement gain / loss on defined benefit plan		-	-	-	-
Items that will not be reclassified to statement of profit or loss in subsequent periods		-	-	-	-
Total comprehensive income for the period		243,435	706,466	774,086	782,435

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.

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

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	6	44,227,225	43,971,487
Leased assets		399,671	417,360
Intangible assets		114,790	123,513
Long-term loans	7	3,894,637	4,051,329
Investment	7	16,412	16,412
Deferred tax asset		409,241	348,092
		49,061,976	48,928,193
Current assets			
Inventories		3,370,314	3,022,322
Trade receivables	7	7,682,630	5,741,361
Current portion of long-term loans	7	422,244	404,248
Prepayments and other receivables		2,766,311	941,517
Time deposits		1,662,510	1,479,073
Cash and cash equivalents		3,184,034	1,158,263
		19,088,043	12,746,784
Total assets		68,150,019	61,674,977
Equity and liabilities			
Equity			
Share capital	8	8,760,000	8,760,000
Statutory reserve	9	183,745	183,745
Employee share ownership plan		(6,375)	(7,098)
Retained earnings		1,701,881	1,149,160
Total equity		10,639,251	10,085,807
Non-current liabilities			
Loans, borrowings and other long-term liability	7	28,596,934	36,812,511
Liabilities against finance leases		468,289	481,953
Employees' benefits		489,495	420,707
		29,554,718	37,715,171
Current liabilities			
Short-term borrowings	7	13,660,955	3,715,280
Current maturity of liabilities against finance leases		22,457	18,413
Trade and other payables	7	12,059,484	9,221,871
Accrued expenses and other liabilities		1,956,940	610,393
Zakat and income tax payable		256,214	308,042
		27,956,050	13,873,999
Total liabilities		57,510,768	51,589,170
Total equity and liabilities		68,150,019	61,674,977

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine-months period ended September 30, 2018

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Employee share ownership plan	Retained earnings (accumulated deficit)	Total
January 1, 2018 (Audited)	8,760,000	183,745	(7,098)	1,149,160	10,085,807
Net profit after Zakat and income tax	-	-	-	774,086	774,086
Total other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	774,086	774,086
Vesting of shares under employee share ownership plan	-	-	723	-	723
Dividend (Note 13)	-	-	-	(438,000)	(438,000)
Income tax reimbursements (Note 10)	-	-	-	216,635	216,635
September 30, 2018 (Unaudited)	8,760,000	183,745	(6,375)	1,701,881	10,639,251
January 1, 2017 (Audited)	8,760,000	87,343	(8,207)	(572,349)	8,266,787
Net profit after Zakat and income tax	-	-	-	782,435	782,435
Total other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	782,435	782,435
Vesting of shares under employee share ownership plan	-	-	739	-	739
Zakat and income tax reimbursements (Note 10)	-	-	-	125,784	125,784
September 30, 2017 (Unaudited)	8,760,000	87,343	(7,468)	335,870	9,175,745

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.

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

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	Nine-month period ended September 30,	
		2018	2017
Cash flows from operating activities			
Profit before Zakat and income tax		975,953	930,670
<u>Adjustments for non-cash items</u>			
Depreciation		1,817,498	1,813,553
Financial charges		330,892	325,189
Financial income		(225,019)	(187,919)
Amortization		9,887	9,797
Provision for slow moving inventories		4,563	3,865
Loss on disposal of property, plant and equipment		17,126	1,267
		<u>2,930,900</u>	<u>2,896,422</u>
<u>Changes in working capital</u>			
Trade receivables		(1,941,269)	(1,433,851)
Inventories		(352,556)	(517,557)
Prepayments and other receivables		(1,600,650)	(88,770)
Trade and other payables		3,144,407	1,322,864
Accrued expenses and other liabilities		1,173,817	(520,760)
Employees benefits		69,510	49,727
		<u>3,424,159</u>	<u>1,708,075</u>
Zakat and income tax paid		(314,845)	(68,350)
Interest received		197,959	184,891
Interest paid		(110,306)	(138,953)
Net cash generated from operating activities		<u>3,196,967</u>	<u>1,685,663</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,901,874)	(1,800,508)
Addition to intangible assets		(1,164)	(1,051)
Net movement in time deposits		(183,436)	(3,750)
Disbursements of long-term loan		(143,055)	(30,938)
Net cash utilized in investing activities		<u>(2,229,529)</u>	<u>(1,836,247)</u>
Cash flows from financing activities			
Proceeds from loans and borrowings		2,912,625	8,812,500
Repayments of loans and borrowings		(1,540,465)	(8,771,588)
Other net movement in loans, borrowings and other long-term liability		154,204	139,960
Repayment of finance leases		(31,965)	(32,180)
Dividend paid	13	(436,066)	(1)
Net cash generated from financing activities		<u>1,058,333</u>	<u>148,691</u>
Net change in cash and cash equivalents		<u>2,025,771</u>	<u>(1,893)</u>
Cash and cash equivalents at beginning of the period		1,158,263	1,381,795
Cash and cash equivalents at end of the period		<u>3,184,034</u>	<u>1,379,902</u>
Supplemental schedule of non-cash information			
Zakat and income tax reimbursable from shareholders	10	<u>216,635</u>	<u>125,784</u>
Addition to property, plant and equipment through accrued expenses and other liabilities		<u>170,798</u>	<u>168,358</u>
Long-term loan repayments settled against capacity payments	7.1.1	<u>287,244</u>	<u>296,548</u>

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2018 (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 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, including the manufacturing and sales of refined and petrochemical products.

The Company's registered address is P.O. Box 101, Rabigh 21911, Kingdom of Saudi Arabia.

During the three-month period ended March 31, 2015, the Company acquired the Expansion Project of its existing integrated petroleum refining and petrochemical complex ("Phase II Expansion Project") from Saudi Arabian Oil Company and Sumitomo Chemical Company Limited (Founding shareholders of the Company), upon completion of the formalities underlying the novation of relevant contracts and fulfilment of precedent conditions. The aggregate cost of the Phase II Expansion Project is currently estimated at Saudi Riyals 34 billion, the completion of which is estimated to be during first half of 2019. Also see Note 6.

2 Basis of preparation

These condensed interim financial statements of the Company have been prepared in accordance with IAS 34 "Interim Financial Reporting" as endorsed by Saudi Organization for Certified Public Accountants (SOCPA) in the Kingdom of Saudi Arabia as well as other standards and pronouncements issued by SOCPA.

These condensed 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 annual financial statements for the year ended December 31, 2017. However, selected explanatory notes are included to explain the events and transactions that are significant to an understanding of changes in the Company's financial position and performance since the last annual financial statements.

2.1 New standards, interpretations and amendments adopted

(a) Standards, interpretations and amendments adopted

IFRS 15 – Revenue from Contracts with Customers

The Company has adopted IFRS 15 from January 1, 2018 using modified retrospective method (see Note on Revenue under summary of significant accounting policies). Accordingly, the comparative information has not been restated and continues to be reported under IAS 18 - Revenue. Previously, the Company was recognising revenue net of certain selling and marketing expenses which are incurred and separately invoiced by the marketers (customers). As per IFRS 15, the Company accounts for consideration payable to a customer as a reduction of the transaction price unless both the following conditions are met:

- the payment to the customer is in exchange for distinct goods or services that the customer transfers to the entity, and
- the fair value of said goods or services can be determined.

The Company has assessed that these selling and marketing expenses are in respect of distinct goods or services that the Company receives from customers and the fair value of the said expenses can also be measured as these are separately invoiced to the Company supported by actual invoices. Accordingly, in 2018, these expenses have not been deducted from revenue and are classified as selling and marketing expenses. The table below summarizes the impact of adoption of IFRS 15 on the condensed interim financial statements for the three-month and nine-month periods ended September 30, 2018.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2018 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

2 Basis of preparation (continued)

Three-month period ended September 30, 2018	<i>As per IFRS 15</i>	<i>As per old policy</i>	<i>Impact of adoption of IFRS 15</i>
Sales	12,041,246	11,995,447	45,799
Selling and marketing expenses	62,027	16,228	(45,799)
Nine-month period ended September 30, 2018	<i>As per IFRS 15</i>	<i>As per old policy</i>	<i>Impact of adoption of IFRS 15</i>
Sales	32,640,403	32,354,585	285,818
Selling and marketing expenses	337,365	51,547	(285,818)

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

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

<i>Standard/ Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty over income tax treatment	January 1, 2019
IFRS 9	Prepayment features with negative compensation (Amendments to IFRS 9)	January 1, 2019
IAS 28	Long-term interests in associates and joint ventures (Amendments to IAS 28)	January 1, 2019
IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual improvements to IFRS 2015 -2017 cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	January 1, 2019
IAS 19	Plan amendment, curtailment or settlement (Amendments to IAS 19)	January 1, 2019
IFRS 17	Insurance contracts	January 1, 2021

The Company is currently assessing the implications of adopting the above mentioned standards, amendments or interpretations on the Company's financial statements on adoption.

2.2 Critical accounting estimates and judgments

The preparation of Company's condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and 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 Company based its assumptions and estimates on parameters available when the condensed interim financial information was 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.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 15 which described in 2.1 (a).

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2018 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Significant accounting policies

The accounting policies adopted by the Company for the preparation of these condensed interim financial statements are consistent with those followed in preparation of the Company's annual financial statements for the year ended December 31, 2017, except for the adoption of new standards effective as of January 1, 2018 (see Note 2.1 (a)).

(a) Revenue recognition

Contracts with customers

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2018 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Significant accounting policies (continued)

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

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

4 Segment information

4.1 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 three-month and nine-month periods is summarized below:

2018 (Unaudited)	For the three-month period ended			For the nine-month period ended		
	Refined products	Petrochemicals	Total	Refined products	Petrochemicals	Total
Sales – external customers	9,410,597	2,630,649	12,041,246	25,002,788	7,637,615	32,640,403
Depreciation and amortization	187,656	417,685	605,341	566,489	1,260,896	1,827,385
Operating (loss) profit	(314,414)	667,062	352,648	(615,233)	1,697,059	1,081,826
2017 (Unaudited)	For the three-month period ended			For the nine-month period ended		
	Refined products	Petrochemicals	Total	Refined products	Petrochemicals	Total
Sales – external customers	6,986,546	2,154,771	9,141,317	19,056,740	5,630,602	24,687,342
Depreciation and amortization	189,809	422,477	612,286	565,239	1,258,111	1,823,350
Operating profit	311,957	514,840	826,797	94,522	973,418	1,067,940
September 30, 2018 (Unaudited)	Refined products	Petrochemicals	Unallocated	Total		
Total assets	24,227,426	38,275,000	5,647,593	68,150,019		
Total liabilities	15,711,936	41,542,618	256,214	57,510,768		
Capital expenditure	169,645	1,904,191	-	2,073,836		
December 31, 2017 (Audited)	Refined products	Petrochemicals	Unallocated	Total		
Total assets	21,387,814	36,979,692	3,307,471	61,674,977		
Total liabilities	12,025,780	39,255,350	308,040	51,589,170		
Capital expenditure	170,132	2,700,455	-	2,870,587		

The Company's revenue from external customers involve Saudi Riyals 31,899 million (September 30, 2017: Saudi Riyals 24,001 million) of revenue generated from 3 customers in the period ended September 30, 2018 (September 30, 2017: 3 customers).

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2018 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Segment information (continued)

Geographical information for the three-month and nine-month periods ended September 30, is as follows:

Three-month ended September 30, 2018 (Unaudited)	Middle East	Asia Pacific	Others	Total
Sales – external customers				
Refined products	9,410,597	-	-	9,410,597
Petrochemicals	769,117	1,799,172	62,360	2,630,649
Total	10,179,714	1,799,172	62,360	12,041,246
Nine-month ended September 30, 2018 (Unaudited)	Middle East	Asia Pacific	Others	Total
Sales – external customers				
Refined products	25,002,788	-	-	25,002,788
Petrochemicals	2,486,258	4,983,566	167,791	7,637,615
Total	27,489,046	4,983,566	167,791	32,640,403
Three-month ended September 30, 2017 (Unaudited)	Middle East	Asia Pacific	Others	Total
Sales – external customers				
Refined products	6,986,546	-	-	6,986,546
Petrochemicals	816,439	1,287,005	51,327	2,154,771
Total	7,802,985	1,287,005	51,327	9,141,317
Nine-month ended September 30, 2017 (Unaudited)	Middle East	Asia Pacific	Others	Total
Sales – external customers				
Refined products	19,056,740	-	-	19,056,740
Petrochemicals	2,572,483	3,006,792	51,327	5,630,602
Total	21,629,223	3,006,792	51,327	24,687,342

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

4.2 Adjustments

Cash and cash equivalents, time deposits, zakat and income tax including deferred tax and certain assets and liabilities are not allocated to operating segments as they are also managed on a Company basis.

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

4.3 Reconciliation of profit

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating profit	352,648	826,797	1,081,826	1,067,940
Financial charges	(121,532)	(100,430)	(330,892)	(325,189)
Financial income	74,823	66,307	225,019	187,919
Profit before Zakat and income tax	305,939	792,674	975,953	930,670
Zakat	(12,848)	(28,573)	(46,381)	(57,084)
Income tax	(49,656)	(57,635)	(155,486)	(91,151)
Net profit after Zakat and income tax	243,435	706,466	774,086	782,435

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2018 (Unaudited)
 (All amounts in Saudi Riyals thousands unless otherwise stated)

5 Earnings per share

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

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

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period for basic and dilutive earnings per share	243,435	706,466	774,086	782,435
Weighted average number of shares outstanding during the period (thousands)	876,000	876,000	876,000	876,000
Adjustment for the effect of dilution in weighted average number of shares outstanding during the period due to ESOP (thousands)	301	353	301	353
Basic and diluted earnings per share	0.28	0.81	0.88	0.89

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2018 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

6	Property, plant and equipment						
Cost	Buildings and infrastructure	Plant, machinery and operating equipment	Vehicles and related equipment	Furniture and IT equipment	Capital projects in progress	Total	
January 1, 2018	4,743,175	32,718,774	89,867	334,096	24,183,360	62,069,272	
Additions	-	25,206	-	-	2,047,466	2,072,672	
Transfers	999	137,517	-	10,098	(148,614)	-	
Disposals	-	(27,236)	(46,500)	(41,951)	-	(115,687)	
September 30, 2018	4,744,174	32,854,261	43,367	302,243	26,082,212	64,026,257	
Accumulated depreciation							
January 1, 2018	2,263,893	15,528,366	76,909	228,617	-	18,097,785	
Charge for the period	180,491	1,599,926	3,654	15,737	-	1,799,808	
Released on disposals	-	(14,082)	(46,500)	(37,979)	-	(98,561)	
September 30, 2018	2,444,384	17,114,210	34,063	206,375	-	19,799,032	
Carrying Value:							
At September 30, 2018 (Unaudited)	2,299,790	15,740,051	9,304	95,868	26,082,212	44,227,225	
At December 31, 2017 (Audited)	2,479,282	17,190,408	12,958	105,479	24,183,360	43,971,487	

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2018 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Property, plant and equipment (continued)

6.1 Capital projects-in-progress

The capital projects-in-progress at September 30, 2018 mainly represents cost relating to the acquisition and ongoing construction of Phase II Expansion Project (also see Note 1). As part of Phase II Expansion Project, identifiable assets acquired and liabilities assumed by the Company as of the date of novation were as follows:

Cost of work executed	12,451,311
Intangible assets	118,798
Advances to suppliers	151,508
Retentions	(533,070)
Trade and other payables	(8,832,288)
Accrued liabilities	(3,378,016)

The Company has secured various financing facilities amounting to Saudi Riyals 30,630 million from various commercial banks and financial institutions in order to finance Phase II Expansion Project (also see Note 7). The Company had also acquired administrative expenses amounting to Saudi Riyals 21,757 thousands from founding shareholders.

6.2 Capitalization of borrowing costs

During the period ended September 30, 2018, the Company has capitalized borrowing costs amounting to Saudi Riyals 669.7 million (year ended December 31, 2017: Saudi Riyals 656 million) in capital projects-in-progress relating to the construction of the Phase II Expansion Project.

6.3 Pre-commissioning income

During the period ended September 30, 2018, pre-commissioning income related to Phase II Expansion Project amounting to Saudi Riyals 812.9 million (period ended September 30, 2017: Saudi Riyals 514 million and year ended December 31, 2017: Saudi Riyals 776.9 million) is included in Capital projects-in-progress.

7 Financial assets and financial liabilities

7.1 Financial assets measured at amortized cost

		September 30, 2018	December 31, 2017
Long-term loans:	Notes	(Unaudited)	(Audited)
Loan to RAWEC	7.1.1	4,097,744	4,254,940
Loans to employees	7.1.2	219,137	200,637
Long-term loans		4,316,881	4,455,577
Less: current portion of long-term loans		(422,244)	(404,248)
Non-current portion of long-term loans		3,894,637	4,051,329
Trade receivables	7.1.3	7,682,630	5,741,361

7.1.1 The Company has entered into various agreements namely WECA, Facility Agreement and RAWEC Shareholders' Agreement (the "Agreements"), dated August 7, 2005 as amended on October 31, 2011, with RAWEC and other developers, to develop a plant, on build, own and operate basis, to supply desalinated water, steam and power to the Company. Pursuant to these agreements, the Company provided a loan to RAWEC amounting to Saudi Riyals 3.9 billion carrying interest rate of 5.76% per annum. The loan is being settled in monthly repayments, which commenced from June 30, 2008 and will run upto November 30, 2023.

During the year ended December 31, 2015, pursuant to Amended and Restated Agreement, dated March 28, 2006 as amended subsequently on March 9, 2015, the Company will provide RAWEC a portion of project finance, in the total amount of Saudi Riyals 3.3 billion carrying interest rate of 5.7% per annum to expand the existing independent water, steam and power facilities to meet the requirements of Phase II Expansion Project. The loan is being settled in monthly repayments, which commenced from July 31, 2016 and will run upto June 30, 2031. These loans are secured by the assets of RAWEC.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2018 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

7 Financial assets and financial liabilities (continued)

The loan is settled by offsetting against monthly utilities payments to RAWEC. During the period ended September 30, 2018, loan amounting to Saudi Riyals 288.2 million (September 30, 2017: Saudi Riyals 277.6 million) have been offset against monthly utility payments to RAWEC amounting to Saudi Riyals 895.2 million (September 30, 2017: Saudi Riyals 834.9 million).

7.1.2 The Company's eligible employees are provided with loans under an employees' home ownership program. The cost of the land is advanced to employees free of interest cost provided the employee serves the Company for a minimum period of four years while the construction cost of the house is amortized and repayable free of interest to the Company to the extent of 90% over a period of seventeen years. The remaining 10% is amortized over the term of the loan (seventeen years). These loans are secured by mortgages on the related housing units. Ownership of the housing unit is transferred to the employee upon full payment of the loan.

7.1.3 Trade receivables of the Company are as follows:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade	120,476	259,394
Less: provision for doubtful debts	(28,410)	(28,410)
	92,066	230,984
Related parties	7,590,564	5,510,377
	<u>7,682,630</u>	<u>5,741,361</u>

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

		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	
	Total							
Balance	7,711,040	7,590,303	84,245	1,753	(128)	231	6,226	28,410
Less: doubtful debts provision	(28,410)	-	-	-	-	-	-	(28,410)
September 30, 2018 (Unaudited)	<u>7,682,630</u>	<u>7,590,303</u>	<u>84,245</u>	<u>1,753</u>	<u>(128)</u>	<u>231</u>	<u>6,226</u>	<u>-</u>
December 31, 2017 (Audited)	<u>5,741,361</u>	<u>5,733,441</u>	<u>(1,707)</u>	<u>84</u>	<u>(316)</u>	<u>963</u>	<u>8,896</u>	<u>-</u>

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

7.2 Financial assets measured at fair value through profit and loss

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Investment in Rabigh Arabian Water and Electricity Company	<u>16,412</u>	<u>16,412</u>

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.

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 CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2018 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

7 Financial assets and financial liabilities (continued)

7.3 Financial liabilities measured at amortized cost

Loans, borrowings and other long-term liability

	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Loans from banks and financial institutions:	7.3.1		
Opening balance		35,030,991	35,457,232
Additions		3,235,873	11,275,269
Repayments		(1,540,465)	(11,701,510)
Closing balance		36,726,399	35,030,991
Less: current portion		(13,660,955)	(3,715,280)
Non-current portion		23,065,444	31,315,711
Loans from founding shareholders	7.3.2	5,506,966	5,473,166
Other long-term liability	7.3.3	24,524	23,634
Total non-current portion		28,596,934	36,812,511
Trade and other payables	7.3.4	12,059,484	9,221,871

7.3.1 The Company has entered into Consortium Loan Agreement with commercial banks and financial institutions for development, design, and construction of integrated refining and petrochemical complex. The facilities available under this loan agreement have been utilized in full and drawdowns made which finished on July 1, 2008. The loan is payable in semi-annual repayments which commenced from June 2011 and will run up to December 2021.

During the year ended December 31, 2015, the Company has further entered into Loan Agreements with commercial banks and financial institutions for Phase II Expansion Project. The facilities available under these loan agreements amount to Saudi Riyals 30,630 million out of which drawdowns amounting to Saudi Riyals 28,267.5 million have been made by the Company. The loans amounting to Saudi Riyals 19,380 million are repayable in semi-annual repayments commencing from June 2019 and will run up to June 2031, whereas the loan of Saudi Riyals 8,887.5 million has final maturity of July 1, 2019.

The aforementioned loans are denominated in US Dollars and Saudi Riyals and bear financial charges based on prevailing market rates. The loan agreements include financial and operational covenants under Inter-creditor Agreement and other financing documents which among other things; require certain financial ratios to be maintained. The loans are secured by property, plant and equipment, cash and cash equivalents and time deposits of the Company with a carrying value of Saudi Riyals 44,227 million and Saudi Riyals 4,847 million, respectively.

During the year ended December 31, 2015, the Company entered into a working capital facility of Saudi Riyals 1,875 million with a local commercial bank on prevailing market rates. As at September 30, 2018 and December 31, 2017, the facility is unutilized.

7.3.2 Loans from founding shareholders

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Loans:		
Saudi Arabian Oil Company	2,287,500	2,287,500
Sumitomo Chemical Company Limited	2,287,500	2,287,500
Accumulated interest:		
Saudi Arabian Oil Company	465,983	449,083
Sumitomo Chemical Company Limited	465,983	449,083
	5,506,966	5,473,166

Loans from the founding shareholders are availed as part of the Credit Facility Agreement and bear financial charges. Repayment shall be made on demand on achieving the conditions set by the financial institutions under the Inter-creditor Agreement. The loan is secured by promissory note issued by the Company in favour of each shareholder equivalent to drawdowns.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2018 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

7 Financial assets and financial liabilities (continued)

7.3.3 Other long-term liability

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

7.3.4 Trade and other payables

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade payables:		
- Related parties	10,648,142	7,861,961
- Others	1,349,897	1,277,509
	11,998,039	9,139,470
Other payables – related parties	61,445	82,401
	12,059,484	9,221,871

Other payables principally relate to payments made by Founding Shareholders on behalf of the Company in respect of seconded employees and other charges.

In addition to loans, borrowings and trade payables, financial liabilities include accrued expenses and other liabilities.

8 Share capital

The Company's authorised and issued share capital of Saudi Riyals 8.76 billion at September 30, 2018 and December 31, 2017 consists of 876 million fully paid shares of Saudi Riyals 10 each. The founding shareholders of the Company are Saudi Arabian Oil Company (Saudi Aramco) and Sumitomo Chemical Company Limited (Sumitomo Chemical) and each of them hold 37.5% of the shares.

9 Statutory reserve

In accordance with the Regulation for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer each year at least 10% of its net income, after absorbing accumulated deficit, to a statutory reserve until such reserve equal 50% of its share capital. This reserve is not available for distribution to shareholders.

10 Zakat and income tax

10.1 Charge in the period

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
Zakat for the period	12,848	28,573	46,381	57,084
Income tax for the period	69,671	57,635	216,635	91,151
Deferred tax credit for the period	(20,015)	-	(61,149)	-
	62,504	86,208	201,867	148,235

Income tax and deferred tax has been recognised as follows:

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
Condensed interim statement of profit or loss:				
- Income tax	69,671	57,635	216,635	91,151
- Deferred tax credit	(20,015)	-	(61,149)	-
	49,656	57,635	155,486	91,151

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2018 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

10 Zakat and income tax

10.2 Status of assessments

The Company has filed its Zakat and income tax returns with General Authority for Zakat and Tax ("GAZT") up to the financial year 2017. The Company's Zakat and tax assessments have been finalized by GAZT up to and inclusive of the financial year 2008.

The GAZT has issued assessments for the years 2009 up to 2016 by raising additional Zakat, tax and delay fine demand of Saudi Riyals 1,349.7 million and Saudi Riyals 387.8 million, respectively. The Company has filed an appeal with Higher Appellate Committee (HAC) against assessment for the years 2009 and 2010 and has submitted a bank guarantee amounting to Saudi Riyals 43.5 million. As for the assessment years 2011 to 2016, the Company has filed an objection with GAZT. The Company has recently been notified that the objection for the years 2011 to 2016 has been transferred by the GAZT to the recently formed Internal Settlement Committee ("ISC"). The ISC has requested certain information from the Company in order to evaluate the acceptance of the request for hearing with ISC members which is currently being compiled by the management of the Company. The management expects a favourable outcome of the objections against additional demands for the years 2009 to 2010 and 2011 to 2016 respectively.

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

11 Related party transactions and balances

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

In addition to trade receivables (see Note 7.1.3), trade and other payables (see Note 7.3.4) and loans from founding shareholders (see Note 7.3.2), the related party transactions result in receivable and payable balances as set out in the interim statement of financial position in non-trade receivables and accrued expenses and other liabilities amounting to Saudi Riyals 510.7 million (December 31, 2017: Saudi Riyals 314.5 million) and Saudi Riyals 255.1 million (December 31, 2017: Saudi Riyals 165 million), respectively.

Related party transactions are summarized as follows:

Nature of transactions (nine-month period ended September 30)

	2018 (Unaudited)	2017 (Unaudited)
Saudi Arabian Oil Company and its associated companies		
Purchase of goods including LPG shortfall and through-put fee	31,279,680	19,759,556
Sale of refined products and petrochemical products	30,893,812	21,532,760
Financial charges	84,022	72,790
Rentals	36,319	35,846
Services provided to shareholders	538	363
Seconded costs	63,265	47,551
Service and other cost charges, net	86,764	56,681
Dividend	164,250	-
Sumitomo Chemical Company Limited and its associated companies		
Purchase of goods	267,452	181,975
Sale of petrochemical products	4,991,292	2,576,696
Financial charges	64,165	52,460
Rentals	709	709
Services provided to shareholders	538	363
Seconded costs	123,514	123,327
Service and other cost charges, net	93,510	75,318
Dividend	156,038	-

The land used for the integrated refinery and petrochemical complex and the land allotted for the Phase II Expansion Project is on operating lease from one of the founding shareholders for a period of 99 years.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2018 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

11 Related party transactions and balances (continued)

Transactions with key management personnel

Transactions with key management personnel on account of short-term benefits amounted to Saudi Riyals 14.6 million (September 30, 2017: Saudi Riyals 7.5 million) and are included in secondees' cost above. The remuneration paid to directors amounted to Saudi Riyals 1.05 million (September 30, 2017: Saudi Riyals 0.45 million).

12 Commitments

- (i) As at September 30, 2018, letters of credit issued on behalf of the Company in the normal course of business amounted to Saudi Riyals Nil (December 31, 2017: Saudi Riyals 24.6 million).
- (ii) As at September 30, 2018, capital commitments contracted for but not incurred amounted to Saudi Riyals 574.8 million (December 31, 2017: Saudi Riyals 1,185 million).
- (iii) The Company has entered into various lease arrangements. The aggregate amount of commitments against these arrangements are as follows:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Less than one year	554,964	543,988
Between two to five years	2,162,811	2,108,106
More than five years	6,593,079	6,962,499
	9,310,854	9,614,593

13 Dividend

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

14 Approval and authorization for issue

These condensed interim financial statements were approved and authorized for issue by the Board Audit Committee, as delegated by the Board of Directors on Safar 27, 1440H, corresponding to November 5, 2018.