

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

**CONDENSED INTERIM FINANCIAL INFORMATION
(UNAUDITED)**

**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 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
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 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 March 31, 2023 and the related condensed interim statements of comprehensive income, changes in equity and cash flows for the three-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

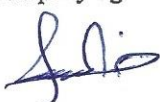



May 11, 2023


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 March 31, 2023 (Unaudited)	As at December 31, 2022 (Audited)
	Note		
Assets			
Non-current assets			
Property, plant and equipment	4	4,798,698,167	4,819,031,974
Right-of-use assets	5	135,720,916	94,374,111
Intangible assets		17,574,604	18,114,450
Employees' home ownership receivables		1,578,514	1,950,015
Loans to employees		16,604,980	16,482,646
Total non-current assets		4,970,177,181	4,949,953,196
Current assets			
Inventories	6	561,807,610	583,888,377
Trade receivables	7	1,017,355,091	1,023,142,016
Prepayments and other assets		24,392,185	27,554,656
Short-term deposits	8	241,504,566	148,200,192
Cash and cash equivalents	9	2,566,554,515	1,912,078,489
Total current assets		4,411,613,967	3,694,863,730
Total assets		9,381,791,148	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		2,175,000	-
Retained earnings		3,480,113,159	3,034,443,369
Total equity		5,530,676,376	5,082,831,586
Liabilities			
Non-current liabilities			
Long-term borrowings	10	1,940,625,000	1,940,625,000
Lease liabilities	5	130,792,322	97,451,267
Employee benefit obligations		267,479,403	263,126,392
Other non-current liabilities		44,199,540	44,416,885
Total non-current liabilities		2,383,096,265	2,345,619,544
Current liabilities			
Trade and other payables	11	845,610,126	674,488,529
Accrued expenses and other liabilities	12	247,737,159	237,096,902
Current portion of long-term borrowings	10	197,522,319	164,234,591
Lease liabilities	5	22,173,614	10,339,938
Zakat and income tax payable	17	154,975,289	130,205,836
Total current liabilities		1,468,018,507	1,216,365,796
Total liabilities		3,851,114,772	3,561,985,340
Total equity and liabilities		9,381,791,148	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

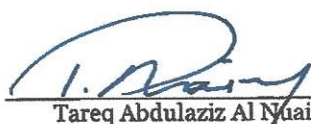

Mohammed A. Al Nafea
Chief Financial Officer

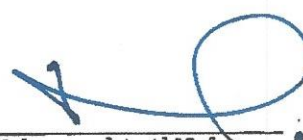
SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A SAUDI JOINT STOCK COMPANY)
Condensed interim statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three-month period ended	
		March 31, 2023 (Unaudited)	March 31, 2022 (Unaudited)
Revenue	14	1,796,744,034	2,740,743,522
Cost of revenue	15	(1,242,001,756)	(2,234,318,367)
Gross profit		554,742,278	506,425,155
Selling and distribution expenses		(11,780,558)	(34,563,965)
General and administrative expenses	16	(75,371,863)	(51,539,930)
Other income		5,182,696	366,069
Fair value gain on derivative financial instruments measured at fair value through profit or loss		766,474	1,734,788
Operating profit		473,539,027	422,422,117
Finance income		31,376,180	2,416,133
Finance cost		(34,475,964)	(12,713,992)
Profit before zakat and income tax		470,439,243	412,124,258
Zakat and income tax	17	(24,769,453)	(109,490,909)
Profit for the period		445,669,790	302,633,349
Other comprehensive income		-	-
Total comprehensive income for the period		445,669,790	302,633,349
Basic and diluted earnings per share	18	2.65	1.79

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)
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	-	-	-	-	302,633,349	302,633,349
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	302,633,349	302,633,349
Balance as at March 31, 2022 (Unaudited)	441,000,000	220,500,000	-	-	3,885,679,597	4,547,179,597
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 year	-	-	-	-	445,669,790	445,669,790
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	445,669,790	445,669,790
Current period charge	-	-	-	2,175,000	-	2,175,000
Balance as at March 31, 2023 (Unaudited)	1,687,500,000	418,308,217	(57,420,000)	2,175,000	3,480,113,159	5,530,676,376

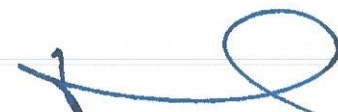
The accompanying notes form an integral part of these financial statements.



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)

	Note	Three-month period ended	
		March 31, 2023 (Unaudited)	March 31, 2022 (Unaudited)
Cash flows from operating activities			
Profit before zakat and income tax		470,439,243	412,124,258
<u>Adjustments for:</u>			
Depreciation and amortization		81,253,720	84,700,229
Finance income		(31,376,180)	(2,416,133)
Employee related expenses		2,175,000	232,280
Finance cost		34,475,964	12,713,992
Fair value gain on derivative financial instruments		(766,474)	(1,734,788)
Provision for employee benefit obligations		6,968,753	6,748,960
Impairment loss on financial assets		14,264,763	1,460,487
Provision for slow moving inventories	6	5,696,118	181,795
<u>Changes in operating assets and liabilities:</u>			
Inventories		16,384,649	(26,675,416)
Trade receivables		(8,477,838)	(193,805,592)
Prepayments and other assets		4,448,254	14,991,559
Trade payables		177,824,133	138,705,922
Accrued expenses and other liabilities		(19,718,677)	88,365,152
Cash generated from operations		753,591,428	535,592,705
Finance income received		23,891,608	1,919,956
Employee benefit obligations paid		(2,615,742)	(6,668,666)
Net cash inflow from operating activities		774,867,294	530,843,995
Cash flows from investing activities			
Payments for property, plant and equipment		(27,121,503)	(5,297,110)
Payments for intangible assets		(231,095)	-
Investment in short-term deposits		(239,582,778)	(450,405,547)
Withdrawals from short-term deposits		146,850,028	451,068,725
Collection against employees' loans		1,246,035	2,323,816
Disbursement of employees' loans		(1,303,057)	(121,146)
Net cash outflow from investing activities		(120,142,370)	(2,431,262)
Cash flows from financing activities			
Principal element of lease payments		(233,421)	(227,539)
Finance cost paid		(15,477)	(312,575)
Cash outflow from financing activities		(248,898)	(540,114)
Net increase in cash and cash equivalents		654,476,026	527,872,619
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	9	2,566,554,515	1,877,359,121
Supplemental information for non-cash information			
Additions to right-of-use assets and lease liabilities	5	44,015,340	-

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 Naim
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 3 Ramadan 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 (“IPO”) 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.

a) Financial position and performance of the Company

The financial position and performance of the Company was particularly affected by the following events and transactions during the three-month period ended March 31, 2023:

- A reduction in demand in the domestic and global market resulted in a decrease in quantity sold for base oil and by-products by 141 thousand metric tons. Further, an average increase in the selling price of domestic base oil products and a reduction of 46% in the average price per metric ton of feedstock purchased as compared to previous period resulted in a favorable impact on gross margins; and
- A scheduled turnaround for Jeddah refinery was conducted in the current period due to which the refinery was shut down for approximately 35 days, which resulted in a reduction in salesvolumes.

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, require in 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)

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.

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 1 January 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.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
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Notes to the condensed interim financial information
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Standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for March 31, 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

These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 Closed 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
Three-month ended March 31, 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	-	-	-	-	-	57,480,437	57,480,437
Transfers	845,780	-	-	696,240	-	(1,542,020)	-
Depreciation charge	(74,587,900)	(1,468,546)	(37,315)	(1,686,108)	(34,375)	-	(77,814,244)
Closing net book value	4,458,951,407	48,969,678	428,146	37,671,773	108,635	252,568,528	4,798,698,167
At March 31, 2023 (Unaudited)							
Cost	7,738,323,116	330,983,340	27,367,141	244,584,689	2,355,698	252,568,528	8,596,182,512
Accumulated depreciation	3,279,371,709	282,013,662	26,938,995	206,912,916	2,247,063	-	3,797,484,345
Net book value	4,458,951,407	48,969,678	428,146	37,671,773	108,635	252,568,528	4,798,698,167

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Closed Joint Stock Company)
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:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Cost:		
Opening balance	113,672,712	113,672,712
Addition*	42,000,000	-
Closing balance	155,672,712	113,672,712
Accumulated depreciation:		
Opening balance	94,568,819	71,858,815
Amortization during the period / year	4,899,192	22,710,004
Closing balance	99,468,011	94,568,819
Carrying amount	56,204,701	19,103,893

* During the period, the Company incurred up to Saudi Riyals 42 million on Jeddah refinery turnaround out of total budget of Saudi Riyals 52.5 million. The remaining turnaround cost is expected to be incurred during 2023.

5. Leases

a) Right-of-use assets

	Lands	Generators	Head office	Others	Total
At January 1, 2022 (Audited)	92,411,018	-	-	9,200,072	101,611,090
Depreciation	(4,325,475)	-	-	(2,911,504)	(7,236,979)
At December 31, 2022 (Audited)	88,085,543	-	-	6,288,568	94,374,111
Additions*	-	30,168,396	13,846,944	-	44,015,340
Depreciation	(1,081,369)	(628,508)	(230,782)	(727,876)	(2,668,535)
At March 31, 2023 (Unaudited)	87,004,174	29,539,888	13,616,162	5,560,692	135,720,916

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

b) Lease liabilities

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Opening balance	107,791,205	112,802,992
Additions	44,015,340	-
Lease payments during the period / year	(248,898)	(10,079,110)
Interest on lease liabilities during the period / year	1,408,289	5,067,323
Closing balance	152,965,936	107,791,205

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

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Current	22,173,614	10,339,938
Non-current	130,792,322	97,451,267
	152,965,936	107,791,205

Amounts recognized in the condensed interim statement of comprehensive income

	For the three-month period ended March 31,	
	2023 (Unaudited)	2022 (Unaudited)
Depreciation charge on right-of-use assets	2,668,535	1,809,245
Interest expense (included in finance costs)	1,408,289	1,229,324
Expense relating to short-term leases (included in selling and distribution expenses)	3,288,594	2,143,007

6. Inventories

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Finished goods	208,187,081	224,504,427
Production in progress	212,249,729	200,251,469
Raw material	75,779,189	89,830,583
Spare parts and consumables materials	99,812,780	97,826,949
	596,028,779	612,413,428
Less: Allowance for inventory obsolescence	(34,221,169)	(28,525,051)
	561,807,610	583,888,377

Movement in provision for inventory obsolescence is as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Opening balance	28,525,051	14,537,079
Provision for the period / year	5,696,118	13,987,972
Closing balance	34,221,169	28,525,051

7. Trade receivables

	Note	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade receivables		634,501,944	664,463,277
Related parties	13	408,196,634	369,757,463
		1,042,698,578	1,034,220,740
Allowance for expected credit losses		(25,343,487)	(11,078,724)
		1,017,355,091	1,023,142,016

Trade receivables amounting to Saudi Riyals 145.51 million (December 31, 2022: Saudi Riyals 444.37 million) have been offset in the condensed interim statement of financial position.

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

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

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Opening balance	11,078,724	5,351,541
Charge for the period / year*	14,264,763	5,727,183
Closing balance	25,343,487	11,078,724

* As at March 31, 2023, the management has made an impairment loss provision against the receivable balances from the customer based in Sudan due to political instability that is causing the risk of recoverability.

8. Short-term deposits

The Company deposited Saudi Riyals 239.58 million in short-term deposits having up to 133 days maturity period on which interest income accrued amounts to Saudi Riyals 1.93 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 May 10, 2023 to June 22, 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.

9. Cash and cash equivalents

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash in hand	180,000	110,000
Cash at banks	79,255,504	128,807,946
Time deposits	2,487,119,011	1,783,160,543
	2,566,554,515	1,912,078,489

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.

As at March 31, 2023, the Company had deposited Saudi Riyals 2,474.04 million in time deposits having up to 75 days maturity period on which interest income accrued amounts to Saudi Riyals 13.08 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 April 2, 2023 to May 3, 2023.

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10. Borrowings

Long-term borrowings comprise of the following:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Islamic banking facilities (Murabaha)	2,138,147,319	2,104,859,591
Less: current portion of long-term borrowings	(197,522,319)	(164,234,591)
	<u>1,940,625,000</u>	<u>1,940,625,000</u>

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

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Saudi Riyals	1,603,849,721	1,578,652,410
United States Dollars ("USD")	<u>534,297,598</u>	<u>526,207,181</u>
	<u>2,138,147,319</u>	<u>2,104,859,591</u>

As at March 31, 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 March 31, 2023 is approximately Saudi Riyals 40 million (December 31, 2022: Saudi Riyals 40 million).

11. Trade payables

	Note	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Related parties	13	709,755,115	506,405,952
Third parties		52,837,741	64,757,755
Employees' thrift plan		32,422,110	32,788,709
Other payables*		<u>50,595,160</u>	<u>70,536,113</u>
		<u>845,610,126</u>	<u>674,488,529</u>

* It includes advances from customer amounting to Saudi Riyals 48.50 million (December 31, 2022: Saudi Riyals 22.39 million).

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.

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

	Gross amounts	Amounts set off	Net amounts presented
<i>Effects of offsetting on the condensed interim statement of financial position</i>			
March 31, 2023 (Unaudited)			
Related party receivables	652,310,641	(145,510,887)	253,798,378
Related party payables	990,246,804	(145,510,887)	591,734,541
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

12. Accrued expenses and other liabilities

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Accrued expenses	203,157,637	112,666,571
Accrual for rebates and discounts	19,559,045	42,955,800
Net VAT payable	7,664,758	55,306,385
Accrued bonus	5,287,513	20,795,081
Others*	12,068,206	5,373,065
	247,737,159	237,096,902

* It pertains to liabilities against unused employees' leaves balance as at December 31, 2022.

There is an arrangement for interest rate swaps that has not been designated as a hedging arrangement since its inception, which is Shariah compliant. The Company relies on the counterparty for the valuation of these derivative financial instruments. As at March 31, 2023, the fair value of the derivative financial instruments is positive but is immaterial, hence not recorded in the condensed interim financial information. Moreover, these derivative financial instruments will mature on June 30, 2023.

13. Related party transactions and balances

Related parties comprise the shareholders, affiliated companies, key management personnel 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). Affiliates of the Company are the entities which are owned by the Ultimate Parent but are not part of this Company.

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 for the period is shown below:

	For the three-month period ended March 31,	
	2023 (Unaudited)	2022 (Unaudited)
Short-term employee benefits	9,195,999	7,819,075
Provision for employee benefit obligations	680,794	650,538

During the period, the Company has remunerated Saudi Riyals 0.83 million to non-executive independent directors for attending the board of directors' meetings (three-month period ended March 31, 2022: Nil).

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13. Related party transaction and balance (continued)

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

Related party	Nature of transaction	Amount of transactions for the three-month period ended		Closing balance as at	
		March 31, 2023 (Unaudited)	March 31, 2022 (Unaudited)	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Due from related parties					
Saudi Aramco	Sales of by products	434,365,973	1,173,898,624	227,719,368	121,653,295
SAMREF	Sales of by products	193,635,805	200,639,690	143,936,287	147,221,722
S-Oil Singapore Pte. Ltd.	Sales of base oil	190,101,221	-	28,421,554	68,819,553
S-Oil Corporation	Sales of base oil	-	302,497,114	-	24,647,153
Aramco Chemical Company	Sales of base oil	-	-	-	6,174,172
Aramco Lubricants and Retail Company	Sales of base oil	6,017,640	-	8,119,425	1,241,568
			-	408,196,634	369,757,463
Due to related parties					
Saudi Aramco	Purchase of feedstock, materials and utilities	915,480,289	1,999,245,529	706,448,052	468,739,601
	Technical and management support services	3,307,063	5,405,798	3,307,063	25,972,188
	Lease rental for Jeddah refinery land and Yanbu refinery pipeline	660,879	660,879	-	-
SAMREF	Technical and management support services	-	234,161	-	-
S-Oil Corporation	Purchase of base oil	55,836,565	17,908,285	-	11,694,163
				709,755,115	506,405,952

The Company's revenues derived from sales to Saudi Aramco and other affiliates accounted for approximately 30% and 22% (three-month period ended March 31, 2022: 43% and 18%) respectively, of the total revenue.

All related party transactions were made on terms as specified in the agreements with the related parties. The credit terms with all related parties range from 30 to 90 days.

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14. 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:

	For the three-month period ended March 31,	
	2023	2022
	(Unaudited)	(Unaudited)
Revenue from base oil sales	1,116,481,053	1,318,779,278
Revenue from by-products sales	680,262,981	1,421,964,244
	1,796,744,034	2,740,743,522

During the three-month period ended March 31, 2023, the Company has recognized revenue from freight services amounting to Saudi Riyals 24.42 million (three-month period ended March 31, 2022: Saudi Riyals 27.7 million).

The management has categorized its geographical operations as follows:

	For the three-month period ended March 31,	
	2023	2022
	(Unaudited)	(Unaudited)
Geographic information		
Revenues from local sales		
Kingdom of Saudi Arabia	1,048,924,758	1,872,956,516
Revenues from export sales		
United Arab Emirates	498,668,052	461,525,184
India	139,742,949	202,054,262
Singapore	29,327,153	65,639,497
Others	80,081,122	138,568,063
Total	1,796,744,034	2,740,743,522

15. Cost of revenue

	Note	For the three-month period ended March 31,	
		2023	2022
		(Unaudited)	(Unaudited)
Cost of materials		1,061,342,406	2,097,042,431
Depreciation on property, plant and equipment		77,654,499	82,087,727
Employee related costs		50,780,881	43,826,036
Depreciation on right-of-use assets	5	2,204,973	1,461,065
Amortization of intangible assets		252,844	89,771
Others		49,766,153	9,811,337
		1,242,001,756	2,234,318,367

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16. General and administrative expenses

	For the three-month period ended March 31,	
	2023	2022
	(Unaudited)	(Unaudited)
Employee related costs	43,351,302	37,292,395
Impairment loss on financial assets	14,264,763	1,460,487
Consultancy charges	5,622,200	7,041,397
Telephone and postage	1,659,070	533,330
Business travel	862,246	603,554
Insurance	700,551	361,342
Amortization of intangible assets	518,097	503,652
Depreciation on right-of-use assets	463,562	348,180
Depreciation on property, plant and equipment	159,745	209,834
Others	7,770,327	3,185,759
	75,371,863	51,539,930

17. Zakat and income tax

The Company is subject to zakat. Zakat 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. On December 28, 2022, the Company was listed on Tadawul, thereafter, the shareholding of Saudi Aramco is subject to zakat only.

17.1 Charge for the period

The charge for the three months period ended March 31, 2023, consists of the following:

	For the three-month period ended March 31,	
	2023	2022
	(Unaudited)	(Unaudited)
Zakat charge	24,769,453	1,917,361
Income tax charge	-	36,683,793
Deferred tax charge	-	70,889,755
	-	107,573,548
	24,769,453	109,490,909

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

17.2 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	-	24,769,453	24,769,453
At March 31, 2023 (Unaudited)	101,475,685	53,499,604	154,975,289

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17.3 Status of certificates and final assessments

The Company has filed its zakat and income tax return up to the year ended December 31, 2022. Subsequent to the three-month period ended March 31, 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.

18. 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.

	For the three-month period ended March 31,	
	2023	2022
	(Unaudited)	(Unaudited)
Net profit attributable to owners of the Company	445,669,790	302,633,349
Weighted average number of shares*	168,170,000	168,750,000
Basic / diluted earnings per share (Saudi Riyals per share)	2.65	1.79

* 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 March 31, 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 three-month period ended March 31, 2023. There were no issuances involving potential ordinary shares for the three-month period ended March 31, 2022.

19. 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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20. Commitments and contingencies

20.1 Commitments

- a) As at March 31, 2023, the Company had outstanding capital commitments of Saudi Riyals 551.6 million (December 31, 2022: Saudi Riyals 416.76 million) in respect of additions to property, plant and equipment at its Jeddah and Yanbu refineries.

20.2 Contingencies

- a) As at March 31, 2023 the letters of guarantees issued by banks on behalf of the Company amounted to Saudi Riyals 3.61 million (December 31, 2022: Saudi Riyals 2.31 million) and letters of credit issued by banks on behalf of the Company is Saudi Riyals 1.78 million (December 31, 2022: Saudi Riyals 4.41 million).
- b) A contractor for Yanbu Expansion Project has submitted claims for cost overruns between 2018 till 2021 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.

20.3 Short-term leases

The short-term lease commitment as of March 31, 2023 amounts to Saudi Riyals 9.13 million. (December 31, 2022: Saudi Riyals Nil).

21. Dividends

Subsequent to the three-month period ended March 31, 2023, on April 30, 2023, the shareholders approved a dividend of Saudi Riyals 841.29 million for Saudi Riyals 5 per share.

22. 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 May 4, 2023.