أرامكو السعودية
saudi aramco

Resilience and agility

Saudi Aramco Annual Report 2020

where energy is opportunity[tm]

Resilience and agility

Aramco's exceptional past belongs to its future.

Our people define our success.

Energy has been running in our DNA for generations.

We are proud of what we accomplished during 2020.

Once again, our resilience shone through.

We delivered on our shareholder commitments.

And we continued to deliver an uninterrupted supply of energy to the world.

Our resilience and agility has built one of the world's largest integrated energy and chemicals companies.

And we are part of the global effort toward building a low carbon economy.

Our horizon has never been clearer.

This Annual Report covers financial and operational aspects of Aramco from January 1, 2020 to December 31, 2020, and is issued in both Arabic and English. The print version is identical to its PDF counterpart, which is available at aramco.com. The Arabic version prevails in the event of any discrepancy. The images in this document are representative of the services provided by Aramco. Some photos may have been taken prior to the COVID-19 pandemic. Wherever possible, sustainable printing techniques were used.

Contents

The information contained in Sections 1 – 7 of this Annual Report constitutes our Board of Directors' report.

King Salman bin Abdulaziz Al-Saud
The Custodian of the Two Holy Mosques

His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al-Saud
Crown Prince, Deputy Prime Minister and Minister of Defense of the Kingdom of Saudi Arabia

1

Aramco

Khurais oil facility

Aramco, throughout its facilities since the 1980s, has used renewable energy to produce oil and gas, and to reserve hydrocarbon resources for better economic use.

Chairman's message

We remain focused on sustaining the strength, scale, and efficiency of our operations and ensuring the continuity of a vital and reliable energy supply to our customers around the world

"The events of 2020 served to shine a spotlight on Aramco's ability to deliver on its commitments across both economic and oil price cycles."

Dear Shareholders,

In a time of unprecedented global economic uncertainty due to the COVID-19 pandemic, Aramco displayed exceptional resilience by continuing to deliver value to our shareholders throughout 2020.

Despite the volatile and weaker market environment, Aramco once again reported solid earnings and cash flows for the full year while demonstrating ongoing operational agility. The Company also maintained a robust balance sheet through a highly disciplined approach to capital allocation.

In fulfilling previously stated intentions, we delivered SAR 281 billion ($75 billion) in dividends for the year by declaring four quarterly dividends of approximately SAR 70 billion ($18.75 billion). As a result, we believe we will pay out the largest total annual dividend of any publicly listed company anywhere in the world for 2020.

Advancing our business

Although markets tend to think in quarters, we continue to think in decades. We remain focused on sustaining the strength, scale, and efficiency of our operations and ensuring the continuity of a vital and reliable energy supply to our customers around the world. While working to mitigate the immediate impacts of the COVID-19 pandemic on our operations, we are not allowing this short-term disruption to distract us from our longer-term goals.

In this respect, Aramco took a major step in 2020 by completing its largest ever acquisition with the $69.1 billion purchase of a 70% stake in Saudi Basic Industries Corporation (SABIC). As the integration continues, SABIC offers a complementary presence in terms of geography, projects, and partners, enhancing Aramco's position in the petrochemical sector.

2020 saw significant achievements in our gas business as we continued to expand our production and processing capacities. In addition, the issuance in November of our Senior Unsecured Notes — which ranged from 3 to 50 years in maturity — was a further reflection of investor confidence in Aramco's future story.

Looking ahead, our focus is on more than just generating ongoing value for our shareholders — it is also on our ability to continue creating value for society. Against this backdrop, we recognize that environmental, social and governance (ESG) factors are a rising priority for investors today, including for many of our shareholders.

It is worth noting, however, that long before the term 'ESG' was first coined in the investment community, many of these considerations were already an integral part of Aramco's approach to business. Indeed, our Company has a legacy of safety and corporate responsibility that we continue to build upon. For example, in the area of environmental stewardship, Aramco has long used advanced technologies and field methodologies to produce oil,

Aramco recognizes that environmental, social and governance (ESG) factors are a rising priority for investors today.

helping us achieve one of the lowest upstream carbon intensities of any international oil company. We also believe that oil and gas, supported by technological innovations, will prove to be essential in achieving an orderly global energy transition. And we will continue to seek ways to leverage innovation to further reduce our emissions.

We also recognize that for the world to achieve net-zero carbon emissions by the middle of the century and reach the goals of the Paris Agreement, collective action is required from all industries and governments. It was therefore particularly encouraging that the G20 leaders endorsed the Kingdom's strategy to combat climate change globally through the development of a circular carbon economy. Aramco will play a significant role in advancing this holistic and pragmatic approach, which focuses on a 4R framework of reducing, reusing, and recycling carbon products, as well as removing harmful emissions from the air.

During 2020, we also continued to expand on the name recognition and brand equity of Aramco through major sports partnerships. This included signing a long-term global sponsorship with Formula 1®, connecting the Company with a worldwide audience of hundreds of millions of racing fans.

Maintaining strong governance

Our first full year as a publicly listed company led to a number of historic milestones in 2020, including our inaugural post-IPO Ordinary General Assembly Meeting, our first post-IPO earnings call with the investor community, and the first public issuance of our annual report and quarterly interim reports.

During 2020, we also welcomed one new Board member, Mark Weinberger, former EY Global Chairman and CEO. Mark is now serving as an independent director, replacing Andrew Gould, who stepped down from the Board after more than six years of service. We thank Andrew for his many contributions, during what was a historic period for our Company.

Beyond the guidance provided by the Board, Aramco's success would not be possible without the ongoing support of The Custodian of The Two Holy Mosques King Salman bin Abdulaziz Al-Saud, and His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al-Saud, Crown Prince, Deputy Prime Minister and Minister of Defense of the Kingdom of Saudi Arabia. We would also like to extend our appreciation to the Ministry of Energy of the Kingdom of Saudi Arabia for their continuous support.

Expressing our appreciation

On behalf of the entire Board, I would like to take this opportunity to thank all the men and women of Aramco for their extraordinary contributions during the past year amidst a very challenging environment. I also want to express our gratitude to our shareholders as well as our customers, partners, suppliers, contractors, and the communities where we operate, for supporting Aramco.

The events of 2020 served to shine a spotlight on Aramco's ability to deliver on its commitments across both economic and oil price cycles. Going forward, we will continue to leverage all of our considerable strengths to create value for you, our shareholders, and for society as a whole.

H.E. Yasir O. Al-Rumayyan
Chairman of the Board of Directors

President and CEO's foreword

We are proud to be making a meaningful difference by supplying vital energy to the world today, while working at the speed of science in developing cleaner energy solutions for tomorrow

"

Throughout its 87-year history, our Company has overcome many challenges and we remain confident we will emerge on the other side of this pandemic in a position of strength."

Dear Shareholders,

In 2020, no industry or company was immune to the impacts of the COVID-19 pandemic — including ours.

Aramco, for its part, demonstrated considerable financial and widespread operational agility during the most volatile year the world has seen in generations. With the majority of our employees working in field locations, we proactively put in place comprehensive protective measures to safeguard their safety and well-being, while maintaining our operational integrity and reliability.

With COVID-19 making daily work and life more complex, we benefited from having previously adopted advanced technology and building a robust IT infrastructure — all of which allowed us to adjust quickly and enabled our employees who could work remotely, to do so.

As part of the battle against COVID-19, we provided support for Saudi Arabia's healthcare sector, including donating ventilators and other medical equipment and supplies. Our affiliates in Asia, Europe, and North America also engaged in similar initiatives.

Maintaining financial resilience

Despite the economic fallout of the pandemic, we declared a dividend of SAR 281 billion ($75 billion) to our shareholders for the year.

Throughout 2020, we demonstrated the agility of our financial framework through our spending and efficiency programs, which resulted in billions of dollars of savings in both our capital and operational spend. We retain additional flexibility to further adjust expenditures. The issuance of our $8 billion of Senior Unsecured Notes in the fourth quarter saw exceptionally strong investor interest globally, attracting more than 150 new investors and achieving record levels of demand for a new 50-year tranche — all of which we believe reflects confidence in our Company's resilience. Indeed, we expect long-term energy demand to increase, with oil and gas remaining an important part of the global energy mix.

Demonstrating operational flexibility

During what can only be described as an exceptional year for the entire world, our upstream business demonstrated its unique flexibility by rapidly adjusting production levels as required. In April, we achieved the highest single day crude oil production in our history: 12.1 mmbpd. In August, we achieved another milestone, producing a single day record of 10.7 bscfd of natural gas from our conventional and unconventional fields. Meanwhile, our Fadhili Gas Plant reached its design processing capacity of 2.5 bscfd and we also resumed operations in the offshore partitioned territory between the Kingdom and the State of Kuwait.

We operate one of the world's largest refining businesses, with our downstream operations consuming 39% of our crude oil production in 2020. Our ambition to expand further downstream also made a significant leap forward with Aramco's acquisition of a majority stake in SABIC. The completion of this historic transaction in June transformed our Company into a major global petrochemicals player, with operations in more than 50 countries.

Despite COVID-19 bringing the world to a standstill, Aramco kept going.

Creating additional value

In 2020, we added to the Kingdom's oil and gas reserves with the discovery of seven new fields and one new reservoir.

During the year, we also made refinements to our business that further support our vision. This included the establishment of a new corporate development unit to further optimize our portfolio and existing assets, while also identifying new opportunities for growth through markets and technologies.

Operationally, our iktva program to develop the local supply network and lower our procurement costs continued to prove beneficial, with the pandemic reinforcing the importance of having a robust supply chain.

In November, we announced new agreements with companies through our Industrial Investment Program, which is designed to further support expansion of the local business ecosystem. And in December, we also signed agreements with Google and Cognite that will help accelerate digital development within the Kingdom.

Delivering more energy with lower emissions

While COVID-19 was certainly the biggest test of the past year, reducing emissions to address climate change remains the biggest single challenge of this century. Given the fact that oil and gas will be required as sources of energy for many decades to come, all roads to net zero run through our industry.

The Company already has one of the lowest upstream carbon footprints in the industry, achieving an upstream carbon intensity of 10.5 kg of CO_2 per barrel of oil equivalent produced in 2020. It should be noted that our low upstream carbon intensity levels are not just a geological perk, but also the result of our decades-long reservoir management and production approach both below and above the ground that includes leveraging advanced technologies and minimizing emissions and flaring.

Although we believe our low carbon energy production will provide us with a competitive edge, we recognize that we must do much more to reduce our emissions. This includes investing in carbon capture, utilization, and storage technologies, which — as the name suggests — prevent more emissions entering the atmosphere. We are also working on technologies that can turn CO_2 into useful products or capture CO_2 in cement. And we are pursuing non-combustible alternative uses for hydrocarbons, including nonmetallic construction materials and direct crude to chemicals technologies.

Another promising area is the conversion of hydrocarbons to hydrogen and then to ammonia, while capturing the CO_2 created during the process. In August, we exported the world's first shipment of high-grade blue ammonia to Japan for use in zero carbon power generation, reinforcing another potential role that hydrocarbons could play in a circular carbon economy.

As the result of our continued investment in innovation, we were granted a company record of 683 U.S. patents in 2020, an accomplishment that places us among the leaders in our industry. We believe that technology and innovation are key to delivering more energy more efficiently in the future. We are pleased that our progress in this area was once again acknowledged last year, with the Khurais oil facility becoming the second Aramco plant to be recognized by the World Economic Forum for the adoption of cutting-edge technologies.

Emerging even stronger

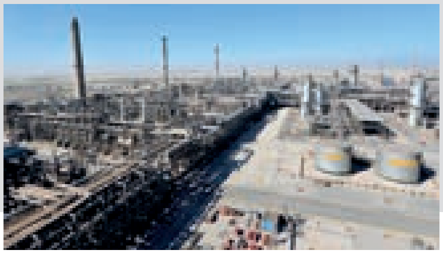
Throughout its 87-year history, our Company has overcome many challenges and we remain confident we will emerge on the other side of this pandemic in a position of strength. We believe Aramco's unique scale combined with our low-cost structure and low upstream carbon intensity is unparalleled.

I remain very proud of all my colleagues who ensured reliable, safe, and normal operations even in these most abnormal of times. Collectively, we are proud to be making a meaningful difference by supplying vital energy to the world today, while working at the speed of science in developing cleaner energy solutions for tomorrow.

Amin H. Nasser
President and Chief Executive Officer

History

Our history dates back more than 85 years, when a small group of intrepid adventurers set out to explore the deserts of Saudi Arabia



1933-1944
The birth of Arabian oil

1933 Oil concession agreement signed with Standard Oil of California which creates the California Arabian Standard Oil Company (CASOC) to manage the concession

1938 Oil discovered at Dammam Well No. 7

1939 Oil exports begin

1944 CASOC renamed the Arabian American Oil Company (Aramco)

1945-1965
Expansion

1948 Standard Oil Company of New Jersey, later Exxon, purchases 30% of Aramco, and Socony-Vacuum Oil Company, later Mobil, purchases 10% to help provide market outlets

1949 Oil production hits 500 mbpd

1952 Aramco headquarters moves from New York City to Dhahran

1958 Oil production exceeds 1 mmbpd

1965 Oil production exceeds 2 mmbpd

1966-1988
Making a name for ourselves

1971 Oil production averages 4.5 mmbpd

1973 The Saudi Government acquires an initial 25% participating interest in the concession, which increases to 60% the following year

1975 Decision made to build the Master Gas System, enabling one of the world's largest gas markets and transforming the national energy mix toward clean fuel

1976 Aramco becomes the world's leading oil producer in terms of volume produced in a single year

1980 Saudi Government increases its participation interest in Aramco's crude oil concession rights, production and facilities to 100%

1988 Saudi Aramco (Aramco) officially established

1989-2014
A global company

1989 First international downstream joint venture, in U.S.

1991 First downstream venture in Asia, in South Korea

1993 Aramco assumes the assets and operations of Saudi Arabian Marketing and Refining Company, a Government-owned in-Kingdom refining and international product marketing organization

2009 Petro Rabigh, Aramco's first petrochemical plant, begins production

2011 Sadara Chemical Company formed

2014 SATORP and YASREF refineries come online

2015-2019
Transformation

2017 Aramco acquires full ownership of Motiva

2018 Aramco becomes a joint stock company

Aramco commences commercial production of unconventional resources in North Arabia

Aramco acquires full ownership of ARLANXEO

2019 Aramco becomes a public company with shares listed on Tadawul

Aramco issues $12.0 billion of Senior Unsecured Notes, listed on the London Stock Exchange

2020
Resilience

2020 Aramco achieves a historic highest single day crude oil production of 12.1 mmbpd and highest single day natural gas production of 10.7 bscfd

Aramco completes its historic acquisition of a 70% stake in SABIC

Aramco issues $8.0 billion of Senior Unsecured Notes, listed on the London Stock Exchange

2020 highlights

During what can only be described as an exceptional year for the entire world, we have nevertheless made significant strides toward achieving our strategic objectives

January

Record IPO

Aramco reports the exercise of overallotment of shares option, raising the size of its initial public offering (IPO) to a record $29.4 billion

IPTC conference hosted

Aramco hosts the International Petroleum Technology Conference (IPTC), a significant international oil and gas conference, held for the first time in Saudi Arabia

February

Gas field development approved

Aramco receives regulatory approval for the development of the Jafurah unconventional gas field, the largest non-associated gas field in the Kingdom to date

Operations resume

Aramco, through its wholly owned subsidiary Aramco Gulf Operations Company Ltd. (AGOC), resumes operations at Al-Khafji Joint Operations (KJO)

iCCUS conference sponsored

Aramco sponsors the first International Carbon Capture, Utilization and Storage (iCCUS) conference, discussing solutions for reducing greenhouse gas emissions from the energy sector

March

F1 sponsorship

Aramco agrees a long-term global sponsorship with Formula 1®

Dedicated COVID-19 team established

To combat COVID-19, Aramco establishes a dedicated team to ensure the safety and well-being of the company's employees, contractors and communities, and to maintain business continuity

Corporate reporting

Aramco issues its first Annual Report as a publicly listed company

April

Historic crude production

Aramco achieves a historic highest single day crude oil production of 12.1 mmbpd on April 2

May

Aramco AGM

Aramco holds its first annual general assembly meeting as a publicly listed company

August

Historic natural gas production achieved

Aramco achieves a historic highest single day natural gas production of 10.7 bscfd on August 6, from both conventional and unconventional fields

September

WEF recognition at Khurais

The World Economic Forum (WEF) recognizes Aramco's Khurais oil facility as a leader in the adoption and integration of cutting-edge technologies of the Fourth Industrial Revolution (4IR)

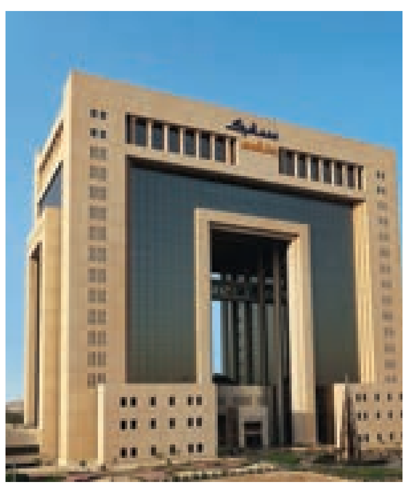
Blue ammonia

Aramco and the Institute of Energy Economics, Japan (IEEJ), in partnership with SABIC, completes the world's first shipment of high-grade blue ammonia

June

SABIC acquisition

Aramco completes its historic $69.1 billion acquisition of a 70% stake in SABIC, transforming Aramco into one of the major global petrochemicals players



Fadhili Gas Plant capacity

The Fadhili Gas Plant reaches its design processing capacity of 2.5 bscfd after successfully completing its commissioning activities

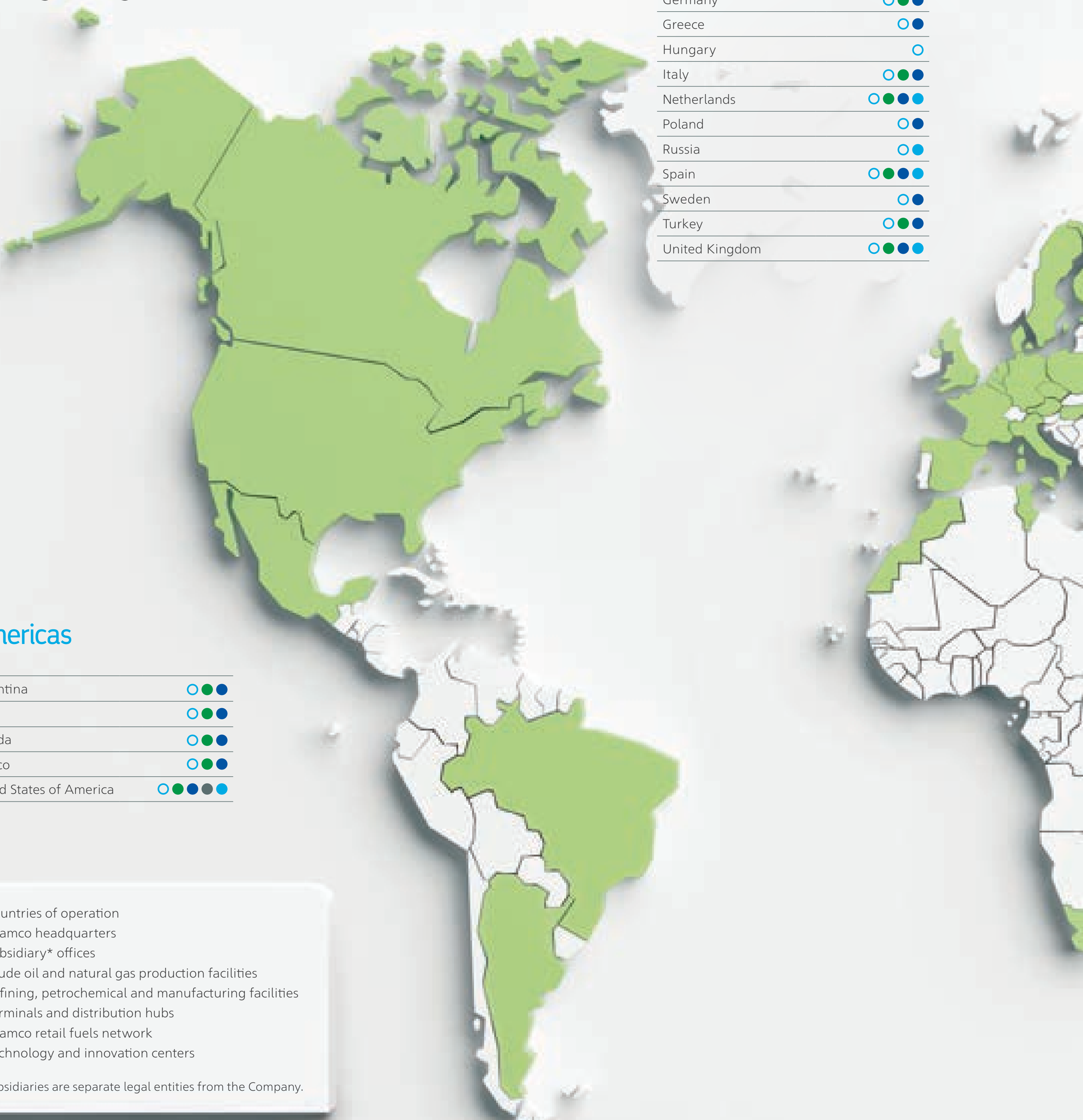
November

Listing of Senior Unsecured Notes

Aramco issues $8.0 billion of Senior Unsecured Notes, listed on the London Stock Exchange

Aramco's operations

We are one of the world's largest integrated energy and chemicals companies. Our operations include an integrated global downstream network



Europe

Country	Subsidiary* offices	Refining, petrochemical and manufacturing facilities	Terminals and distribution hubs	Aramco retail fuels network	Technology and innovation centers
Austria	○	●			
Azerbaijan	○				
Belgium	○	●	●		
Czech Republic	○				
Denmark	○		●		
Estonia			●		
Finland	○				
France	○		●		●
Germany	○	●	●		
Greece	○		●		
Hungary	○				
Italy	○	●	●		
Netherlands	○	●	●		●
Poland	○		●		
Russia	○				●
Spain	○	●	●		●
Sweden	○		●		
Turkey	○	●	●		
United Kingdom	○	●	●		●

Americas

Country	Subsidiary* offices	Refining, petrochemical and manufacturing facilities	Terminals and distribution hubs	Aramco retail fuels network	Technology and innovation centers
Argentina	○	●	●		
Brazil	○	●	●		
Canada	○	●	●		
Mexico	○	●	●		
United States of America	○	●	●	●	●

- Countries of operation
- Aramco headquarters
- Subsidiary* offices
- Crude oil and natural gas production facilities
- Refining, petrochemical and manufacturing facilities
- Terminals and distribution hubs
- Aramco retail fuels network
- Technology and innovation centers

* Subsidiaries are separate legal entities from the Company.

Asia

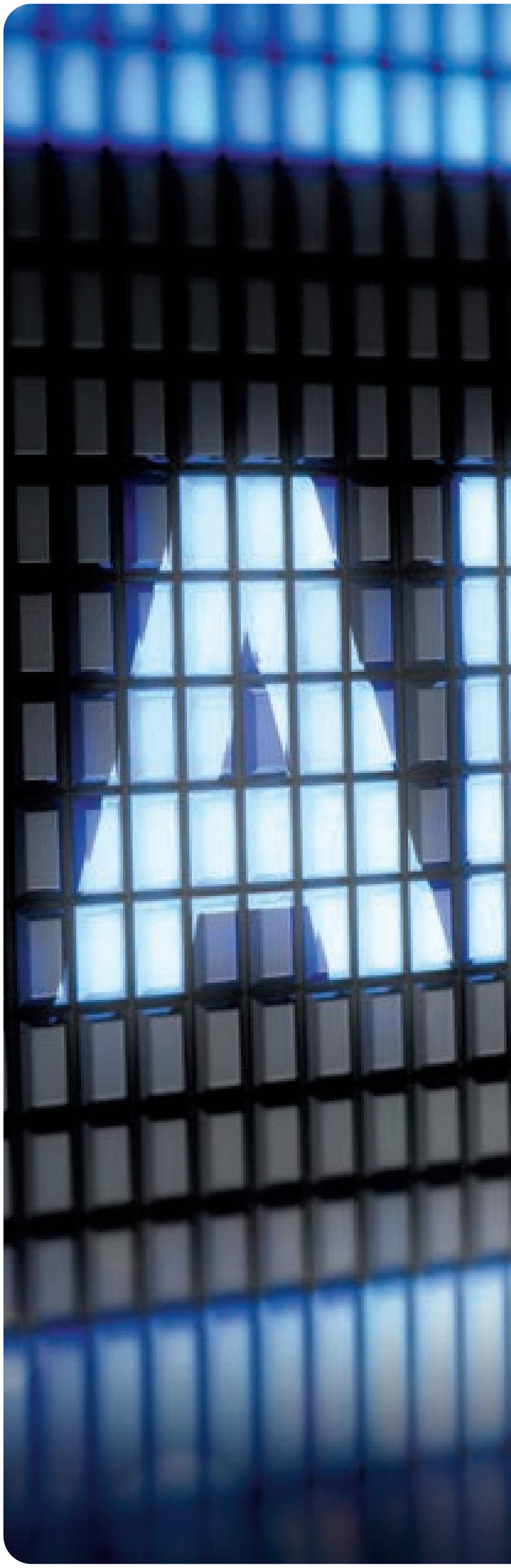
Australia	○
China	○ ● ● ● ●
India	○ ● ● ●
Indonesia	○
Japan	○ ● ● ● ●
Malaysia	○ ● ●
Nepal	○
Pakistan	○
Philippines	○
Singapore	○ ● ●
South Korea	○ ● ● ● ●
Sri Lanka	○
Taiwan	○
Thailand	○ ● ●
Vietnam	○ ●

Middle East and Africa

Bahrain	●
Egypt	○ ●
Ethiopia	○
Iraq	○
Kenya	○
Lebanon	○
Morocco	○ ●
South Africa	○ ●
Tunisia	○
United Arab Emirates	○ ●

Who we are

Aramco's vision is to be the world's preeminent integrated energy and chemicals company, operating in a safe, sustainable and reliable manner



Our values

Excellence

At Aramco, excellence translates into all aspects of our workplace. It is our personal and group commitment to doing what we do well. We drive for best results and are agile in addressing new challenges.

Safety

Safety is an integral part of Aramco's culture. We are committed to providing a safe and respectful working environment for all with the appropriate safety procedures and policies in place on-site and within the community.

Citizenship

No matter where in the world we are conducting business, it is important to be known as a good corporate citizen and to be a positive influence within communities. As a global company in Saudi Arabia, we take this role seriously.

Integrity

The integrity of business at Aramco is based on the ethical standards of our employees in our everyday operations. Integrity is a precious asset, it is our reputation. The foundation of corporate integrity is personal integrity.

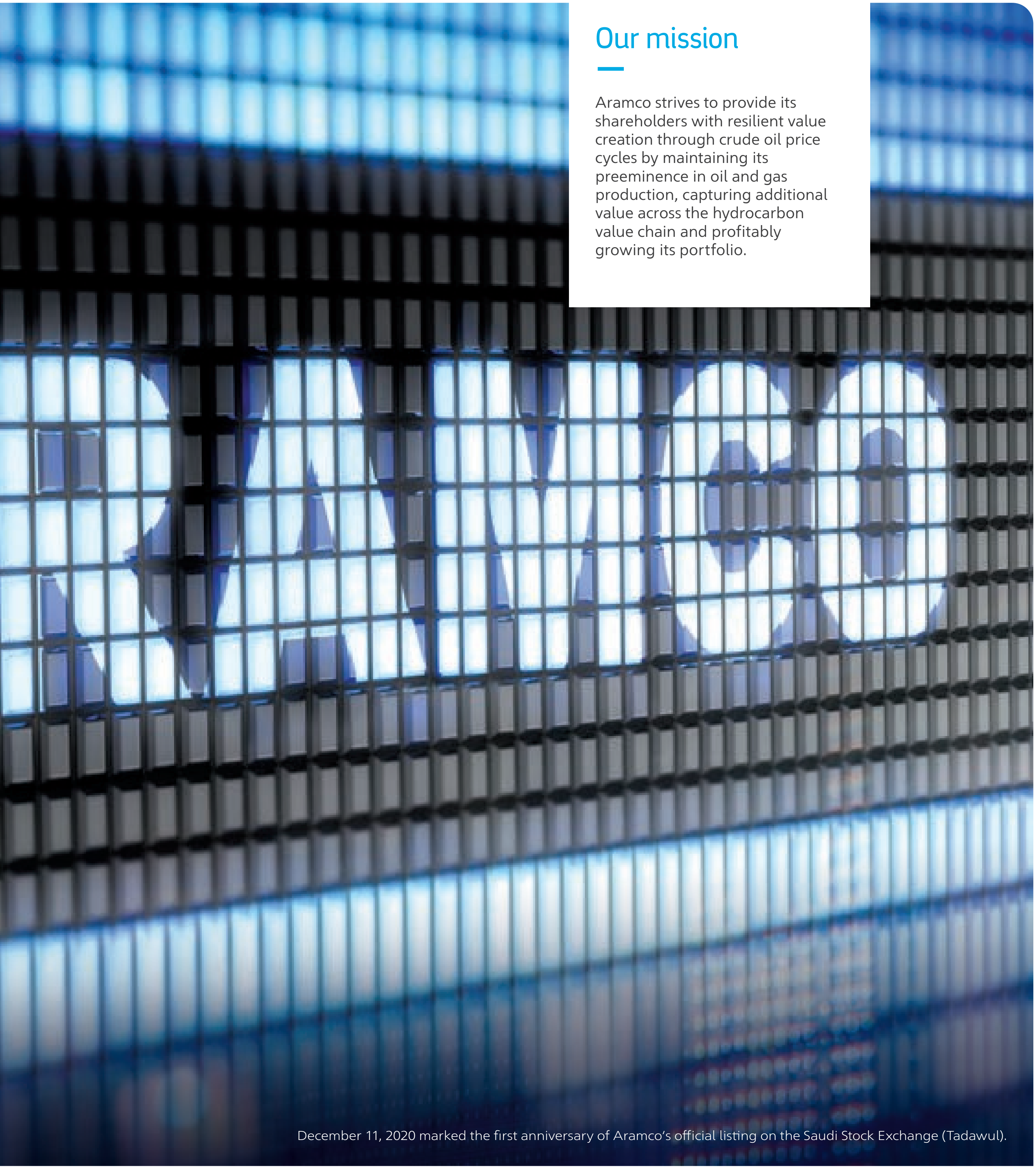
Accountability

Accountability means all employees at Aramco take responsibility for their actions in meeting corporate objectives. Accountability for achieving Aramco's overarching business objectives starts with the goals and objectives outlined by the President and CEO for its business lines, and pervades through Aramco.

See more at www.aramco.com/en/who-we-are/our-corporate-governance/living-our-values

Our mission

Aramco strives to provide its shareholders with resilient value creation through crude oil price cycles by maintaining its preeminence in oil and gas production, capturing additional value across the hydrocarbon value chain and profitably growing its portfolio.



December 11, 2020 marked the first anniversary of Aramco's official listing on the Saudi Stock Exchange (Tadawul).

Business model

How Aramco adds value across the production lifecycle

Explore and produce

Aramco manages the Kingdom's unique hydrocarbon reserves base, optimizing production and maximizing long-term value.

Total hydrocarbon reserves
(billion boe)
255.2

Total hydrocarbon production
(mmboed)
12.4

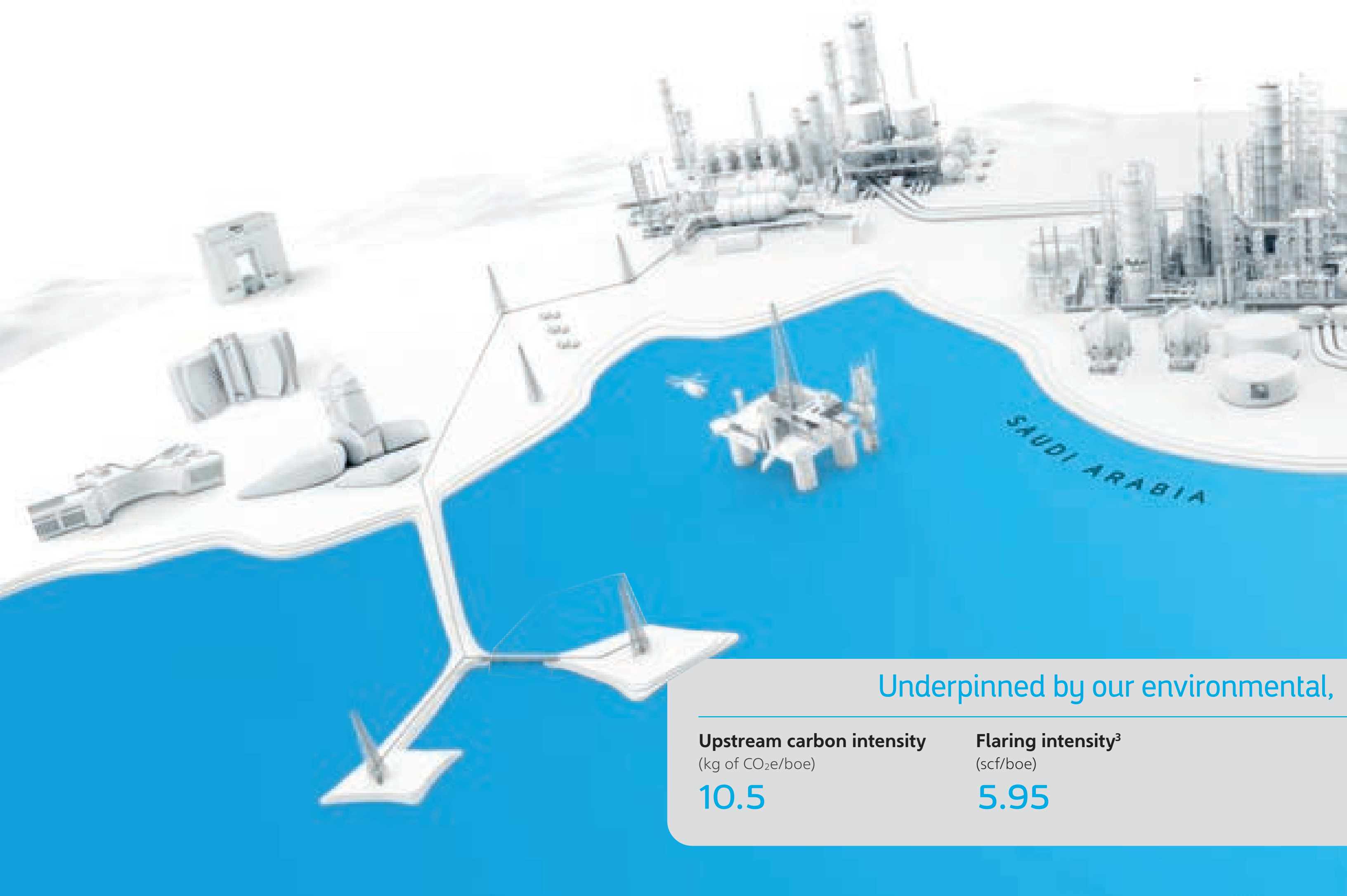
Maximum Sustainable Capacity (MSC)
(mmbpd)
12.0

Total crude oil and condensate reserves
(billion barrels)
198.8

Total crude oil production[1]
(mmbpd)
9.2

Refine and manufacture

Aramco operates a strategically integrated global downstream business. Our downstream activities consist primarily of refining and petrochemical manufacturing. Other activities include base oils, lubricants and power generation.



Underpinned by our environmental,

Upstream carbon intensity
(kg of CO_2e/boe)
10.5

Flaring intensity[3]
(scf/boe)
5.95

Gross refining capacity
(mmbpd)
6.4

Net chemicals production capacity
(million tonnes per year)
53.1

Distribute

Aramco delivers upstream production to a high-quality external customer base and a dedicated downstream system. Aramco also provides high-value products to the Kingdom and internationally in large and high-growth markets, through its supply and trading, distribution and retail operations.

Reliability[2]
(%)
99.9

Crude exports
(mmbpd)
6.7

Total traded volumes
(mmbpd)
4.7

social and governance framework

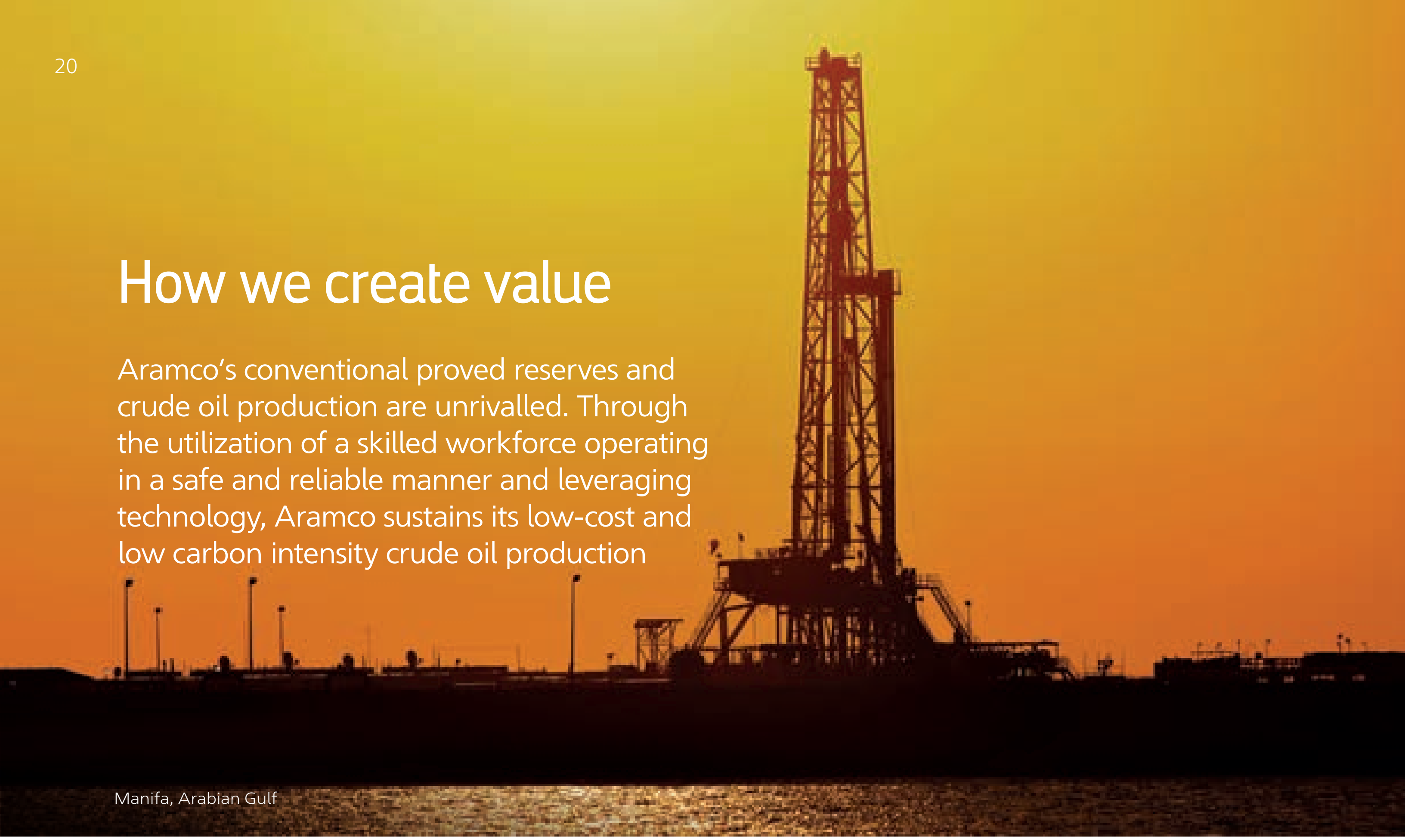
Lost Time Injury Rate[2] **(LTI)**
(per 200,000 man-hours)
0.011

Granted U.S. patents[4]
683

1. Includes AGOC's oil production, blended condensate and excludes the Kingdom of Bahrain's entitlement to volumes produced from the Abu Sa'fah field.
2. The Company.
3. Wholly owned in-Kingdom assets, SASREF, Motiva and ARLANXEO.
4. The Company and its subsidiaries ARLANXEO and Motiva.

How we create value

Aramco's conventional proved reserves and crude oil production are unrivalled. Through the utilization of a skilled workforce operating in a safe and reliable manner and leveraging technology, Aramco sustains its low-cost and low carbon intensity crude oil production



Manifa, Arabian Gulf

What we do

Upstream

Aramco is the world's largest producer of crude oil and condensate. We manage the Kingdom's unique reserves and resource base to optimize production and maximize long-term value.

See page 48 for more details.

Downstream

Aramco has a large and strategically integrated global downstream business. Our Downstream segment activities consist primarily of refining and petrochemical manufacturing, supply and trading, distribution and power generation.

See page 58 for more details.

where energy is opportunity™

Upstream and Downstream integration

The strategic integration of our Upstream and Downstream segments enables us to secure crude oil demand by selling to a dedicated system of domestic and international wholly owned and affiliated refineries.

Yanbu' refinery, Madinah Province

Creating shareholder value

Net income
(billion)

SAR184
$49

EBIT*
(billion)

SAR380
$101

Free cash flow*
(billion)

SAR184
$49

Dividends paid
(billion)

SAR261
$70

Earnings per share
(basic and diluted)

SAR0.93
$0.25

Gearing*
(%)

23.0

ROACE*
(%)

13.2

Upstream capital expenditures
(per boe)

SAR15.0
$4.0

Upstream lifting cost
(per boe)

SAR11.3
$3.0

* Non-IFRS measure: refer to Section 3: Results and performance.

2

Business overview and strategy

Value-added hydrocarbon production

Aramco, with lifting costs already among the world's lowest, has a strategy to also extract maximum value across the hydrocarbon value chain.

Business overview

Aramco is one of the world's largest integrated energy and chemicals companies

Aramco's upstream operations are primarily based in Saudi Arabia, while the downstream business is global

12.4 mmboed

Average hydrocarbon production was 12.4 mmboed, including 9.2 mmbpd of crude oil

Overview

Aramco is one of the world's largest integrated energy and chemicals companies. Aramco's primary operating segments are Upstream and Downstream, which are supported by corporate activities. Aramco's upstream operations are primarily based in Saudi Arabia, while the downstream business is global.

In 2020, Aramco's average hydrocarbon production was 12.4 mmboed, including 9.2 mmbpd of crude oil (including blended condensate and AGOC's production in the partitioned territory and its adjoining offshore areas in accordance with the agreements between the Kingdom and the State of Kuwait but excluding the Kingdom of Bahrain's share of volumes produced from the Abu Sa'fah field). As at December 31, 2020, based on the initial 40-year period and 20-year extension of the Concession, Aramco's reserves stood at 255.2 billion boe, including 198.8 billion barrels of crude oil and condensate, 25.2 billion barrels of NGL and 191.6 tscf of natural gas. In addition, as at December 31, 2020, Aramco had a gross refining capacity of 6.4 mmbpd and net chemicals production capacity of 53.1 million tonnes per year.

‘Ain Dar

Thoughtful drilling is an intrinsic part of modern oil and gas operations. Aramco believes its strong emphasis on applying innovative drilling technologies has led to high levels of well integrity.

The strategic integration of Aramco's Upstream and Downstream segments provides an opportunity for Aramco to secure crude oil demand and capture incremental value from the oil supply chain

Upstream

The Upstream segment's activities consist of exploring for, developing and producing crude oil, condensate, natural gas and NGL. Aramco manages the Kingdom's unique reserves and resources base to optimize production and maximize long-term value pursuant to the Hydrocarbons Law, which mandates that Aramco's hydrocarbon operations promote long-term productivity of the Kingdom's reservoirs and support the prudent stewardship of its hydrocarbon resources.

Aramco's principal fields are located in close proximity to each other within the Central and Eastern Provinces of the Kingdom. An extensive pipeline network connects Aramco's fields, processing plants and other facilities. The crude oil, condensate, natural gas and NGL produced travel through Aramco's pipelines to multiple facilities for processing into refined and petrochemical products or to domestic customers or export terminals. In particular, Aramco's East-West pipeline is critical in linking oil production facilities in the Eastern Province with Yanbu' on the West Coast, and providing flexibility to export from the East and West coasts of the Kingdom.

The Government determines the Kingdom's maximum level of crude oil production in the exercise of its sovereign prerogative and requires Aramco to maintain maximum sustainable capacity (MSC). As at December 31, 2020, Aramco's MSC was maintained at 12.0 mmbpd of crude oil. On March 11, 2020, the Government mandated Aramco to increase its MSC to 13.0 mmbpd. Aramco is proceeding with detailed engineering and implementing the Government's directive to increase MSC. The spare capacity afforded by maintaining MSC enables Aramco to rapidly increase its crude oil production above planned levels in response to changes in global crude oil supply and demand. Aramco also uses this spare capacity as an alternative supply option in case of unplanned production outages at any field and to maintain its production levels during routine field maintenance.

Aramco is the exclusive supplier of natural gas in the Kingdom and its gas portfolio is rich in liquids, demonstrated by the production of 1.0 mmbpd of NGL and 0.2 mmbpd of unblended condensate in 2020. Aramco owns and operates the Master Gas System (MGS), which is an extensive network of pipelines that connects its key gas production and processing sites throughout the Kingdom. Aramco seeks to further expand its gas reserves through new field discoveries, new reservoir additions in existing fields and delineation and reassessment of existing reservoirs and fields. In 2020, Aramco received approval for the development of the Jafurah unconventional gas field in the Eastern Province.

In support of Aramco's continuous focus on the full replacement of its oil and gas reserves, Aramco's exploration activities led to the discovery of seven new fields and one new reservoir in 2020.

See page 48 for further information.

Downstream

Aramco has a large, strategically integrated global downstream business. The Downstream segment's activities consist primarily of refining and petrochemical manufacturing, supply and trading, distribution and power generation. The Downstream segment's other business activities include base oils, lubricants and retail operations.

The strategic integration of Aramco's Upstream and Downstream segments provides an opportunity for Aramco to secure crude oil demand and capture incremental value from the oil supply chain by selling to its dedicated system of domestic and international wholly owned and affiliated refineries and petrochemical plants. This crude placement provides significant benefits to Aramco's downstream operations, including a secure and reliable supply of high-quality crude oil, which helps to ensure a secure and reliable supply of refined and petrochemical products to their downstream customers.

Aramco's Downstream business is the largest customer for the Upstream segment's crude oil production, consuming 39% of its crude oil production in 2020. Aramco's upstream business produces all the crude oil supplied to and processed by Aramco's wholly owned and affiliated refineries in the Kingdom and provides the majority of crude oil used by its international refineries.

Aramco's refining operations in the Kingdom, including its domestic affiliates and local distribution system, provide Aramco unique access to the large domestic marketplace to which it is the sole supplier. In addition to its domestic focus, Aramco is focusing its downstream investments in areas of high growth, including China, India and Southeast Asia, material demand centers such as the United States, and countries that rely on importing crude oil, such as Japan and South Korea.

Aramco also has an integrated petrochemicals business within its Downstream segment, which enables it to capture incremental margin in the hydrocarbon value chain. Aramco's chemicals business continues to grow through capacity expansions in the Kingdom, increasing ownership positions in affiliates and new investments, including its acquisition of a 70% stake in SABIC from the PIF, the sovereign wealth fund of Saudi Arabia, in June 2020. Aramco's investment in SABIC makes it a major global producer of petrochemicals and expands its capabilities in procurement, manufacturing, marketing, and sales. With the SABIC acquisition, Aramco's chemicals business operates in over 50 countries and produces a range of chemical products.

Aramco's Downstream segment includes its crude oil and product sales, distribution and trading operations. These operations support Aramco's upstream and downstream activities by enabling it to optimize crude oil sales and product placement through its significant infrastructure network of pipelines and terminals and access to shipping and logistics resources.

→ See page 58 for further information.

Corporate

Aramco's corporate activities primarily support its Upstream and Downstream segments, as well as the overall business. The corporate activities include technical services essential to the success of Aramco's core business, as well as human resources, finance, legal, corporate affairs and IT.

During the year, Aramco established an integrated corporate development organization to create value, assess and divest certain existing assets and secure greater access to growth markets and technologies through portfolio optimization and strategic alignment.

Aramco's commitment to good governance and leadership is at the core of how it operates, which includes sustainability and research and development (Section 4: ESG), risk management (Section 5: Risk) and corporate governance (Section 6: Corporate governance).

→ See page 68 for further information.

Aramco's Downstream business is the largest customer for the Upstream segment's crude oil production, consuming 39% of its crude oil production in 2020

Market overview

The global economy in 2020 was severely impacted by the COVID-19 pandemic

$42/bbl

Brent crude oil price averaged $42/bbl in 2020, approximately 34% lower than the average of $64/bbl in 2019

Global

The global economy in 2020 was severely impacted by the COVID-19 pandemic and its related lockdowns with subsequent recoveries being tamed by recurring outbreaks of the virus. Accordingly, the global economy contracted by 3.9% in 2020, compared to 2.6% growth in 2019, per IHS Markit estimates.

The IHS Markit Global Crude Oil Markets Outlook estimates global oil demand decreased by 10.3 mmbpd in 2020, dropping to 91.0 mmbpd with global oil supply estimated to have averaged 93.9 mmbpd in 2020. Therefore, the market has been oversupplied for the year.

Brent crude oil price averaged $42/bbl in 2020, approximately 34% lower than the average of $64/bbl in 2019.

Domestic

According to economic data released by the General Authority for Statistics (GSTAT) the Kingdom's GDP is estimated to have contracted by 4.1% in 2020, vis-à-vis the previous year. This represents a significant reduction when compared to the 0.3% growth registered in 2019. It is expected that all institutional sectors of the Saudi economy (oil and non-oil, consisting of the private and government sectors) registered negative growth rates in 2020.

Domestic energy demand, essentially unchanged since 2015, is estimated to have dropped by 3.1% in 2020, the highest year-on-year decline in almost three decades. The drop in demand was caused by lockdowns and other containment measures enacted by the Government in the wake of the COVID-19 pandemic. Transportation fuel demand was impacted the most, falling by an estimated 15% during 2020, with jet fuel and gasoline hit the hardest reflecting international travel restrictions, curfews, and lockdowns.

The sharpest downturn in the energy sector was witnessed in April when overall demand for transportation fuels plunged by 46% year-on-year, with aviation fuels down by 86% and gasoline down by over 60%. Energy demand in the power generation and water desalination sector on the other hand, dropped by a much more modest 0.7% to 1.9 mmboed in 2020. In contrast, and despite supply-chain disruptions globally, industrial energy demand increased slightly. In line with the recent trend, the share of sales gas, ethane, and natural gas liquids in the Kingdom's primary energy mix continued growing, reaching 55% in 2020, up from 53% in 2019.

See Section 3: Results and performance for key factors affecting Aramco's financial results.

Strategy

Aramco's strategy aims to reinforce its competitive positions across its upstream and downstream operations

Aramco's vision is to be the world's preeminent integrated energy and chemicals company, operating in a safe, sustainable and reliable manner.

Aramco strives to provide its shareholders with resilient value creation through crude oil price cycles by maintaining its preeminence in oil and gas production, capturing additional value across the hydrocarbon value chain and profitably growing its portfolio.

Aramco's strategy aims to reinforce its competitive positions across its upstream and downstream operations.

1 **Maintain its position as the world's largest crude oil producer by production volume and one of the lowest cost producers, while providing reliable, low carbon intensity crude oil supply to customers**

See page 30 for more detail.

2 **Capture value from further strategic integration and diversification of its operations**

See page 31 for more detail.

3 **Expand gas activities**

See page 31 for more detail.

4 **Expand global recognition of Aramco's brands**

See page 32 for more detail.

5 **Efficiently allocate capital and maintain a prudent and flexible balance sheet**

See page 32 for more detail.

6 **Deliver sustainable dividends through crude oil price cycles**

See page 33 for more detail.

7 **Operate sustainably by leveraging technology and innovation**

See page 33 for more detail.

Strategy

1

Maintain its position as the world's largest crude oil producer by production volume and one of the lowest cost producers, while providing reliable, low carbon intensity crude oil supply to customers

Aramco's vision is to be the world's preeminent integrated energy and chemicals company, operating in a safe, sustainable and reliable manner

Aramco intends to maintain its position as the world's largest crude oil company by production volume. Its reserves, operational capabilities and spare capacity allow it to increase production in response to demand. Aramco maintains its desired level of crude oil production by balancing production between maturing areas and newer production sources, tapping into new reservoirs when required to optimize the depletion rate of its fields. It also maintains its low-cost position due to the unique nature of the Kingdom's geological formations, favorable onshore and shallow water offshore environments in which Aramco's reservoirs are located, synergies available from Aramco's use of its large infrastructure and logistics networks, its low depletion rate operational model and its scaled application of technology.

In addition, Aramco seeks to maintain its position as one of the world's most reliable crude oil suppliers. The Government determines the Kingdom's maximum level of crude oil production in the exercise of its sovereign prerogative and requires Aramco to maintain MSC in excess of its then current production in accordance with the Hydrocarbons Law. The spare capacity afforded by maintaining MSC provides operational flexibility to respond rapidly to changes in global crude oil supply and demand. Though Aramco has a robust field maintenance philosophy that emphasizes the reliability of its upstream operations, MSC also provides an alternative supply option in the event of unplanned production outages at any field.

Moreover, Aramco utilizes term agreements for selling crude oil to major consumers globally. These agreements provide supply predictability to customers by standardizing price and delivery terms to major regional demand centers. Aramco continues to invest in and develop a sophisticated and extensive crude oil distribution and dispatch system, which maintains Aramco's supply reliability.

Moreover, Aramco seeks to preserve the low lifting carbon intensity of its crude oil production, which places it among the world's least carbon intense producing sources of crude oil.

2

Capture value from further strategic integration and diversification of its operations

Aramco intends to continue the strategic integration of its upstream and downstream businesses to facilitate the placement of Aramco's crude oil in larger offtake volumes through a captive system of domestic and international wholly owned and affiliated refineries, allowing it to capture additional value across the hydrocarbon chain, expand its sources of earnings and provide resilience to oil price volatility. For example, Aramco's acquisition of a 70% equity interest in SABIC on June 16, 2020, supports the significant expansion of Aramco's downstream activities, particularly in its chemicals business, and provides additional opportunities for Aramco to supply mixed feedstock of crude oil, refinery products and gas to manufacture petrochemicals products.

In addition, the integration of Aramco's Upstream and Downstream segments provides a unique opportunity for Aramco to secure crude oil demand by selling to refineries designed specifically to economically process Arabian crude oil. Furthermore, Aramco intends to enhance its domestic and global marketing businesses to support the position of its upstream business in key, high-growth geographies, including China, India and Southeast Asia, which are integral to Aramco's existing business and future expansion strategy. Moreover, Aramco intends to maintain its presence in key large countries, such as the United States, and in countries that rely on importing crude oil, such as Japan and South Korea.

3

Expand gas activities

Aramco plans to expand its gas business to meet the large and growing domestic demand for low-cost cleaner energy by increasing production and investing in additional infrastructure. This demand is driven by power generation, water desalination, petrochemical production, and other industrial consumption in the Kingdom. Aramco's gas production also yields NGL (including ethane) and condensate, which supplement crude oil production and provide feedstock to the refining and petrochemical industries. Furthermore, Aramco seeks over time to develop an integrated global gas portfolio and continues to evaluate investment and joint venture opportunities outside the Kingdom in natural gas and LNG projects.

Wasit Gas Plant, Eastern Province

4

Expand global recognition of Aramco's brands

5

Efficiently allocate capital and maintain a prudent and flexible balance sheet

Aramco intends to expand global recognition of its brands in the energy sector

Aramco intends to expand global recognition of its brands. One aspect of this strategy is to introduce its brands to existing domestic and international marketing businesses, including at retail service stations, and further develop its petrochemicals and base oil brands. In addition, as new marketing activities are added to its business portfolio, Aramco intends to use its own brands and thereby build recognition of its position as a leader in the global energy sector. For example, in March 2020, Aramco announced a long-term global partnership with Formula 1®.

Ju'aymah, Eastern Province

Aramco has a comprehensive and disciplined internal approval process for capital expenditures, new projects and debt issuance. It analyzes future projects based on strategic, operational, commercial, and financial targets. Aramco's unique reserves and resources base, operational flexibility, field management practices and strong cash flow generation serve as a foundation for its low gearing and flexibility to allocate capital. Moreover, in August 2020, Aramco established an integrated corporate development organization to create value, assess and divest of certain existing assets and secure greater access to growth markets and technologies through portfolio optimization and strategic alignment. Aramco operates within a conservative financial framework and strives to maintain its gearing ratio to within its long-term targeted range of 5% to 15%.

However, following the acquisition of the PIF's 70% equity interest in SABIC, Aramco's gearing ratio as at December 31, 2020 was 23.0%, as compared to (0.2)% as at December 31, 2019. Gearing is a non-IFRS financial measure. For a definition of gearing and a reconciliation to the nearest financial measure calculated in accordance with IFRS, see Section 3: Results and performance.

6

Deliver sustainable dividends through crude oil price cycles

Aramco intends to deliver sustainable dividends to its shareholders through crude oil price cycles. After consideration of a number of factors, the Board of Directors, at its discretion, declared aggregate ordinary cash dividends of $75.0 billion with respect to calendar year 2020. In addition, Royal Order No. A/42, dated 26/1/1441H (corresponding to September 25, 2019) provides that, to the extent that the Board of Directors determines that the amount of any quarterly cash dividend declared with respect to calendar years 2020 through 2024 would have been less than $0.09375 per share (based on 200,000,000,000 shares outstanding) but for the Government forgoing its rights to such dividend, the Government will forgo its right to receive the portion of cash dividends on its shares equal to the amount necessary to enable Aramco to first pay the minimum quarterly cash dividend amount described above to holders of shares other than the Government. The remaining amount of the declared dividend as determined by the Board of Directors in its discretion will be paid to the Government.

Refer to Section 6: Corporate governance for further details.

7

Operate sustainably by leveraging technology and innovation

Aramco's climate change strategy aims to grow its business sustainably by leveraging technology and innovation to lower its climate impact. Aramco intends to maintain its position as a leader in Scope 1 and Scope 2 upstream carbon intensity, with one of the lowest carbon footprints per unit of hydrocarbons produced. It is also pursuing a wide range of initiatives to further lower its carbon intensity. For example, Aramco's natural gas program is increasing the percentage of gas used to meet the Kingdom's energy needs. Aramco is also a founding member of the Oil and Gas Climate Initiative (OGCI) and uses this platform for sharing best practices and devising common solutions to climate change with other major companies.

In January 2020, Aramco joined the Hydrogen Council as a steering member. The Hydrogen Council is a CEO-led organization that promotes collaboration between governments, industry and investors to provide guidance on accelerating the deployment of hydrogen solutions globally. Moreover, in September 2020, Aramco and the Institute of Energy Economics, Japan (IEEJ), in partnership with SABIC, successfully completed the world's first shipment of high-grade blue ammonia, which involved the conversion of hydrocarbons to hydrogen and then to ammonia, as well as the capture of associated carbon dioxide emissions. Forty tonnes were shipped from Saudi Arabia to Japan for use to generate power with a zero-carbon footprint.

Aramco's climate change strategy aims to grow its business sustainably by leveraging technology and innovation to lower its climate impact

3

Results and performance

Operational nerve center

Aramco, from a command center in its Dhahran headquarters, uses state-of-the-art technology to track every drop of oil and cubic foot of gas the Company extracts.

Shaybah facility

Financial highlights

Net income
(billion)

SAR184
$49
(2019: $88)

EBIT*
(billion)

SAR380
$101
(2019: $178)

Free cash flow*
(billion)

SAR184
$49
(2019: $78)

Net cash provided by operating activities
(billion)

SAR285
$76
(2019: $111)

Capital expenditures
(billion)

SAR101
$27
(2019: $33)

Dividends paid
(billion)

SAR261
$70
(2019: $73)

Dividends paid per share

SAR1.30
$0.35
(2019: $0.37)

ROACE*
(%)

13.2

(2019: 28.4)

Gearing*
(%)

23.0

(2019: -0.2)

Earnings per share
(basic and diluted)

SAR0.93
$0.25
(2019: $0.44)

Average realized crude oil price
($/barrel)

40.6

(2019: $64.6)

Operational highlights

MSC
(mmbpd)

12.0

(2019: 12.0)

Hydrocarbon production
(mmboed)

12.4

(2019: 13.2)

Crude oil production[1]
(mmbpd)

9.2

(2019: 9.9)

Reliability[2]
(%)

99.9

(2019: 99.2)

Gross refining capacity
(mmbpd)

6.4

(2019: 6.4)

Net chemicals production capacity
(million tonnes per year)

53.1

(2019: 21.7)

Upstream carbon intensity
(kg of CO_2e/boe)

10.5

(2019: 10.4)

Flaring intensity[3]
(scf/boe)

5.95

(2019: 5.88)

Total recordable case frequency[2]
(per 200,000 work hours)

0.044

(2019: 0.059)

* Non-IFRS measure: refer to "Non-IFRS measures reconciliations and definitions" for further details.
1. Includes blended condensate and AGOC's production but excludes the Kingdom of Bahrain's entitlement to volumes produced from the Abu Sa'fah field.
2. The Company.
3. Wholly owned in-Kingdom assets, SASREF, Motiva and ARLANXEO.

CFO's message

Aramco achieved solid earnings and cash flow and maintained a strong balance sheet, while declaring a total dividend of SAR 281 billion ($75 billion) for 2020

"We completed our first full year as a public company and successfully fulfilled our responsibilities as a listed entity."

The year 2020 will undoubtedly be remembered as one of the most difficult and challenging economic periods in recent history due to the COVID-19 pandemic. The global economy was severely disrupted, which resulted in a collapse in energy demand and significant price volatility. There were, however, some positive signs of a limited economic recovery in the second half of the year as demand and prices for petroleum products improved.

In response to the pandemic, Aramco carried out comprehensive mitigation efforts throughout the year in order to limit the impact of COVID-19. Despite the demanding conditions, Aramco's operations continued without any interruption, demonstrating our operational agility and reinforcing our high level of supply reliability.

As a result of this continued resilience, Aramco achieved solid earnings and cash flow, and maintained a strong balance sheet, while declaring a total dividend of SAR 281 billion ($75 billion) for 2020.

In a year marked by uncertainty, Aramco achieved a number of milestones, including the successful completion of our historic acquisition of a 70% stake in SABIC, which transformed our company into a major global petrochemicals producer and strengthened the resilience of our cash flow generation through synergistic opportunities.

In order to meet the challenges of the evolving market conditions, Aramco focused on rebalancing its cash priorities to maintain liquidity and preserve its industry-leading financial position. We implemented optimization and efficiency programs to reduce our capital and operating expenditures in 2020, and raised external debt, including the issuance of $8 billion of Senior Unsecured Notes, while maintaining zero credit losses from suppliers and customers and preserving our strong credit rating.

We also completed our first full year as a public company, and successfully fulfilled our responsibilities as a listed entity, including filing our first post-IPO Annual Report, and holding earning calls and inaugural annual general meeting.

Dhahran, Aramco headquarters

We continue working across our value chain to help the energy industry reduce carbon emissions, develop a climate-friendly circular domestic economy, and provide sustainable energy supplies for generations to come. We are proud that our upstream carbon intensity remains one of the lowest in the world at 10.5 kg of CO_2e/boe in 2020.

For the year ended December 31, 2020, Aramco's net income was SAR 184 billion ($49 billion), with free cash flow of SAR 184 billion ($49 billion). Capital expenditure in 2020 totaled SAR 101 billion ($27 billion), compared to SAR 123 billion ($33 billion) in 2019, reflecting the impact of our ongoing optimization and efficiency programs. We also expect our capital expenditure for 2021 to be significantly lower than the previous guidance.

These strong results in 2020 demonstrate Aramco's capacity and capability to overcome challenges across economic cycles. Furthermore, the stability and growth of the Company's share price in the current economic environment, and the success of its global debt offering, is a testament to Aramco's ability to weather even the most demanding of market conditions.

Khalid H. Al-Dabbagh
Senior Vice President,
Finance, Strategy & Development

These strong results in 2020 demonstrate Aramco's capacity and capability to overcome challenges across economic cycles

Financial performance

Throughout 2020, we demonstrated the agility of our financial framework through our spending and efficiency programs, which resulted in billions of dollars of savings in both our capital and operational spend

Aramco's low-cost base and flexible operational structure allowed it to swiftly and successfully navigate through these exceptional times and, accordingly, Aramco delivered solid earnings for the year 2020

The financial information of Aramco set forth below, as at December 31, 2019 and 2020, and for the years then ended, has been derived without material adjustment from, and is qualified in its entirety by, the Financial Statements contained in Section 8: Consolidated financial statements. It should be read in conjunction with the financial statements, Section 5: Risk, and other financial data included elsewhere in this Annual Report.

Key factors affecting Aramco's financial results

The following is a discussion of the most significant factors that have impacted Aramco's financial position and results of operations for the year ended December 31, 2020.

Supply, demand and prices for hydrocarbons, and refined and chemicals products

Aramco's revenue and other income related to sales are primarily driven by its sales of hydrocarbons, including crude oil, and refined and chemicals products, which are dependent on global supply and demand, and market prices. Crude oil is also a major component of the cost of production of refined products and chemicals that use hydrocarbons as feedstock. Accordingly, Aramco's results of operations and cash flows are significantly impacted by market prices and the volumes sold of hydrocarbons, and refined and chemicals products.

Global demand and supply for crude oil, and refined and chemicals products, was severely impacted by the COVID-19 pandemic and the associated containment measures introduced by countries worldwide to limit the spread of the virus. This led to significant volatility in crude oil prices and continued pressure on refining and chemicals margins. These trends are reflected in Aramco's earnings for the year ended December 31, 2020.

In the Kingdom, the Government regulates the oil and gas industry and establishes the Kingdom's maximum level of hydrocarbon production in the exercise of its sovereign prerogative. Accordingly, the Government may in its sole discretion increase or decrease the Kingdom's maximum hydrocarbon production levels at any time based on its strategic energy security goals or for any other reason. Therefore, Aramco's results of operations may depend in part on these sovereign decisions with respect to production levels.

SABIC acquisition

On June 16, 2020, Aramco completed its acquisition of a 70% equity interest in SABIC. This transaction led to SABIC being consolidated into Aramco's financial statements from the date of the acquisition. For further details, refer to Note 4 of the consolidated financial statements in Section 8: Consolidated financial statements.

Term loan facility

In May 2020, Aramco entered into a $10 billion one-year term loan facility for general corporate purposes with various financial institutions at extremely attractive rates, with an option to extend for another year at lenders' discretion. The facility was fully utilized on July 27, 2020.

Issuance of Senior Unsecured Notes
On November 24, 2020, the Company issued a series of USD Senior Unsecured Notes (Senior Unsecured Notes) aggregating SAR 30.0 billion ($8.0 billion). The notes are listed on the London Stock Exchange's Regulated Market.

Recent fiscal regime changes
Effective January 1, 2020, the Government made a number of changes to the fiscal regime under which the Company operates, impacting Aramco's financial results. Among other things, these changes align the fiscal regime to which Aramco and other domestic hydrocarbon producers are subject to tax and royalty rates that are customary in other hydrocarbon producing jurisdictions. Below is a summary of the key changes:

- the Government expanded the equalization mechanism to include LPGs and certain other products, (effective as at January 1, 2020);
- the Company and the Government executed an amendment to the Concession, which (effective as at January 1, 2020):
  - (i) reduces the royalty rate on crude oil and condensate production to 15% (from 20%) on Brent prices up to $70 per barrel;
  - (ii) increases the marginal royalty rate to 45% (from 40%) on Brent prices above $70 per barrel up to $100 per barrel; and
  - (iii) increases the marginal royalty rate to 80% (from 50%) on Brent prices above $100 per barrel;
- the Government determined that the tax rate applicable to the Company's downstream activities is the general corporate tax rate of 20% that applies to all similar domestic downstream companies under the Income Tax Law, rather than the 50% to 85% multitiered structure of income tax rates that previously applied to domestic oil and hydrocarbons production companies in the Kingdom. The new rate is conditioned on the Company separating its downstream activities under the control of one or more separate wholly owned subsidiaries before December 31, 2024 (effective as at January 1, 2020);
- the period for which the Company will not be obligated to pay royalties on condensate production was extended for an additional ten years after the current five-year period ending on January 1, 2023, and may be further extended for subsequent 10-year periods, unless the Government determines the economics impacting gas field development do not warrant such an extension (effective as at January 1, 2023);
- the Income Tax Law was further amended to provide that shares held directly or indirectly in companies listed on Tadawul by Saudi taxpayers engaged in oil and hydrocarbon activities are now exempt from corporate income taxes and instead subject to Zakat. As a result, Aramco's ownership interests in certain entities, including SABIC, Petro Rabigh, National Shipping Company of Saudi Arabia and Saudi Electricity Company are now subject to Zakat instead of income taxes (effective as at January 1, 2020); and
- the Government compensates the Company for carrying costs associated with maintaining Government-mandated petroleum product reserves in an amount of $41.2 million per month. The Ministry of Energy, the Ministry of Finance and the Company will review this amount every five years (effective as at January 1, 2020).

Effective September 17, 2019, the Government also adopted regulations regarding the manner in which the Company is compensated for gas sold domestically in the Kingdom. The Company is compensated by the Government for revenue directly forgone as a consequence of domestically supplying Regulated Gas Products in the event that Government-established prices do not meet the relevant price determined to achieve the rate of return approved by the Government for the Company's gas projects.

SABIC

Aramco completed its acquisition of a 70% equity interest in SABIC

Summarized consolidated statement of income

	SAR		USD*		
	Year ended December 31		Year ended December 31		
All amounts in millions unless otherwise stated	**2020**	2019	**2020**	2019	**% change**
Operating income	**383,360**	674,871	**102,229**	179,966	**(43.2)%**
Share of results of joint ventures and associates	**(3,554)**	(9,455)	**(948)**	(2,521)	**(62.4)%**
Finance and other income	**3,182**	7,351	**849**	1,960	**(56.7)%**
Finance costs	**(10,564)**	(6,026)	**(2,817)**	(1,607)	**75.3%**
Income before income taxes and zakat	**372,424**	666,741	**99,313**	177,798	**(44.1)%**
Income taxes and zakat	**(188,661)**	(336,048)	**(50,310)**	(89,613)	**(43.9)%**
Net income	**183,763**	330,693	**49,003**	88,185	**(44.4)%**
Average realized crude oil price ($/bbl)			**40.6**	64.6	**(37.2)%**
ROACE**	**13.2%**	28.4%	**13.2%**	28.4%	**(15.2) pp**

* Supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only.
** Refer to "Non-IFRS measures reconciliations and definitions" for further detail.

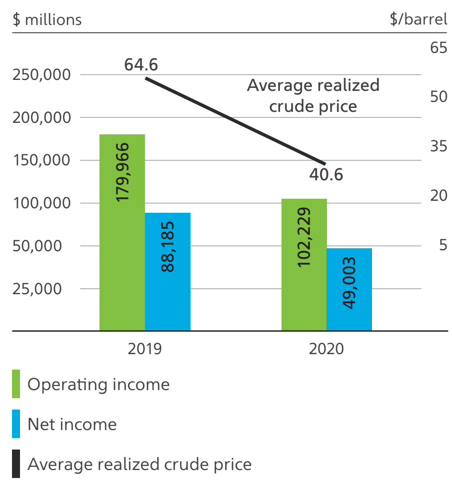
Financial results
While the COVID-19 pandemic gave rise to unprecedented financial challenges across the global economy, Aramco's low-cost base and flexible operational structure allowed it to swiftly and successfully navigate through these exceptional times, and, accordingly, Aramco delivered solid earnings for the year 2020.

Net income of SAR 183,763 ($49,003) for the year ended December 31, 2020, primarily reflects the impact of lower crude oil prices and volumes sold, and weakened refining and chemicals margins, when compared to net income of SAR 330,693 ($88,185) in 2019.

Operating costs decreased by SAR 83,183 ($22,181), or 14.8%, from SAR 561,914 ($149,843) to SAR 478,731 ($127,662), for the years ended December 31, 2019 and 2020, respectively. This was principally due to lower production royalties, resulting from lower crude oil prices and volumes sold and a decrease in the baseline royalty rate from 20% to 15%, in addition to a decrease in purchases, which mainly reflects the impact of reduced prices. The decrease was partially offset by the consolidation of SABIC's operating costs.

Income taxes and zakat
The charge for income taxes and zakat for 2020 was SAR 188,661 ($50,310), compared to SAR 336,048 ($89,613) in 2019, essentially due to lower income in 2020.

Income vs. average realized crude price



Summarized consolidated balance sheet

All amounts in millions unless otherwise stated	SAR As at December 31 2020	SAR As at December 31 2019	USD* As at December 31 2020	USD* As at December 31 2019	% change
Total assets	**1,914,261**	1,494,126	**510,470**	398,434	**28.1%**
Total liabilities	**813,167**	447,891	**216,845**	119,438	**81.6%**
Significant balance sheet movements:					
Property, plant and equipment	**1,209,460**	982,014	**322,523**	261,870	**23.2%**
Intangible assets	**164,547**	30,122	**43,879**	8,033	**446.3%**
Investments in joint ventures and associates	**65,976**	19,738	**17,594**	5,263	**234.3%**
Borrowings (non-current and current)	**536,077**	175,585	**142,954**	46,823	**205.3%**
Post-employment benefit obligations	**54,207**	21,174	**14,455**	5,646	**156.0%**
Dividend payable	**–**	35,475	**–**	9,460	**(100.0)%**
Gearing**	**23.0%**	(0.2)%	**23.0%**	(0.2)%	**23.2 pp**

* Supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only.
** Refer to "Non-IFRS measures reconciliations and definitions" for further detail.

Financial position
Total assets were SAR 1,914,261 ($510,470) as at December 31, 2020, compared to SAR 1,494,126 ($398,434) as at December 31, 2019, principally reflecting an increase in property, plant and equipment, intangible assets, including goodwill, and investments in joint ventures and associates. These increases were primarily driven by the consolidation of SABIC onto Aramco's balance sheet and additions to property, plant and equipment, mainly due to the ongoing capital projects.

Total liabilities were SAR 813,167 ($216,845) at December 31, 2020, compared to SAR 447,891 ($119,438) at December 31, 2019. This increase was predominantly due to higher borrowings and an increase in post-employment benefit obligations, partially offset by the absence of a dividend payable at the end of the current year.

The increase in total borrowings was largely due to the deferred consideration in relation to the SABIC acquisition, the consolidation of SABIC's borrowings onto Aramco's balance sheet, the drawdown of a new term loan facility and the issuance of Senior Unsecured Notes.

Post-employment benefit obligations increased mostly due to the consolidation of SABIC's post-employment benefit obligations and the re-measurement of the Company's benefit plan assets and liabilities.

The prior year's dividend payable represented an ordinary dividend declared in December 2019 and paid in January 2020. No such dividend was payable at the end of the current year.

Summarized consolidated statement of cash flows

All amounts in millions unless otherwise stated	SAR Year ended December 31 2020	SAR 2019	USD* Year ended December 31 2020	USD* 2019	% change
Net cash provided by operating activities	**285,297**	416,529	**76,079**	111,074	**(31.5)%**
Net cash used in investing activities	**(20,899)**	(177,144)	**(5,573)**	(47,239)	**(88.2)%**
Net cash used in financing activities	**(234,872)**	(244,831)	**(62,632)**	(65,288)	**(4.1)%**
Cash and cash equivalents at end of the year	**207,232**	177,706	**55,262**	47,388	**16.6%**
Capital expenditures	**(101,030)**	(122,882)	**(26,942)**	(32,769)	**(17.8)%**
Free cash flow**	**184,267**	293,647	**49,137**	78,305	**(37.2)%**

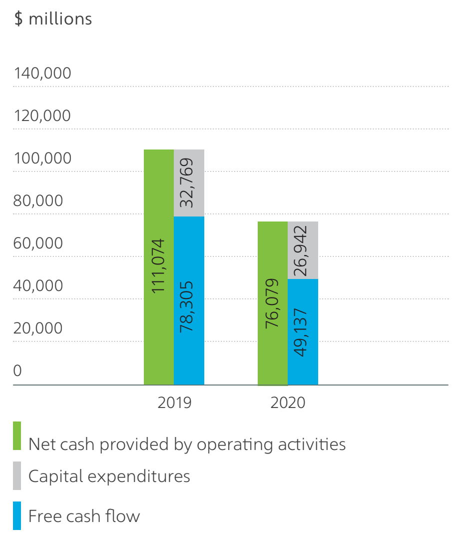
* Supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only.
** Refer to "Non-IFRS measures reconciliations and definitions" for further detail.

Cash flows
Net cash provided by operating activities was SAR 285,297 ($76,079) for the year ended December 31, 2020, compared to SAR 416,529 ($111,074) reported in 2019, a decrease of SAR 131,232 ($34,995). This principally reflects the impact of lower earnings, mainly resulting from lower crude oil prices and volumes sold and weaker refining and chemicals margins, partially offset by a decrease in cash utilized in the settlement of income, zakat and other taxes.

Net cash used in investing activities was SAR 20,899 ($5,573) for the year ended December 31, 2020, compared to SAR 177,144 ($47,239) in 2019, a decrease of SAR 156,245 ($41,666). Capital expenditures in 2020 decreased due to the implementation of optimization and efficiency programs. In addition, net cash was also impacted by cash inflows on the maturity of short-term investments, compared to net purchases of short-term investments in 2019, and cash acquired upon the acquisition of SABIC.

Net cash used in financing activities was SAR 234,872 ($62,632) in 2020, compared with SAR 244,831 ($65,288) in 2019, a decrease of SAR 9,959 ($2,656), which predominately reflects the impact of cash inflows from the drawdown of a new term loan facility and the issuance of Senior Unsecured Notes. This was partially offset by the repayment of borrowings, largely in respect of deferred consideration related to the SABIC acquisition.

Cash flows



Non-IFRS measures reconciliations and definitions

This Annual Report includes certain non-IFRS financial measures — ROACE, free cash flow, gearing and EBIT — which Aramco uses to make informed decisions about its financial position and operating performance or liquidity. These non-IFRS financial measures have been included in this Report to facilitate a better understanding of Aramco's historical trends of operation and financial position.

Aramco uses non-IFRS financial measures as supplementary information to its IFRS based operating performance and financial position. The non-IFRS financial measures are not defined by, or presented in accordance with, IFRS. The non-IFRS financial measures are not measurements of Aramco's operating performance or liquidity under IFRS and should not be used instead of, or considered as alternatives to, any measures of performance or liquidity under IFRS. The non-IFRS financial measures relate to the reporting periods described in this Annual Report and are not intended to be predictive of future results. In addition, other companies, including those in Aramco's industry, may calculate similarly titled non-IFRS financial measures differently from Aramco. Because companies do not necessarily calculate these non-IFRS financial measures in the same manner, Aramco's presentation of such non-IFRS financial measures may not be comparable to other similarly titled non-IFRS financial measures used by other companies.

Return on average capital employed (ROACE)

ROACE measures the efficiency of Aramco's utilization of capital. Aramco defines ROACE as net income before finance costs, net of income taxes and zakat, for a period as a percentage of average capital employed during that period. Average capital employed is the average of total borrowings plus total equity at the beginning and end of the applicable period. Aramco utilizes ROACE to evaluate management's performance and demonstrate to its shareholders that capital has been used effectively.

ROACE, calculated on a twelve-month rolling basis, was 13.2% in 2020, compared to 28.4% in 2019. This decrease was primarily attributable to lower net income, and to a lesser extent, higher borrowings as a result of the SABIC acquisition, the drawdown of a term loan facility and the issuance of Senior Unsecured Notes.

	SAR		USD*	
	Twelve months ended December 31		Twelve months ended December 31	
All amounts in millions unless otherwise stated	**2020**	2019	**2020**	2019
Net income	**183,763**	330,693	**49,003**	88,185
Finance costs, net of income taxes and zakat	**5,282**	3,013	**1,409**	804
Net income before finance costs, net of income taxes and zakat	**189,045**	333,706	**50,412**	88,989
As at period start:				
Non-current borrowings	**150,690**	71,329	**40,184**	19,021
Current borrowings	**24,895**	29,989	**6,639**	7,997
Total equity	**1,046,235**	1,028,435	**278,996**	274,249
Capital employed	**1,221,820**	1,129,753	**325,819**	301,267
As at period end:				
Non-current borrowings	**436,920**	150,690	**116,512**	40,184
Current borrowings	**99,157**	24,895	**26,442**	6,639
Total equity	**1,101,094**	1,046,235	**293,625**	278,996
Capital employed	**1,637,171**	1,221,820	**436,579**	325,819
Average capital employed	**1,429,496**	1,175,787	**381,199**	313,543
ROACE	**13.2%**	28.4%	**13.2%**	28.4%

* Supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only.

Free cash flow

Aramco uses free cash flow to evaluate its cash available for financing activities, including dividend payments. Aramco defines free cash flow as net cash provided by operating activities less capital expenditures.

Free cash flow in 2020 was SAR 184,267 ($49,137), compared to SAR 293,647 ($78,305) in 2019, a decrease of SAR 109,380 ($29,168), or 37%. This was principally due to lower earnings in 2020, resulting from lower crude oil prices, lower crude oil volumes sold and weaker refining and chemicals margins, partly offset by a decrease in settlement of income, zakat and other taxes and lower capital expenditures following the implementation of capital spending optimization and efficiency programs during the year.

	SAR		USD*	
	Year ended December 31		Year ended December 31	
All amounts in millions unless otherwise stated	**2020**	2019	**2020**	2019
Net cash provided by operating activities	**285,297**	416,529	**76,079**	111,074
Capital expenditures	**(101,030)**	(122,882)	**(26,942)**	(32,769)
Free cash flow	**184,267**	293,647	**49,137**	78,305

* Supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only.

Gearing

Gearing is a measure of the degree to which Aramco's operations are financed by debt. Aramco defines gearing as the ratio of net debt (total borrowings less cash and cash equivalents) to net debt plus total equity. Management believes that gearing is widely used by analysts and investors in the oil and gas industry to indicate a company's financial health and flexibility.

Aramco's gearing ratio was 23.0% as at December 31, 2020, compared to -0.2% (net cash position) as at December 31, 2019. This principally reflects an increase in net debt, mainly due to the deferred consideration payable to the PIF on acquisition of SABIC, the drawdown of a new term loan facility, the issuance of Senior Unsecured Notes during the year, and the consolidation of SABIC's net debt position.

	SAR		USD*	
	As at December 31		As at December 31	
All amounts in millions unless otherwise stated	**2020**	2019	**2020**	2019
Total borrowings (current and non-current)	**536,077**	175,585	**142,954**	46,823
Cash and cash equivalents	**(207,232)**	(177,706)	**(55,262)**	(47,388)
Net debt/(cash)	**328,845**	(2,121)	**87,692**	(565)
Total equity	**1,101,094**	1,046,235	**293,625**	278,996
Total equity and net debt/cash	**1,429,939**	1,044,114	**381,317**	278,431
Gearing	**23.0%**	(0.2)%	**23.0%**	(0.2)%

* Supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only.

Earnings before interest, income taxes and zakat (EBIT)

Aramco defines EBIT as net income plus finance costs and income taxes and zakat, less finance income. Aramco believes EBIT provides useful information regarding its financial performance to analysts and investors.

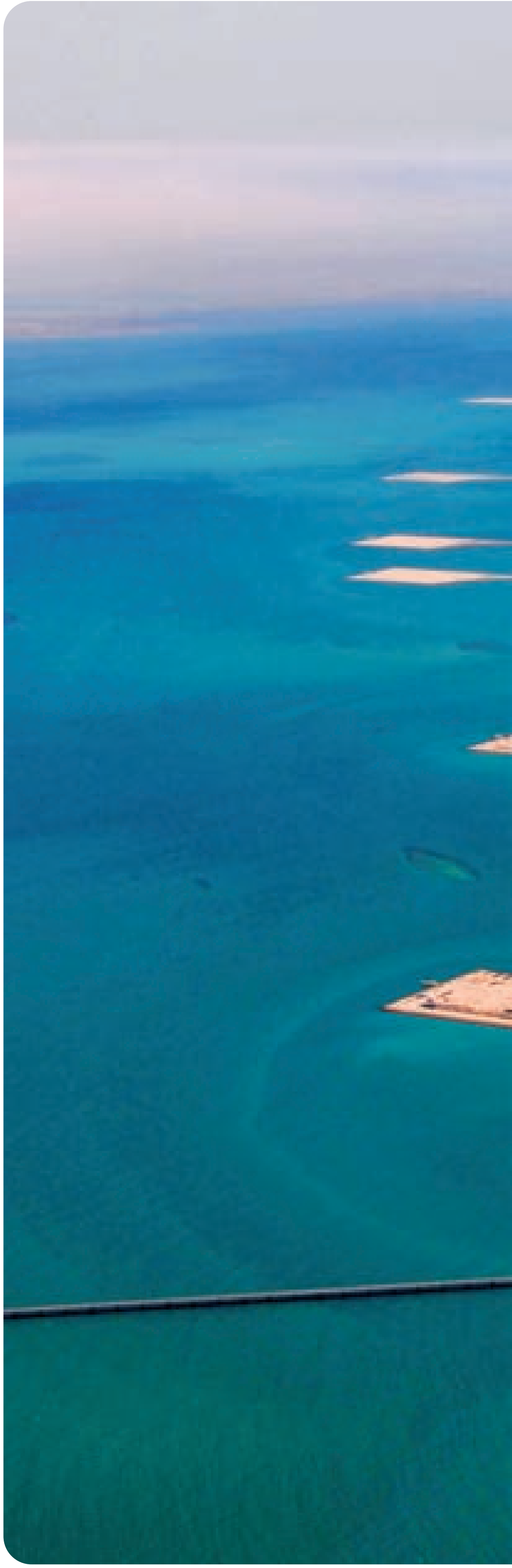
EBIT for 2020 was SAR 380,217 ($101,391), compared to SAR 667,233 ($177,929) in 2019. This decrease of SAR 287,016 ($76,538), or 43%, principally reflects the impact of lower crude oil prices and volumes sold, and weaker refining and chemicals margins during the year.

	SAR		USD*	
	Year ended December 31		Year ended December 31	
All amounts in millions unless otherwise stated	**2020**	2019	**2020**	2019
Net income	**183,763**	330,693	**49,003**	88,185
Finance income	**(2,771)**	(5,534)	**(739)**	(1,476)
Finance costs	**10,564**	6,026	**2,817**	1,607
Income taxes and zakat	**188,661**	336,048	**50,310**	89,613
Earnings before interest, income taxes and zakat	**380,217**	667,233	**101,391**	177,929

* Supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only.

Upstream

Aramco's Upstream segment activities consist of exploring for, developing and producing crude oil, condensate, natural gas and NGL



Upstream competitive strengths

- Unrivalled scale of crude oil and condensate production and conventional proved reserves.
- Long reserves life, with long-term track record of low-cost reserves replacement.
- Unique ability to capture value through active management of the world's largest conventional hydrocarbons reserves base.
- Unique operational flexibility to respond to changes in supply and demand.
- Multiple crude grades and global crude oil delivery points.
- Extensive high-quality gas reserves with exclusive access to the Kingdom's large and growing domestic marketplace.
- Crude oil extraction with a low average carbon intensity.
- Low lifting costs and capital expenditures per barrel of oil equivalent.
- Ability to execute some of the world's largest upstream capital projects.

Manifa oil field

Aramco, a major producer of crude oil and condensate, bases its upstream operations in the Kingdom of Saudi Arabia. The Company is focused on maintaining its preeminent upstream position.

“

Upstream’s remarkable 2020 operational and financial performance included ensuring the safety, health and well-being of its workforce while achieving historic crude oil and natural gas daily production records, optimizing both capital and operating expenditures to strengthen our cash flow, maintaining our low GHG emissions and continuing to satisfy our customers’ expectations both domestically and globally.”

Nasir K. Al-Naimi
Acting Business Line Head, Upstream

Upstream overview

The Upstream segment’s activities consist of exploring for, developing and producing crude oil, condensate, natural gas and NGL. Aramco manages the Kingdom’s unique reserves and resources base to optimize production and maximize long-term value pursuant to the Hydrocarbons Law, which mandates that Aramco’s hydrocarbon operations promote long-term productivity of the Kingdom’s reservoirs and support the prudent stewardship of its hydrocarbon resources.

As set out in the Concession, Aramco has the exclusive right to explore, develop and produce the Kingdom’s hydrocarbon resources, except in the Excluded Areas, to an initial period of 40 years, which will be extended by the Government for 20 years provided Aramco satisfies certain conditions commensurate with current operating practices. In addition, the Concession may be extended for an additional 40 years beyond the prior 60-year period subject to Aramco and the Government agreeing on the terms of the extension. The provision of a specified term in the Concession impacts the calculation of Aramco’s reserves as compared to the Kingdom’s reserves in the fields Aramco operates. The Concession also requires Aramco to meet domestic demand for certain hydrocarbons, petroleum products and LPGs through domestic production or imports.

As at December 31, 2020, Aramco’s reserves under the Concession agreement were 255.2 (2019: 258.6) billion boe, including 198.8 (2019: 201.9) billion barrels of crude oil and condensate, 25.2 (2019: 25.7) billion barrels of NGL and 191.6 (2019: 190.6) tscf of natural gas.

The Government determines the Kingdom’s maximum level of crude oil production in the exercise of its sovereign prerogative and requires Aramco to maintain MSC in excess of its then current production in accordance with the Hydrocarbons Law. MSC was maintained at 12.0 mmbpd for the year ended December 31, 2020. Subsequently, on March 11, 2020, the Government (acting through the Ministry of Energy) directed Aramco to increase MSC from 12.0 to 13.0 mmbpd. Aramco is proceeding with detailed engineering and implementing the Government’s directive to increase MSC. The spare capacity afforded by maintaining MSC enables Aramco to increase its crude oil production above planned levels rapidly in response to changes in global crude oil supply and demand, as an alternative supply option in case of unplanned production outages at any field and to maintain the production levels during routine field maintenance.

In 2020, Aramco maintained its position as one of the world’s leading producers of crude oil and condensate with an average total daily hydrocarbon production of 12.4 mmboed (2019: 13.2 mmboed), including 9.2 mmbpd (2019: 9.9 mmbpd) of crude oil (including blended condensate and AGOC’s share of the production in the partitioned territory and its adjoining offshore areas in accordance with the agreements between the Kingdom and the State of Kuwait but excluding the Kingdom of Bahrain’s share of volumes produced from the Abu Sa’fah field). For the year ended December 31, 2020, approximately 84% (2019: 85%) of the aggregate hydrocarbon production consisted of liquids, which generally command a higher margin.

Aramco continued to maintain its low-cost leadership position globally. In 2020, average Upstream cost[1] was SAR 26.3 ($7.0) per boe produced, representing a reduction of approximately SAR 1.8 ($0.5) per boe from 2019, despite the impact of lower average hydrocarbon production and the monumental disruptions associated with the pandemic. This notable achievement reflects robust fiscal discipline and extensive capital program optimizations.

The Company’s low-cost proposition is further strengthened by the unique nature of the Company’s endowment and its thoughtful stewardship over the generations. The Kingdom’s geological formations, favorable onshore and shallow-water offshore reservoirs, and the sheer scale of its hydrocarbon reserves are industry differentiators. Moreover, synergies created by effectively leveraging its large infrastructure and logistics networks, low-depletion rate operating model, and its scaled application of technology, all combined to deliver its competitive advantage.

1. Upstream cost is the aggregation of average lifting cost of SAR 11.3 ($3.0) per boe produced (2019: SAR 10.6 ($2.8)), and average capital expenditures of SAR 15.0 ($4.0) (2019: 17.5 ($4.7)) per boe produced.

Key events in 2020

- Achieved historical records of both crude oil and natural gas production.
- Maintained MSC at 12.0 mmbpd at year end December 31, 2020.
- Safely commissioned the sulfate removal facility in 'Ain Dar and Fazran increments.
- Continued progressing with the engineering and construction activities for Berri, Marjan, Tanajib, Dammam and Haradh increments.
- Reached the design processing capacity of 2.5 bscfd for the Fadhili Gas Plant.
- Discovered seven new fields, of which four are unconventional, and one unconventional reservoir.
- Received approval for the development of the Jafurah unconventional gas field.
- Resumed production at Al-Khafji Joint Operations (KJO) in the offshore partitioned territory between the Kingdom and the State of Kuwait.

Rig SAR 154, 'Ain Dar

Upstream hydrocarbon production

	Year ended December 31		
	2020	2019	**% change**
Crude oil[1] (mbpd)	**9,236**	9,943	**(7.1)%**
Condensate (mbpd)	**194**	202	**(4.0)%**
Propane (mbpd)	**500**	535	**(6.5)%**
Butane (mbpd)	**303**	319	**(5.0)%**
Natural gasoline (mbpd)	**201**	222	**(9.5)%**
Total liquids (mbpd)	**10,434**	11,221	**(7.0)%**
Natural gas (mmscfd)	**9,034**	8,978	**0.6%**
Ethane (mmscfd)	**950**	960	**(1.0)%**
Total gas (mmscfd)	**9,984**	9,938	**0.5%**
Total hydrocarbon production[2] (mboed)	**12,392**	13,172	**(5.9)%**

1. Includes AGOC's oil production, blended condensate and excludes the Kingdom of Bahrain's entitlement to volumes produced from the Abu Sa'fah field.
2. Total hydrocarbon production (mboed) is derived from mmscfd (for natural gas and ethane) by dividing the relevant product production by 5.400 (in the case of natural gas) and 3.330 (in the case of ethane).

Upstream financial results

	SAR		USD*		
	Year ended December 31		Year ended December 31		
All amounts in millions unless otherwise stated	**2020**	2019	**2020**	2019	**% change**
Revenue and other income related to sales (including Inter-segment revenue)	**605,470**	970,395	**161,459**	258,772	**(37.6)%**
Earnings before interest, income taxes and zakat	**413,214**	689,894	**110,190**	183,972	**(40.1)%**
Capital expenditures — cash basis	**73,651**	93,927	**19,640**	25,047	**(21.6)%**

* Supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only.

Earnings before interest, income taxes and zakat (EBIT) for the year ended December 31, 2020 totaled SAR 413,214 ($110,190), compared to SAR 689,894 ($183,972) in 2019, a decrease of SAR 276,680 ($73,782), or (40.1)%. EBIT was primarily impacted by significant volatility in crude oil prices and also lower sales volumes following the challenging conditions caused by COVID-19, which resulted in lower crude oil revenues compared to prior year. This was partially offset by the impact of lower crude oil production royalties, resulting from lower prices and volumes sold as well as a decrease in the baseline royalty rate, and higher other income related to sales.

Capital expenditures in 2020 decreased by 21.6%, compared to the year ended December 31, 2019, from SAR 93,927 ($25,047) to SAR 73,651 ($19,640). This was mainly attributable to reprioritization of development and exploration activities while maintaining MSC.

Crude oil

Overview

Aramco actively manages its prolific reserves base to maximize long-term value while optimizing ultimate recovery from its fields. Because of the size and number of its fields and spare capacity, the Company is able to maintain its desired level of overall production by tapping into new reservoirs when required to improve long-term value through portfolio capacity optimization. Diversification of supply sources for crude oil from new reservoirs has the benefit of allowing lower depletion rates from existing fields and deferring costs for additional wells and facilities to handle higher total fluid displacement rates at such fields.

Aramco's principal fields are located in close proximity to each other within the Central and Eastern Provinces of the Kingdom. Aramco believes that its portfolio includes the world's largest discovered conventional onshore oil field (Ghawar) and largest discovered conventional offshore oil field (Safaniyah). The crude oil, condensate, natural gas and NGL that Aramco produces from its fields travel through its extensive network of pipelines to multiple facilities for processing into refined products and petrochemical products or to domestic customers or export terminals. In particular, Aramco's East-West pipeline is critical in linking oil production facilities in the Eastern Province with Yanbu' on the West coast, and providing flexibility to export from the East and West coasts of the Kingdom.

Aramco owns and operates the Abqaiq facility, which is its largest oil processing facility and the largest crude oil stabilization plant in the world. Aramco also operates four crude export terminals that contribute to its operational flexibility and supply reliability. In addition, Aramco also has strategic international delivery points located in Rotterdam (the Netherlands), Ain Sukhna (Egypt), Fujairah (United Arab Emirates) and Okinawa (Japan).

Aramco consistently produces five grades of Arabian crude oil: Arabian Super Light, Arabian Extra Light, Arabian Light, Arabian Medium and Arabian Heavy. These crude grades and the wide range of blends that can be produced from them are compatible with most refineries globally. In 2020, Arabian Super Light, Arabian Extra Light and Arabian Light accounted for approximately 69% (2019: 67%) of Aramco's total crude oil production and were classified as premium grades.

Diversification of supply sources for crude oil from new reservoirs has the benefit of allowing lower depletion rates from existing fields

Abqaiq Oil Plants, Eastern Province

12.1 mmbpd

was the highest single day crude oil production, which was achieved on April 2, 2020

On a total basis, Aramco produced 9.2 mmbpd (2019: 9.9 mmbpd) of crude oil (including AGOC's oil production, and blended condensate, but excluding the Kingdom of Bahrain's share of volumes produced from the Abu Sa'fah field), of which approximately 5.6 mmbpd (2019: 6.2 mmbpd) were sold to third-party customers. In 2020, Aramco's downstream business was the largest customer of the Upstream's crude oil, consuming approximately 39% of its crude oil production (2019: 38%).

Performance and achievements

Despite the restrictions and challenges created by the COVID-19 pandemic, Upstream demonstrated the strong integration of its reservoir management strategies and production assets during the year by rapidly increasing production in March 2020, from 8.9 mmbpd up to the MSC level of 12.0 mmbpd, a remarkable increase of approximately 35% that was achieved within a few weeks. Also, on April 2, 2020, Aramco successfully achieved the highest single day crude oil production of 12.1 mmbpd. This is a clear testament to Aramco's talented people, operating procedures and world-class facilities.

Highlights of the key projects are listed below:

- The construction activities have commenced on both Marjan and Berri increment programs. Significant progress has been achieved in the engineering design work and material procurement phases. The Marjan and Berri projects are expected to add production capacity of 300 mbpd and 250 mbpd, respectively, by 2025;
- The 'Ain Dar and Fazran increments, each targeting secondary reservoirs, are in advanced stages of completion. The facility that is required to inject compatible water for pressure maintenance was safely commissioned in 2020, while operations are expected to commence in 2021 with a total production capacity of 175 mbpd;
- The construction activities of phase one of the Dammam development project have commenced and are expecting to bring 25 mbpd onstream in 2024, with an additional 50 mbpd in 2026; and
- Following several years of inactivity, in February 2020, Aramco, through its wholly owned subsidiary Aramco Gulf Operations Company Ltd. (AGOC), resumed operations at Al-Khafji Joint Operations (KJO). AGOC operates in the offshore partitioned territory between the Kingdom and the State of Kuwait, with a 50% stake in KJO.


Khurais Plant, Eastern Province

Hasbah, Arabian Gulf

Gas and NGL

Overview

Aramco's non-associated gas fields vary widely in reservoir properties, depths, pressures and compositions. In general, the southern area around the Ghawar field has rich gas at moderate depths and permeability, while the northern offshore fields (Karan, Arabiyah and Hasbah) have leaner gas in deeper reservoirs with high permeability. Additionally, Aramco's crude oil production provides a base load of associated gas, which is rich in liquids.

Our primary natural gas processing and fractionation facilities are located in three geographical regions: Ghawar and the northern and western areas of the Kingdom. The facilities are strategically located near its fields to reduce transportation and pipeline compression costs, as well as the time required to deliver gas products to market. As at December 31, 2020, the total conventional and unconventional raw gas processing capacity was 18.3 bscfd (2019: 17.4 bscfd), which primarily feeds into the MGS, an extensive network of pipelines that connects Aramco's key gas production and processing sites throughout the Kingdom.

Pursuant to the Concession, Aramco is the exclusive supplier of natural gas in the Kingdom. Aramco sells natural gas to power generation plants primarily pursuant to long-term contracts and to customers in the Kingdom's industrial sector. The supply of natural gas to domestic customers is regulated by the GSPR and the prices paid by domestic customers are set by resolutions issued from time to time by the Council of Ministers. Additionally, effective January 1, 2020, LPGs and certain other products were added to the price equalization mechanism to compensate Aramco for revenue directly forgone as a result of its compliance with the Government mandates related to domestic sales of those products by the Company. Aramco also exports a proportion of its NGL production.

In-line with its strategy, Aramco is seeking, over time, to develop an integrated global gas portfolio and continues to evaluate investment and joint venture opportunities outside the Kingdom in natural gas and LNG projects.

In 2020 and 2019, Aramco produced approximately 9.0 bscfd of natural gas, 1.0 bscfd of ethane, and 0.2 mmbpd of unblended condensate. Also, our NGL production in 2020 was 1.0 mmbpd with 1.1 mmbpd in 2019.

10.7 bscfd

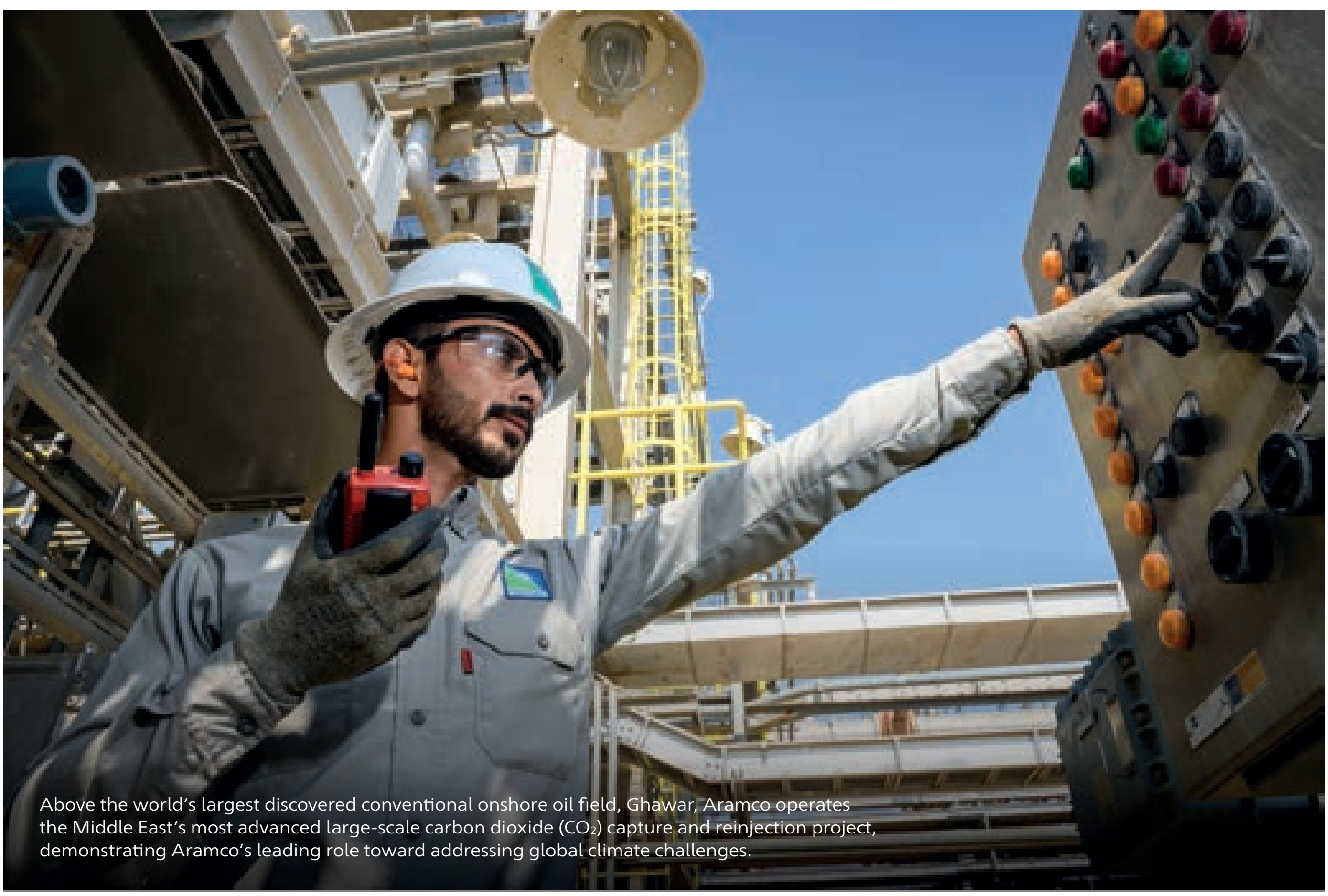
was the highest single day natural gas production, which was achieved on August 6, 2020

Performance and achievements

In 2020, Aramco continued to progress with the major gas projects within the Kingdom to meet domestic demand. The Company, also achieved a historic single day production record, producing 10.7 bscfd of natural gas on August 6, 2020, from both conventional and unconventional fields.

Major gas projects throughout 2020 are as follows:

- The Fadhili Gas Plant reached its design gas processing capacity of 2.5 bscfd during the second quarter after completing its commissioning activities;
- The Ethane Deep Recovery Facility at the ’Uthmaniyah Gas Plant was successfully commissioned and started in early 2020 with a total processing capacity of 1.4 bscfd;
- The Hawiyah Gas Plant expansion project is still undergoing construction activities to increase total raw gas processing capacity to 3.6 bscfd. The project is part of the Haradh Gas increment program and due to be onstream in 2022;
- Construction activities have commenced on the Hawiyah Unayzah Reservoir Gas Storage. The project will enable the Company to inject 1.5 bscfd of surplus natural gas from the MGS into the Hawiyah Unayzah Reservoir by 2022. In addition, the processing facilities will be able to reproduce up to 2.0 bscfd of gas stored for re-introduction into the MGS by 2024; and
- Construction activities have started on the Tanajib Gas Plant, which is part of the Marjan development program to add 2.5 bscfd of additional processing capacity from Marjan, Safaniyah and Zuluf fields and to provide artificial lift for the Marjan field. The project is expected to be onstream by 2025.



Above the world’s largest discovered conventional onshore oil field, Ghawar, Aramco operates the Middle East’s most advanced large-scale carbon dioxide (CO_2) capture and reinjection project, demonstrating Aramco’s leading role toward addressing global climate challenges.

Exploration

Overview

Through our Exploration Program, the Company continued its effort to achieve the strategic objectives and associated targets of growing the Kingdom's original oil in place endowment and increasing the Kingdom's non-associated gas initial in place endowment. The Program is aligned with strategic value drivers to maximize profitability and lower future finding and development costs through exploring for high-value premium crude and accelerating infrastructure-led gas exploration and delineation programs.

Crude oil

The majority of Aramco's current crude oil exploration activities are focused in the Eastern Province, with lower levels of exploration and expenditure in known hydrocarbon-bearing basins in the Rub' al-Khali, Northwest and Summan regions. Aramco places strong emphasis on the operational performance improvement of its drilling activities by applying innovative technologies and benchmarking of key metrics to identify trends and potential areas for enhancements. Aramco believes that its approach to drilling and development has led to high levels of well integrity.

Natural gas

Aramco's non-associated gas exploration activities have yielded a number of major discoveries, with particular success in the Ghawar area and in deep reservoirs in the Arabian Gulf. Aramco has enjoyed high success rates in locating new reserves in known hydrocarbon basins adjacent to its existing fields and production infrastructure, allowing it to meet growing domestic demand at low costs while also exploring in new basins with high potential. Aramco is looking to further expand its natural gas reserves through new field discoveries, new reservoir additions in existing fields and the delineation and reassessment of existing reservoirs and fields.

Unconventional resources

Aramco has initiated an unconventional resources program and is assessing several areas within the Kingdom for their potential to deliver gas and associated liquids to help meet future domestic energy needs. The unconventional resources program consists of exploration activities, pilots, producing wells and production facilities, with the objective of developing unconventional gas resources in support of the Kingdom's growing demand for gas and to offset the use of crude oil for power generation.

Performance and achievements

Aramco's exploration activities resulted in the discovery of the following seven new fields and one new reservoir during 2020:

- **Crude oil:** three fields, including one unconventional discovery;
- **Gas:** three fields, including two unconventional discoveries, and one additional unconventional reservoir; and
- One unconventional field that has both oil and gas reservoirs.

Additionally, in February 2020, Aramco received approval for the development of the Jafurah unconventional gas field in the Eastern Province.

Outlook for 2021

Aramco is proceeding with detailed engineering and implementing the Government's directive to increase MSC from 12.0 mmbpd to 13.0 mmbpd.

The unconventional resources program consists of exploration activities, pilots, producing wells and production facilities, with the objective of developing unconventional gas resources

Downstream

Aramco's downstream investments diversify its revenue by integrating its oil and gas operations to optimize value across the hydrocarbon chain

Downstream competitive strengths

- Ability to monetize upstream production in a high-quality external customer base and through a captive downstream system.
- Strong track record of supply reliability.
- Largest customer for Aramco's upstream production.
- Major integrated refiner, with a global network of complex, reliable assets in key regional markets and hubs.
- Scale and complexity advantage, with one of the largest refining portfolios globally.
- World-class partners that provide access to additional geographies, technological expertise, operational know-how, and marketing capabilities.
- Major petrochemicals producer globally.
- Ability to execute some of the world's largest downstream capital projects.

Sadara

Established in 2011, Sadara is a cornerstone of Aramco's downstream strategy. The joint venture with Dow was the world's largest integrated chemicals complex built in a single phase.

“

In a year of historic challenges, we managed to expand and diversify our petrochemicals business by welcoming SABIC into the Aramco group, improving product and asset portfolios, laying the groundwork for our retail operations, and expanding our global supply network with the world-class reliability that our customers have come to expect.”

Mohammed Y. Al-Qahtani
Senior Vice President, Downstream

Downstream overview

Aramco has a large, strategically integrated global downstream business. The Downstream segment’s activities consist primarily of refining and petrochemical manufacturing, supply and trading, distribution and power generation. The Downstream segment’s other business activities include base oils, lubricants and retail operations. The strategic integration of Aramco’s Upstream and Downstream segments provides an opportunity for Aramco to secure crude oil demand by selling to its dedicated system of domestic and international wholly owned and affiliated refineries. In 2020, Aramco’s downstream operations consumed 39% (2019: 38%) of its crude oil production.

Aramco’s downstream investments diversify its revenue by integrating its oil and gas operations to optimize value across the hydrocarbon chain, supporting crude oil and gas demand and facilitating the placement of its crude oil. Aramco’s net refining capacity totals 3.6 mmbpd at December 31, 2020, while the gross refining capacity at December 31, 2020 was 6.4 mmbpd.

Aramco also has an integrated petrochemicals business within its downstream segment, intended to enable it to capture incremental margin in the hydrocarbon value chain. Aramco’s chemicals business spans from production of basic chemicals such as aromatics, olefins and polyolefins to more complex products such as polyols, isocyanates and synthetic rubber. The chemicals business continues to grow through capacity expansions in the Kingdom, and increasing ownership positions in affiliates and new investments, including the acquisition of the PIF’s 70% equity interest in SABIC on June 16, 2020. SABIC is a globally diversified chemicals company with manufacturing in the Americas, Europe, Middle East and Asia Pacific. Following the SABIC acquisition, Aramco’s chemicals business now operates in over 50 countries.

Following the SABIC acquisition, Aramco had a net chemicals production capacity of 53.1 million tonnes per year (2019: 21.7) as at December 31, 2020.

Aramco believes that acquiring this majority interest in SABIC advances its strategy to increase the proportion of petrochemicals production in its downstream portfolio and supports Aramco’s downstream growth ambitions. In addition, Aramco believes that the acquisition facilitates the application of SABIC’s expertise in the chemicals industry to Aramco’s existing and future integrated downstream facilities. Aramco’s investment in SABIC makes it a major global producer of petrochemicals and expands its capabilities in procurement, manufacturing, marketing and sales.

Aramco’s Downstream segment includes its crude oil and product sales, distribution and trading operations. These operations support Aramco’s Upstream and Downstream activities by enabling it to optimize crude oil sales and product placement through its significant infrastructure network of pipelines and terminals and access to shipping and logistics resources.

Aramco’s ongoing initiatives are also focused on optimizing petrochemicals integration at existing facilities and developing new integrated facilities. Further projects are under consideration to increase this level of integration and capture additional value across the hydrocarbon chain, with a focus on integration of Aramco’s refining assets.

Key events in 2020

Despite a challenging market environment, the Downstream business is keeping pace with its long-term strategy to capture value across the hydrocarbon value chain through further strategic integration and diversification throughout its operations.

- **Acquisition of a 70% stake in SABIC**

  In June 2020, Aramco successfully completed the acquisition of a 70% stake in SABIC from the PIF, the sovereign wealth fund of Saudi Arabia, for a purchase price of SAR 259.1 billion ($69.1 billion). The completion of this transaction enhances Aramco's presence in the global petrochemicals industry, a sector expected to record rapid growth in oil demand in the years ahead. The acquisition is the largest transaction in Aramco's history and marks a crucial accomplishment, driving forward the Downstream strategy to grow its integrated refining and petrochemicals capacity and create value from integration across the hydrocarbon value chain.

- **Central role in enabling Aramco to reach the highest single day crude oil production**

  Downstream played a central role in enabling Aramco to reach the highest single day crude oil production of 12.1 million barrels in April. This milestone was achieved by timing planned outages in close coordination with Upstream to ensure oil supply system readiness, while safely supplying to local and international customers an unprecedented record of 11.5 mmbpd of crude oil in April.

- **Commenced sales of very-low sulfur fuel oil (VLSFO)**

  In line with the International Maritime Organization 2020 regulations (IMO 2020), Aramco successfully commenced sales of very-low sulfur fuel oil (VLSFO) bunker fuel to local bunker customers located in both the Red Sea and Arabian Gulf areas.

- **Completed the world's first shipment of high-grade blue ammonia**

  Aramco and the Institute of Energy Economics, Japan (IEEJ), in partnership with SABIC, successfully completed the world's first shipment of high-grade blue ammonia, reinforcing Aramco's focus on the reduction of CO_2 emissions.

- **Continued its strong track record of supply reliability**

  The Company continued its strong track record of supply reliability, despite disruptions caused by COVID-19, by delivering crude oil and other products in a timely manner with 99.9% reliability in 2020 (2019: 99.2%). This robust performance was supported by Aramco Trading Company's (ATC) operational agility and logistics optimization.

Ras Tanura tank farm

Downstream financial results

	SAR		USD*		
	Year ended December 31		Year ended December 31		
All amounts in millions unless otherwise stated	**2020**	2019	**2020**	2019	**% change**
Revenue and other income related to sales (including Inter-segment revenue)	**441,221**	527,419	**117,659**	140,645	**(16.3)%**
Earnings (losses) before interest, income taxes and zakat	**(20,170)**	(3,478)	**(5,379)**	(927)	**479.9%**
Capital expenditures — cash basis	**26,097**	26,696	**6,959**	7,119	**(2.2)%**

* Supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only.

Earnings (losses) before interest, income taxes and zakat (EBIT) for the year ended December 31, 2020, was a loss of SAR 20,170 ($5,379), compared to a loss of SAR 3,478 ($927) in 2019. This is primarily due to lower refining and chemicals margins stemming from the macroeconomic difficulties brought on by the COVID-19 pandemic, inventory re-valuation losses and an additional charge related to fair value of assets recognized in connection with the SABIC acquisition.

Capital expenditures decreased by 2.2% from SAR 26,696 ($7,119) in 2019 to SAR 26,097 ($6,959) in 2020. The decrease in capital expenditure was primarily driven by lower spending resulting from optimization measures, partly offset by the inclusion of SABIC's post-acquisition capital expenditures.

6.4mmbpd

gross refining capacity as at December 31, 2020

Refining

Overview

Aramco operates one of the world's largest refining businesses, with gross refining capacity of 6.4 mmbpd as at December 31, 2020 (December 31, 2019: 6.4 mmbpd), and net refining capacity of 3.6 mmbpd (December 31, 2019: 3.6 mmbpd). Aramco's refining operations are conducted in the Kingdom and internationally through wholly owned and affiliated refineries. The refining operations allow Aramco to transform its crude oil and NGL into refined products and chemicals for sale within the Kingdom and internationally.

Aramco specifically designs and configures its refining system to optimize production using the crude oil it produces, which helps reduce supply chain cost and improve operational efficiency in its refining operations, and therefore, the supply of refined products to its downstream customers.

Domestic refining

Aramco's in-Kingdom refineries, both wholly owned and affiliated, receive their crude oil supply from Aramco's upstream production.

Aramco's refining operations in the Kingdom, including its domestic affiliates, accounted for 59% of its net refining capacity in both 2020 and 2019. Together with the local distribution system, this provides Aramco unique access to the large domestic marketplace to which it is the sole supplier.

In 2020, Aramco placed 23% (2019: 25%) of its crude oil production and 0.1 mmbpd (2019: 0.2 mmbpd) of condensate to in-Kingdom wholly owned and affiliated refineries. Aramco's equity share of refined products and the refined products produced through its wholly owned refineries located within the Kingdom are primarily distributed wholesale to domestic fuels retailers and industrial customers through Aramco's pipelines, distribution and terminals system.

Domestic wholly owned refining operations

Once Aramco's Jazan Refinery Complex is ready for full operations, expected in the first half of 2021, Aramco will have five wholly owned refineries within the Kingdom, three of which were built specifically to supply transportation and utility fuels for the domestic marketplace.

Domestic affiliated refining operations
Aramco's four domestic affiliated refineries within the Kingdom are highly competitive with other world-class facilities based on scale, configurations and product yields. Through long-term supply agreements with these ventures, Aramco has the right to supply all crude processed at these refineries.

International refining and marketing
In addition to increasing its in-Kingdom refining capability, Aramco is also expanding its strategically integrated downstream business in high-growth economies, such as China, India and Southeast Asia, while maintaining its current participation in material demand centers, such as the United States and countries that rely on importing crude oil such as Japan and South Korea.

Consistent with its downstream strategy, Aramco has invested in two refining and petrochemical joint ventures with Petronas, the Malaysian NOC, collectively known as PRefChem. The PRefChem joint ventures include a 300 mbpd refinery, an integrated steam cracker with a capacity to produce 1.3 million tonnes of ethylene with associated propylene, butadiene, benzene, polyolefins and ethylene glycol facilities, all of which are located in Johor, Malaysia, adjacent to Singapore, Asia's refined products trading hub. These facilities had commenced start-up in the second half of 2019, however, following a fire incident in March 2020, operations were put on hold and are expected to restart in the first half of 2021. Aramco will provide a significant proportion of PRefChem's crude supply under a long-term supply agreement. Aramco believes this presents an expansion opportunity in Southeast Asia and offers new geographies for its crude oil production.

In 2020, Aramco's weighted average ownership percentage in its international refineries was 42% (2019: 42%), but it supplied an average of 54% (2019: 51%) of the crude oil used by those refineries. This crude placement provides significant benefits to Aramco's operations, including a secure and reliable supply of high-quality crude oil, which helps to ensure a secure and reliable supply of refined products to its downstream customers.

The net refining capacity of Aramco's international wholly owned and affiliated refineries was 1.5 mmbpd (2019: 1.5 mmbpd). Product sales by Aramco's international ventures are facilitated through multiple distribution channels, including systems owned by the respective affiliates through a network of over 17,000 branded service stations.

Performance and achievements
In 2020, Aramco placed 9% (2019: 9%) of its crude oil production, or 0.8 mmbpd to its domestic wholly owned refineries and 14% (2019: 16%), or 1.3 mmbpd to its domestic affiliated refineries. Moreover, Aramco supplied 15% (2019: 12%) or 1.4 mmbpd of its crude oil production to its international wholly owned and affiliated refineries.

Chemicals

Overview
Aramco's chemicals business represents an extension of the hydrocarbon value chain and strategically complements its refining operations. Aramco's chemicals business (including through its interest in SABIC) operates in over 50 countries and produces a range of chemicals. Aramco's growing operations in chemicals include participation in high-growth chemical markets with demand from industries such as packaging, automotive and appliances.

Aramco's chemicals business continues to grow through capacity expansions in the Kingdom, increasing ownership positions in affiliates and new investments, including its acquisition of the PIF's 70% equity interest in SABIC on June 16, 2020. SABIC is an industry leader in multiple chemical segments and its chemical business is its largest business unit that produces a wide range of products, including olefins, methanol, MTBE, aromatics, glycols, linear alpha olefins, polyethylene, polypropylene, polyethylene terephthalate, polyvinyl chloride, polystyrene, polycarbonate and engineering thermoplastics and their blends.

The acquisition of SABIC is the largest transaction in Aramco's history, and marks a crucial accomplishment, driving forward the Downstream strategy to grow its integrated refining and petrochemicals capacity, and create value from integration across the hydrocarbon value chain

Saudi Basic Industries Corporation (SABIC)

Aramco has developed a retail strategy that will initially focus on establishing its presence in the Kingdom in advance of its long-term goal to be one of the primary global retail players

Aramco's investment in SABIC makes it a major global producer of petrochemicals and expands its capabilities in procurement, manufacturing, marketing and sales. Aramco expects that SABIC will benefit from Aramco's downstream chemicals feedstock production and its ability to invest in and execute large scale projects.

The acquisition is the largest transaction in Aramco's history and marks a crucial accomplishment, driving forward the Downstream strategy to grow its integrated refining and petrochemicals capacity and create value from integration across the hydrocarbon value chain. It specifically enhances Aramco's chemicals strategy by: (a) transforming it into one of the major global petrochemicals players; (b) expanding capabilities in procurement, supply chain, manufacturing, marketing and sales; (c) complementing geographic presence, projects and partners; and (d) increasing the resilience of cash flow generation with synergistic opportunities.

In addition to SABIC, Aramco also conducts petrochemical manufacturing through affiliates located in the Kingdom, China, Japan, South Korea, Malaysia, the United States and the Netherlands with other key industry players, including Dow (Sadara), Sumitomo (Petro Rabigh), Total (SATORP), Petronas (PRefChem) and Sinopec (YASREF and FREP). Through these affiliates, Aramco produces commodity and differentiated petrochemicals.

Performance and achievements

The completion of the acquisition of a 70% stake in SABIC from the PIF, in June 2020, enhances Aramco's presence in the global petrochemicals industry, a sector expected to record rapid growth in oil demand in the years ahead. The acquisition is the largest transaction in Aramco's history and marks a crucial accomplishment, driving forward the Downstream strategy.

As evidenced by the acquisition of the PIF's 70% equity interest in SABIC, Aramco continues to execute its strategy toward becoming a top-tier integrated chemicals company through growth, integration, innovation, and development of its product portfolio. Investments made in integrated refining and chemicals and in stand-alone chemicals illustrate Aramco's commitment and ambition to be the world's preeminent integrated energy and chemicals company.

Following the SABIC acquisition, Aramco had a net chemicals production capacity of 53.1 million tonnes per year (2019: 21.7) as at December 31, 2020.

Aramco and the Institute of Energy Economics, Japan (IEEJ), in partnership with SABIC, successfully completed the world's first shipment of high-grade blue ammonia. Forty tonnes were dispatched from Saudi Arabia to Japan for use in zero carbon power generation, reinforcing Aramco's focus on the reduction of CO_2 emissions.

Base oils

Overview

Aramco's three major producers and marketers of base oils, Luberef, Motiva and S-Oil, have rebranded their products with the official Aramco brands: aramcoDURA® (Group I), aramcoPRIMA® (Group II), and aramcoULTRA® (Group III). Aramco has also created a Base Oils Alliance to improve supply to its global customers through the strategically and geographically positioned affiliate companies.

Performance and achievements

In 2020, Aramco sold 4.1 million tonnes (2019: 4.2 million tonnes) of base oils, maintaining its position as one of the leading marketers of base oil globally.

Retail operations

Overview

Aramco has developed a retail strategy that will initially focus on establishing its presence in the Kingdom in advance of its long-term goal to be one of the primary global retail players. It intends to offer consumers a new line of automotive services, coupled with branded finished lubricant products, as part of its commitment to diversify its downstream portfolio.

Performance and achievements

Aramco has finalized its new retail brand design concept that will be used in the construction and re-branding of its first wave of Aramco service stations.

Aramco has continued to grow its fuel retail presence through its affiliates, supplying refined products to more than 17,000 service stations worldwide with 5,300 located in the U.S., more than 5,200 in China and South Korea, 6,500 in Japan and 270 service stations in Saudi Arabia.

Pipelines, distributions and terminals

Overview

Aramco's Kingdom-wide distribution network includes pipelines, bulk plants, air refueling sites and terminals that deliver crude oil, NGL, natural gas and refined products. The pipelines and bulk plants network, and the terminals on the East and West coast, enables the transportation of hydrocarbons for export and for delivery to customers across the Kingdom. Further, Aramco's East-West pipeline links oil production facilities in the Eastern Province with Yanbu' on the West coast, providing flexibility to export from the East and West coasts of the Kingdom.

Aramco's MGS, an extensive network of pipelines that connects its key gas production and processing sites throughout the Kingdom, is currently undergoing an expansion. The system's current capacity is 9.6 bscfd of natural gas supplying Eastern, Central and Western industrial complexes.

In addition, Aramco has a 15% equity interest in the Arab Petroleum Pipeline Company (Sumed Company), a joint venture which operates the Sumed pipeline. The pipeline runs from the Red Sea to the Mediterranean Sea through Egypt and provides an alternative to the Suez Canal.

Performance and achievements

In 2020, the operational resilience of the Company's infrastructure was demonstrated, with hydrocarbons continuing to be delivered to customers safely and on time, despite the internal and external challenges due to the global pandemic as well as the sabotage attacks on facilities. The well-established emergency response systems and contingency plans helped to respond effectively to any emergencies and incidents.

Aramco's three major producers and marketers of base oils, Luberef, Motiva, and S-Oil, have rebranded their products with the official Aramco brands

Ras Tanura Sea Island Terminal, Arabian Gulf

Aramco is well positioned to use its production and distribution network to optimize its supply and trading capabilities

Supply and trading

Overview

Aramco manages crude oil sales operations, along with a large and growing portfolio of refining and chemicals facilities, in the three major markets of Asia, Europe, and North America. As part of its strategy to unlock additional value, Aramco is expanding into crude oil, refined products and chemicals trading and is seeking to significantly grow its total traded volumes over the next few years.

Aramco's worldwide trading activities adopted a globally integrated business model to capture maximum value through greater market access and coverage. Currently, Aramco has five global trading offices operating worldwide, with wider access to customers and greater market coverage.

With the recent increase in scale of its downstream operations, Aramco is well positioned to use its production and distribution network to optimize its supply and trading capabilities. By optimizing the production, refining and distribution processes and integrating them with its trading business, Aramco seeks to ensure that customers receive reliable service and consistent products. In addition, there is the potential to optimize product flows on a domestic and international basis across regional and global supply chains to maximize value.

These operations support Aramco's upstream and downstream activities by enabling it to optimize crude oil sales and product placement through its significant infrastructure network of pipelines and terminals and access to shipping and logistics resources. Aramco also maintains flexibility to respond to fluctuations in demand through its five crude grades and MSC.

Performance and achievements

In 2020, Aramco traded an average of 4.7 mmbpd (2019: 4.5 mmbpd) of crude and refined petroleum products, 3.0 million tonnes of liquid chemical products (2019: 2.2 million tonnes) and 1.2 million tonnes of polymers (2019: 1.4 million tonnes).

Despite lower global crude oil demand caused by the COVID-19 pandemic, Aramco increased its market share to 7.3% (2019: 7%), translating into total crude exports of average 6.7 mmbpd (2019: 7.1 mmbpd).

In line with IMO 2020, Aramco commenced sales of VLSFO bunker fuel to local bunker customers located in both the Red Sea and Arabian Gulf areas.

The Company continued its strong track record of supply reliability, despite disruptions caused by COVID-19, by delivering crude and other products in a timely manner with 99.9% reliability in 2020 (2019: 99.2%). This robust performance was supported by ATC's operational agility and logistics optimization.

Power

Overview

As at December 31, 2020, Aramco's power operations comprised 17 captive power plants (2019: 16) and associated transmission and distribution assets located across the Kingdom. These assets are primarily designed to provide electricity and steam to Aramco's oil and gas production facilities, gas processing plants and wholly owned refineries in a safe, reliable, efficient and profitable manner. Some of these power assets are wholly owned while others are owned by joint ventures in which Aramco has an ownership interest. Aramco also enters into offtake arrangements with independent power producers. In addition, Aramco currently owns a 6.9% stake in the Saudi Electricity Company (SEC), the Kingdom's national electricity utility company, and an effective 42.2% (2019: 24.8%) stake in Marafiq, a domestic utility company that serves the industrial areas of Jubail and Yanbu'.

Performance and achievements

In 2020, Aramco generated 5.4 gigawatts (2019: 4.8 gigawatts) of power, of which 3.3 gigawatts (2019: 3.3 gigawatts) were used to meet internal demand and 1.6 gigawatts (2019: 1.5 gigawatts) of spill power were transferred to the national grid. The remaining 0.5 gigawatts from the Fadhili Power Plant joint venture, were supplied to SEC.

In 2020, Aramco confirmed that it would proceed with the divestment of the Jazan Integrated Gasification and Combined Cycle plant into a JV between Aramco, Air Products, ACWA Power and Air Products Qudra, integrating the Air Separation Unit into the JV.

Outlook for 2021

Aramco's Downstream segment will continue to integrate across the value chain with investments throughout its operations with the aim of creating additional value while diversifying the portfolio and mitigating the volatility of earnings.

The Downstream segment's primary focus is on creating value, increasing refining capacity and upgrading its systems to capture synergistic opportunities in order to increase competitiveness with international peers. Moreover, trading activities are expected to continue to increase due to an anticipated increase in refining capacity and the expansion of third-party crude oil trading.

The Downstream segment's primary focus is on creating value, increasing refining capacity, and upgrading its systems to capture synergistic opportunities in order to increase competitiveness with international peers

Corporate

Corporate activities play an integral role in supporting Aramco's Upstream and Downstream segments

Overview

Aramco's corporate activities primarily support its Upstream and Downstream segments, as well as the overall business. The corporate activities include technical services that are essential to the success of Aramco's core business, as well as human resources, finance, legal, corporate affairs and IT.

Performance and achievements

During the year, Aramco established an integrated corporate development organization to align Aramco's ambitious growth strategy with its existing portfolio of assets. The organization is mandated to create value, assess and divest certain existing assets and secure greater access to growth markets and technologies through portfolio optimization and strategic alignment. The Corporate Development organization will also enhance Aramco's ability to efficiently and effectively execute business development strategies, with the objective of increasing the Company's resilience, agility and ability to respond to changing market dynamics.

In 2020, Aramco also continued to expand on the name recognition and brand equity of Aramco through major sports partnerships. This included signing a long-term global sponsorship with Formula 1® (F1) for the 2020-2029 racing seasons, providing immediate brand exposure to a global audience of 500 million fans over 23 international races per season. Beyond building brand awareness, the F1 platform will be leveraged to promote Aramco technologies and solutions, particularly in relation to vehicle efficiency and carbon reduction, both in sport and across the transport sector. Aramco also sponsored a number of global golf events, including the first professional female golf tournament ever held in Saudi Arabia. These branding initiatives will support Aramco's commercial expansion, portfolio growth, and enhance its profile as a publicly traded company.

Financial performance

	SAR		USD*		
	Year ended December 31		Year ended December 31		
All amounts in millions unless otherwise stated	**2020**	2019	**2020**	2019	**% change**
Earnings (losses) before interest, income taxes and zakat	**(17,041)**	(13,098)	**(4,544)**	(3,493)	**30.1%**
Capital expenditures — cash basis	**1,282**	2,259	**342**	602	**(43.2)%**

* Supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only.

Earnings (losses) before interest, income taxes and zakat (EBIT) principally comprise costs relating to the Company's employee home ownership program, post-employment benefits and corporate citizenship costs. The increase in losses in 2020 were mainly attributable to an increase in employee related costs.

Corporate capital expenditures mainly relate to various community and industrial support projects. The decrease in expenditures during the year was due to the implementation of capital spending optimization and efficiency programs.

Dhahran

Digitization of Aramco's operations is transforming the way in which the Company runs its operations. The Company's Fourth Industrial Revolution (4IR) is a digital transformation ecosystem for technology solutions throughout the hydrocarbon value chain.

4

Environmental, social and governance

Respect in industrial heartland
A breathtaking Aramco forest rises next to the processing pulse of the world's largest crude oil stabilization facility, Abqaiq Plants, located in Saudi Arabia's eastern ad-Dahna desert.

Our approach to sustainability

Environmental, social and governance considerations have long been an integral part of Aramco's approach to business

Turning our values into action

Sustainable practices are essential to ensuring that Aramco continues to thrive in the long-term, and that it remains one of the world's largest integrated energy and chemicals companies throughout the global energy transition.

The concept of "sustainability" provides perspective on the relationship between Aramco and its stakeholders. It allows the Company to consider how societal and environmental issues affect its business and it is a driver of Aramco's strategy. Sustainability factors have become increasingly critical for Aramco, as it aims to balance profitability, environmental protection, and the growth and prosperity of the communities in which it operates.

Internal and external engagement and analysis have helped determine the sustainability issues that are most important to Aramco and its stakeholders. In response, Aramco has developed a framework encompassing four key focus areas:

- Climate change;
- Minimizing environmental impact;
- Accelerating human potential; and
- Growing societal value.

Further to this overview of sustainability activities and key environmental, social and governance (ESG) performance, Aramco's first stand-alone Sustainability Report will be published in 2021 and will contain more detailed information on 2020 performance, and Aramco's positions on and approaches to key issues.

Our key focus areas

Climate change

See page 74

Minimizing environmental impact

See page 78

Accelerating human potential

See page 82

Growing societal value

See page 86

Corporate oversight

The Company has implemented an internal governance model that integrates sustainability principles into business strategy, streamlines decision making, and provides internal clarity with regard to roles and responsibilities

A disciplined approach

The Company formed the Sustainability Steering Committee (SSC) in 2020 to align sustainability related action under the guidance and oversight of a single body. The SSC replaced the Company's Climate Initiatives Steering Committee and ESG Taskforce and their activities were absorbed into the SSC.

The SSC is responsible for identifying and managing sustainability issues and their impact on long-term value creation. It informs investment and business decisions and aligns them with sustainability commitments, and provides a platform for management of cross-business issues, as well as a mutual understanding of corporate sustainability for strategy development and external communications. The SSC reports to, and informs, the Company's Strategy Council and Management Committee. It also updates the Board of Directors' Risk and Health, Safety and Environment (HSE) Committee on the Company's sustainability strategy and ESG performance.

This oversight model supports a disciplined internal approach, providing for accountability, transparency and responsibility at all levels. It also enables the Company to identify and address the key issues and opportunities to integrate sustainability principles within business strategy and align sustainability targets with business objectives.

Ras Tanura producing facilities

Climate change

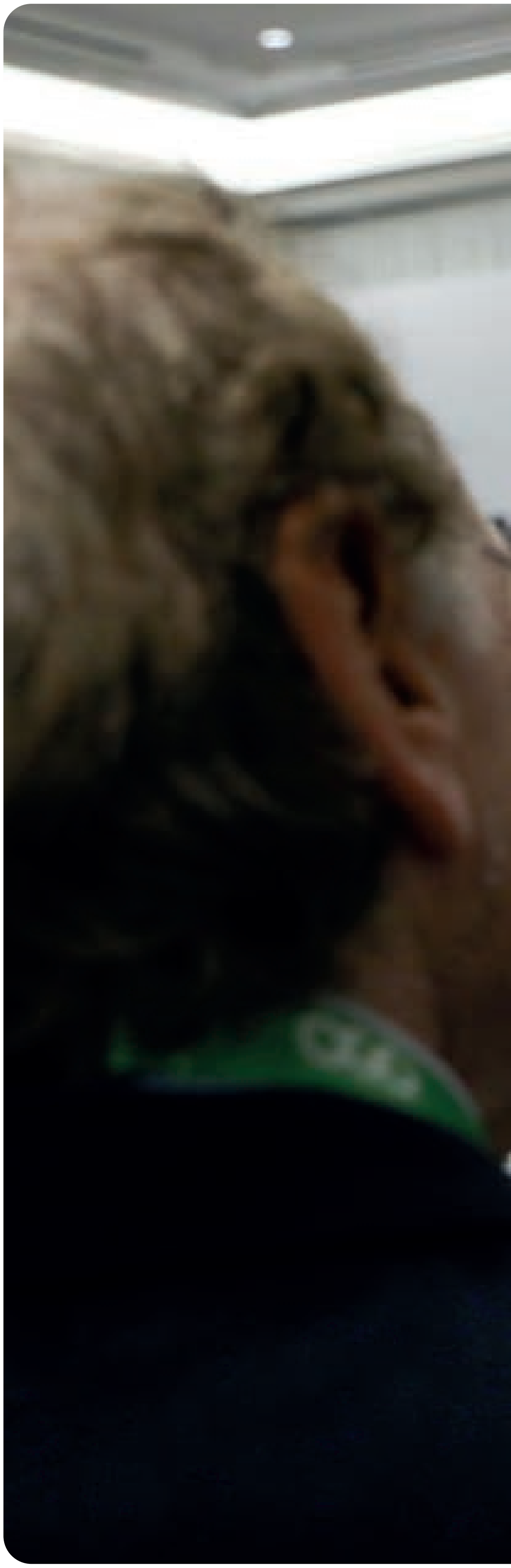
Aramco acknowledges the challenges that climate change presents, and recognizes that climate change related risks and opportunities affect how it operates and its investment decisions. Aramco supports the objectives set by the Paris Agreement, which aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by holding the increase in the global average temperature to below 2°C above preindustrial levels.

As one of the world's largest integrated energy and chemicals companies, Aramco has a role to play in helping to build a lower carbon economy, while delivering the energy and materials needed to support economic growth and societal well-being in a world that will have 9.8 billion inhabitants by 2050, according to the United Nations.

While the energy system is constantly growing and evolving, Aramco believes the transition to a lower carbon system will continue to require hydrocarbon-based resources for many years. While alternatives to traditional hydrocarbon-based energy sources are progressing, they are not expected to meet future energy demand on their own in the near-term. With existing infrastructure and the relatively low-cost and high utility of oil and gas, the world needs low emission hydrocarbon solutions to meet both the challenge of continued high energy demand and the imperative of economic development. Aramco believes it plays a leading role in this.

Aramco is a founding member of the Oil and Gas Climate Initiative (OGCI), and collaborates within the industry through memberships in joint platforms, including IPIECA, the Petroleum Environmental Research Forum, and the World Bank's "Zero Routine Flaring by 2030" initiative.

Aramco welcomes engagement with stakeholders and is focused on increasing transparency for its stakeholders around the Company's response to climate change.



Working together

Aramco is a founding member of the Oil and Gas Climate Initiative (OGCI), whose member companies explicitly support the Paris Agreement, and work to actively shape the global pathway to a low carbon future — Aramco President and CEO, Amin Nasser, attending an OGCI meeting.

Circular carbon economy

The concept of a circular carbon economy was presented by the Kingdom and endorsed by the G20 in 2020 as an effective framework for promoting reductions in global emissions, while supporting sustainable development and economic growth. The circular carbon economy adopts the central elements of circular economic models to reduce, reuse and recycle carbon, and adds a focus on the removal of carbon as a means to balance existing and future energy systems with the global ambition to reduce greenhouse gas (GHG) emissions.

Aramco seeks to be a catalyst in improving processes and technologies that support this model. Aramco is focused on reducing its emissions footprint, leading in low carbon intensity technologies, supporting the development of non-fuel applications for crude oil and targeting the most economic and effective solutions across the oil and gas value chain and energy system.

GHG emissions

Aramco is pursuing initiatives to manage GHG emissions from its operations and assets by investing in cost-effective and efficient low emission technologies, including carbon capture, utilization and storage (CCUS), energy efficiency programs and energy mix diversification. The Company has committed to developing and deploying innovative solutions, optimizing operations, and adopting efficient projects designs.

The Company reinforces its commitment to address climate change, at a global scale, through its collaboration with 11 major national and international oil and gas companies as part of the OGCI.

With one of the lowest carbon footprints per unit of hydrocarbon produced, Aramco intends to maintain its position as one of the industry leaders in upstream carbon intensity. The Company's upstream operations in the Kingdom include a number of large and productive oil reservoirs, with low gas flaring rates per barrel and low water production, resulting in less mass lifted per unit of oil produced and less energy used for fluid separation, handling, treatment and reinjection, all of which contribute to low upstream carbon intensity.

The Company's GHG emissions management program accounts for the direct (Scope 1) and indirect (Scope 2) emissions from wholly owned and operated assets, consistent with the Greenhouse Gas Protocol guidelines[3]. As internal reporting and quality control processes have matured, GHG emissions reporting boundaries were expanded in 2019 to include affiliates under Aramco's operational control, including SASREF, Motiva and ARLANXEO. Correspondingly, the absolute 2019 GHG emissions published herein reflect the new reporting boundary. The absolute GHG emissions decrease in 2020 is mainly attributed to lower production as well as reduction in flaring and burn pit liquid burning.

	2020	2019
Scope 1 emissions[1] (Million metric tons of CO_2e)	**49.1[2]**	52.0
Scope 2 emissions[1] (Million metric tons of CO_2e)	**17.9[2]**	19.0
Upstream carbon intensity[4] (kg of CO_2e/boe)	**10.5**	10.4

Minimizing flaring and methane emissions

Aramco is a signatory to the World Bank's "Zero Routine Flaring by 2030" initiative and is committed to sharing best practices and knowledge in flaring minimization with peer companies. The Company's flare gas recovery systems, asset integrity, energy efficiency, and leak detection and repair programs help mitigate its carbon footprint.

As with GHG emissions, the reporting boundary for 2020 and 2019 flaring have been expanded to include SASREF, Motiva and ARLANXEO. In 2020, the Company's flaring intensity increased in relation to 2019, despite achieving a reduction in flare gas from domestic wholly owned and affiliates under operational control, due to lower production. The Company maintained its upstream methane intensity at 0.06% for wholly owned and operated in-Kingdom assets.

	2020	2019
Flaring intensity[1] (scf per boe)	**5.95**	5.88
Upstream methane intensity[4] (%)	**0.06**	0.06

Innovation and technology

Aramco is focused on innovation in the areas of discovery and recovery, diversification and growth, and sustainability, and is actively engaged in developing cutting-edge technologies such as novel CCUS solutions for both fixed and mobile sources and potentially game changing thermal and catalytic crude to chemicals processes. The Company advanced its innovation agenda with 683[5] U.S. patents granted in 2020 (2019: 524).

1. Absolute GHG emission data reflect the Company's emissions from wholly owned in-Kingdom assets, SASREF, Motiva and ARLANXEO. 2019 absolute GHG emissions figures have undergone limited assurance and updated figures are published herein. 2020 absolute GHG emissions figures are estimates and are subject to change upon completion of data validation and third-party verification in second quarter of 2021.
2. Fadhili Gas Plant and the Jazan Refinery are excluded from the 2020 GHG emissions inventory.
3. The Company's GHG emissions reporting is based on the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) GHG Protocol guidelines. The Company reports emissions using the operational control basis for measurement.
4. Fadhili Gas Plant is excluded. Intensity values for 2020 are subject to change upon completion of data validation and third-party verification on the absolute 2020 GHG emission inventory.
5. The Company and its subsidiaries ARLANXEO and Motiva.


Nonmetallic pipes, a solution to the global problem of corrosion, have been used by Aramco in most of its oil and gas facilities for more than two decades.

Aramco's pursuit of oil and gas discovery focused technology progressed through development and testing of autonomous underwater vehicles to automate seismic data acquisition, as well as application of GeoTracks technology, which improves the resolution and accuracy of basin and reservoir models. In recovery, Aramco advanced development of TeraPOWERS, a next generation reservoir and basin simulator that improves reservoir management, while also progressing its CO_2 Enhanced Oil Recovery program that aims to sequester CO_2 and enhance oil recovery.

Aramco continued to develop thermal crude to chemicals and catalytic crude to chemicals technologies, both of which are innovative methods to produce chemicals directly from crude. Advancements were also made in tail gas treatment technologies to reduce emissions at Company facilities, and improved the performance of sulfur recovery units to reduce sulfur emissions.

The increasing scale and scope of Aramco's cleaner energy capabilities are opening new commercial avenues. Cleaner transport solutions play a critical role in building a more sustainable future, and Aramco is working closely with leading global automotive manufacturers and technology partners to drive efficiency and reduce GHG emissions. Aramco is helping to develop low-emitting, efficient and cost-competitive transport propulsion systems, from new combustion methods and alternative engine architectures to low climate impact fuels and innovative after-treatment technologies, such as mobile carbon capture.

In 2020, Aramco sent the world's first blue ammonia shipment to Japan for use in zero carbon power generation, marking a significant step toward sustainable hydrogen usage. The process — a collaboration between Aramco, SABIC and the Institute of Energy Economics, Japan — involved the capture of 50 tons of associated CO_2 emissions for use in methanol production and enhanced oil recovery.

New materials

Aramco's majority stake in SABIC and its strong petrochemical portfolio present opportunities to create more sustainable low carbon materials. In 2020, Novel, a 50:50 joint venture with Baker Hughes, was created to develop and commercialize nonmetallic products for the energy sector. Nonmetallic products are increasingly being deployed in a variety of industries from the automotive sector to building and construction, packaging and renewables. As well as being more sustainable, these advanced materials are lighter than their conventional counterparts and resistant to corrosion.

Minimizing environmental impact

Aramco strives to conserve natural resources and minimize the environmental footprint of its activities by engaging with stakeholders, leveraging technology and promoting industry best practices. The Company's Environmental Protection Policy ensures compliance with the Kingdom's environmental regulations as well as mitigates risks related to the environment and public and workers' health. It outlines the Company's commitments to protect the natural environment, and emphasizes the need to regularly monitor and improve resource management, carbon footprint and emissions reduction, and biodiversity.

Aramco seeks to comply with all environmental laws, regulations, protocols and policies. An established management system, aligned with ISO 14001, and internal processes support the identification of emerging environmental risks and help us prepare and execute plans to mitigate any potential impacts. The Board's Risk and HSE Committee oversees the risk management function and key environmental performance indicators.

In 2020, the Company continued to implement new ways to reduce its operational ecological footprint. Circular business models are being implemented, aiming to create systemic change and more sustainable operations. Unlike a linear approach of extraction, processing, production and discarding, a circular model builds economic, social and natural capital through reducing consumption of finite resources, minimizing waste, keeping products and materials in use, and regenerating natural systems. The Company has started to incorporate circular economy principles across its operations by using resources more sustainably and converting former waste products into valuable feedstocks.

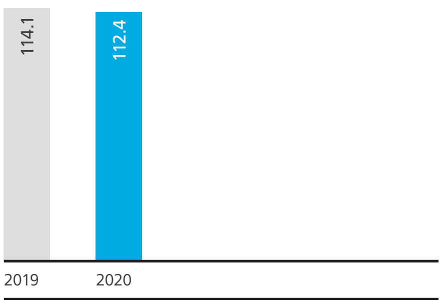
Deployment of technological solutions are providing more reliable access to affordable energy, reducing CO_2 emissions, enhancing fuel efficiency, conserving water, and creating next-generation materials that make consumer products greener.

Circular economy

Design is a key part of the circular economy and Aramco's standard offshore wellhead design can be used again and again without replication of engineering.

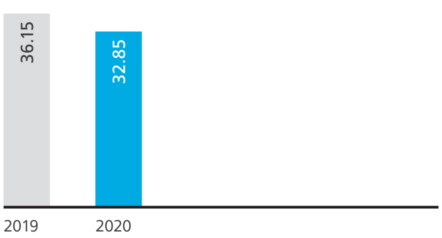
Energy intensity

thousand Btu per boe



Freshwater consumption

million cubic meters



Energy efficiency

The Company's energy efficiency efforts seek to reduce energy consumption at Company facilities, design new facilities to be energy efficient, increase overall energy efficiency, and influence and promote energy efficiency at the national level. The Combined Heat and Power (CHP) program, and several other energy optimization initiatives, have steadily reduced energy intensity at Company facilities in Saudi Arabia. In 2020, the Company implemented more than 200 energy initiatives at its in-Kingdom facilities, resulting in 13.2 mboed energy savings.

	2020	2019
Energy intensity[1] (thousand Btu per boe)	**112.4**	114.1

1. Company.

Water

Aramco is committed to conserving water to minimize pressure on natural water resources and maximize its availability to future generations. Water conservation efforts entail optimizing water consumption, minimizing water losses, maximizing wastewater reuse and promoting the use of alternative water resources, including seawater, treated sewage effluent and treated reject streams. Aramco also utilizes renewable energy sources for more sustainable water treatment and conveyance systems.

	2020	2019
Freshwater consumption[1] (million cubic meters)	**32.85**	36.15

1. Company.

Operational incidents, discharges and effluents

The Company proactively manages operations to avoid hydrocarbon leaks and spills by maintaining asset integrity throughout their life cycle. This approach includes prevention, preparedness, and incident response.

Deployment of online monitoring systems provides continuous, reliable and accurate measurements of hydrocarbons in wastewater effluents, helping us to proactively manage discharges.

	2020	2019
Spills to the environment[1,2] (barrels)	**39**	18
Hydrocarbon discharge to marine[1] (barrels)	**5**	15

1. Company.
2. Oil spill incidents with volume > 1 bbl.

Aramco, since commencing in 1933, has consistently worked to minimize its environmental impact, and some of Saudi Arabia's most biologically varied areas nestle alongside the company's operating areas.

Mangroves, a powerful nature-based solution toward adapting to and mitigating climate change in arid Saudi Arabia, are nurtured by Aramco at Safaniyah.

Waste management

Waste is categorized into three management streams: hazardous, nonhazardous (including municipal) and inert. Management options are ranked by their potential environmental impact, with the highest priority accorded to waste prevention and reduction, followed by reuse, recycling, recovery, and proper treatment and disposal. By using resources more sustainably and converting former waste products into valuable feedstocks, Aramco is incorporating circular economy principles into its value chain. In 2020, the Company successfully piloted an asphalt-rubber mixture for road surfacing, and launched a similar project based on a recycled plastic-asphalt mix.

Biodiversity

Aramco had another year of milestones in pursuit of its biodiversity goals, supported by the deployment of a roadmap for the Company's biodiversity protection efforts. One of the most notable achievements in 2020 was the successful planting of three million mangroves, bringing the total number of mangroves planted or restored by Aramco along the Arabian coastline to 5.3 million. This program also established the 63 km^2 Mangrove Eco-Park in the Eastern Province, which protects one of the few remaining old-growth mangrove forests in the Eastern Province. The initiative is part of the Company's ongoing commitment to promote biodiversity and supports climate change mitigation efforts, whereby mangrove forests also act as natural long-term sinks for CO_2.

One of the most notable achievements in 2020 was the successful planting of 3 million mangroves, bringing the total number of mangroves planted or restored by Aramco along the Arabian coastline to 5.3 million

Accelerating human potential

Aramco is committed to supporting and empowering employees and the communities in which it operates, and prioritizes the safety and well-being of its employees, their dependents, and contractors. Aramco provides comprehensive training and advancement programs for its employees, encouraging innovation and professional development, and is committed to empowering its workforce and supporting national initiatives, such as Saudi Vision 2030, through a range of programs that reflect Aramco's commitment to citizenship and diversity.

Occupational health and safety

An enterprise-wide, organizationally driven focus on health and safety supports Aramco in protecting its workforce, preventing property losses and avoiding business interruptions. This combines a continuous improvement approach and a low risk tolerance with rigorously applied operational safety procedures.

The Company's Health, Safety, Security and Environment (HSSE) Committee establishes safety policy and standards, including emergency preparedness, incident reporting and investigation, competency and training, community awareness, off-the-job safety, risk management, and asset integrity. The HSSE Committee tracks and monitors safety performance across the organization to extend accountability and improve safety performance.

Health and safety

Aramco's Board of Director's Risk and HSE Committee provides strategic direction and governance on health and safety matters.

An enterprise wide, organizationally driven focus on health and safety supports the Company's goal of protecting its workforce, preventing property losses and avoiding business interruptions

As part of the Company's continuous improvement approach to safety processes and practices, the expanded implementation of the Construction Safety Index (CSI) provided a structured risk-based platform to better monitor performance and gauge contractor compliance with the Company's Construction Safety Manual. The Company also introduced a hybrid exclusion zoning methodology, fashioned on a combination of prescriptive-based, consequence-based and risk-based approaches, to better manage and safeguard development around hydrocarbon facilities, including pipelines. Adopting this methodology enables the release of additional land for development, reduces costs, and ensures the continued safety of the communities in which the Company operates.

Safety performance indicators are established by the HSSE Committee and reported to the Board's Risk and HSE Committee. Formal and informal safety reviews are conducted by qualified reviewers to assure compliance and operational discipline. Unfortunately, in 2020, the Company suffered one fatality in its operations. All safety-related incidents are addressed in-line with the Company's health and safety policies and procedures, and this incident has been thoroughly investigated, with root causes identified and actions implemented to avoid recurrence. Regretfully, a number of the Company's workforce and contractors died as a result of contracting COVID-19. All of these cases were reviewed and none were determined to be work-related.

	2020	2019
Tier 1 process safety events[1,2]	**9**	4
TRC frequency[1,2,3]	**0.044**	0.059
LTI rate[1,2,3]	**0.011**	0.016
Number of fatalities[1,2]	**1**	6

1. Company.
2. Total workforce (employees and contractors).
3. Per 200,000 man-hours.

Diversity and inclusion

Aramco is committed to nurturing a welcoming, respectful and genuinely inclusive culture, and diversity and inclusion are integral to the way Aramco operates. Aramco takes pride in providing fulfilling careers for its employees, who represent more than 85 different nationalities. A diverse workforce not only encourages a global perspective, it also fosters innovation, collaboration and respect.

The Company has a strong focus on creating employment opportunities for Saudi Arabian nationals, with Saudi nationals employed in all posts for which they have the necessary qualifications, knowledge and experience. As of December 31, 2020, approximately 90% of the Company's employees were Saudi nationals.

Building on a history of diversity, the Company updated its corporate diversity and inclusion strategy to establish targets for the employment of women in its in-Kingdom operations, including in leadership positions, as well as targets for people with special needs. As of December 31, 2020, 5.1% of the workforce was female, and 27% of new hires from apprenticeship and college degree program graduates were female, when compared to 9% in 2019.

	2020	2019
Company employees[1]	**66,800**	69,867
Female employees[1] (%)	**5.1**	4.9

1. Company.

An Aramco geologist, participating in the company's STEMania program, encourages female students to study science, technology, engineering, and mathematics.

The Company continues to support the STEMania program for school-age girls, offering university scholarships and sponsoring young Saudi women to pursue degrees in science, technology, engineering, and mathematics.
This extends to collaboration with local universities to leverage their engineering programs, identifying highly qualified female candidates for opportunities within the Company. Women in Petro-Technical Professional (PTP) roles are also actively promoted through the college degree sponsorship program.

Employee development

In the spring of 2020, employee development programs were migrated to the virtual environment in parallel with other COVID-19 risk mitigation measures. Between March and December, more than 1,300 learning and development programs were conducted online, serving approximately 20,000 participants.
The Company also deployed courses via the Learning through Interactive Virtual Environment (LIVE) platform for 3,500 users, and leveraged the Harvard ManageMentor site to reach more than 21,000 unique users for the delivery of 42,000 online learning modules.

Well-being

The Company's semi-annual engagement survey, which on this occasion was developed in partnership with John Hopkins Aramco Healthcare, to address impacts of COVID-19, informed the rapid implementation of an "Emotional Well-being Program." Focused on the individual, the program empowers employees and their families to unlock their full potential — enabling them to be happy, healthy, productive, and highly engaged — both at work and at home.

Growing societal value

Developing local supply chains

Aramco is actively building a world-class supply chain, through the In-Kingdom Total Value Add (iktva) program, to serve the needs of the Company and its partners, facilitating the development of a diverse, sustainable, and a globally competitive energy sector in the Kingdom. The Company strives to cultivate local business with the goal to retain 70% of all procurement spend in-Kingdom.

	2020	2019
iktva[1] (%)	**57.5**	55.8

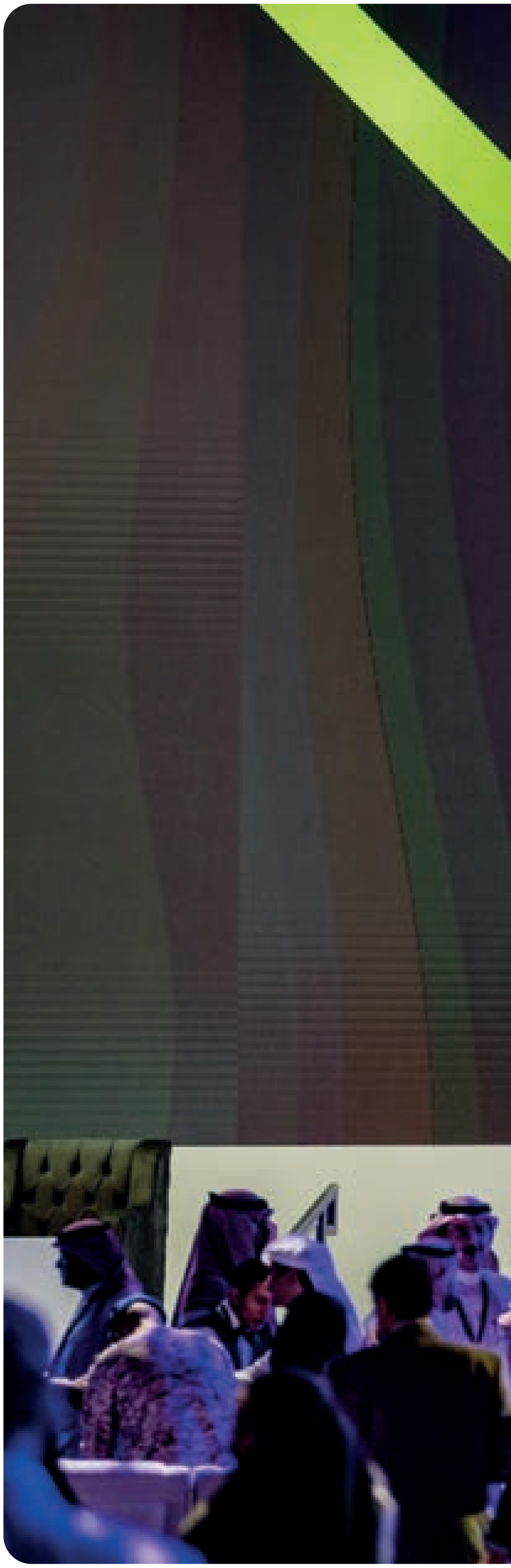
1. Company.

Iktva provided tangible benefits to the Company and Kingdom during the global pandemic of 2020. Localized supply chains enabled the Company to maintain operations with minimal disruption. Many of the Company's supply chain partners continued to build and startup facilities in-Kingdom despite the economic downturn, ensuring the provision of supplies and services to the Company and retention of Saudis in the workforce. Billions of dollars in economic activity that historically would have left the Kingdom instead remained to serve the interests of the Company and support the local economy.

Since the launch of iktva in 2015, the Company's suppliers have tripled their local purchases of goods and services. There has been a 20-fold increase in spending by the Company's main suppliers in developing local sub-suppliers. Suppliers are now investing three times the amount on research and development in the Kingdom, and their employment of Saudi nationals is up by 60%, with female employment increasing by almost one-third.

Iktva's proven success model has become the cornerstone for the Local Content and Government Procurement Authority localization model, which will accelerate the maturity of the Kingdom's industrial ecosystem across all sectors. This model has attracted more than 450 investments. From Jazan Economic City to the King Salman International Complex for Maritime Industries & Services, iktva has created an ecosystem of integrated value chains to help businesses hit the ground running in Saudi Arabia.

The iktva program has demonstrated the benefits of creating successful partnerships with business, government, and academia. It also increases the Company's competitiveness, drives industry collaboration and brings innovation to the Kingdom through research and development. The synergy driven by the iktva program has delivered greater levels of prosperity for the Kingdom, the local business community, and Aramco.



Driving future prosperity

Aramco's In-Kingdom Total Value Add (iktva) program aims to grow a localized manufacturing sector, increase global competitiveness by supporting a diverse economic environment, and drive future prosperity within the Kingdom.

Citizenship

Aramco's citizenship programs throughout the Kingdom support economic and community projects that empower people to take the next step forward and turn ideas into reality. These initiatives encompass a broad spectrum, from high-profile health care projects to small business startups and women's groups.

The King Abdulaziz Center for World Culture (Ithra) is Aramco's flagship corporate citizenship initiative, and one of the largest cultural contributions to the Kingdom. Ithra globally showcases Saudi potential, facilitating the generation of new creative content, enabling the growth and talent of the Kingdom's creative sector and providing new global cultural experiences to Saudi audiences.

Aramco's initiative to seed micro-industries in the Kingdom aims to empower people to shape their own economic future by creating additional value from traditional crafts and natural resources. Aramco has identified several micro-industries — beekeeping in al-Baha, fisheries in Yanbu' and Baish, olive products in al-Jouf, sewing centers across the country, coffee cultivation in Jazan, and rose flower products in Taif, which, with the right business model and support, are ripe for generating long-term impact for local communities. Aramco is providing community members with more than an additional source of income, we're equipping them with the knowledge and skills to establish, manage, and develop sustainable businesses that will make a real difference in people's lives.

COVID-19

In response to the COVID-19 pandemic, Aramco adopted measures to promote the safety, health and well-being of employees and communities, while maintaining a reliable supply of oil and gas to global markets — including vital inputs for the chemicals, plastics and pharmaceutical industries — which have been essential in global coronavirus response efforts.

A dedicated internal taskforce was established to ensure business continuity, safe operations, and community well-being. Aramco implemented numerous measures at each operational location, including active prevention programs, detailed contingency plans and leading medical support services to minimize risk and provide the best possible care and limit contagion.

As a result of the essential nature of their work, much of which cannot be done remotely, many employees continue to report to their usual workplace. To protect them, Aramco intensified sterilization efforts, applied social distancing rules and ensured strict health protocols are adhered to, including 100% thermal screening of employees and contractors across all facilities and company transport to limit the possibility of contagion at both onshore and offshore facilities.

Technology played a pivotal role, from ensuring business continuity, to enabling the transition of 25,000 employees to remote working with the provision for an additional 30,000, and enhancing the flexibility of the supply chain through virtual procurement processes. This was supported by a supercomputing Human Resources data center that provides essential data and information to inform day-to-day response efforts, and which has been recognized by the World Economic Forum as a COVID "Global Best Practice."

Johns Hopkins Aramco Healthcare (JHAH) is integral to the Company's medical preparedness and response to COVID-19. JHAH took proactive measures to roll-out a companywide health awareness campaign, including weekly updates, and ensured all Company employees have access to accurate and reliable information about preventing transmission of COVID-19, actions they should take if they display symptoms, tips on caring for themselves at home, and where to receive medical assistance.

The Company also extended assistance to the Kingdom's health care sector, supplying over $50 million worth of ventilators, air purification devices and protective equipment for health care practitioners and patients. An employee donations campaign, "Stay Home, Stay Safe," targeted help toward the most vulnerable, with employees' donations matched 100% by the Company. Globally, Aramco's regional affiliates donated cash and medical supplies to organizations in Asia, Europe, and the United States.

Delivering in challenging times

While COVID-19 made Aramco's daily work and life more complex, the majority of the Company's workforce continued to work on the front-line in the field. Comprehensive protection measures were implemented to safeguard their safety and well-being as they worked to keep supplying energy to the world.

5

Risk

Nothing without our people

Aramco, to improve its safety, benchmarks its safety performance against industry standards and performance targets set in line with industry practices.

Risk management

Risk objectives

Aramco operates in an industry characterized by price volatility, hazardous operations, and uncertain project outcomes. Taking informed risks is an inherent and necessary part of doing business. Aramco manages its strategic, operational, compliance and financial risks by continuously assessing them and undertaking appropriate responses. Business decisions are made after due consideration of rewards and associated risks.

Risk management framework

The Board of Directors provides risk oversight as a component of its strategic leadership. The Risk and HSE Committee of the Board oversees the risk management framework and monitors specific top corporate risks.

The primary role of the Risk and HSE Committee is to monitor overall management of risk and activities relating to health, safety and the environment and to assist the Board of Directors with:

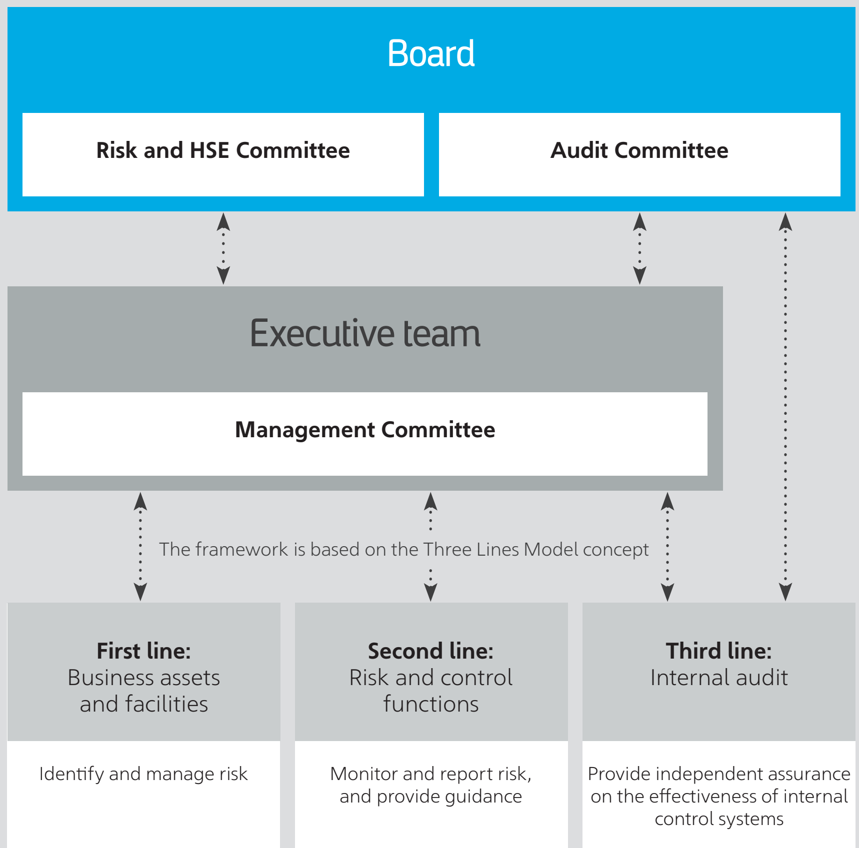
(i) leadership, direction, and oversight with respect to Aramco's risk appetite, risk tolerance, risk framework and risk strategy;

(ii) governance and management of strategic and operational risks and sustainability; and

(iii) fostering a culture within Aramco that emphasizes and demonstrates the benefits of risk management.

The Audit Committee focuses on financial risks, including financial reporting and treasury, as well as on internal and external compliance.

Enterprise risk management framework



Aramco's enterprise risk management (ERM) framework follows the "Three Lines Model" concept. The operating businesses and support organizations form the First Line, as risk owners, and have primary responsibility for identifying and managing their risks. The Second Line comprises dedicated risk management functions, responsible for monitoring and reporting on risks, and providing guidance to risk owners. Risk management functions include Loss Prevention, Environmental Protection, Information Security, Corporate Emergency Management and Continuity, Corporate Compliance, and Financial Risk Management organizations, as well as the Corporate ERM Group. Internal Audit, as the Third Line, provides management and the Audit Committee with independent assurance on the effectiveness of internal control systems.

Management-level oversight of the ERM framework is provided by the Management Committee, chaired by the President and CEO. He also chairs the HSSE Committee, which oversees health, safety, security and environmental risk management; the Strategy Council, which reviews matters of strategic risk; and the Conflicts of Interest and Business Ethics Committee. Various other management-level committees oversee specific risk-related topics, such as the Sustainability Steering Committee and the Information Security Risk Management Steering Committee.

Business risk assessment

The means by which individual organizations identify, assess, mitigate, monitor and report risks to the achievement of business objectives is integrated into Aramco's annual planning cycle through a system based on ISO 31000 principles and guidelines. This includes the escalation, as appropriate, of risk ownership through Aramco's organizational levels, resulting in a hierarchy of risks from individual departmental risks to corporate risks. Annually, the Management Committee reviews the composition of the top risks, taking into consideration risks reported from the businesses, and a top-down scan for new and emerging risks. The Management Committee is updated quarterly on individual risks, and every year several risks are presented to the Management Committee and the Board's Risk and HSE Committee.

Decision making

To reduce planning uncertainty and help manage the variability of outcomes, Aramco has embedded risk assessment into its strategic and investment planning. Strategic scenarios are stress-tested, and the investment portfolio is optimized using stochastic risk modeling. Individual projects and investments pass through a gated decision process that includes risk assessments and value assurance reviews.

Risk factors

The following risks, which are identified as material, do not necessarily comprise all the risks affecting Aramco. There may be additional risks that Aramco is currently not aware of, or that Aramco currently believes are immaterial, which may in the future become material or affect Aramco's business, financial position and results of operations or the market price of the shares. As a result of these and other risks, the forward-looking events and circumstances discussed in this Annual Report might not occur in the way Aramco expects, or at all. All forward-looking statements in this Annual Report should be considered in light of these explanations.

The risks described in this section are not presented in order of priority based on their importance or expected effect on Aramco.

Principal risk categories

1

Risks related to macro-economic environment and external factors

See page 94

2

Risks related to Aramco, its operations and industry

See page 96

3

Legal and regulatory risks

See page 100

4

Risks related to the Kingdom

See page 104

Risk factors

1

Risks related to macro-economic environment and external factors

Aramco's results of operations and cash flow are significantly impacted by international crude oil supply and demand and the price at which it sells crude oil.

Sales of crude oil are the largest component of Aramco's consolidated revenue and other income related to sales, accounting for 56.5%, 56.4% and 57.3% for the years ended December 31, 2017, 2018 and 2019, respectively, and 49.1% for the year ended December 31, 2020. Accordingly, Aramco's results of operations and cash flow are significantly impacted by the price at which it sells crude oil.

International crude oil supply and demand and the sales price for crude oil are affected by many factors that are beyond Aramco's control, including:

- markets' expectations with respect to future supply of petroleum and petroleum products, demand and price changes, including future demand for petroleum products in Asia;
- global economic and political conditions and geopolitical events, including any that impact international trade (including trade routes);
- decisions regarding production levels by the Kingdom or other producing states (the Kingdom is a member country of OPEC) (see Section 3: Results and performance");
- the impact of natural disasters and public health pandemics or epidemics (such as the novel strain of coronavirus causing COVID-19) on supply and demand for crude oil, general economic conditions and the ability to deliver crude oil;
- the development of new crude oil exploration, production and transportation methods or technological advancements in existing methods, including hydraulic fracturing or "fracking";
- capital investments of oil and gas companies relating to the exploration, development and production of crude oil reserves;
- the impact of climate change on the demand for, and price of, hydrocarbons (*see risk — Climate change concerns and impacts could reduce global demand for hydrocarbons and hydrocarbon-based products and could cause Aramco to incur costs or invest additional capital*);
- changes to environmental or other regulations or laws applicable to crude oil and related products or the energy industry (*see risk — Aramco's operations are subject to environmental protection, health and safety laws and regulations and increased concerns regarding the safe use of chemicals and plastics and their potential impact on the environment have resulted in more restrictive regulations and could lead to new regulations*);
- prices of alternative energies, including renewable energy;
- the electrification of transportation, technological developments in the cost or endurance of fuel cells for electric vehicles and changes in transportation-mode preferences, including ride-sharing;
- weather conditions affecting supply and demand;
- fluctuations in the value of the U.S. Dollar, the currency in which crude oil is priced globally; and
- crude oil trading activities.

Fluctuations in the price at which Aramco sells crude oil could cause its results of operations and cash flow to vary significantly. In addition, decreases in the price at which Aramco sells its crude oil could have a material adverse effect on Aramco's results of operations and cash flow.

International crude oil prices have fluctuated significantly in the past and may remain volatile. Between January 2016 and February 2020, Brent prices generally fluctuated between $40.0 and $65.0 per barrel. However, most recently, Brent prices fell below $23.0 per barrel in mid-March 2020 and generally fluctuated between $30.0 and $50.0 per barrel through December 31, 2020, in response to the COVID-19 pandemic and its impact on worldwide demand for oil and economic activity as well as other supply and demand factors. Because the consequences and duration of these events are uncertain, Aramco is not able to predict the full extent and impact lower oil prices will have on Aramco's results of operations and cash flow.

The COVID-19 pandemic and its impact on business and economic conditions could negatively affect Aramco's business, financial position, cash flow, results of operations and price of its securities.

The COVID-19 pandemic and measures taken to combat it are having a widespread impact on business and economic conditions, including on the demand for crude oil, natural gas, refined products and petrochemicals. Public health authorities and governments at local, national and international levels have announced various measures to respond to the pandemic, including restrictions on travel, voluntary or mandatory quarantines, workforce reductions of personnel who are deemed to be non-essential and the full closure of business activities deemed to be non-essential. These measures have severely impacted economic activity and led to lower demand for crude oil, natural gas, refined products and petrochemicals. Moreover, the COVID-19 pandemic has resulted in volatility in global capital markets and investor sentiment, which may affect the availability, amount and type of financing available to Aramco in the future.

In addition to its impact on economic activity, COVID-19 could have a direct impact on Aramco's operations. In the Kingdom, public health authorities have taken various measures to combat the spread of COVID-19. For example in March 2020, a temporary nationwide curfew was introduced, which required Aramco to adjust working hours for some personnel. In addition, the health of some of Aramco's employees has been impacted and some of its personnel have been quarantined. If public health authorities determine that persons suspected of or confirmed to have COVID-19 have spent time at any of Aramco's facilities, Aramco may be required to pause certain operations or close certain facilities for a considerable time. If a significant percentage of Aramco's workforce is unable to work or if Aramco is required to close facilities because of illness or government restrictions in connection with the COVID-19 pandemic, Aramco's operations may be negatively impacted.

Aramco is not able to predict how long the COVID-19 pandemic will persist or how long the measures that have been introduced to respond to it will be in place. Aramco also cannot predict how long the effects of COVID-19 and the efforts to contain it will continue to impact its business after the pandemic is under control or if additional, more restrictive measures to combat the pandemic will be implemented. These impacts could result in a worsening of the effects of the pandemic on Aramco's business, cash flows, results of operations and price of its securities. The extent to which COVID-19 could impact Aramco's business depends on future developments that are highly uncertain and are outside of Aramco's control, including new information which may quickly emerge concerning the severity of the virus, the scope of the pandemic and actions to contain the virus or treat its impact and the efficacy of such actions, among others.

Aramco operates in a highly competitive environment. Competitive pressure could have a material adverse impact on the price at which it sells crude oil and other products.

The sale of crude oil outside the Kingdom is very competitive. Aramco's primary competitors for the sale of crude oil outside the Kingdom include NOCs and IOCs, many of which have substantial crude oil reserves and financial resources. The primary factors affecting competition are the price, quantity and quality of crude oil produced. Increased competitive pressures could have a material adverse impact on prices at which Aramco can sell crude oil and its regional and global market share.

In addition, outside the Kingdom, Aramco's refineries in its downstream segment are subject to competition in the geographies to which they sell refined products or petrochemicals. Competitors include, but are not limited to, refineries located in, or in close proximity to, the relevant market, and in the case of refineries that are net importers, from other international producers. Operating efficiencies and production costs are key factors affecting competition for refined products and chemicals. Accordingly, if the operating efficiencies and production costs of Aramco's refineries are not sufficiently competitive in the geographies they serve, Aramco's business, financial position and results of operations could be materially and adversely impacted.

Climate change concerns and impacts could reduce global demand for hydrocarbons and hydrocarbon-based products and could cause Aramco to incur costs or invest additional capital.

Climate change concerns manifested in public sentiment, government policies, laws and regulations, international agreements and treaties and other actions may reduce global demand for hydrocarbons and propel a shift to lower carbon intensity fossil fuels such as gas or alternative energy sources. In particular, increasing pressure on governments to reduce GHG emissions has led to a variety of actions that aim to reduce the use of fossil fuels, including, among others, carbon emission cap and trade regimes, carbon taxes, increased energy efficiency standards and incentives and mandates for renewable energy and other alternative energy sources. In addition, international agreements to limit or reduce GHG emissions are currently in various stages of implementation. For example, the Paris Agreement became effective in November 2016, and many countries that ratified the Paris Agreement are adopting domestic measures to meet its goals, which include reducing their use of fossil fuels and increasing their use of alternative energy sources. The landscape of GHG related laws and regulations has been in a state of constant reassessment and, in some cases, it is difficult to predict with certainty the ultimate impact GHG related laws, regulations and international agreements will have on Aramco. In some of the areas in which Aramco operates such as the Netherlands, GHG emissions are regulated by the European Union Emissions Trading Scheme. In the future, areas in which Aramco operates that are not currently subject to GHG regulation may become regulated and existing GHG regulations may become more stringent.

Existing and future climate change concerns and impacts, including physical impacts to infrastructure, and related laws, regulations, treaties, protocols, policies and other actions could shift demand to other fuels, reduce demand for hydrocarbons and hydrocarbon-based products, have a material adverse effect on Aramco's business, financial position and results of operations.

Terrorism and armed conflict may materially and adversely affect Aramco.

Aramco's facilities have been targeted by terrorist and other attacks. For example, in September 2019, the Abqaiq facility and the Khurais processing facility were subject to attack by unmanned aerial vehicles and missiles. Abqaiq is Aramco's largest oil processing facility. The Khurais field is one of Aramco's principal oil fields. These attacks resulted in the temporary suspension of processing at Abqaiq and Khurais. As a result, overall crude oil production and associated gas production were reduced and Aramco took a number of actions to minimize the impact of lower Arabian Light and Arabian Extra Light production by tapping into Aramco's inventories located outside the Kingdom and swapping grades of deliveries to Arabian Medium and Arabian Heavy.

In addition, in May 2019 and in August 2019, the East-West pipeline and the Shaybah field, respectively, were targeted by unmanned aerial vehicle attacks. These attacks resulted in fires and damage to the processing and cogeneration infrastructure at the Shaybah NGL facility. Furthermore, since 2017, areas of the Kingdom have been subject to ballistic missile and other aerial attacks from Yemen, including areas of the Kingdom where Aramco has facilities or operations. Any additional terrorist or other attacks could have a material adverse effect on Aramco's business, financial position and results of operations, could cause Aramco to expend significant funds.

2

Risks related to Aramco, its operations and industry

Aramco exports a substantial portion of its crude oil and refined products to customers in Asia, and adverse economic or political developments in Asia could impact its results of operations.

Aramco exports a substantial portion of its crude oil and refined products to customers in Asia. In 2020, customers in Asia, including Aramco's affiliated refineries located in Asia, purchased 77% of its crude exports and 55% of its total crude production.

In addition, Aramco expects to export additional crude to Asia as new downstream assets in Asia commence operations.

Aramco expects crude exports to customers in Asia to continue to constitute a significant percentage of its total export and production volumes. Furthermore, the refined, chemical and petrochemical products that are produced at Aramco's joint ventures and international operations in Asia are generally sold locally and exported to other Asian countries. Since early 2020, economic conditions in Asia have been significantly impacted by the outbreak of COVID-19. If there is a prolonged slowdown in economic growth, an economic recession or other adverse economic or political development in Asia, Aramco may experience a material reduction in demand for its products by its customers located in the region. Moreover, any such development in other parts of the world (including political and social instability or armed conflict in the MENA region) may result in other producers supplying surplus capacity to Asia, thereby increasing competition for customers in Asia and affecting the prices at which Aramco sells its products to customers there. A significant decrease in demand for Aramco's products in Asia could have a material adverse effect on its business, financial position and results of operations.

Aramco is subject to operational risks and hazards that may have a significant impact on its operations or result in significant liabilities and costs.

Aramco is subject to operational risks common in the oil and gas industry, including:

- crude oil or gas spills, pipeline leaks and ruptures, storage tank leaks, and accidents involving explosions, fires, blow outs and surface cratering;
- power shortages or failures;
- mechanical or equipment failures;
- transportation interruptions and accidents;
- tropical monsoons, storms, floods and other natural disasters; and
- chemical spills, discharges or releases of toxic or hazardous substances or gases.

These risks could result in damage to, or destruction of, Aramco's properties and facilities, death or injury to people and harm to the environment, which could have a significant impact on its operations or result in significant liabilities and remediation costs. In addition, Aramco is not insured against all risks and insurance in connection with certain risks and hazards may not be available. See risk — *Aramco could be subject to losses from risks related to insufficient insurance* — below. To the extent a subcontractor was responsible for the damage, Aramco's recourse to the relevant subcontractor may be limited by contract or the financial viability of such subcontractor. Such occurrences could also interrupt Aramco's operations, delay Aramco's projects or damage its reputation, which could have a material adverse effect on its business.

Furthermore, the majority of Aramco's assets are located in the Kingdom and it relies heavily on a cross country pipeline system and terminal facilities to transport crude oil and products through the Kingdom. Aramco also depends on critical assets to process its crude oil, such as the Abqaiq facility, which is its largest oil processing facility and processes a significant amount of Aramco's daily produced crude oil. The East-West pipeline, the Shaybah NGL facility, the Abqaiq facility and the Khurais processing facility have been subject to attacks within the last few years. If Aramco's critical transport systems or processing facilities were subject to a significant disruption, it could have a material adverse effect on Aramco's business, financial position and results of operations. See risk — *Terrorism and armed conflict may materially and adversely affect Aramco*.

Estimates of proved hydrocarbon reserves depend on significant interpretations, assumptions and judgments. Any significant deviation or changes in existing economic and operating conditions could affect the estimated quantity and value of Aramco's proved reserves.

Aramco's reserve estimates conform to the SPE-PRMS definitions and guidelines, which are internationally recognized industry standards. Aramco's and D&M's estimates of the quantity of Aramco's proved hydrocarbon reserves depend on significant interpretations, assumptions and judgments relating to available geological, geophysical, engineering, contractual, economic and other information, and take into account existing economic and operating conditions and commercial viability as at the date the reserve estimates are made.

There can be no assurance that the interpretations, assumptions and judgments utilized by Aramco to estimate proved reserves, or those utilized by D&M for the purposes of preparing its certification letter, will prove to be accurate. Any significant deviation from these interpretations, assumptions or judgments could materially affect the estimated quantity or value of Aramco's proved reserves. In addition, these estimates could change due to new information from production or drilling activities, changes in economic factors, including changes in the price of hydrocarbons, changes to laws, regulations or the terms of the Concession or other events. Further, declining hydrocarbon prices may cause certain proved reserves to no longer be considered commercially viable, which could result in downward adjustments to Aramco's estimates of Aramco's proved reserves, impairment of Aramco's assets or changes to Aramco's capital expenditures and production plans. Moreover, proved reserves estimates are subject to change due to changes in published rules or changes in guidelines. Any material reduction in the quantity or value of Aramco's proved reserves could adversely affect Aramco's business.

The independent third-party certification letter does not cover the entirety of the Kingdom's estimated reserves.

Aramco retained independent petroleum consultants, D&M, to independently evaluate, as at December 31, 2019, reservoirs Aramco believes accounted for approximately 85% of its proved oil reserves to which it has rights under the Concession and remain to be produced after December 31, 2019, but before December 31, 2077 (the end of the initial 40-year term of the Concession plus the first 20-year extension). Aramco chose this scope because of the overall scale of the Kingdom's reserves and the concentration of deposits in the major reservoirs that were assessed. Further independent assessment of the Kingdom's smaller reservoirs would have taken several years to complete. D&M's reserves estimation of 214.2 billion barrels of oil equivalent reserves for the reservoirs it evaluated was within 1% of Aramco's internal estimation for the same reservoirs for the same Concession time period.

There is no independent third-party certification letter with respect to the balance of the Kingdom's proved oil equivalent reserves or as at a more recent date than December 31, 2019. Any material deviation in the quantity of proved reserves could have a material adverse effect on Aramco's financial position.

Aramco could be subject to losses from risks related to insufficient insurance.

Aramco insures against risk primarily by self-insuring through its captive insurance subsidiary, Stellar, which provides insurance exclusively to Aramco. Aramco also obtains insurance in certain areas from third-party providers in excess of the coverage provided through Stellar.

Aramco does not insure against all risks and its insurance may not protect it against liability from all potential events, particularly catastrophic events such as major crude oil spills, environmental disasters, terrorist attacks or acts of war. In addition, it does not maintain business interruption insurance for disruptions to its operations and certain of its operations are insured separately from the rest of its business. Furthermore, there can be no assurance that Aramco can continue to renew its existing levels of coverage on commercially acceptable terms, or at all. As a result, it could incur significant losses from uninsured risks or risks for which its insurance does not cover the entire loss. Any such losses could have a material adverse effect on Aramco's business, financial position and results of operations.

Aramco's ability to achieve its strategic growth objectives depends on the successful delivery of current and future projects.

Aramco's ability to achieve its strategic growth objectives depends, in part, on the successful, timely and cost-effective delivery of capital projects carried out by Aramco or by it along with joint venture or affiliate partners. Aramco faces numerous challenges in developing such projects, including:

- fluctuations in the market prices for hydrocarbons, which may impact its ability to finance its projects from its cash flow from operating activities or make projects less economically feasible or rendered uneconomic;
- making economic estimates or assumptions based on data or conditions, including crude oil and gas price assumptions, which may change;
- constraints on the availability and cost of skilled labour, contractors, materials, equipment and facilities;
- its ability to obtain funding necessary for the implementation of the relevant project on terms acceptable to it, or at all;
- difficulties in obtaining necessary permits, complying with applicable regulations and changes to applicable laws or regulations;
- difficulties coordinating multiple contractors and sub-contractors involved in complex projects; and
- undertaking projects or ventures in new lines of business in which Aramco has limited or no prior operating experience.

These challenges have led and could lead to delays in the completion of projects and increased project costs. If projects are delayed, cost more than expected or do not generate the expected return, Aramco's operations and expected levels of production could be impacted. These occurrences could result in Aramco reviewing and recognizing impairments on its projects, assuming liabilities of joint venture or affiliate partners or other consequences, any of which could have a material adverse effect on Aramco's business, financial position and results of operations.

In addition, many of Aramco's projects require significant capital expenditures. For a more detailed discussion on Aramco's capital expenditures, see — *Risks related to macro-economic environment and external factors*.

If cash flows from operating activities and funds from external financial resources are not sufficient to cover Aramco's capital expenditure requirements, Aramco may be required to reallocate available capital among its projects or modify its capital expenditure plans, which may result in delays to, or cancellation of, certain projects or deferral of certain capital expenditures. Any change to Aramco's capital expenditure plans could, in turn, have a material adverse effect on Aramco's growth objectives and its business, financial position and results of operations.

Aramco's historical results of operations may not be easily compared from year to year.

In recent years, the Government has adopted a number of changes to the fiscal regime under which Aramco operates. These changes have a material impact on Aramco's results of operations and make its consolidated financial statements for certain periods less comparable, particularly with respect to revenue and other income related to sales, royalties and other taxes and income taxes and zakat. For a more detailed discussion of the fiscal regime changes and their effect on Aramco's consolidated financial statements, see Section 3: Results and performance, Section 7: Additional financial and legal information and Section 8: Consolidated financial statements.

Aramco may not realize some or all of the expected benefits of recent or future acquisitions, including the SABIC acquisition.

Aramco has engaged in and may continue to engage in acquisitions of businesses, technologies, services, products and other assets from time to time. Any such acquisition entails various risks, including that Aramco may not be able to accurately assess the value, strengths and weaknesses of the acquisition or investment targets, effectively integrate the purchased businesses or assets, achieve the expected synergies or recover the purchase costs of the acquired businesses or assets. Aramco may also incur unanticipated costs or assume unexpected liabilities and losses in connection with any business or asset it acquires, including in relation to the retention of key employees, legal contingencies (such as, contractual, financial, regulatory, environmental or other obligations and liabilities) and risks related to the acquired business, and the maintenance and integration of procedures, controls and quality standards. These difficulties could impact Aramco's ongoing business, distract its management and employees and increase its expenses which could, in turn, have a material adverse effect on its business, financial position and results of operations.

On June 16, 2020, Aramco acquired the PIF's 70% equity interest in SABIC for total consideration of $69.1 billion. For the acquisition to be successful for Aramco, Aramco will need to manage its ownership stake in SABIC in a manner which supports the optimization of SABIC's performance. The realization of such benefits may be affected by a number of factors, many of which are beyond Aramco's control. Failure to realize some or all of the anticipated benefits of the acquisition may impact Aramco's financial performance and prospects, including the growth of its downstream business.

Aramco is exposed to risks related to operating in several countries.

A substantial portion of Aramco's downstream operations is conducted outside the Kingdom. Risks inherent in operating in several countries include:

- complying with, and managing changes to and developments in, a variety of laws and regulations, including price regulations, data privacy and protection laws and regulations, cybersecurity laws and regulations, changes in environmental regulations, forced divestment of assets, expropriation of property, cancellation or forced renegotiation of contract rights;
- complying with tax regimes in multiple jurisdictions, the imposition of new or increased withholding or other taxes or royalties on Aramco's income;
- the imposition of new, or changes to existing, transfer pricing regulations or the imposition of new restrictions on foreign trade, investment or travel;
- adverse changes in economic and trade sanctions, import or export controls and national security measures resulting in business disruptions, including delays or denials of import or export licences or blocked or rejected financial transactions;
- conducting business through a number of subsidiaries, joint operations and joint ventures and challenges implementing Aramco's policies and procedures in such entities; and
- fluctuations in foreign currency exchange rates.

Operating in several countries also requires significant management attention and resources. The occurrence of any of these risks may be burdensome and could have a material adverse effect on Aramco's business, financial position and results of operations.

Aramco is dependent on Senior Management and key personnel.

Aramco operates in a competitive environment, and its success depends upon its ability to identify, hire, develop, motivate and retain highly qualified Senior Management and key personnel. Aramco's Senior Management and key personnel may voluntarily terminate their employment with Aramco or leave their positions due to reasons beyond Aramco's control. If Aramco experiences a large number of departures of its oil and gas experts in a relatively short period of time, attracting and retaining a sufficient number of replacement personnel may be challenging. If Aramco is unable to hire and retain Senior Management and key personnel with requisite skills and expertise, it could have a material adverse effect on Aramco's business, financial position and results of operations.

Aramco's operations are dependent on the reliability and security of its IT systems.

Aramco relies on the security of critical information and operational technology systems. Cyber incidents may negatively impact these or other functions, and particularly in relation to industrial control systems, may result in physical damage, injury or loss of life and environmental harm. Aramco's systems are a high-profile target for sophisticated cyberattacks by nation states, criminal hackers and competitors, and Aramco routinely fends off malicious attempts to gain unauthorized systems access. However, there is a risk that determined attackers with access to the necessary resources could successfully penetrate Aramco systems. Attempts to gain unauthorized access to Aramco networks have been successful in the past, including a 2012 cyberattack in which Aramco resorted to manual procedures for certain non-operational related matters while the breach was contained. To date, none of these attempts have been material to Aramco's financial performance or reputation. Nonetheless, the nature and breadth of any potential future cyberattack remain unknown and remote work arrangements in response to the outbreak of COVID-19 may increase the risk of cybersecurity incidents, data breaches or cyberattacks. Such incidents could result in significant costs, including investigation and remediation expenses, regulatory scrutiny, legal liability and the loss of personal or sensitive business or third-party information, and could have a material adverse effect on Aramco's operations and reputation.

3
Legal and regulatory risks

Aramco is and has been subject to litigation, including with respect to international trade litigation, disputes or agreements, and may be subject to additional litigation in the future.

Aramco is and has been subject to significant litigation, primarily in the United States and the Kingdom. Some of the most significant U.S. litigation involved allegations of violations of antitrust laws arising, in part, from the Kingdom's membership and participation in OPEC. Such antitrust litigation sought extensive relief, including treble damages, divestiture of assets in the United States and disgorgement of profits. If granted, this relief could have had a material adverse impact on Aramco. To date, the OPEC-related antitrust lawsuits have been dismissed on the basis of various sovereign defenses under U.S. law, including the political question and the act of state doctrines, sovereign immunity under the Foreign Sovereign Immunity Act ("FSIA") and other legal defenses. However, there is no assurance that Aramco will prevail on the basis of these defenses in the future and any adverse judgment or settlement could have an adverse effect on Aramco's business, financial position and results of operations.

In February 2019, members of the U.S. House of Representatives and the U.S. Senate introduced a bill that sought to make unlawful certain conduct by foreign states, state instrumentalities and state agents, such as taking action collectively to reduce the production of oil. Although the bill expired on January 3, 2021 as it was not enacted by such date, there is a possibility that a similar bill could be introduced in the future. The draft bill, if enacted, would have expressly removed or weakened certain sovereign defenses, including sovereign immunity under the FSIA with respect to certain claims. If a similar bill or any other legislation affecting Aramco's legal liability were to become law and result in litigation against Aramco, such litigation, including any adverse judgment or settlement, could have a material adverse effect on Aramco's business, financial position and results of operations.

From time to time, Aramco has been subject to, and remains subject to, claims for title to land. For example, the case *Al-Qarqani, et al. v. Arabian American Oil Company* is pending before the U.S. Court of Appeals for the Fifth Circuit. In *Al-Qarqani*, the petitioners seek to enforce an USD $18.0 billion arbitral award granted by an arbitral tribunal under the auspices of the International Arbitration Centre in Egypt. The federal district court for the Southern District of Texas granted Saudi Aramco's motion to dismiss the case on November 17, 2020. The petitioners subsequently appealed that decision to the Fifth Circuit.

In addition, increasing attention on climate change risks may result in an increased possibility of litigation against Aramco and its affiliated companies. Claims relating to climate change matters have been filed against companies in the oil and gas industry by private parties, shareholders of such companies, public interest organizations, state attorneys general, cities and other localities, especially in the United States, including claims that the extraction and development of fossil fuels has increased climate change. Some of these claims demand that the defendants pay financial amounts as compensation for alleged past and future damages resulting from climate change. On July 2, 2018, Motiva, a U.S. affiliate of Aramco, which engages in refining activities, was named as a defendant in a climate change case brought by the Rhode Island Attorney General against 21 oil and gas companies ("Rhode Island"). The defendants initially attempted to remove the case to federal court, but the case was remanded back to Rhode Island state court. The federal district court's remand order was affirmed by the Court of Appeals for the First Circuit on October 29, 2020. On December 30, 2020, the defendants filed a petition for a writ of certiorari asking the U.S. Supreme Court to review the First Circuit's decision. Very similar decisions have been reached in other climate change cases against oil and gas companies by the Fourth Circuit in Mayor and City Counsel of Baltimore v. BP plc. ("City of Baltimore"), the Ninth Circuit in Oakland, et al. v. BP plc et al. and County of San Mateo, et al. v. Chevron Corp., et al., and the Tenth Circuit in Board of County Commissioners v. Suncor Energy (USA), Inc., et al. On October 2, 2020, the U.S. Supreme Court granted certiorari to review the decision of the Fourth Circuit in City of Baltimore and it heard oral arguments in that case on January 19, 2021. Due to the similarity of the cases, whether the First Circuit's decision in the Rhode Island case ultimately controls could depend to a large extent on what the Supreme Court decides in the City of Baltimore case or other similar cases. While Shell agreed to defend and indemnify Motiva, in the event Motiva is not dismissed, Shell's continued duty to defend and indemnify Motiva may be reevaluated. Claims such as these could grow in number and Aramco and its affiliated companies could be the subject of similar claims in the United States or elsewhere in the future.

Further, Aramco's investors could assert claims against it and its Directors and Senior Executives alleging breaches of applicable laws and regulations, or other legal theories.

Litigation in a variety of jurisdictions could result in substantial costs (including civil or criminal penalties, or both, damages or the imposition of import trade measures) and require Aramco to devote substantial resources and divert management attention, which may have a material adverse effect on its business, financial position and results of operations.

Moreover, exports of crude oil, refined products and petrochemicals by Aramco or its affiliates to foreign countries may be affected by litigation, regulatory actions, investigations, disputes or agreements that lead to the imposition of import trade measures, including anti-dumping and countervailing duties, safeguard measures, import licensing and customs requirements, and new or increased tariffs, quotas or embargos. The possibility and effect of any such measures will depend on the laws governing the foreign country to which the applicable products are being exported and applicable international trade agreements. Foreign countries may take such measures for political or other reasons, including reasons unrelated to Aramco's actions or operations. Since the majority of Aramco's products are exported, any such measures may have a material adverse effect on Aramco's business, financial position and results of operations.

In addition, the Kingdom is a party to international trade agreements, such as World Trade Organization agreements that include commitments by the Kingdom with respect to the composition of its laws, regulations and practices that impact international trade. The Kingdom may become a party to other such agreements in the future. Compliance by the Kingdom with any such commitments may directly or indirectly impact Aramco and could cause it to alter its operations in a manner that is costly or otherwise has a material adverse effect on its business, financial position or results of operations. If the Kingdom fails to comply with these commitments, Aramco's business operations could be exposed to scrutiny and Aramco or its affiliates' exports could be subject to potential remedial measures, such as duties, which could have a material adverse effect on Aramco's business, financial position and results of operations.

Aramco operates in a regulated industry and its business may be affected by regulatory changes.

The oil and gas industry in the Kingdom is a regulated industry. Any change in the Kingdom to the laws, regulations, policies or practices relating to the oil and gas industry could have a material adverse effect on Aramco's business, financial position and results of operations. In addition, although the Concession provides for an initial period of 40 years, which will be extended by the Government for 20 years provided Aramco satisfies certain conditions commensurate with current operating practices (and may be amended and extended for an additional 40 years thereafter subject to Aramco and the Government agreeing on the terms of the extension), there is no assurance that the Government will not revoke the Concession in whole or in part or adversely change Aramco's rights in respect of the Concession, which would have a significant effect on Aramco's business, financial position and results of operations. Furthermore, if the Kingdom were to take additional actions under its regulatory powers or change laws, regulations, policies or practices relating to the oil and gas industry, Aramco's business, financial position and results of operations could be materially and adversely affected.

Violations of applicable sanctions and trade restrictions, as well as anti-bribery and anti-corruption laws, could adversely affect Aramco.

Aramco currently conducts business, and could in the future decide to take part in new business activities, in locations where certain parties are subject to sanctions and trade restrictions, as well as anti-bribery and anti-corruption laws, imposed by the United States, the European Union and other sanctioning bodies. Laws and regulations governing sanctions, trade restrictions, bribery and corruption are complex and are subject to change.

There can be no assurance that Aramco's corporate governance and compliance policies and procedures (including with respect to sanctions and trade restrictions, anti-bribery and anti-corruption) will protect it from the improper conduct of its employees or business partners, which conduct could result in substantial civil or criminal penalties. If Aramco were to be sanctioned in the future, as a result of its transactions with other parties or otherwise, such sanctions could result in asset freezes against Aramco, restrictions on investors trading securities issued by Aramco or other adverse consequences. Such penalties or sanctions could have a material adverse effect on Aramco's business and financial position.

Aramco is required to obtain, maintain and renew governmental licences, permits and approvals in order to operate its businesses.

The rights granted to Aramco under the Concession represent Aramco's licences, permits, and approvals necessary to conduct business in the Kingdom with respect to Hydrocarbons operations and related activities. However, Aramco is required to obtain and renew any licence, permit, or approval that is required under the Hydrocarbons Law, GSPR or with respect to certain other activities unrelated to Hydrocarbons operations. There can be no assurance that the relevant authorities will issue any such licences, permits or approvals in the time frame anticipated by Aramco, or at all. Any unforeseen failure to renew, maintain or obtain the required permits and approvals, or the revocation or termination of existing licences, permits and approvals, may interrupt Aramco's operations and could have a material adverse effect on Aramco's business, financial position and results of operations.

Aramco's operations are subject to environmental protection, health and safety laws and regulations and increased concerns regarding the safe use of chemicals and plastics and their potential impact on the environment have resulted in more restrictive regulations and could lead to new regulations.

Aramco's operations are subject to laws and regulations relating to environmental protection, health and safety. These laws and regulations govern, among other things, the generation, storage, handling, use, disposal and transportation of hazardous materials, the emission and discharge of hazardous materials, groundwater use and contamination and the health and safety of Aramco's employees and the communities in which it operates. Compliance with these obligations can result in significant expenditures. If Aramco fails to comply with applicable laws and regulations, it could be subject to fines or the partial or total shutdown of related operations. Aramco has, from time to time, shutdown certain facilities in order to ensure compliance with applicable laws and regulations. In addition, a stricter interpretation of existing laws and regulations, any changes in these laws and regulations or the enactment of new laws and regulations may impose new obligations on Aramco or otherwise adversely affect Aramco's business, financial position and results of operations.

Aramco may also (i) incur significant costs associated with the investigation, clean up and restoration of contaminated land, water or ecosystems, as well as claims for damage to property, and (ii) face claims of death or injury to persons resulting from exposure to hazardous materials or adverse impacts on natural resources and properties of others resulting from its operations (including potentially from the transportation of hazardous substances and products, feedstock or chemical pollution). Any such costs or liabilities could have a material adverse effect on Aramco's business, financial position and results of operations. In particular, in the United States, Motiva and other companies in the petroleum refining and marketing industry historically used MTBE as a gasoline additive. Motiva is a party to pending lawsuits concerning alleged environmental impacts associated with historic releases of MTBE in the United States, many of which involve other petroleum marketers and refiners. Plaintiffs in these MTBE lawsuits generally seek to spread liability among large groups of oil companies and seek substantial damages. Additional lawsuits and claims related to the use of MTBE, including personal-injury claims, may be filed in the future. Motiva could be subject to material liabilities relating to MTBE claims.

Moreover, concerns regarding chemicals and plastics, including their safe use and potential impact on the environment, reflect a growing trend in societal demands for increasing levels of product safety, environmental protection and recycling. These concerns have led to more restrictive regulations and could lead to new regulations. They could also manifest themselves in shareholder proposals, delays or failures in obtaining or retaining regulatory approvals, increased costs related to complying with more restrictive regulations, delayed product launches, lack of market acceptance, lower sales volumes or discontinuance of chemicals or plastics products, continued pressure for more stringent regulatory intervention and increased litigation. These consequences could also have an adverse effect on Aramco's business, financial position, results of operations and reputation.

The mechanism for equalization compensation Aramco receives from the Government in respect of domestic sales of certain hydrocarbons may be changed.

The Concession requires Aramco to meet domestic demand for certain hydrocarbons, petroleum products and LPGs through domestic production or imports. In addition, pursuant to the Kingdom's regulatory regime, Aramco is required to sell crude oil and certain refined products to third parties in the Kingdom at the Government's regulated prices. The regulated prices for these products have historically generated less revenue for Aramco than if the same products had been sold for export.

Pursuant to an equalization mechanism, the Government compensates Aramco for the revenue it directly forgoes as a result of selling these products in the Kingdom at regulated prices. Under this mechanism, Aramco receives compensation for the difference between regulated prices and equalization prices in respect of such sales.

Furthermore, in the Kingdom, natural gas prices are regulated by the Government and the price that domestic customers pay is traditionally set by the Council of Ministers. Effective September 17, 2019, the Government implemented an equalization mechanism to compensate Aramco for the revenue it directly forgoes as a result of selling Regulated Gas Products in the Kingdom at Domestic Prices, in the event that the Council of Ministers and the Ministry of Energy do not adjust the Domestic Prices to meet the pricing of the gas projects in order to ensure Aramco receives a commercial rate of return on each project. Under this mechanism, Aramco receives compensation for the difference between Domestic Prices and Blended Prices in respect of such sales.

No assurance can be given that either equalization mechanism will not be revoked or amended on terms less favorable to Aramco than the existing regime. In addition, in the event that the equalization price is less than the regulated price, in the case of liquids, or the Blended Price is less than the Domestic Price, in the case of natural gas, the difference would be due from Aramco to the Government. Any such event could have a material adverse effect on Aramco's earnings, cash flow, financial position and results of operations.

Aramco is required to separate its downstream business under the control of one or more separate, wholly owned subsidiaries of Aramco within a certain time period as a condition of the Government allowing the general corporate tax rate to apply to Aramco's downstream business.

Effective January 1, 2020, the tax rate applicable to Aramco's downstream activities is, for a five-year period, the general corporate tax rate of 20% that applies to all similar domestic downstream companies under the Income Tax Law, rather than the 50% to 85% multitiered structure of income tax rates that previously applied to domestic oil and hydrocarbon production companies. In order for the general corporate tax rate to apply to Aramco's downstream business, Aramco is required to separate its downstream business under the control of one or more separate, wholly owned subsidiaries before December 31, 2024. If Aramco does not comply in so separating its downstream business within this five-year period, Aramco's downstream business will be taxed retroactively on an annual basis for such five-year period in accordance with the multitiered tax rates applicable to domestic oil and hydrocarbon production companies. In such case, Aramco will be required to pay the difference in taxes due to the Government, which could adversely affect its financial position. See Section 3: Results and performance, Section 7: Additional financial and legal information and Section 8: Consolidated financial statements.

4

Risks related to the Kingdom

The Government determines the Kingdom's maximum level of crude oil production and target MSC.

The Government determines the Kingdom's maximum level of crude oil production in the exercise of its sovereign prerogative. Accordingly, the Government may in its sole discretion increase or decrease the Kingdom's maximum crude oil production at any time based on its sovereign energy security goals or for any other reason, which may be influenced by, among other things, global economic and political conditions and their corresponding impact on the Kingdom's policy and strategic decisions with respect to exploration, development and production of crude oil reserves.

In order to facilitate rapid changes in production volumes, the Government requires Aramco to maintain MSC in excess of its then current production in accordance with the Hydrocarbons Law and has the exclusive authority to set MSC. MSC refers to the average maximum number of barrels per day of crude oil that can be produced for one year during any future planning period, after taking into account all planned capital expenditures and maintenance, repair and operating costs, and after being given three months to make operational adjustments. Aramco incurs substantial costs to maintain MSC and has historically utilized a significant amount of this spare capacity. However, there can be no assurance that it will utilize spare capacity in the future. In addition, the Government has decided in the past and may in the future decide to increase target MSC. MSC was 12.0 million barrels of crude oil per day from January 1, 2019 to December 31, 2020. However, on March 11, 2020, the Government (acting through the Ministry of Energy) directed Aramco to increase MSC from 12.0 to 13.0 million barrels of crude oil per day. Aramco is proceeding with detailed engineering and implementing the Government's directive to increase MSC.

The Government's decisions regarding crude oil production and spare capacity, and Aramco's costs of complying with such decisions, may not maximize returns for Aramco. For example, Aramco may be precluded from producing more crude oil in response to either a decrease or increase in prices, which may limit its ability to generate additional revenue or to increase its production of downstream products. In addition, a decision to increase the Kingdom's MSC could require Aramco to make significant capital expenditures to build new infrastructure and facilities. Any of these actions could have a material adverse effect on Aramco's business, financial position and results of operations.

The Kingdom's public finances are highly connected to the hydrocarbon industry.

The Government is expected to continue to rely on royalties, taxes, dividends from Aramco and other income from the hydrocarbon industry for a significant portion of its revenue. Any change in crude oil, condensate, NGL, oil product, chemical and natural gas prices or other occurrences that negatively affect Aramco's results of operations could materially affect the macroeconomic indicators of the Kingdom, including GDP, balance of payments and foreign trade and the amount of cash available to the Government.

Changes made to the Kingdom's tax regime for hydrocarbon producers and the royalty rate to which Aramco is subject seek to align the fiscal regime to which Aramco is subject with tax and royalty rates that are customary in other hydrocarbon producing jurisdictions. In addition, pursuant to an equalization mechanism, the Government compensates Aramco for the revenue it directly forgoes as a result of selling crude oil and certain refined products in the Kingdom at regulated prices, which further impacts the Kingdom's cash flow. Effective January 1, 2020, the marginal royalty rates applicable to crude oil and condensate production was modified, the tax rate applicable to Aramco's downstream activities was reduced and the Government expanded the equalization mechanism to include LPGs and certain other products. Moreover, the Government guarantees amounts due to Aramco with respect to hydrocarbon products sales from various Government and semi-Government entities, and separate legal entities in which the Government has share ownership or control. A shortfall in funding to the Government or a decision to seek more revenue from hydrocarbons may lead the Government to change the fiscal regime to which hydrocarbon producers in the Kingdom, including Aramco, are subject. Any such change could have a material adverse effect on Aramco's business, financial position and results of operations.

Political and social instability and unrest and actual or potential armed conflicts in the MENA region and other areas may affect Aramco's results of operations and financial position.

Aramco is headquartered and conducts much of its business in the MENA region. The MENA region is strategically important geopolitically and has been subject to political and security concerns and social unrest, especially in recent years. For example, since 2011, a number of countries in the region have witnessed significant social unrest, including widespread public demonstrations, and in certain cases, armed conflict, terrorist attacks, diplomatic disputes, foreign military intervention and a change of government. Armed conflict is currently ongoing in Yemen, Iraq, Syria and Libya. Such social unrest and other political and security concerns may not abate, may worsen and could spread to additional countries. Some of Aramco's facilities, infrastructure and reserves are located near the borders of countries that have been or may be impacted. No assurance can be given that these political or security concerns or social unrest will not have a material adverse effect on Aramco's business, financial position and results of operations.

In addition, the majority of Aramco's crude oil production is exported using international supply routes. In particular, the Strait of Hormuz and the Suez Canal are key shipping routes for Aramco's crude oil and are located in areas subject to political or armed conflict from time to time. For example, in May 2019, four oil tankers, including two owned by the National Shipping Company of Saudi Arabia-Bahri, were sabotaged near the Strait of Hormuz, and in July 2019, a British oil tanker was seized by Iranian forces in the Strait of Hormuz. In addition, in April and July 2018, Yemen's Houthi group attacked tankers operated by the National Shipping Company of Saudi Arabia-Bahri off the coast of Yemen. Any political or armed conflict or other event, including those described above, that impacts Aramco's use of the Strait of Hormuz, Suez Canal or other international shipping routes could have a material adverse effect on Aramco's business, financial position and results of operations.

Moreover, the majority of Aramco's assets and operations are located in the Kingdom, and accordingly, may be affected by the political, social and economic conditions from time to time prevailing in or affecting the Kingdom or the wider MENA region. Any unexpected changes in political, social or economic conditions may have a material adverse effect on Aramco, which could in turn have a material adverse effect on Aramco's business, financial position and results of operations or investments that Aramco has made or may make in the future.

Furthermore, any of the events described above may contribute to instability in the MENA region and may have a material adverse effect on investors' willingness to invest in the Kingdom or companies that are based in the Kingdom.

Aramco's financial position and results of operations may be adversely affected if the Kingdom stops pegging the SAR to the U.S. Dollar.

Aramco has determined that the U.S. Dollar is its functional currency because a substantial amount of its products are traded in U.S. Dollars in international markets. However, many of its operational and other expenses are denominated in SAR, which have been exchanged at a fixed rate to the U.S. Dollar in the Kingdom since 1986. If the Kingdom's policy of pegging the SAR to the U.S. Dollar were to change in the future and the SAR were to become stronger relative to the U.S. Dollar, Aramco may experience a significant increase in the SAR denominated costs of its operations. Such an increase could have a material adverse effect on Aramco's business, financial position and results of operations.

In addition, Aramco pays dividends to the Government, in its capacity as a shareholder of Aramco, in U.S. Dollars. If the SAR is no longer pegged to the U.S. Dollar and the value of the SAR were to change, Aramco may be required to expend additional cash to fund any dividends. Such changes could have a material adverse effect on Aramco's financial position.

The Government may direct Aramco to undertake projects or provide assistance for initiatives outside Aramco's core business, which may not be consistent with Aramco's immediate commercial objectives or profit maximization.

The Government has directed, and may in the future direct, Aramco to undertake projects or provide assistance for initiatives outside Aramco's core business in furtherance of the Government's macroeconomic, social or other objectives, leveraging Aramco's know-how, resources and operational capabilities. For instance, the Government has previously directed Aramco to develop and construct large infrastructure projects and provide management, logistical and other technical assistance for certain Government initiatives. Prior to 2017, the Government reimbursed Aramco for its costs incurred relating to such Government-directed activities by allowing Aramco to reduce its tax liability or, in some cases, its taxable income by the amount of costs incurred. Beginning on December 24, 2017, the Concession requires that all Aramco contracts with any Government agency or any arrangement for the furnishing of Hydrocarbons, services or otherwise shall be on a commercial basis and on September 5, 2019, Aramco and the Government entered into a framework agreement to govern the furnishing of services by Aramco to the Government. While these projects and initiatives have generally been of national importance to the Kingdom and in Aramco's long-term commercial interests, they have often been outside of Aramco's core businesses and have not always been consistent with its immediate commercial objectives or profit maximization. If the Government directs Aramco to undertake future projects other than on a commercial basis, Aramco's financial position and results of operation may be materially and adversely affected.

6

Corporate governance

Defining behavior

Aramco, delivering premium hydrocarbons to the world, believes its corporate governance is what defines it as a company.

Board of Directors

The Board of Directors (Board) of the Company assumes responsibility for the overall management and supervision of the Company and provides strategic leadership, guidance to management, and assesses opportunities, risks, and risk mitigation controls of the Company. The Board also oversees the establishment of an effective governance, risk and compliance regime.

The Chairman of the Board is H.E. Yasir O. Al-Rumayyan. The current members of the Board include high-ranking Saudi Government officials and former senior executives from the international oil and gas, chemical, petroleum refining, petrochemical, and finance industries.

The current Board members and their respective roles are stated below.

H.E. Yasir O. Al-Rumayyan

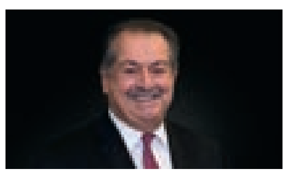
H.E. Dr. Ibrahim A. Al-Assaf

H.E. Mohammed A. Al-Jadaan

H.E. Mohammad M. Al-Tuwaijri

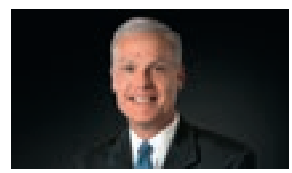
H.E. Nabeel M. Al-Amudi

Sir Mark Moody-Stuart

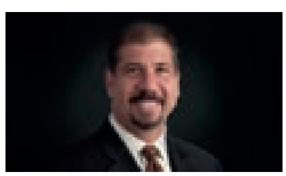


Mr. Andrew N. Liveris

Ms. Lynn Laverty Elsenhans



Mr. Peter L. Cella



Mr. Mark A. Weinberger[1]

Mr. Amin H. Nasser

Board member	Title	Role
H.E. Yasir O. Al-Rumayyan	Chairman	Non-executive Director
H.E. Dr. Ibrahim A. Al-Assaf	Deputy Chairman	Non-executive Director
H.E. Mohammed A. Al-Jadaan	Director	Non-executive Director
H.E. Mohammad M. Al-Tuwaijri	Director	Non-executive Director
H.E. Nabeel M. Al-Amudi	Director	Non-executive Director
Sir Mark Moody-Stuart	Director	Independent Non-executive Director
Mr. Andrew N. Liveris	Director	Independent Non-executive Director
Ms. Lynn Laverty Elsenhans	Director	Independent Non-executive Director
Mr. Peter L. Cella	Director	Independent Non-executive Director
Mr. Mark A. Weinberger[1]	Director	Independent Non-executive Director
Mr. Amin H. Nasser	Director, President and Chief Executive Officer	Executive Director

1. Mr. Weinberger was appointed as a member of the Board on March 31, 2020.

H.E. Yasir O. Al-Rumayyan

Chairman

H.E. Yasir O. Al-Rumayyan, 51, is the Chairman of the Board. H.E. Al-Rumayyan has served as a Director of the Company since 2016. Currently, H.E. Al-Rumayyan serves as an Advisor to the General Secretariat of the Council of Ministers and as Governor and Director of the Board of the PIF. He also serves as Chairman of the Board of the Saudi Decision Support Center as well as a Director on the Boards of Uber Technologies, Inc. and ARM Limited.

H.E. Al-Rumayyan also currently serves in the following capacities:

- Director of NEOM Company, since 2019;
- Director of AMAALA Company, since 2019;
- Chairman of Saudi Arabian Mining Company (Ma'aden), since 2019;
- Director of the Royal Commission for Makkah City and Holy Sites, since 2018;
- Director of The Red Sea Development Company, since 2018;
- Vice Chairman of Central Arriyadh Development Company, since 2018;
- Director of Community Development Company, since 2018;
- Chairman of Noon Investments Company, since 2017;
- Director of Qiddiya Investment Company, since 2018; and
- Chairman of Sanabil Investments Company, since 2017.

H.E. Al-Rumayyan has also held the following positions:

- Director on the Board of SoftBank Group Corp. from 2017 to 2020;
- Member of the Board of Governors of the Islamic Development Bank from 2016 to 2020;
- Member of the Board of the Saudi Industrial Development Fund from 2016 to 2020;
- CEO and Director of Saudi Fransi Capital LLC from 2011 to 2015;
- Director of the Saudi Stock Exchange (Tadawul) in 2014;
- Director of Corporate Finance and Issuance, CMA from 2008 to 2010; and
- Head of International Brokerage for Saudi Hollandi Bank from 1994 to 2004.

H.E. Al-Rumayyan obtained a B.S. in Accounting from King Faisal University in 1993 and completed a General Management Program at Harvard Business School in 2007.

H.E. Dr. Ibrahim A. Al-Assaf

Deputy Chairman

H.E. Dr. Ibrahim A. Al-Assaf, 72, has served as a Director of the Company since 1999. Currently, H.E. Dr. Al-Assaf serves as the Minister of State of the Kingdom and a member of the Council of Ministers, the Council of Political and Security Affairs and the Council of Economic and Development Affairs. He also serves as a Director on the Board of the Public Investment Fund (PIF).

H.E. Dr. Al-Assaf has also served in the following capacities:

- Minister of Foreign Affairs from 2018 to 2019;
- Minister of State of the Kingdom from 2016 to 2018;
- Minister of Finance of the Kingdom from 1996 to 2016;
- Governor of the International Monetary Fund from 1996 to 2016;
- Governor of the Arab Monetary Fund from 1996 to 2016;
- Governor of the Islamic Development Bank from 1996 to 2016; and
- Chairman of Sanabil Investments from 2009 to 2017.

H.E. Dr. Al-Assaf earned a Ph.D. in Economics from Colorado State University in 1982, an M.A. in Economics from the University of Denver in 1976 and a B.S. in Economics and Political Science from King Saud University in 1971.

H.E. Mohammed A. Al-Jadaan

Director

H.E. Mohammed A. Al-Jadaan, 57, has served as a Director of the Company since 2018. Currently, H.E. Al-Jadaan serves as the Minister of Finance of the Kingdom, acting Minister of Economy and Planning of the Kingdom and is a member of the Council of Ministers. He also serves as a member of Council for Economic and Development Affairs of Saudi Arabia.

H.E. Al-Jadaan also currently serves in the following capacities:

- Chairman of Expenditure & Projects Efficiency, since 2021;
- Chairman of Saudi Authority for Accredited Valuers, since 2021;
- Chairman of the National Center of Government Resources Systems, since 2021;
- Chairman of the General Organization for Social Insurance, since 2020;
- Chairman of the Public Pension Agency, since 2020;
- Member of the Board of Trustees of King Abdullah University of Science and Technology, since 2020;
- Chairman of the National Center for Privatization & PPP (NCP), since 2019;
- Chairman of the National Debt Management Centre, since 2019;
- Director of the Saudi Authority for Data and Artificial Intelligence, since 2019;
- Director of King Abdulaziz City for Science and Technology, since 2019;
- Director of the Royal Commission for Riyadh City, since 2019;
- Committee Chairman of the Privatization Program Committee, since 2019;
- Chairman of the Saudi Customs, since 2018;
- Chairman of the Non-Oil Revenue Center, since 2018;
- Chairman of the State Properties General Authority, since 2018;
- Chairman of the General Authority of Zakat and Tax, since 2017;
- Committee Chairman of the Financial Sector Development Program Committee, since 2017;
- Committee Chairman of the Fiscal Balance Program Committee, since 2017;
- Director of National Development Fund, since 2017;
- Director of General Authority for Military Industries, since 2017;
- Director of the PIF, since 2016;
- Director of Military Industries Corporation, since 2016;
- Member of the Board of Governors of the Islamic Development Bank, since 2016;
- Member of the Board of Governors of the International Monetary Fund, since 2016;
- Member of the Board of Governors of the World Bank, since 2016;
- Member of the Board of Governors of the Arab Fund for Economic and Social Development, since 2016;
- Member of the Board of Governors of the Arab Monetary Fund, since 2016;
- Member of the Board of Governors of the Arab Bank for Economic Development in Africa, since 2016;
- Member of the Board of Governors of the Asia Infrastructure Investment Bank, since 2016;
- Member of the Board of Governors of the Arab Authority for Agricultural Investment and Development, since 2016; and
- Member of the Board of Governors of the Arab Investment and Export Credit Guarantee Corporation, since 2016.

H.E. Al-Jadaan has also served in the following capacities:

- Chairman of the CMA from 2015 to 2016; and
- Co-founder and Managing Partner of Al-Jadaan & Partners Law Firm from 1996 to 2015.

H.E. Al-Jadaan obtained a B.A. in Islamic Shari'a and Islamic Economics from Imam Muhammad bin Saud Islamic University in 1986 and earned a Diploma in Legal Studies from the Institute of Public Administration, Riyadh in 1998.

H.E. Mohammad M. Al-Tuwaijri

Director

H.E. Mohammad M. Al-Tuwaijri, 54, has served as a Director of the Company since 2018. Currently, H.E. Al-Tuwaijri serves as an advisor to the Saudi Royal Court in a Minister rank, a member of the Council for Economic and Development Affairs (CEDA), Vice Chairman of the National Development Fund (NDF), a member of the Strategic Management Committee, a member of the Finance Committee in the Saudi Royal Court, a member of the Supreme Coordination Committee for Crisis Challenges, a Director of the PIF and a Director of the Royal Commission for Makkah City and Holy Sites (RCMC).

H.E. Al-Tuwaijri also currently serves in the following capacities:

- Director of the Public Pension Agency, since 2020;
- Chairman of the Investment and the Audit Committees of the RCMC Board, since 2019;
- Chairman of the Investment Committee of the PIF Board, since 2019;
- Chairman of the Center for the National Transformation Program, since 2017;
- Supervisor of the National Risk Unit at the Royal Court, since 2017; and
- Chairman of the Executive Committee of the NDF, since 2017.

H.E. Al-Tuwaijri has also served in the following capacities:

- Minister of Economy and Planning of the Kingdom; Member of the Council of Ministers; Chairman of the Standing Committee of CEDA; Chairman of the Board of Directors of the National Project Management, Operation and Maintenance Organization (Mashroat), and the General Authority for Statistics; Secretary General of the National Center for Performance Measurement "Adaa"; and Director of Saudi Arabian Airlines from 2017 to 2020;
- Chairman of the National Center for Privatization & PPP from 2019 to 2020;
- Chairman of the National Center for Strategic Development Studies from 2016 to 2020;
- Director of the Saudi Authority for Data and Artificial Intelligence from 2019 to 2020;
- Director of the Royal Authority for the City of Riyadh from 2019 to 2020;
- Director of the National Information Center from 2018 to 2020;
- Vice Chairman and Chief Executive Officer of HSBC Middle East, North Africa and Turkey; Regional Head of Global Banking & Markets, HSBC MENA from 2010 to 2016; and
- Managing Director and Chief Executive Officer of J.P. Morgan Saudi Arabia from 2007 to 2010.

H.E. Al-Tuwaijri earned a B.A. from the Royal Saudi Air Force in 1986 and an MBA from King Saud University in 1998.

H.E. Nabeel M. Al-Amudi

Director

H.E. Nabeel M. Al-Amudi, 47, has served as a Director of the Company since 2019. H.E. Al-Amudi is the President of the Olayan Financing Company. He is also Chairman of the Board of Trustees of Imam Abdulrahman Bin Faisal University and a member of the Board of Directors of the Habib Medical Group and the Olayan Saudi Holding Company.

H.E. Al-Amudi has also served in the following capacities:

- Director of the Red Sea Company from 2017 to 2020;
- Director of the NEOM Company from 2018 to 2020;
- Minister of Transport of the Kingdom and Chairman of the Board of Directors of the General Authority of Civil Aviation, Public Transport Authority, Saudi Ports Authority, Saudi Railways Organization and Saudi Railways Company from 2017 to 2019;
- Member of the Council of Economic and Development Affairs from 2017 to 2019;
- Director of the Saudi Center for the Strategic International Partnerships during 2019;
- President of Saudi Ports Authority from 2015 to 2017;
- Director of Hapag Lloyd AG in 2017;
- Chairman of the United Arab Shipping Company until its merger with Hapag Lloyd AG, from 2015 to 2017;
- Chairman of the Saudi Electronic Info Exchange Company, Tabadul, from 2016 to 2017;
- President of Aramco Services Company from 2013 to 2015; and
- President of Saudi Refining Inc. from 2012 to 2013.

Previously, H.E. Al-Amudi was an employee of the Company, joining in 1995, during which he held a series of positions progressing through various areas of the Company.

H.E. Al-Amudi obtained a J.D. from Harvard Law School in 2001 and a B.S. in Chemical Engineering from Stanford University in 1995. H.E. Al-Amudi is a 2009 graduate of Stanford's Graduate School of Business Executive Program and is a member of the New York State Bar Association. He was elected as a Young Global Leader by the World Economic Forum in 2014.

Sir Mark Moody-Stuart

Director

Sir Mark Moody-Stuart, 80, has served as an independent Director of the Company since 2007. Currently, Sir Mark serves as Chairman of the Global Compact Foundation and of Zamyn. He also serves as an Advisory Board Member of Envision Energy Ltd.

Sir Mark has also served in the following capacities:

- Chairman of the Innovative Vector Control Consortium from 2008 to 2018;
- Vice Chairman of the UN Global Compact from 2006 to 2018;
- Council Member of the International Integrated Reporting Council from 2010 to 2018;
- Board Member of St. George's House Windsor from 2011 to 2017;
- Chairman of Hermes Equity Ownership Services from 2007 to 2016;
- Director of Accenture Plc, a general partner of Accenture SCA, from 2001 to 2015;
- Chairman of Anglo American from 2002 to 2009; and
- Chairman of Royal Dutch Shell from 1998 to 2001.

Sir Mark earned a B.A. in Natural Sciences from Cambridge University in 1963 and a Ph.D. in Geology from Cambridge University in 1966. He also received an Honorary Doctorate in Business Administration from Robert Gordon University, Aberdeen in 2000, an Honorary Doctorate of Law from the University of Aberdeen in 2004, and an Honorary Doctorate of Science from Royal Holloway University of London in 2007.

Mr. Andrew N. Liveris

Director

Mr. Andrew N. Liveris, 66, has served as an independent Director of the Company since 2018. Currently, Mr. Liveris serves as Chairman of the Board of Lucid Motors, Deputy Chairman of the Board of Worley Parsons and a Director on the Boards of IBM Corporation and Novonix. He also serves as the Chairman of the Blackrock Long Term Private Capital Operating Committee and on the Board of Trustees of KAUST, the Saudi Foundation Hevolution, and of the Australian Foundation Minderoo. He is an advisor to Teneo and the PIF and a member of the Advisory Board of Sumitomo Mitsui Banking Corporation (SMBC), NEOM and Salesforce.com.

Mr. Liveris has also served in the following capacities:

- Executive Chairman on the Board of DowDuPont Inc. from 2017 to 2018; and
- Chairman, President and CEO of The Dow Chemical Company from 2006 to 2018.

Mr. Liveris obtained a B.S. in Chemical Engineering from the University of Queensland in 1976, graduating with first class honors and awarded the University Medal. He was awarded an honorary doctorate in Engineering from Michigan State University in 2015 and an honorary doctorate in Science from the University of Queensland in 2005.

Ms. Lynn Laverty Elsenhans

Director

Ms. Lynn Laverty Elsenhans, 64, has served as an independent Director of the Company since 2018. Currently, Ms. Elsenhans serves as a Director on the Boards of Baker Hughes Company and GlaxoSmithKline PLC.

Ms. Elsenhans has also served in the following capacities:

- Director of Baker Hughes, a GE Company from 2017 to 2019;
- Director of Baker Hughes Inc. from 2012 to 2017;
- Director of Flowserve Corporation from 2014 to 2017;
- Director of International Paper Company from 2007 to 2012;
- President and CEO of Sunoco, Inc. from 2008 to 2012, becoming Chairwoman in 2009; and
- Chairwoman of Sunoco Logistics Partners from 2008 to 2012, becoming CEO in 2010.

Ms. Elsenhans obtained a B.A. in Applied Mathematics from Rice University in 1978 and an MBA from Harvard University in 1980.

Mr. Peter L. Cella

Director

Mr. Peter L. Cella, 63, has served as an independent Director of the Company since 2018. Currently, Mr. Cella serves as a Director on the Boards of Frontdoor, Inc., Inter Pipeline and ClockSpring|NRI.

Mr. Cella has also served in the following capacities:

- Director of ServiceMaster Global Holdings from 2017 to 2018;
- President and CEO and as a Director of Chevron Phillips Chemical Company from 2011 to 2017;
- Director of the American Chemistry Council from 2011 to 2017;
- Director of Junior Achievement of Southeast Texas from 2011 to 2017; and
- Senior Vice President for North America Petrochemicals for BASF Corporation from 2006 to 2011.

Mr. Cella obtained a B.S. degree in Finance from the University of Illinois at Urbana-Champaign in 1979 and an MBA from Northwestern University in 1981.

Mr. Mark A. Weinberger

Director

Mr. Mark A. Weinberger, 59, has served as an independent Director of the Company since 2020. Currently, Mr. Weinberger serves on the Board of Directors of Metlife, Inc. and Johnson & Johnson. He is a Member on the Board of Trustees for the United States Council for International Business, Greater Washington Partnership, The Concord Coalition, Emory University and Case Western Reserve University. He is a Strategic Advisor to the Board of FCLTGlobal. He is a Senior Advisor to Chief Executives for Corporate Purpose, Stone Canyon Industries Holdings and Teneo. He is an Executive Advisor to G100 and World 50. Mr. Weinberger is on the CEO Advisory Council of JUST Capital Foundation, Inc. In addition, he sits on the Board of Directors of the National Bureau of Economic Research and is a member of the Economic Strategy Group, a program of the Aspen Institute.

Mr. Weinberger has also served in the following capacities:

- Global Chairman and CEO of Ernst & Young (EY) from 2013 to 2019 and a Director since 2000, during which time he held a series of roles;
- Director on the Board of U.S. Business Roundtable from 2014 to 2019;
- Director on the Board of Catalyst, Inc. from 2013 to 2019;
- Co-Founder and Principal of Washington Counsel, P.C. (acquired by EY) from 1996 to 2000; and
- Partner at Oldaker, Ryan & Leonard from 1995 to 1996.

Mr. Weinberger has also served the U.S. government in the following capacities:

- Member of the President's Strategic and Policy Forum under President Trump in 2017;
- Member of the President's Infrastructure Task Force under President Obama from 2015 to 2016;
- Assistant Secretary of the U.S. Department of Treasury (Tax Policy) in 2001 and 2002;
- Member of the Social Security Administration Advisory Board (appointed by President Clinton) in 2000;
- Chief of Staff to U.S. President Bill Clinton's Bipartisan Commission on Entitlement and Tax Reform in 1994; and
- Chief Tax and Budget Counsel, U.S. Senate to Senator John C. Danforth (R-Missouri) from 1991 to 1994.

Mr. Weinberger obtained a B.A. in Economics from Emory University in 1983. He also earned an MBA and a J.D. from Case Western Reserve University in 1987, and an L.L.M. in Taxation from Georgetown University Law Center in 1991. He has an honorary doctorate from the Kogod School of Business at American University in Washington, DC.

Mr. Amin H. Nasser

Director, President and Chief Executive Officer

Mr. Amin H. Nasser, 62, has served as the President and CEO of the Company since 2015. Mr. Nasser has been a Director since 2010. Currently, Mr. Nasser is a member of the International Advisory Board of KFUPM, the Board of Trustees of KAUST, the World Economic Forum's International Business Council, the International Advisory Board of the Society of Petroleum Engineers, the Presidential CEO Advisory Board at Massachusetts Institute of Technology, the JP Morgan International Council and a Director of the Dhahran Techno Valley Company.

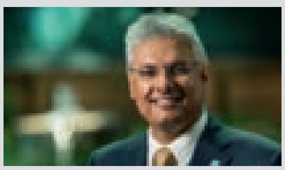
Prior to serving as President and CEO, Mr. Nasser served in a number of leadership positions at the Company, including as Senior Vice President of Upstream from 2007 to 2015 and VP of Petroleum Engineering and Development from 2006 to 2007.

Mr. Nasser obtained a B.S. in Petroleum Engineering from KFUPM in 1982. He also completed the Senior Executive Program at Columbia University in 2002, the Saudi Aramco Global Business Program in 2000 and the Saudi Aramco Management Development Seminar in Washington, D.C. in 1999.

Senior Executives

Mr. Amin H. Nasser
President and CEO

Mr. Khalid H. Al-Dabbagh
Senior Vice President, Finance, Strategy and Development



Mr. Mohammed Y. Al-Qahtani
Senior Vice President, Downstream

Mr. Abdulaziz M. Al-Gudaimi
Senior Vice President, Corporate Development

Mr. Ahmad A. Al-Sa'adi
Senior Vice President, Technical Services

Mr. Nabeel A. Al-Mansour
Senior Vice President, General Counsel and Corporate Secretary

Mr. Nabeel A. Al-Jama'
Senior Vice President, Human Resources and Corporate Services

Mr. Nasir K. Al-Naimi
Acting Business Line Head, Upstream

Mr. Amin H. Nasser

President and CEO

Please see the Board of Directors' biographies subsection earlier.

Mr. Khalid H. Al-Dabbagh

Senior Vice President, Finance, Strategy and Development

Khalid H. Al-Dabbagh was appointed Senior Vice President of Finance, Strategy and Development by the Company's Board of Directors, effective September 1, 2018, after several months of covering the role on an acting basis.

Mr. Al-Dabbagh had been the company's Financial Controller since January 2012. He was responsible for Aramco's global accounting activities, issuance of the annual financial report and the maintenance of an effective framework of internal controls. He provided business intelligence and advisory services, and was responsible for developing and maintaining corporate performance programs. Mr. Al-Dabbagh also oversaw the annual operating and capital budgeting processes, and the evaluation of proposed investments by the company.

In October 2010, Mr. Al-Dabbagh was appointed Treasurer after serving as the acting executive head of Treasury since February 2010. From September 2008, he was the Manager of the Business Analysis Department, with Strategy & Marketing Analysis. Prior to that, Mr. Al-Dabbagh was the acting Executive Director of Marketing, Supply and Joint Venture Coordination. Previous positions he held included Manager of Aramco's Crude Oil Sales and Marketing; Director of Joint Venture Development and Support; President and CEO of Saudi Petroleum International Inc. in New York; and Managing Director of Saudi Petroleum Limited in Tokyo.

Currently Mr. Al-Dabbagh serves as Chairman of the Board of SABIC, Saudi Aramco Development Company (SADCO) and the Wisayah Investment Management Company. In addition, he represents the Company on the Board of Governors of the GCC Board Directors Institute.

Mr. Al-Dabbagh has also previously served as a Board Director with Showa Shell Sekiyu K.K., Sadara Chemical Company, ARLANXEO Holding B.V., Fujian Refining and Petrochemical Company, Saudi Aramco Base Oil Company (Luberef), the Arab Petroleum Pipeline Company (Sumed), and Vice Chairman of Sinopec SenMei Products Company. He has also been a Board Member of Saudi Aramco Energy Ventures, the Saudi Aramco Entrepreneurship Center and Pengerang Refining and Petrochemical (PrefChem). He also served as a Board member of Aramco Trading Company (ATC) and the Chairman of its Board Audit Committee.

Mr. Al-Dabbagh earned a bachelor's degree in Industrial Engineering from the University of Toledo. He has completed a number of executive leadership programs, including the Senior Executive Program at London Business School.

Mr. Mohammed Y. Al-Qahtani

Senior Vice President, Downstream

Mohammed Y. Al-Qahtani was appointed Senior Vice President of Downstream, effective September 13, 2020, having led Upstream as Senior Vice President since January 2016.

Mr. Al-Qahtani joined Aramco in 1983. After completing the Company's in-Kingdom College Degree Program, he became a Petroleum Engineer in 'Udhailiyah Gas Reservoir Management in 1988.

Mr. Al-Qahtani has held a number of managerial and supervisory roles within the company. He served as Manager, Production & Facilities Development and Reservoir Description & Simulation before being named President & CEO of Aramco Services Company in 2007. He went on to become the company's Chief Petroleum Engineer, then served as Executive Director and Vice President of Petroleum Engineering & Development.

Between 2013 and 2016, Mr. Al-Qahtani was Vice President of Saudi Aramco Affairs and Strategy & Market Analysis, as well as completing an assignment as the acting Service Line Head of Operations & Business Services.

He holds Ph.D. (1996) and M.S. (1992) degrees in Petroleum Engineering from the University of Southern California, and a B.S. degree (1988) in the same discipline from King Fahd University of Petroleum and Minerals.

Mr. Al-Qahtani is Chairman of the Board of the Saudi Aramco Jubail Refinery Company (SASREF), and the Energy City Development Company (ECDC).

He previously chaired the Board of Directors for Aramco Services Company and served on the Board of Directors for LUKOIL Saudi Arabia Energy Ltd., the Saudi Council of Engineers, the Arabian Geophysical and Surveying Company Ltd., and the Society of Petroleum Engineers International.

Mr. Al-Qahtani has served as Senior Vice President of Downstream since 2020. Currently, Mr. Al-Qahtani serves as Chairman of the Dhahran Techno Valley Advisory Board and University of Hafr Al-Batin Advisory Board. In addition, he serves as a member of the Board of the Bilateral U.S.-Arab Chamber of Commerce. Mr. Al-Qahtani is also a member of the College of Petroleum Engineering and Geosciences oversight committee at KFUPM.

Mr. Abdulaziz M. Al-Gudaimi

Senior Vice President, Corporate Development

Abdulaziz M. Al-Gudaimi was appointed Senior Vice President of Corporate Development on September 13, 2020, following serving as Senior Vice President of Downstream from May 2017. Before that appointment, he had served as acting Business Line Head for the business line. He had previously served as Vice President, Power Systems, an assignment he assumed in September 2014.

Prior to that, Mr. Al-Gudaimi held similar leadership positions with Corporate Planning, Chemicals and New Business Development. He was appointed Vice President, Northern Area Oil Operations (NAOO), in April 2007, after being elevated to Executive Director of NAOO in September 2006.

From April 2004 to September 2006, Mr. Al-Gudaimi was President & CEO of Arabian Gulf Operations Co. Ltd. in Al-Khafji.

He joined the company in January 1994, following the merger of the Saudi Arabian Marketing and Refining Co. (SAMAREC) with Aramco.

Mr. Al-Gudaimi began working for SAMAREC in 1983 at Riyadh Refinery, after graduating from King Fahd University of Petroleum and Minerals with a B.S. degree in Petroleum Engineering. He later obtained an M.S. degree in Business Administration from Massachusetts Institute of Technology's Sloan School of Management, in 2001.

Mr. Al-Gudaimi served as Superintendent of the Berri Gas Plant Maintenance and Berri Gas Plant Engineering divisions before taking an assignment with Northern Area Producing Engineering Department, eventually becoming Manager in November 1997.

From 1998 to 2003, he held management positions with Berri Gas Plant, Shaybah Producing, Ras Tanura Producing, Gas Ventures Development and Rabigh Project Execution. In September 2006, he was named Executive Director, NAOO, until his appointment to Vice President in April 2007.

Mr. Al-Gudaimi is the Chairman of the Board for the Saudi Aramco Total Refining & Petrochemical Company (SATORP), the Aramco Trading Company (ATC), Motiva Enterprises LLC, ARLANXEO Holding B.V., and Saudi Aramco Asia Company Ltd. (SAAC). He is also on the Board of Directors of S-Oil.

Mr. Ahmad A. Al-Sa'adi

Senior Vice President, Technical Services

Ahmad A. Al-Sa'adi was appointed Senior Vice President of Technical Services, effective January 2016, after previously serving as the acting Service Line Head for the organization.

In his role, Mr. Al-Sa'adi heads Aramco's Engineering Services, Project Management, Information Technology, and Procurement & Supply Chain Management. He also oversees the direction of corporate environmental and occupational health policies and provides guidance to management as to the impact of environmental trends.

In July 2010, Mr. Al-Sa'adi became Vice President, Gas Operations — headquartered in 'Udhailiyah — and led a complex organization that consisted of seven gas processing centers.

Prior to this, he was Vice President of Pipelines, Distribution & Terminals, responsible for the transportation of oil, gas, and domestic fuel distribution through bulk plants and air fueling units, and the Kingdom's crude exports through terminals.

Mr. Al-Sa'adi held the position of Chief Engineer of Saudi Aramco, and prior to that, he was President & CEO of the Aramco Gulf Operations Company (AGOC), and Chairman of the AGOC Executive Committee, providing policy and direction to Al-Khafji Joint Operations.

He has served professionally, and in a supervisory capacity, domestically and internationally, over a multitude of engineering, refining, and project management fields.

Mr. Al-Sa'adi is the Chairman of the Sadara Chemical Company, Saudi Aramco Mobil Refinery (SAMREF), and the International Maritime Industries Company (IMIC). He also serves as a Shareholder Representative for the Saudi Arabian Industrial Investment Company.

Mr. Al-Sa'adi joined Aramco in 1981 after earning a B.S. degree in Chemical Engineering from King Fahd University of Petroleum and Minerals.

Mr. Nabeel A. Al-Mansour

Senior Vice President, General Counsel and Corporate Secretary

Nabeel A. Al-Mansour was appointed to the position of General Counsel and Corporate Secretary in May 2016. In 2017, Mr. Al-Mansour was additionally appointed as Senior Vice President.

Mr. Al-Mansour began his career with the company in 1988 as a participant in the College Degree Program for Non-Employees, earning a B.S. degree in Systems Engineering from King Fahd University of Petroleum and Minerals in 1990.

Following participation in the Information Technology Professional Development Program and assignments with Engineering Services, he was selected in 1996 for the company's Out-of-Kingdom Law Degree Program — through which he earned his Juris Doctor degree with honors in Law from Oklahoma University in the U.S.

After completion of the bar exam and working for a leading U.S. law firm in New York, Mr. Al-Mansour returned to the Kingdom in 2000 and joined the Saudi Aramco Law Organization, where he held a number of positions of increasing scope and responsibility. He led the Aramco legal team that supported the development of Sadara Chemicals, and he led a number of legal teams in connection with oil and gas concessions and other investment agreements including participating in negotiations with various international oil companies (IOCs) for significant investments in Saudi Arabia's non-associated gas sector. He also served as Corporate Secretary to a number of joint venture companies established by Aramco and IOCs.

Mr. Al-Mansour served as Associate General Counsel from April 2011 to February 2014, championing a multi-year strategic program in the Law Organization, which led to transforming it into a best-in-class international legal organization. He was also responsible for overseeing multiple legal practice areas including litigation, international trade, and project development and finance.

In February 2014, he was appointed Executive Director of Procurement & Supply Chain Management, overseeing the corporate supply chain, contracting activities, and Aramco's global materials logistics operations. He was named Vice President of that organization in May 2015 and then, in October 2015, was appointed Deputy General Counsel in Law.

Mr. Nabeel A. Al-Jama'

Senior Vice President, Human Resources and Corporate Services

Nabeel A. Al-Jama' was appointed Senior Vice President of the newly established Human Resources and Corporate Services (HR&CS) service line effective July 1, 2020, following his service as Vice President of Corporate Affairs, a position he held since 2018.

He was previously Vice President of Human Resources from November 2017, after serving in the Office of the Minister of Energy, Industry and Mineral Resources since June 2016.

Mr. Al-Jama' had previously been appointed Vice President, Pipelines, Distribution & Terminals in May 2015.

Prior to that, Mr. Al-Jama' had been Executive Director, Industrial Services, from January 2012 to January 2015.

He started with Aramco in 1980 in the Home Ownership Division, after which he joined the Company's College Degree Program, earning a B.S. degree in 1985 and then an M.S. degree in 1998 — both in Community & Regional Planning from King Fahd University of Petroleum and Minerals.

Mr. Al-Jama' returned to the Home Ownership Division in 1985, where he became Supervisor of the Home Ownership Unit in 1993 after serving in a variety of administrative roles. In 1998, Mr. Al-Jama' became Director of Saudi Aramco Built Government Schools before taking on the role of Administrator, Home Ownership & Community Development, in September 2000. In February 2002, he became Manager, Central Community Services.

During that time, he completed several assignments in diverse organizations within Employee Relations & Training and the Central Community Services Department, as well as roles as acting General Manager of Medical Operations, acting Personnel Director, and acting Executive Director, Community, Buildings & Office Services.

Mr. Al-Jama' was elevated to General Manager, Training & Career Development, in 2006 before being assigned acting Executive Director, Community Services, in 2008. He was permanently assigned as Executive Director, Community Services, in 2009, and in 2012, he moved to Industrial Services. In February 2015, Mr. Al-Jama' transferred to Pipelines, Distribution & Terminals.

Mr. Nasir K. Al-Naimi

Acting Business Line Head, Upstream

Nasir K. Al-Naimi was named acting Business Line Head of Upstream for Aramco, in September 2020, after being appointed Vice President, Petroleum Engineering & Development for Aramco, in September 2016. He had previously served as Vice President, Northern Area Oil Operations, an assignment he assumed in May 2012.

Mr. Al-Naimi joined the company in 1980 as an Engineering Aide in the Planning & Administration Services Division. He received a B.S. degree in Petroleum Engineering from the University of Southern California in 1985.

Upon his return, he joined Petroleum Engineering's Professional Development Program, working in Zuluf, Marjan and Manifa Production before moving to Safaniyah Producing Operations in 1993 as Senior Operations Adviser.

Between 1994 and 1997, Mr. Al-Naimi was Superintendent of Oil Operations for Zuluf Offshore Producing Operations, Northern Area Producing Well Services and Abu Ali Producing Operations. In 1997, he began working with Crude Oil Sales & Marketing and Product Sales & Marketing, where Mr. Al-Naimi worked until 2000, when he became Senior Marketing Manager of Gasoline Distillates & Sulfur Marketing.

Mr. Al-Naimi also undertook several assignments as Manager of Product Sales & Marketing until December 2001, when he became Manager of Marketing Services for Saudi Petroleum International Inc. in New York. He returned in 2003 as Manager of the Marine Department before moving to Manager, Mechanical Services Shops, in 2004.

In 2007, he was made Manager, Terminals, and took on several acting assignments as Executive Director of Industrial Services. In 2009, he was named General Manager of Southern Area Producing, before being elevated to Executive Director, Pipelines, Distribution & Terminals in 2010.

Board structure

The Board comprises 11 Directors elected by an ordinary general assembly convened in accordance with the Bylaws, except that, pursuant to the Bylaws, the President and Chief Executive Officer has a permanent membership on the Board without being subject to election or any further action by the general assembly. The Capital Markets Law, Companies Law, including any applicable regulations, the Bylaws and the internal governance regulations of the Company determine the duties and responsibilities of the Board. The term of a Director is for a period not to exceed three years, subject to renewal or extension. There is no limit on the number of terms that a Director may serve on the Board.

The Company's Bylaws set forth requirements concerning the composition of its Board, including that the number of independent directors must satisfy the minimum requirements of applicable laws and regulations in the Kingdom. The current Board was formed by virtue of Council of Ministers Resolution No. 180, dated 1/4/1439H (corresponding to December 19, 2017). This Council of Ministers Resolution states that notwithstanding the provisions of the Bylaws, the first Board shall be formed by a Council of Ministers resolution based on the recommendation of the Minister of MEIM (predecessor to the Ministry of Energy) until such time that a Board is formed pursuant to the provisions of the Bylaws. As such, the Council of Ministers issued Resolution No. 428, dated 8/8/1439H (corresponding to April 24, 2018) appointing the Board and designating the following five Board members as independent directors: Mr. Moody-Stuart, Mr. Liveris, Mr. Gould, Ms. Elsenhans, and Mr. Cella.

Following the formation of the Board, the Council of Ministers issued Resolution No. 8, dated 4/1/1441H (corresponding to September 3, 2019) appointing H.E. Yasir O. Al-Rumayyan as the Chairman of the Board and H.E. Nabeel M. Al-Amudi as a Director on the Board.

On March 19, 2020, Mr. Gould resigned from his position as a member of the Board and Chair of the Audit Committee. On March 31, 2020, Mr. Mark A. Weinberger was appointed to the Board as an independent director pursuant to Council of Ministers Resolution No. 492, dated 7/8/1441H (corresponding to March 31, 2020), to serve Mr. Gould's remaining term with the Board.

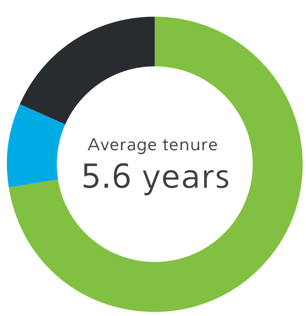
There are no existing conflicts of interest between any duties of any Director toward the Company and the Director's private interests and/or other duties. The business address of each Director is the registered address of the Company.

Overview of the Board[1]

Independence

- 5 Non-executive Director
- 5 Independent Non-executive Director
- 1 Executive Director

Tenure

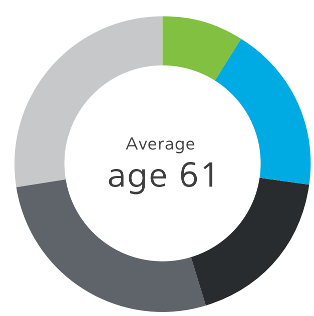


- 8 1-5
- 1 6-10
- 2 11+

Nationality

- 6 Saudi Arabia
- 3 USA
- 1 UK
- 1 Australia

Director age



- 1 40-50
- 2 51-55
- 2 56-60
- 3 61-65
- 3 66+

1. All Board statistics are as of March 21, 2021.

Board responsibilities

The Company is supervised by a Board consisting of professional and highly experienced persons. The Board is vested with full powers to manage the business of the Company and supervise its affairs. The Board delegates authority to four committees which report to the Board, consisting of the Audit Committee, the Risk and HSE Committee, the Nomination Committee, and the Compensation Committee. In addition, the Board has the power to form any number of committees it deems necessary for effective governance, oversight and operations of the Company or to delegate all or some of its authorities to any person or Board committee. KPIs help the Board and executive management measure performance against the Company's strategic priorities and business plans across a wide range of measures and indicators. The Board periodically reviews such metrics and tests their relevance to the Company's strategy.

Board diversity and composition

The Board values diversity of talent, skills, viewpoints and experience and believes that Board diversity of all types enhances the performance of the Board and provides significant benefits to the Company. Accordingly, the Nomination Committee takes into account the diversity of the Board with respect to these categories when reviewing its composition as well as when identifying new Director candidates.

In its assessment of the Board's composition, the Nomination Committee also considers each Director's professional experience, integrity, honesty, judgment, independence, accountability, willingness to express independent thought, understanding of the Company's business and other factors that the Nomination Committee determines are pertinent in light of the current needs of the Board. The Nomination Committee also considers each Director's key skills and experience in light of the Company's strategy.

When identifying prospective candidates for the Board, the Nomination Committee considers the criteria described above and seeks individuals with successful leadership experience who have achieved prominence in their primary fields and whose background demonstrates an understanding of business affairs as well as the complexities of a large, publicly listed company. In addition, candidates must have demonstrated an ability to think strategically and make decisions with a forward-looking focus, as well as the ability to assimilate relevant information on a broad range of complex topics. Moreover, candidates must have the ability to devote the time necessary to meet a Director's responsibilities.

The following table summarizes certain key characteristics of the Company's businesses and the associated qualifications, skills and experience that the Nomination Committee believes should be, and are currently, represented on the Board.

Business characteristics	Qualifications, skills and experience
• The Company is a complex, globally integrated energy and chemicals company with products sold around the world.	• Energy industry experience • Broad international exposure
• The Company's businesses are impacted by regulatory requirements and policies of various governmental entities around the world.	• Government and international trade experience
• The Company's business is multifaceted and includes operations, transactions and partnerships in many jurisdictions.	• Expertise in audit, tax and global finance • Global business leadership, knowledge and experience
• Technology and innovation add significant value to the Company's operations.	• Engineering, technology, manufacturing and/or other technical knowledge and experience
• The Company's customers are diverse and located in many countries around the world.	• Diversity of race, ethnicity, gender, cultural background or professional experience
• Demand for many of the Company's products is directly tied to global economic conditions and is heavily influenced by global commodity, energy, construction and transportation markets.	• Experience in the evaluation of global economic conditions • Knowledge of key global markets, including commodity, energy and transportation markets
• The Board's responsibilities include understanding and overseeing the various risks facing the Company and ensuring that appropriate policies and procedures are in place to effectively manage these risks.	• Risk oversight/management expertise • Executive and/or other significant leadership experience

Board evaluations

With respect to the means used by the Board to assess its performance and the performance of its Committees and members, the Nomination Committee oversaw the Company's engagement with Egon Zehnder, a third party consultant, to conduct an assessment of the Board and its Committees in 2020. Egon Zehnder also provides Director search services to the Company.

Board meeting attendance

In 2020 there were five (5) Board meetings. There were no meeting attendances by proxy during 2020. Below is a record of attendance at these meetings for each Board member.

2020 Board meeting attendance

Members	Mar 12	May 11	Aug 7	Nov 2	Dec 14
H.E. Yasir O. Al-Rumayyan, Chairman	•	•	•	•	•
H.E. Dr. Ibrahim A. Al-Assaf, Deputy Chairman	•	•	•	•	•
H.E. Mohammed A. Al-Jadaan	•	•	•	•	•
H.E. Mohammad M. Al-Tuwaijri	•	•	•	•	•
H.E. Nabeel M. Al-Amudi	•	•	•	•	•
Sir Mark Moody-Stuart	•	•	•	•	•
Mr. Andrew N. Liveris	•	•	•	•	•
Ms. Lynn Laverty Elsenhans	•	•	•	•	•
Mr. Peter L. Cella	•	•	•	•	•
Mr. Mark A. Weinberger[1]	n/a	•	•	•	•
Mr. Andrew F. J. Gould[2]	–	n/a	n/a	n/a	n/a
Mr. Amin H. Nasser	•	•	•	•	•

1. Mr. Mark A. Weinberger was appointed as a member of the Board on March 31, 2020.
2. Mr. Andrew F. J. Gould departed from the Board and its Committees on March 19, 2020.

Shareholder engagement

On May 11, 2020, the Company held its first ordinary annual general assembly meeting (AGM) as a publicly listed company. The meeting was held virtually. All Board members attended the AGM and the following items were voted upon, and approved by, the shareholders: (i) the 2019 Board of Directors' Report; and (ii) the appointment of the external auditor for the Company and determination of their fees.

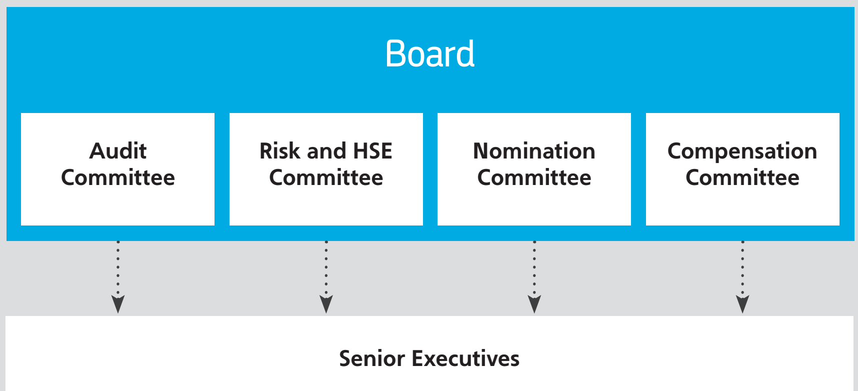
The Company's shareholders play an integral role in the Company's overall governance framework. Pursuant to the CMA's Corporate Governance Regulations, members of the Board are required to attend the Company's general assembly meetings. At such meetings, shareholders can provide their suggestions and remarks to the members of the Board.

Board committees

To optimize the management of the Company, the following committees of the Board were established by the Board: (i) the Audit Committee; (ii) the Risk and HSE Committee; (iii) the Nomination Committee; and (iv) the Compensation Committee.

All Board Committees have their respective charters that identify each Committee's roles, powers, and responsibilities. Separate minutes are prepared for each Committee meeting.

Management of the Company



Audit Committee report

2020 Audit Committee meeting attendance

Members	Mar 11	May 10	Aug 6	Nov 1
Ms. Lynn Laverty Elsenhans, Chair[1]	•	•	•	•
H.E. Mohammed A. Al-Jadaan	•	•	•	•
H.E. Nabeel M. Al-Amudi	•	•	•	•
Mr. Peter L. Cella	•	•	•	•
Mr. Mark A. Weinberger[2]	n/a	•	•	•
Mr. Andrew F.J. Gould[3]	–	n/a	n/a	n/a

1. Ms. Lynn Laverty Elsenhans was appointed as Chair of the Audit Committee on April 14, 2020.
2. Mr. Mark A. Weinberger was appointed as a member of the Audit Committee on April 14, 2020.
3. Mr. Andrew F. J. Gould departed from the Board and its Committees on March 19, 2020.

The primary role of the Audit Committee is to monitor the Company's affairs and assist the Board and its Directors with oversight of the financial reporting and disclosure process, including oversight of:

- the integrity, effectiveness and accuracy of the Company's consolidated financial statements and reports, and the performance, soundness and effectiveness of the Company's internal controls, audit, financial reporting, and financial risk management systems;
- the qualifications and performance of the Company's internal auditor;
- the qualifications, independence, and performance of the Company's independent external auditor; and
- the Company's compliance with legal and regulatory requirements.

The Audit Committee met four (4) times in 2020. In March, Mr. Andrew Gould departed from the Board and its Committees with Mr. Mark Weinberger replacing him as a member of the Audit Committee on April 14, 2020.

To enable the Audit Committee to fulfill its role, duties and objectives, the relevant key Company stakeholders and members of management participated in each of the Audit Committee meetings held in 2020, including the Company's external auditor, General Auditor (internal auditor), Controller, and Senior Vice President of Finance, Strategy and Development.

Key stakeholders and various members of management presented and provided input to the Audit Committee on certain matters including the integrity, effectiveness and accuracy of the Company's consolidated financial statements and reports, and the performance, soundness and effectiveness of the Company's internal controls, audit, financial reporting and financial risk management.

The Audit Committee continues to engage with:

- management for the preparation and accuracy of the Company's consolidated financial statements;
- management for the establishment of effective internal controls and procedures to ensure the Company's compliance with accounting standards, financial reporting procedures and applicable laws and regulations;
- the General Auditor for support in discharging the Audit Committee's responsibilities with respect to risk management, financial reporting processes, systems of internal control, and compliance with legal and regulatory requirements; and
- the external auditor in connection with the external auditor's annual audit and quarterly review, as applicable, of the consolidated financial statements.

Based on input and presentations from relevant key stakeholders and members of management, the Audit Committee endorsed several items in 2020 for Board approval, including:

- the 2019 Annual Report;
- the 2019 consolidated audited financial statements;
- the 2020 condensed consolidated interim (quarterly) financial reports; and
- the recommendation for the nomination of the Company's external auditor for the ten-year period from 2021 to 2030, subject to shareholder selection.

Further, the Audit Committee evaluated and received reports on various key issues including:

- a summary of the Company's internal auditing activities in 2019, covering areas such as assurance activities, advisory engagements, fraud risk management, and certain key initiatives taken during the year;
- quarterly reports on the Company's ongoing internal auditing activities in 2020;
- a review of the Company's financial risk management activities;
- the activities of the Company's Conflict of Interest and Business Ethics Committee;
- the financial performance in 2019 of the investments to fund the Company's benefit plans;
- a review of related party transactions;
- a report on the Company's Enterprise Tax Risk Management Framework;
- a report from the Corporate Compliance Department on managing enterprise-wide regulatory compliance risks through a global compliance framework; and
- the Company's 2021 global internal audit plan, including the related plan development approach and process.

The Company's General Auditor was present at each of the Audit Committee meetings held in 2020. As part of his presentations to the Audit Committee, the General Auditor reported on the Company's internal auditing activities undertaken during the year. As part of the Audit Committee's review of the 2021 global internal audit plan, the Audit Committee ensured that the plan is aligned with the key risks of the business.

Financial reporting and external audit

Two of the Audit Committee's key responsibilities are to monitor the integrity of the financial statements and to assess the effectiveness of the external auditor.

The Audit Committee has assessed that appropriate accounting policies have been adopted throughout the accounting period and that management has made reasonable estimates and judgments over the recognition, measurement, and presentation of the financial results.

At each of the Audit Committee's meetings in 2020 there were extensive reports and discussions with the external auditor and members of management regarding the financial statements, including detailed analysis of the financial performance and changes in the financial position of the Company, the process to prepare the final financial statements and the related independent review by the external auditor for the first, second and third quarters of the year. At the final meeting of the fiscal year, held on November 1, 2020, the external auditor presented to the Audit Committee members the 2020 External Audit Plan reviewing the process they would undertake to complete the audit of the 2020 annual financial statements. Also at this meeting, the Audit Committee reviewed the external auditor's performance and independence for 2020 and did not identify any deficiencies.

In 2019, when recommending the appointment of PricewaterhouseCoopers (PwC) as the external auditor for 2020, the Audit Committee authorized management to engage PwC to perform certain limited other services, to ensure they, as external auditor, remain independent under the Saudi Organization for Certified Public Accountants (SOCPA) standards and under guidance issued by the International Federation of Accountants. The principal other services provided by the external auditor in 2020 related to tax compliance.

After undergoing an extensive tender and review process, open to the major auditing firms, the Audit Committee recommended the Board nominate PwC and Ernst & Young (EY) as the Company's external auditor for final selection by the shareholders at the 2021 AGM. The Audit Committee also recommended the external auditor be appointed for the ten-year period from 2021-2030 and until reappointed or replaced by the shareholders at, or prior to, the 2031 AGM. The Audit Committee approved the engagement letters with PwC and EY, setting out the terms and conditions for their service in 2021.

If PwC is re-appointed, the current global engagement audit partner will continue to act until the conclusion of the fiscal year-end 2023 audit, subject to satisfactory performance and continued engagement of PwC, as external auditor.

Internal controls

The Audit Committee is responsible for reviewing the adequacy and effectiveness of the Company's internal control and financial risk management systems. During the course of the year, the Audit Committee has considered various material controls, including financial, operational and compliance controls, and the Audit Committee is of the opinion that the Company's internal and financial control systems and risk management systems are effective and adequate.

Risk and HSE Committee report

2020 Risk and HSE Committee meeting attendance

Members	Mar 11	May 10	Aug 6	Nov 1
Mr. Peter L. Cella, Chair	•	•	•	•
H.E. Mohammad M. Al-Tuwaijri	–	•	–	•
H.E. Nabeel M. Al-Amudi	•	•	•	•
Ms. Lynn Laverty Elsenhans	•	•	•	•
Mr. Amin H. Nasser	•	•	•	•

The primary role of the Risk and HSE Committee is to monitor the Company's overall management of risk and its activities relating to health, safety and the environment (HSE), and to assist the Board with:

- leadership, direction, and oversight with respect to the Company's risk appetite, risk tolerance, risk framework, and risk strategy;
- governance and management of strategic, operational, sustainability, and environmental, social and governance (ESG) related risks; and
- assisting the Board and the Audit Committee, to foster a culture within the Company that emphasizes and demonstrates the benefits of risk management.

The Risk and HSE Committee held four (4) meetings in 2020. During the year, the Risk and HSE Committee reviewed and assessed several top corporate risks that the Company is actively managing, along with certain key health, safety, and environmental matters that impact or that could potentially impact the Company. Specifically, in 2020 the Risk and HSE Committee discussed and evaluated several corporate risks including those relating to climate change, major industrial incidents, cost inefficiency that included a review of relevant processes and cost management and control programs, cyberattacks, environmental compliance, market disruption, and mergers and acquisitions.

Further, in 2020, the Risk and HSE Committee reviewed an update to the Company's ERM framework that involved reviewing the Company's existing corporate risks and identifying any additional top corporate risk(s) that would need to be reviewed by the Risk and HSE Committee. As a result of this review, pandemics were elevated as a standalone top corporate risk of the Company. The Committee also reviewed the Company's sustainability and ESG reporting framework.

In addition, the Risk and HSE Committee reviewed the Company's performance for the previous fiscal year in 2019 with respect to safety incidents and with respect to certain health, safety, and environmental metrics and targets. The Risk and HSE Committee also reviewed the Company's quarterly performance for the first three (3) quarters in 2020 with respect to HSE metrics and targets, along with reviewing proposed HSE corporate key performance indicator metrics and targets for 2021.

The Risk and HSE Committee continues to support the Board and the Company by carrying out its duties and responsibilities that include the following:

- reviewing implementation of strategies and policies for operational, strategic, and ESG-related risk management, and the adequacy and effectiveness of the Company's enterprise risk management framework;
- reviewing the Company's risk appetite;
- reviewing the Company's operational, strategic, and ESG-related risks;
- reporting on major strategic risk exposures and recommending steps to manage these risks to the Board; and
- reviewing the effectiveness of the Company's policies, programs and practices with respect to safety, health, environment, social, and community relations issues, and making such recommendations to the Board with respect thereto as may be advisable.

The Risk and HSE Committee also carries out the functions and the duties and responsibilities of the Risk Management Committee described in the CMA's Corporate Governance Regulations.

Nomination Committee statement

2020 Nomination Committee meeting attendance

Members	Mar 11	Nov 1
Mr. Andrew N. Liveris, Chair	•	•
H.E. Yasir O. Al-Rumayyan	•	•
H.E. Dr. Ibrahim A. Al-Assaf	•	–
H.E. Mohammad M. Al-Tuwaijri	•	•
Sir Mark Moody-Stuart	•	•

The primary role of the Nomination Committee is to lead the process of nominating, appointing and evaluating members of the Company's Board and to ensure the effectiveness of the Board and the individual Directors. The Nomination Committee also evaluates and makes recommendations with respect to the structure of the Board and composition of the Board's Committees. Further, the Nomination Committee evaluates and recommends to the Board the appointments of individuals (other than Directors) as Company officers, including those proposed to hold the title of Vice President or higher or that are otherwise authorized by virtue of such appointment to bind or act on behalf of the Company. The Nomination Committee also proposes and makes recommendations to the Board with respect to the Company's relevant corporate governance practices and procedures.

In March 2020, the Nomination Committee verified the following with respect to the Directors that were Board members at that time: (i) the independence of four (4) independent Directors, and (ii) the absence of any conflicts of interest. In addition, the Nomination Committee reviewed the Company's reorganization of its Operations & Business Services Service Line into the HR & Corporate Services Service Line. In November 2020, the Nomination Committee received an update on the procedures for nominating Directors for the Company and the timeline for this process leading into the Company's 2021 AGM. In addition, the Nomination Committee reviewed the workshops conducted for the Directors in 2020, including panel discussions on subjects relevant to Aramco and its strategy and operations and a compliance workshop. The Nomination Committee then reviewed and endorsed proposed workshops for the Directors in 2021. Further, the Nomination Committee reviewed the Company's oversight of its Senior Executives, particularly the Company's succession planning for Senior Executives.

With respect to the means used by the Board to assess its performance and the performance of its Committees and members, the Nomination Committee oversaw the Company's engagement with Egon Zehnder, a third party consultant, to conduct an assessment of the Board and its Committees. Egon Zehnder also provides Director search services to the Company.

Compensation Committee statement

2020 Compensation Committee meeting attendance

Members	Mar 11	May 10	Aug 6	Nov 1	Dec 13
Sir Mark Moody-Stuart, Chair	•	•	•	•	•
H.E. Yasir O. Al-Rumayyan	•	•	•	•	•
H.E. Mohammed A. Al-Jadaan	•	•	•	•	•
Mr. Andrew N. Liveris	•	•	•	•	•
Mr. Mark A. Weinberger[1]	n/a	•	•	•	•
Mr. Andrew F.J. Gould[2]	–	n/a	n/a	n/a	n/a

1. Mr. Mark A. Weinberger was appointed as a member of the Compensation Committee on April 14, 2020.
2. Mr. Andrew F. J. Gould departed from the Board and its Committees on March 19, 2020.

The primary role of the Compensation Committee is to oversee the Company's policy on compensation and its implementation. The Compensation Committee reviews the annual individual compensation plans for Directors and Senior Executives. The Compensation Committee also reviews and approves the annual compensation plans of other Company Executives.

The Compensation Committee held five (5) meetings in 2020. In March, Mr. Andrew Gould departed from the Board and its Committees with Mr. Mark Weinberger replacing him as a member of the Compensation Committee on April 14, 2020.

As part of its regular schedule of activities, the Compensation Committee discussed and evaluated remuneration policies and decisions applicable to the Company's key management personnel, including Directors and Senior Executives. The Compensation Committee made recommendations to the Board on the annual companywide compensation plan and associated budget, and approved Director and Senior Executive compensation within the budget approved by the Board. The Compensation Committee also reviewed and endorsed the performance targets for use in variable pay plans and determined the overall performance of the Company for compensation purposes.

In addition to regular activities, the Compensation Committee was informed of Mr. Muhammad Al-Saggaf's early retirement from the Company, effective June 30, 2020, following his appointment as President of King Fahd University of Petroleum and Minerals. The Compensation Committee also closely monitored the challenges presented by the COVID-19 pandemic, and reviewed the impact on compensation trends and employment conditions across the Company's global group businesses. The Compensation Committee was provided with reliable, up-to-date, information about compensation decisions and actions in peer companies, and supported Management's initiatives related to efficiency and workforce optimization.

Compensation and other interests

Compensation policy

The Company has a shareholder-approved policy which aims to ensure that its Directors and Executives are paid in a manner that promotes sustainable performance and is in the long-term interest of the Company and its shareholders, while attracting, retaining, and motivating the talent it requires to achieve its business goals.

Board remuneration

Table 1 below sets out the remuneration of Board members consistent with the Company's compensation policy and Bylaws.

Table 1: 2020 Board remuneration

	Fixed remunerations							Variable remunerations								
All amounts in SAR	Specific amount	Allowance for attending Board meetings	Total allowance for attending committee meetings	In-kind benefits	Remuneration for technical, managerial and consultative work	Remunerations of the Chairman, Managing Director or Secretary, if a member	Total	Percentage of the profits	Periodic remuneration	Short-term incentive plans	Long-term incentive plans	Granted shares (value)	Total	End-of-service award	Aggregate amount	Expenses allowance
Independent Directors																
Sir Mark Moody-Stuart	1,125,000	–	–	4,778	–	–	1,129,778	–	–	–	–	–	–	–	1,129,778	11,250
Mr. Andrew N. Liveris	1,125,000	–	–	4,778	–	–	1,129,778	–	–	–	–	–	–	–	1,129,778	6,000
Ms. Lynn Laverty Elsenhans	1,125,000	–	–	4,778	–	–	1,129,778	–	–	–	–	–	–	–	1,129,778	12,000
Mr. Peter L. Cella	1,125,000	–	–	4,778	–	–	1,129,778	–	–	–	–	–	–	–	1,129,778	7,500
Mr. Mark A. Weinberger[1]	1,125,000	–	–	4,778	–	–	1,129,778	–	–	–	–	–	–	–	1,129,778	–
Mr. Andrew F. J. Gould[2]	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	8,250
Total	**5,625,000**	**–**	**–**	**23,890**	**–**	**–**	**5,648,890**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,648,890**	**45,000**
Non-executive Directors																
H.E. Yasir O. Al-Rumayyan	1,125,000	–	–	5,220	–	–	1,130,220	–	–	–	–	–	–	–	1,130,220	14,250
H.E. Dr. Ibrahim A. Al-Assaf	1,125,000	–	–	5,220	–	–	1,130,220	–	–	–	–	–	–	–	1,130,220	13,500
H.E. Mohammed A. Al-Jadaan	1,125,000	–	–	5,220	–	–	1,130,220	–	–	–	–	–	–	–	1,130,220	7,500
H.E. Mohammad M. Al-Tuwaijri	1,125,000	–	–	5,220	–	–	1,130,220	–	–	–	–	–	–	–	1,130,220	11,250
H.E. Nabeel M. Al-Amudi	1,125,000	–	–	50,651	–	–	1,175,651	–	–	–	–	–	–	–	1,175,651	5,250
H.E. Khalid A. Al-Falih[3]	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	9,000
Total	**5,625,000**	**–**	**–**	**71,531**	**–**	**–**	**5,696,531**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,696,531**	**60,750**
Executive Directors																
Mr. Amin H. Nasser	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	**11,250,000**	**–**	**–**	**95,421**	**–**	**–**	**11,345,421**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,345,421**	**105,750**

1. Mr. Mark A. Weinberger was appointed as a member of the Board on March 31, 2020.
2. Mr. Andrew F. J. Gould departed from the Board and its Committees on March 19, 2020.
3. H.E. Khalid A. Al-Falih's remuneration presented in the table above represents amounts paid in 2020 relating to 2019 while he was a member of the Board. He departed from the Board and its Committees on September 3, 2019.

In accordance with the Company's Bylaws, the Compensation Committee of the Board sets Director remuneration, without exceeding SAR 1.8 million for each member per year. Non-executive/independent members of the Board receive an annual fixed fee, reimbursement of any travel expenses and health, welfare, and accommodation benefits for their service. Committee members receive no additional remuneration for their service on Board Committees. Executive members of the Board are not remunerated for their service as Directors.

Senior Executives remuneration

Table 2 sets out the aggregated remuneration paid to the Company's six highest paid Senior Executives, inclusive of the CEO and CFO positions.

Table 2: Total remuneration paid to the six highest paid executives including CEO and CFO

	Fixed remuneration				Variable remuneration								
All amounts in SAR	Salaries	Allowances	In-kind benefits	Total	Periodic remunerations	Profits	Short-term incentive plans	Long-term incentive plans	Granted shares (value)	Total	End-of-service award	Total remunerations for Board Executives, if any	Aggregate amount
Total	**14,344,540**	**8,982,517**	**1,834,130**	**25,161,187**	**–**	**–**	**12,144,325**	**18,546,959**	**41,715**	**30,732,999**	**36,681,051**	**–**	**92,575,237**

The Company's compensation framework for its Senior Executives is designed to provide a balanced compensation package that includes base pay, variable pay and benefits as follows:

- With respect to base pay, the Company considers the level and demands of the position, including duties and responsibilities, as well as the educational qualifications, practical experience, skills, performance, and seniority of the individual, all within the context of market conditions and pay practices at peers and other relevant companies.
- With respect to variable pay, the Company offers variable compensation that is market-aligned and subject to the fulfillment of predefined performance goals. Two key variable pay plans are used: (i) a Short-Term Incentive Plan (STI), an annual cash-based plan designed to reward performance in three areas (financial, operational, and safety and sustainability), and (ii) a Long-Term Incentive Plan (LTI) designed to reward key financial, strategic and environmental/sustainability performance over a three-year period. The values reported for 2020 represent the awarded amounts for the 2018 to 2020 performance period.
- Granted shares reported for 2020 represent a one-time award of 235 Saudi Arabian Oil Company shares to all employees in December 2019, under a Celebratory Grant to mark the Company's successful initial public offering (IPO). Shares under the Celebratory Grant were subject to a 12-month restrictive holding period which vested on December 10, 2020.
- Besides pension, savings plan and medical services, benefits are primarily housing-related allowances or equivalent, and transportation-related allowances or equivalent. The nature and levels of benefits for the Senior Executives are periodically reviewed and approved by the Compensation Committee.
- End-of-service awards represent the annual incremental value to the employee of pension provisions and end-of-service severance provisions, all of which are paid post-employment.

Directors' and Senior Executives' shareholdings and holdings in debt instruments

Table 3 illustrates shares held by Directors, their relatives, and changes that occurred during 2020. No Director has any interest in debt instruments issued by the Company and there were no arrangements or agreements by which any of the Directors waived any salary or compensation.

Table 4 illustrates shares held by Senior Executives, their relatives, and changes that occurred during 2020. No Senior Executive has any interest in debt instruments issued by the Company and there were no arrangements or agreements by which any of the Senior Executives waived any salary or compensation.

Table 3: Board of Directors' rights to shares or debt instruments

Ownership by Directors

Description of any interest, contractually based securities and subscription rights of the Directors and their relatives in the Company's / subsidiaries' shares or debt instruments.

	Beginning of the year		End of the year		
Name of interest holder	Number of shares	Debt instruments	Number of shares	Debt instruments	Net change
H.E. Yasir O. Al-Rumayyan	–	–	3,000,000	–	3,000,000
H.E. Dr. Ibrahim A. Al-Assaf	–	–	15,000	–	15,000
H.E. Mohammed A. Al-Jadaan	–	–	–	–	–
H.E. Mohammad M. Al-Tuwaijri	–	–	–	–	–
H.E. Nabeel M. Al-Amudi	–	–	–	–	–
Sir Mark Moody-Stuart[1]	–	–	–	–	–
Mr. Andrew N. Liveris[1]	–	–	–	–	–
Ms. Lynn Laverty Elsenhans[1]	–	–	–	–	–
Mr. Peter L. Cella[1]	–	–	–	–	–
Mr. Mark A. Weinberger[1,2]	–	–	–	–	–
Mr. Andrew F. J. Gould[1,3]	–	–	–	–	–

Ownership of Directors' relatives[4]

	Beginning of the year		End of the year		
Name of interest holder	Number of shares	Debt instruments	Number of shares	Debt instruments	Net change
Relatives of H.E. Yasir O. Al-Rumayyan	–	–	–	–	–
Relatives of H.E. Dr. Ibrahim A. Al-Assaf	–	–	–	–	–
Relatives of H.E. Mohammed A. Al-Jadaan	–	–	–	–	–
Relatives of H.E. Mohammad M. Al-Tuwaijri	–	–	–	–	–
Relatives of H.E. Nabeel M. Al-Amudi	–	–	–	–	–
Relatives of Sir Mark Moody-Stuart[1]	–	–	–	–	–
Relatives of Mr. Andrew N. Liveris[1]	–	–	–	–	–
Relatives of Ms. Lynn Laverty Elsenhans[1]	–	–	–	–	–
Relatives of Mr. Peter L. Cella[1]	–	–	–	–	–
Relatives of Mr. Mark A. Weinberger[1,2]	–	–	–	–	–
Relatives of Mr. Andrew F. J. Gould[1,3]	–	–	–	–	–

1. Non-Saudi nationals not resident in Saudi Arabia are not allowed to be the registered legal owner of Company shares.
2. Mr. Mark A. Weinberger was appointed as a member of the Board on March 31, 2020.
3. Mr. Andrew F. J. Gould departed from the Board and its Committees on March 19, 2020.
4. The term relatives, as defined under the Corporate Governance Regulations, refers to:
   – fathers, mothers, grandfathers and grandmothers (and their ancestors);
   – children and grandchildren and their descendants;
   – siblings, maternal and paternal half-siblings and their children; and
   – husbands and wives.

Table 4: Senior Executives' rights to shares or debt instruments

Ownership by Senior Executives

Description of any interest, contractually based securities and subscription rights of the Senior Executives and their relatives in the Company's / subsidiaries' shares or debt instruments.

	Beginning of the year		End of the year		
Name of interest holder	Number of shares	Debt instruments	Number of shares	Debt instruments	Net change
Mr. Amin H. Nasser	–	–	235	–	235
Mr. Mohammed Y. Al-Qahtani	17,868	–	18,703	–	835
Mr. Abdulaziz M. Al-Gudaimi	16,248	–	17,183	–	935
Mr. Khalid H. Al-Dabbagh	–	–	235	–	235
Mr. Ahmad A. Al-Sa'adi	15,996	–	16,531	–	535
Mr. Nabeel A. Al-Mansour	–	–	235	–	235
Mr. Nabeel A. Al-Jama'	31,203	–	31,538	–	335
Mr. Nasir K. Al-Naimi[1]	3,756	–	3,756	–	–
Mr. Muhammad M. Al-Saggaf[2]	31,005	–	31,605	–	600

Ownership of Senior Executives' relatives[3]

	Beginning of the year		End of the year		
Name of interest holder	Number of shares	Debt instruments	Number of shares	Debt instruments	Net change
Relatives of Mr. Amin H. Nasser	–	–	2,119	–	2,119
Relatives of Mr. Mohammed Y. Al-Qahtani	1,000	–	91,087	–	90,087
Relatives of Mr. Abdulaziz M. Al-Gudaimi	–	–	–	–	–
Relatives of Mr. Khalid H. Al-Dabbagh	4,314	–	4,776	–	462
Relatives of Mr. Ahmad A. Al-Sa'adi	5,253	–	5,788	–	535
Relatives of Mr. Nabeel A. Al-Mansour	6,776	–	10,429	–	3,653
Relatives of Mr. Nabeel A. Al-Jama'	6,430	–	7,165	–	735
Relatives of Mr. Nasir K. Al-Naimi[1]	665	–	665	–	–
Relatives of Mr. Muhammad M. Al-Saggaf[2]	–	–	–	–	–

1. Mr. Nasir K. Al-Naimi was named acting Business Line Head of Upstream in September 2020.
2. Mr. Al-Saggaf retired from the Company, effective June 30, 2020.
3. The term relatives, as defined under the Corporate Governance Regulations, refers to:
   – fathers, mothers, grandfathers and grandmothers (and their ancestors);
   – children and grandchildren and their descendants;
   – siblings, maternal and paternal half-siblings and their children; and
   – husbands and wives.

Governance, risk and compliance

The Company has adopted and implemented certain corporate governance policies and procedures specified in the Corporate Governance Regulations and continues to review and identify additional policies and procedures that it believes are appropriate for a company of its size, structure, and industry. Moreover, the Company has implemented a Code of Business Conduct which provides guidelines to the Directors, Senior Management, employees and contract employees of the Company and its controlled subsidiaries regarding, among other things, health, safety and environmental protection, competition and antitrust, anti-bribery and anti-corruption, insider trading, and compliance with applicable law.

Risk management

The Board routinely assesses the Company's risks that could impact its business model and/or, future performance. The Company's risk management framework and risk factors are outlined in Section 5: Risk.

Board of Directors declarations

The Board declares the following:

- the accounting records were properly prepared;
- the system of internal control is sound in design and has been effectively implemented; and
- there are no doubts on the Company's ability to continue business.

Company declarations

SOCPA endorsed IFRS compliant

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), that are endorsed in the Kingdom, and other standards and pronouncements issued by SOCPA. The consolidated financial statements are also in compliance with IFRS as issued by the International Accounting Standards Board (IASB).

Interests in voting shares

There are no interests in any class of voting shares held by persons who have notified the Company of their holdings pursuant to Article 67 of the Rules on the Offer of Securities and Continuing Obligations.

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

All amounts in millions SAR	**2020**	2019
Pension plans	**12,167**	(1,600)
Medical and other post-employment benefit plans	**42,040**	22,774
Net benefit liability	**54,207**	21,174

For details regarding investments made or any reserves set up for the benefit of employees, refer to Note 22 of the consolidated financial statements contained in Section 8.

Convertible debt instruments, contractual securities, preemptive right or similar rights issued or granted

On December 11, 2019, the Company acquired 117.2 million ordinary shares from the Government for the purposes of issuing them to employees through the Company's share plans. For further details, refer to Note 17 and 18 of the consolidated financial statements contained in Section 8.

Conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted

The Company did not issue or grant any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights. Refer to the preceding paragraph for disclosure on convertible debt instruments, contractual securities, preemptive right or similar rights issued or granted by the Company.

The Company granted a one-time award of Saudi Arabian Oil Company shares to all employees in December 2019, under a Celebratory Grant to mark the Company's successful initial public offering (IPO). Shares under the Celebratory Grant were subject to a 12-month restrictive holding period, and a total of 15 million shares were equity-settled during 2020. For further details, refer to Note 18 of the consolidated financial statements contained in Section 8.

Redeemable debt instruments

The Company did not redeem, purchase or cancel any redeemable debt instruments.

Numbers of Aramco's requests of shareholders records in 2020

No.	Request date	Request rationale
1	January 2	Shareholder analysis
2	January 9	Shareholder analysis
3	January 31	Shareholder analysis
4	February 23	Shareholder analysis
5	March 5	Shareholder analysis
6	March 8	Shareholder analysis
7	March 9	Shareholder analysis
8	March 10	Shareholder analysis
9	March 11	Shareholder analysis
10	March 12	Shareholder analysis
11	March 16	Shareholder analysis
12	March 18	Shareholder analysis
13	March 22	Dividends distributions
14	April 9	Shareholder analysis
15	April 30	Shareholder analysis
16	May 11	Annual General Assembly Meeting
17	June 1	Dividends distributions
18	August 13	Dividends distributions
19	September 6	Shareholder analysis
20	September 21	Shareholder analysis
21	November 2	Shareholder analysis
22	November 11	Dividends distributions
23	December 16	Shareholder analysis

Dividend distribution policy and dividends framework

Pursuant to the Bylaws, the Board has sole discretion to declare dividends with respect to the outstanding shares in accordance with the Company's Dividend Distribution Policy. However, it is under no obligation to do so. The amount and frequency of any dividends will depend on a number of factors, including the Company's historic and anticipated earnings and cash flow, the Company's financial obligations and capital requirements, general economic and market conditions and other factors deemed relevant by the Board. The Company's expectations in connection with these factors are subject to numerous assumptions, risks and uncertainties, which may be beyond the Company's control.

The Company pays dividends to non-Government shareholders in SAR and to the Government in U.S. Dollars. All shares have the same entitlement to any dividends declared by the Board and any dividends are and will be distributed in compliance with applicable tax laws.

In 2019 and 2020, the Company's dividend payments totaled SAR 274.4 billion ($73.2 billion) and SAR 261.2 billion ($69.6 billion), respectively. On March 18, 2021, the Company declared an ordinary dividend of SAR 70.3 billion ($18.8 billion) with respect to the fourth quarter of 2020 and is payable to the holders of shares as at the eligibility date for payment of such dividend as declared by the Board.

It is the intention of the Board, in its discretion, to deliver sustainable dividends to its shareholders. The Company's Dividend Distribution Policy states that dividends may be declared from net profits only after the Company has:

- ensured that dividends are capable of being distributed by the Company with reference to its most current financial statements;
- established any reserves to meet contingencies as determined from time to time at the discretion of the Board; and
- taken into consideration its working capital requirements, near-term liquidity and any other factors or considerations that may be relevant in this regard, including but not limited to the implications of any dividend distributions on the Company's capital structure, credit ratings and publicly communicated gearing targets.

Royal Order No. A/42, dated 26/1/1441H (corresponding to September 25, 2019) provides that, to the extent that the Board determines that the amount of any quarterly cash dividend declared with respect to calendar years 2020 through 2024 would have been less than $0.09375 per ordinary share (based on 200,000,000,000 ordinary shares outstanding) but for the Government forgoing its rights to such dividend as follows, the Government will forgo its right to receive the portion of cash dividends on its ordinary shares equal to the amount necessary to enable the Company to first pay the minimum quarterly cash dividend amount described above to holders of ordinary shares other than the Government. The remaining amount of the declared dividend as determined by the Board in its discretion will be paid to the Government.

In addition, dividends forgone will not accrue or otherwise be paid to the Government and the waiver applies to all ordinary shares not held by the Government from time to time and held from 2020 to 2024.

In 2020, no shareholder of the Company has waived any rights to dividends.

Punishments and penalties

The Company is committed to the highest standards of governance and complies with applicable laws and regulations. The Company is not aware of any penalty, precautionary procedure or preventative measure imposed on it by any authority, supervisory, regulatory or judicial body in 2020.

Board of Directors' report

The information contained in Sections 1 – 7 of this Annual Report constitutes the Board of Directors' report.

Compliance with CMA Corporate Governance Regulations

The Company has implemented all the provisions contained in the Corporate Governance Regulations issued by the CMA that can be found publicly on the CMA website, except the provisions noted below:

Article No.	Provision of the Article	Justification
20(c)(10)	(c) By way of example, the following negate the independence requirement for an Independent Director: (10) if he/she served for more than nine years, consecutive or inconsecutive, as a Board member of the Company.	The Company acknowledges that one of its independent Directors has served on the Board for more than nine years. While this provision remains a Guiding Article until the end of this Director's current term (his term started prior to January 1, 2019), the Company evaluates the independence of each of its independent Directors annually and has determined that all are able to perform the duties and exercise the independent judgment required of the role.
46(3)	Without prejudice to Article (72) of the Companies Law and other relevant provisions in these regulations, if a member of the Board desires to engage in a business that may compete with the Company or any of its activities, the following shall be taken into account: (3) the chairman of the Board informing the Ordinary General Assembly, once convened, of the competing businesses that the member of the Board is engaged in, after the Board assesses the board member's competition with the Company's business or if he/she is in competition with one of the branch activities that it conducts in accordance with the standards issued by the Ordinary General Assembly upon a proposal from the Board and published on the Company's website, provided that such businesses are assessed on annual basis.	No current Board members of the Company have expressed a desire to "engage in a competitive business" or activity in 2020. Notwithstanding this fact, the Company is aware of the regulatory requirement to maintain a set of "competition standards" by which to assess potential future requests of this nature, if any. To that end, the Company has implemented a process to develop such competition standards, and expects to present the same to its shareholders at the Company's 2021 AGM for approval. As a result, the Company expects to be in compliance with this CGR by the end of 2021.
95 (Guiding Article)	If the Board forms a corporate governance committee, it shall assign to it the competences (sic) stipulated in Article (94) of these Regulations. Such committee shall oversee any matters relating to the implementation of governance, and shall provide the Board with its reports and recommendations at least annually.	While this is a Guiding Article, the Board has charged the Nomination Committee, formed pursuant to the Company Bylaws, with the responsibility of overseeing and making recommendations to the Board with respect to the Company's corporate governance policies and practices, including the competencies of effective governance described in Article (94) of the Regulations.

7

Additional financial and legal information

Predictive digital intelligence

Aramco, focused on maintaining its preeminent upstream position and continued strategic downstream integration, is bringing digitization, automation, and artificial intelligence to its core business.

Additional financial information

Historical financial highlights

Summarized consolidated statement of income

	Year ended December 31				
All amounts in millions SAR unless otherwise stated	**2020**	2019	2018[1]	2017[1]	2016[1]
Revenue[2]	**768,109**	1,105,696	1,194,376	840,483	504,596
Other income related to sales[3]	**93,982**	131,089	152,641	150,176	–
Revenue and other income related to sales	**862,091**	1,236,785	1,347,017	990,659	504,596
Operating costs[2]	**(478,731)**	(561,914)	(548,612)	(407,744)	(198,896)
Operating income	**383,360**	674,871	798,405	582,915	305,700
Income before income taxes and zakat	**372,424**	666,741	797,896	581,438	304,976
Income taxes and zakat[4]	**(188,661)**	(336,048)	(381,378)	(296,819)	(255,255)
Net income	**183,763**	330,693	416,518	284,619	49,721

1. In the preparation of each of its financial statements Aramco reclassified certain comparative amounts, at that time, to conform to the current year presentation. Such reclassifications did not impact the previously reported net income. The financial information above presents the reclassified results extracted from the comparative column of the relevant financial statements.
2. Prior to 2017, royalties payable to the Government were accounted for as a deduction from revenue. With effect from January 1, 2017, royalties attributable to the production of crude oil and condensate, natural gas and NGL are accounted for as an expense, rather than a deduction from revenue.
3. Aramco sells certain hydrocarbons within the Kingdom at regulated prices mandated by the Government. From January 1, 2017, the Government implemented an equalization mechanism to compensate the Company for revenues directly forgone as a result of its compliance with the Government mandates related to crude oil and certain refined products. Effective September 17, 2019, the Government implemented an equalization mechanism related to Regulated Gas Products. Effective January 1, 2020, the Government expanded the equalization mechanism to include LPGs and certain other products.
4. As at January 1, 2017, the income tax rate applicable to Aramco was reduced from 85% to 50%, except that: (i) effective from January 1, 2018, a 20% tax rate applies to the Company's taxable income related to certain natural gas activities; and (ii) effective January 1, 2020, the tax rate applicable to the Company's downstream activities is the general corporate tax rate of 20% that applies to all similar domestic downstream companies under the Income Tax Law.

Summarized consolidated balance sheet

	As at December 31				
All amounts in millions SAR unless otherwise stated	**2020**	2019[2]	2018[1]	2017	2016
Total assets	**1,914,261**	1,494,126	1,346,892	1,102,553	940,703
Total liabilities	**813,167**	447,891	318,457	276,239	205,357
Net assets (total equity)	**1,101,094**	1,046,235	1,028,435	826,314	735,346

1. In the preparation of each of its financial statements Aramco reclassified certain comparative amounts, at that time, to conform to the current year presentation. The financial information above presents the reclassified results extracted from the comparative column of the relevant financial statements.
2. Aramco adopted IFRS 16 on January 1, 2019, using a modified retrospective approach. As a result, in the preparation of the 2019 financial statements, Aramco applied prospectively, starting January 1, 2019, the new classification and measurement models for lease contracts and consequently 2018 and prior period comparative information was not restated.

Summarized consolidated statement of cash flows

	Year ended December 31				
All amounts in millions SAR unless otherwise stated	**2020**	2019	2018	2017	2016
Net cash provided by operating activities	**285,297**	416,529	453,701	333,607	109,411
Net cash used in investing activities	**(20,899)**	(177,144)	(131,205)	(118,629)	(116,900)
Net cash (used in)/provided by financing activities	**(234,872)**	(244,831)	(220,586)	(181,811)	2,021

Statutory amounts paid and payable

Statutory amounts paid[1]

All amounts in millions SAR unless otherwise stated	Reasons for amounts paid	Year ended December 31, 2020
Income taxes and zakat	Income taxes and zakat calculated in accordance with Saudi Income Tax Regulations. See Note 9 of the consolidated financial statements	72,582
Royalties	Production royalties determined in accordance with Government agreements	82,958
Total		**155,540**

Statutory amounts payable[1]

All amounts in millions SAR unless otherwise stated	Reasons for amounts payable	As at December 31, 2020
Income taxes and zakat	Government obligation, payable on a monthly basis	39,828
Royalties	Government obligation, payable on a monthly basis	8,197
Total		**48,025**

1. Statutory amounts paid and payable are in respect of the Company.

Geographical analysis of Aramco's external revenue

Sales to external customers by region are based on the location of the Aramco entity which made the sale. Out-of-Kingdom revenue includes sales of SAR 110,652 million originating from the United States of America (2019: SAR 119,325 million). For more details, refer to Section 8: Consolidated financial statements – Note 5.

2020

Billions SAR

538.4 In-Kingdom
229.7 Out-of-Kingdom

2019

Billions SAR

871.5 In-Kingdom
234.2 Out-of-Kingdom

Geographical analysis of the Company's crude oil deliveries

The following analysis is based on the Company's crude oil delivery destination.

	Year ended December 31	
	2020 mbpd	2019 mbpd
Region:		
Asia (excluding the Kingdom)	**5,102**	5,436
North America	**546**	563
Europe	**759**	802
Others	**258**	248
Total international deliveries	**6,665**	7,049
Total in-Kingdom deliveries	**2,552**	2,886
Total crude oil deliveries[1,2,3,4]	**9,217**	9,935

1. Includes condensate blended with crude oil.
2. Excludes AGOC's oil production.
3. Excludes loss in volumes measured upon loading and unloading of crude oil shipments.
4. Excludes volumes produced from Abu Sa'fah and delivered to the Kingdom of Bahrain.

Related party transactions

Aramco has entered into various related party contracts and transactions. These principally include sales and purchases, and providing and receiving services. The Directors declare that all such contracts and transactions have been entered into on an arm's length basis.

Aramco sells hydrocarbon products and provides services to the Government, semi-Government entities and other entities in which the Government has share ownership or control. The transactions are made on specific terms within the relevant regulatory framework in the Kingdom.

Other than with respect to compensation arrangements, as at the date of this Annual Report there are no transactions in which any of the Company's Directors or Senior Executives or an immediate family member thereof had or will have a direct or indirect interest or were not entered into on an arm's length basis. For compensation related transactions with the Company's Directors and Senior Executives, see Section 6: Corporate governance.

For more information on Aramco's related party transactions, see Section 8: Consolidated financial statements - Note 30.

The following table sets forth material related party transactions entered into by Aramco during the year ended December 31, 2020.

All amounts in millions SAR unless otherwise stated	**Year ended December 31, 2020**
Joint ventures:	
Revenue from sales	**14,393**
Other revenue	**72**
Interest income	**98**
Purchases	**8,719**
Service expenses	**11**
Associates:	
Revenue from sales	**32,580**
Other revenue	**753**
Interest income	**120**
Purchases	**28,451**
Service expenses	**199**
Government, semi-Government and other entities with Government ownership or control:	
Revenue from sales	**24,866**
Other income related to sales	**93,982**
Other revenue	**953**
Purchases	**10,384**
Service expenses	**454**

The following table sets forth Aramco's material related party transaction balances as at December 31, 2020.

All amounts in millions SAR unless otherwise stated	**As at December 31, 2020**
Joint ventures:	
Other assets and receivables	**6,368**
Trade receivables	**3,210**
Interest receivable	**128**
Trade and other payable	**3,986**
Associates:	
Other assets and receivables	**7,395**
Trade receivables	**8,415**
Trade and other payables	**3,784**
Government, semi-Government and other entities with Government ownership or control:	
Other assets and receivables	**540**
Trade receivables	**1,429**
Due from the Government	**28,895**
Trade and other payables	**1,770**
Borrowings	**243,378**

Related party transactions continued

The following table sets forth material related party transactions and balances for the year ended, and as at, December 31, 2020, by related party.

All amounts in millions SAR unless otherwise stated	December 31, 2020
Transactions with joint ventures:	
Revenue from sales	
Eastern Petrochemical Company ("Sharq")	3,949
Sadara Chemical Company ("Sadara")	2,985
Saudi Yanbu Petrochemical Company ("YANPET")	2,434
Al-Jubail Petrochemical Company ("KEMYA")	1,995
First Coast Energy LLP ("FCE")	1,249
Tas'helat Marketing Company ("TMC")	1,211
Others	570
	14,393
Other revenue	
Others	72
	72
Interest income	
Others	98
	98
Purchases	
Eastern Petrochemical Company ("Sharq")	4,035
Saudi Yanbu Petrochemical Company ("YANPET")	2,048
Al-Jubail Petrochemical Company ("KEMYA")	1,871
Others	765
	8,719
Services expenses	
Others	11
	11
Other assets and receivables	
Sadara Chemical Company ("Sadara")	3,904
Eastern Petrochemical Company ("Sharq")	2,284
Others	180
	6,368
Trade receivables	
Others	3,210
	3,210
Interest receivable	
Others	128
	128
Trade and other payables	
Eastern Petrochemical Company ("Sharq")	2,933
Others	1,053
	3,986

Related party transactions continued

All amounts in millions SAR unless otherwise stated	December 31, 2020
Transactions with associates:	
Revenue from sales	
Rabigh Refining & Petrochemical Company ("Petro Rabigh")	**17,738**
Hyundai Oilbank Co. Ltd. ("Hyundai Oilbank")	**13,106**
Power & Water Utility Company for Jubail and Yanbu ("Marafiq")	**1,208**
Others	**528**
	32,580
Other revenue	
Others	**753**
	753
Interest income	
Others	**120**
	120
Purchases	
Rabigh Refining & Petrochemical Company ("Petro Rabigh")	**17,228**
National Shipping Company of Saudi Arabia ("Bahri")	**3,593**
Sinopec SenMei (Fujian) Petroleum Company Limited ("SSPC")	**1,988**
Power & Water Utility Company for Jubail and Yanbu ("Marafiq")	**1,920**
Hyundai Oilbank Co. Ltd. ("Hyundai Oilbank")	**1,481**
Fujian Refining and Petrochemical Company Limited ("FREP")	**1,241**
Others	**1,000**
	28,451
Service expenses	
Others	**199**
	199
Other assets and receivables	
Rabigh Refining & Petrochemical Company ("Petro Rabigh")	**7,376**
Others	**19**
	7,395
Trade receivables	
Rabigh Refining & Petrochemical Company ("Petro Rabigh")	**6,968**
Hyundai Oilbank Co. Ltd. ("Hyundai Oilbank")	**1,046**
Others	**401**
	8,415
Trade and other payables	
Rabigh Refining & Petrochemical Company ("Petro Rabigh")	**3,431**
Others	**353**
	3,784

Related party transactions continued

All amounts in millions SAR unless otherwise stated	December 31, 2020
Transactions with Government, semi-Government and other entities with Government ownership or control[1]:	
Revenue from sales	
Government and semi-Government	1,170
Saudi Electricity Company ("SEC")	8,738
Saline Water Conversion Company ("SWCC")	2,220
Arabian Petrochemical Company ("PETROKEMYA")	2,093
Saudi Arabian Airlines ("Saudia")	1,369
Eastern Petrochemical Company ("Sharq")	1,361
Saudi Kayan Petrochemical Company ("SAUDI KAYAN")	1,298
Others	6,617
	24,866
Other income related to sales	
Government and semi-Government	93,982
	93,982
Other revenue	
Government and semi-Government	424
Others	529
	953
Purchases	
Government and semi-Government	1,005
Saudi Electricity Company ("SEC")	3,461
Arabian Drilling Company	1,703
Saudi Arabian Mining Company ("Ma'aden")	1,076
Others	3,139
	10,384
Services expenses	
Government and semi-Government	450
Others	4
	454
Other assets and receivables	
Others	540
	540
Trade receivables	
Government and semi-Government	68
Others	1,361
	1,429
Due from the Government	
Government and semi-Government	28,895
	28,895
Trade and other payables	
Government and semi-Government	1,253
Others	517
	1,770
Borrowings	
Government and semi-Government	243,378
	243,378

1. SABIC related entities are included as part of Government, semi-Government and other entities with Government ownership or control up to the date of Aramco's acquisition of a 70% equity interest in SABIC on June 16, 2020.

Total indebtedness of Aramco

Information on Aramco's total indebtedness as at December 31, 2020, is as follows:

All amounts in millions SAR unless otherwise stated	Total facility	Loan duration	Repaid during the year	Balance as at December 31, 2020	Maturity date
Commercial	41,561	7 to 23 years	(10,461)	34,478	2022-2039
Sukuk	39,844	7 to 14 years	(175)	12,651	2024-2025
Export credit agencies	7,691	14 to 16 years	(881)	4,560	2022-2025
Public Investment Fund	5,591	9 to 15 years	(529)	3,656	2022-2025
Saudi Industrial Development Fund	5,036	7 to 17 years	(500)	3,855	2022-2030
Ijarah / Procurement	3,934	10 to 14 years	(444)	3,360	2022-2029
Murabaha	18,814	5 to 22 years	(2,246)	15,379	2021-2030
Wakala	1,721	10 to 16 years	(22)	863	2029-2036
Revolving credit facility	50,460	1 to 7 years	–	6,830	2021-2022
Short-term borrowings	74,213	1 year	–	53,255	2021
Debentures	106,313	3 to 50 years	(618)	104,425	2021-2070
Deferred consideration	259,125	8 years	(26,249)	235,867	2028
Lease liabilities	–	–	(10,868)	53,575	Not defined
Other	–	–	–	3,323	Not defined
	614,303		**(52,993)**	**536,077**	

Reserves information

Reserves as at December 31, 2020

As at December 31, 2020, the Kingdom's reserves in the fields Aramco operates consisted of 336.9 billion boe (2019: 336.7 billion boe), including 261.6 billion barrels (2019: 261.5 billion barrels) of crude oil and condensate, 36.0 billion barrels (2019: 36.0 billion barrels) of NGL and 238.8 tscf (2019: 237.4 tscf) of natural gas, including 150.2 tscf (2019: 146.8 tscf) of non-associated gas.

Under the Original Concession, which was in effect until December 24, 2017, Aramco's rights with respect to hydrocarbons in the Kingdom were not limited to a particular term. Accordingly, until such date, the Kingdom's reserves in the fields Aramco operated were the same as Aramco's reserves. Effective December 24, 2017, the Concession limited Aramco's exclusive right to explore, develop and produce the Kingdom's hydrocarbon resources, except in the Excluded Areas, to an initial period of 40 years, which will be extended by the Government for 20 years provided Aramco satisfies certain conditions commensurate with current operating practices. In addition, the Concession may be extended for an additional 40 years beyond the prior 60-year period subject to Aramco and the Government agreeing on the terms of the extension (see Additional legal information — the Concession). The provision of a specified term in the Concession impacts the calculation of Aramco's reserves as compared to the Kingdom's reserves in the fields Aramco operates. The Concession also requires Aramco to meet domestic demand for certain hydrocarbons, petroleum products and LPGs through domestic production or imports.

Based on the initial 40-year period and 20-year extension of the Concession, as at December 31, 2020, Aramco's reserves were 255.2 billion boe (2019: 258.6 billion boe). Aramco's oil equivalent reserves consisted of 198.8 billion barrels (2019: 201.9 billion barrels) of crude oil and condensate, 25.2 billion barrels (2019: 25.7 billion barrels) of NGL and 191.6 tscf (2019: 190.6 tscf) of natural gas. As at December 31, 2020, Aramco's portfolio included 517 (2019: 510) reservoirs within 137 (2019: 138) fields distributed throughout the Kingdom and its territorial waters. Based on Aramco's reserves data, as at December 31, 2020, Aramco's oil equivalent reserves were sufficient for proved reserves life of 56 years.

Aramco manages the Kingdom's unique reserves and resources base to optimize production and maximize long-term value pursuant to the Hydrocarbons Law, which mandates that Aramco's hydrocarbon operations promote long-term productivity of the Kingdom's reservoirs and support the prudent stewardship of its hydrocarbon resources. Aramco has historically replaced reserves on an organic basis through revisions of reserve estimates at existing fields and through delineation and exploration to identify new fields. As a result, the Kingdom's estimated proved reserves at the largest oil fields operated by Aramco have increased since the time of original production.

The following table sets forth Aramco's estimates of its proved reserves based on the term of the Concession as at December 31, 2020 and 2019.

	Crude oil	Condensate	Natural gas		NGL	Combined
	(mmbbl)	(mmbbl)	(bscf)	(mmboe)	(mmbbl)	(mmboe)
Reserves as at December 31, 2020	**195,444**	**3,399**	**191,573**	**31,086**	**25,226**	**255,155**
Reserves as at December 31, 2019	198,569	3,338	190,575	30,933	25,723	258,563

The following table sets forth the Kingdom's estimates of its proved reserves in the fields Aramco operates as at December 31, 2020 and 2019.

	Crude oil	Condensate	Natural gas		NGL	Combined
	(mmbbl)	(mmbbl)	(bscf)	(mmboe)	(mmbbl)	(mmboe)
Reserves as at December 31, 2020	**257,063**	**4,493**	**238,838**	**39,345**	**35,971**	**336,872**
Reserves as at December 31, 2019	257,125	4,410	237,368	39,119	36,043	336,697

Aramco's reserve estimates conform to the SPE-PRMS definitions and guidelines, which is the internationally recognized industry standard sponsored by the Society of Petroleum Engineers, the American Association of Petroleum Geologists, the World Petroleum Council, the Society of Petroleum Evaluation Engineers, the Society of Exploration Geophysicists, the Society of Petrophysicists and Well Log Analysts and the European Association of Geoscientists and Engineers. To estimate or update Aramco's reserve estimates, the Upstream segment employees responsible for reserves calculations perform technical analyses that are reviewed internally by progressively higher levels of management until finalized at year-end. Aramco annually updates its estimates as it acquires and interprets new data. For reservoirs that have been producing and have established certain performance trends, Aramco is typically able to reliably forecast the reservoir's future production. For reservoirs that have little to no production history and new discoveries, Aramco undertakes further analysis in addition to multidisciplinary evaluation to formulate production forecasts.

Regulation of the oil and gas industry in the Kingdom

The following paragraphs summarize certain key regulation and legislation to which Aramco is subject as an operator in the oil and gas industry.

Law on hydrocarbons

Overview

The Hydrocarbons Law was enacted by Royal Decree No. M/37, dated 2/4/1439H (corresponding to December 20, 2017) and applies to hydrocarbons, hydrocarbon resources and the hydrocarbon operations existing within the territory of the Kingdom.

Licenses

No hydrocarbon operations can be conducted in the Kingdom without obtaining a license in accordance with the Hydrocarbons Law. The Government grants licenses related to hydrocarbon operations pursuant to regulations, procedures and policies established from time to time, which outline the terms and conditions relating to the granting of a license.

The grant of a license pursuant to the Hydrocarbons Law does not, and cannot, confer any right of ownership of the soil or subsoil in the license area. In addition, the Government retains the right to explore for and exploit any natural resource other than hydrocarbons in the license area and may exercise such right in a manner that does not prejudice the licensee's rights and does not hinder the hydrocarbon operations conducted by a licensee.

Ownership rights

Under the Hydrocarbons Law, the Kingdom exercises sovereignty over all hydrocarbon deposits, hydrocarbons and hydrocarbon resources. All hydrocarbons in the Kingdom are owned by the Kingdom and, upon extraction or recovery of such hydrocarbons by the licensee, title to such hydrocarbons shall automatically pass to the licensee at the ownership transfer point. The Kingdom's ownership of hydrocarbon deposits and hydrocarbon resources may not be transferred.

Supervision and implementation of the Hydrocarbons Law

The Ministry of Energy is the only body responsible for implementing the Hydrocarbons Law and overseeing all aspects of a licensee's hydrocarbons operations, including the licensee's technical operations and the review of all the licensee's revenues and expenses. The Ministry of Energy acts as a liaison between relevant bodies and the licensee in relation to a license. The Ministry of Energy is also responsible for preparing and overseeing the national strategies and policies related to hydrocarbons to ensure the implementation, development and appropriate use of hydrocarbon resources, and conservation of the Kingdom's hydrocarbon reserves for future generations.

Production decisions

The Kingdom has the sovereign, exclusive and binding authority to make production decisions related to both the maximum level of hydrocarbons that a licensee can produce at any given point in time and the level of MSC that a licensee must maintain. In each case, the Kingdom shall take into account the Kingdom's economic development, environment conservation, national security, political and developmental goals, foreign policy, diplomatic considerations, domestic energy needs, public interest and any other sovereign interest when making a production decision. In setting the level of MSC, consideration shall be given to the economic or operational effects of a licensee. A licensee must provide the Kingdom with any requested information relating to hydrocarbons exploration, extraction and production, including financial and technical data, discovery data and any other information that could facilitate the issuance of a production decision. The Kingdom has unrestricted access to such information.

Conservation of hydrocarbon resources

The Hydrocarbons Law requires that hydrocarbons operations be managed and maintained in a professional, adequate and active manner in accordance with international industry standards, the Hydrocarbons Law and regulations, and in an economically feasible and efficient manner that promotes the long-term productivity of reservoirs in the licensed area and supports the prudent stewardship of hydrocarbon resources and hydrocarbons, and limits their abandonment.

Additional licensee obligations

A licensee is responsible for taking all prudent and sound procedures to ensure the safety of the licensee's hydrocarbon operations and facilities, in accordance with international industry standards and applicable laws. A licensee is also obligated to take all required precautions, in accordance with the relevant hydrocarbons regulations and international industry standards, to prevent waste and leakage of hydrocarbons, damage to formations containing water and hydrocarbons during drilling, repairing or deepening of wells, or in events of abandonment or relinquishment, and to prevent leakage of gas and liquids into bearing layers or other layers.

The Hydrocarbons Law prohibits any licensee from selling to any entity any hydrocarbons or derivatives obtained through the license in violation of what the Kingdom considers necessary to protect the fundamental security interests of the Kingdom in times of war or other emergencies in international relations.

Law of gas supplies and pricing

Overview

The GSPR was enacted by Royal Decree No. M/36, dated 25/6/1424H (corresponding to August 23, 2003), and applies to the activities of transmission, processing, fractionation, storage, local distribution, aggregation and sales and marketing (each, a Regulated Activity) of any gaseous or liquid hydrocarbons (other than crude oil or condensate) produced in the Kingdom which have been subject to treatment in a gas treatment plant (Regulated Hydrocarbons).

Licenses

Pursuant to the GSPR, a license is required for the conduct of any Regulated Activity. In considering an application for a license, the Ministry of Energy takes into account the long-term security of supply of any Regulated Hydrocarbons, the avoidance of undesirable duplication consistent with the optimal development of the Kingdom's gas industry and the proximity of the proposed Regulated Activity to the MGS.

Aramco as aggregators and tariffs

Under the GSPR, Aramco acts as the aggregator of Regulated Hydrocarbons which access the MGS.

The Ministry of Energy publishes transportation, processing and fractionation tariffs, and other terms and conditions applicable to the MGS and to connections to the MGS as prescribed in the rules of implementation of the GSPR. The tariff and other terms and conditions for services provided through any pipeline that is not connected to the MGS are negotiated between the relevant parties. The rules of implementation of the GSPR set out the criteria for determining third party access tariffs which may be charged for the utilization of any local distribution system.

Marketing and sales rights: price for natural gas

Pursuant to the GSPR, Aramco performs all domestic marketing and sales of natural gas and NGL from the MGS with certain exceptions. Aramco also undertakes the export of NGL produced within the Kingdom. Any company that produces Regulated Hydrocarbons in the Kingdom and does not access the MGS may domestically consume, sell or otherwise domestically dispose of such relevant hydrocarbons as per the terms set by the Ministry of Energy. All natural gas produced by any company is to be priced at the regulated price in the Kingdom at the point of delivery to a major consumer or to a licensee entitled to operate a local distribution system.

Allocation of natural gas and NGL

The necessary allocation to users of Regulated Hydrocarbons is effected by the Ministry of Energy pursuant to criteria set by the Ministry of Energy on the basis of sectoral demand estimates for each of the electricity sector, the petrochemical sector, the water desalination sector, the oil sector and other industrial sectors, reflecting the usages of natural gas and NGL that achieve the optimal efficiency and produce the highest added value to the national economy of the Kingdom.

Regulated domestic pricing of certain hydrocarbons

Setting of domestic prices for regulated hydrocarbons

Pursuant to a series of Council of Ministers Resolutions, the Kingdom has established regulated prices for domestic sales of certain hydrocarbons: crude oil, natural gas (including ethane), NGL (propane, butane and natural gasoline) and certain refined products (kerosene, diesel, heavy fuel oil and gasoline).

Liquids price equalization

Pursuant to Council of Ministers Resolution No. 406, dated 28/6/1438H (corresponding to March 27, 2017), and the Ministerial Resolution issued by the Ministry of Energy, in agreement with the Ministry of Finance, No. 1/2465/1439, dated 10/4/1439H (corresponding to December 28, 2017), when the Company sells crude oil and certain refined products (each a Relevant Liquid Product) domestically at a price below the corresponding equalization prices (described below), it is entitled to compensation from the Government in an amount equal to the cost of the revenues directly forgone as a result of its compliance with the Kingdom's current pricing mandates (the Liquid Price Equalization). The Ministerial Resolution issued by the Ministry of Energy, in agreement with the Ministry of Finance, No. 1/424/1441, dated 18/1/1441H (corresponding to September 17, 2019), effective January 1, 2020, supersedes the prior Ministerial Resolution and expanded the equalization mechanism to include LPGs and certain other products. In the event the equalization price is less than the regulated price, the difference would be due from the Company to the Government.

The Ministry of Energy is responsible for administering the Liquids Price Equalization regime, including the setting of the equalization prices from time to time. The equalization prices are established separately by the Ministry of Energy for each Relevant Liquid Product using a combination of either internationally recognized indices or, where relevant, the Company's official selling price and, depending on the Relevant Liquid Product, on the basis of export parity, import parity or a combination of both. The Company is required to provide information and technical assistance to the Ministry of Energy as necessary for this purpose.

The compensation from the Government is accounted for on a monthly basis and is calculated as the positive difference between the equalization prices and the regulated prices (minus any Government fees). The Company must provide the Ministry of Energy with a statement detailing the total amount due in a monthly period no later than 30 days after the relevant monthly period ends. The Company may then offset this compensation against any taxes payable, and in the event taxes are insufficient, any other amounts due and payable by the Company to the Government, such as royalties.

Gas pricing

From time to time, the Kingdom establishes certain prices for the domestic sale of gas hydrocarbons (the Domestic Price), including those for Regulated Gas Products. Pursuant to Council of Ministers Resolution No. 370, dated 10/7/1439H (corresponding to March 27, 2018), and the Ministerial Resolution issued by the Ministry of Energy, in agreement with the Ministry of Finance, No. 01-5928-1439, dated as at 27/8/1439H (corresponding to May 13, 2018), effective March 17, 2018, the Kingdom established the price due to licensees for the domestic sale of Regulated Gas Products (the Blended Price) in order to ensure that licensees making gas investments realize a commercial rate of return suitable for the development and exploitation of gas resources in the Kingdom (with reasonable rates of return on existing non-associated gas projects and on incremental future non-associated projects).

Effective September 17, 2019, Council of Ministers Resolution No. 55, dated 18/1/1441H (corresponding to September 17, 2019), and the Ministerial Resolution issued by the Ministry of Energy, in agreement with the Ministry of Finance, No. 1/423/1441, dated 18/1/1441H (corresponding to September 17, 2019), were passed, superseding the prior Council of Ministers' resolutions and ministerial resolutions, and removing the requirement that the Domestic Price be no less than the Blended Price. The new framework instead provides that the licensees are entitled to compensation from the Government in an amount equal to the cost of the revenues directly forgone as a result of the licensees' compliance with the Kingdom's pricing mandates if the Domestic Prices are not set at least at the Blended Prices. In the event that the Blended Price is less than the Domestic Price, the difference would be due from the Company to the Government.

The Ministry of Energy is responsible for administering this regime, including setting the Blended Prices from time to time. The Blended Prices are established separately by the Ministry of Energy for each Regulated Gas Product. The Company is required to provide information and technical assistance to the Ministry of Energy as necessary for this purpose.

The compensation from the Government is accounted for on a monthly basis and is calculated as the positive difference between the Blended Prices and the Domestic Prices (minus any Government fees). The Company must provide the Ministry of Energy with a statement detailing the total amount due in a monthly period no later than 30 days after the relevant monthly period ends. The Company may then offset this compensation against any taxes payable, and in the event taxes are insufficient, any other amounts due and payable by the Company to the Government, such as royalties.

Government guarantee

Aramco sells hydrocarbon products to various Government and semi-Government entities, including ministries and other branches of the Government, and separate legal entities in which the Government has share ownership or control. Effective January 1, 2017, the Government guarantees amounts due to Aramco from certain of these entities, subject to a limit on the amount of the guarantee for each entity. The aggregate amount guaranteed in 2018, 2019 and 2020 was SAR 32.7 billion, SAR 26.7 billion and SAR 26.7 billion, respectively. Prior to the beginning of each subsequent fiscal year or during such year upon the change to any Government established domestic prices for hydrocarbon products (such regulated sales constituting the majority of the sales to Government and semi-Government entities covered by the guarantee), the Ministry of Energy will consult with the Ministry of Finance and will provide Aramco with a list of the entities to be covered by the guarantee for that year and the guarantee limit for each covered entity. Government entities previously covered will remain subject to the guarantee, but the guarantee will cease with respect to any entity in which the Government has share ownership or control if such entity pays amounts due to Aramco on a timely basis for five years. Aramco is permitted to discontinue supply to any such Government or semi-Government customer upon the exhaustion of the credit limit or if such customer is no longer a guaranteed customer and fails to pay any amounts when due. Aramco may set off any guaranteed amounts that are past due against taxes due to the Government, or if the amount of taxes is inadequate, any other amounts Aramco owes to the Government.

Compensation for Saudi Strategic Storage Program

Under the Saudi Strategic Storage Program, the Government requires the Company to maintain reserves of certain petroleum products. Pursuant to Council of Ministers Resolution No. 56, dated 18/1/1441H (corresponding to September 17, 2019), effective January 1, 2020, the Government compensates the Company for carrying costs associated with maintaining Government-mandated petroleum product reserves in an amount of $41.2 million per month. Council of Ministers Resolution No. 56 requires that this amount be reviewed by the Ministry of Energy, the Ministry of Finance and the Company every five years.

Income tax and zakat

Saudi resident entities operating in the oil and hydrocarbons production sector are subject to corporate income tax. Accordingly, the Company is subject to an income tax rate of 20% on the activities of exploration and production of non-associated natural gas, including gas condensates, as well as the collection, treatment, processing, fractionation and transportation of associated and non-associated natural gas and their liquids, gas condensates and other associated elements, and an income tax rate of 50% on all other activities, in accordance with the Income Tax Law.

Royal Decree No. M/13, dated 18/1/1441H (corresponding to September 17, 2019), Council of Ministers Resolution No. 54, dated 18/1/1441H (corresponding to September 17, 2019) and Ministerial Resolution issued by the Ministry of Finance No. 559, dated 10/2/1441H (corresponding to October 9, 2019) provide that the tax rate applicable to the downstream activities of certain taxpayers undertaking domestic oil and hydrocarbons production activities will be the general corporate tax rate of 20%, for a five-year period beginning on January 1, 2020, provided the relevant taxpayer splits its downstream activities from the oil and hydrocarbons production activities (into one or more separate legal entities) before December 31, 2024. If the taxpayer does not comply in separating its downstream activities from the oil and hydrocarbons production activities by December 31, 2024, income from downstream activities will be taxed retroactively on an annual basis for such five-year period at 50%. In such case, the taxpayer will be required to pay the difference in taxes due to the Government.

By Royal Decree No. M/153 dated 05/11/1441H (corresponding to June 26, 2020), the Income Tax Law was further amended to provide that shares held directly or indirectly in Saudi tax resident companies that are not carrying out oil and hydrocarbons production activities and listed on the Saudi Stock Exchange (Tadawul) by taxpayers engaged in oil and hydrocarbon activities are now exempt from corporate income taxes and instead subject to zakat, including their indirect interest in those companies (at the level of the investee/subsidiary). This Income Tax Law amendment was effective January 1, 2020.

There are certain rules that apply to the method of calculating the zakat liability. In general, zakat on zakat payers engaged in non-financing activities is currently levied on the higher of the adjusted zakatable profits or the zakat base (following a Hijri year) which, in general, comprises equity, loans and credit balances (subject to certain conditions) and provisions reduced by, among other items, certain deductible long-term investments and fixed assets. The zakat rate on the zakat base is 2.578% if a zakat payer is following the Gregorian financial year and 2.5% if a zakat payer is following Hirji financial year. The zakat rate on zakatable profit is 2.5% regardless of the financial year (Gregorian or Hijri) followed by the zakat payer.

Other relevant laws and regulations

Petrochemical regulations

Pursuant to Royal Order No. 2448, dated 14/01/1442H (corresponding to September 2, 2020), the Ministry of Industry and Mineral Resources now acts as the primary regulator for petrochemical operations in the Kingdom in place of the Ministry of Energy. To date, the Ministry of Industry and Mineral Resources has not issued any regulations exercising this new regulatory authority over the operations of Aramco or its affiliates.

Health and safety regulations

Health and safety matters associated with oil and gas activities are regulated through several Government authorities, including the Ministry of Interior. In addition, the High Commission for Industrial Security issues safety and fire protection directives for industrial facilities which set forth minimum requirements for health and safety management systems. Health and safety principles and obligations are included in Part 8 (Protection against Occupational Hazards, Major Industrial Accidents and Work Injuries, and Health and Social Services) of the Saudi Arabian Labor Law issued under Royal Decree No. M/51, dated 23/8/1426H (corresponding to September 27, 2005), as amended, and Part 5 of the Social Insurance Law, enacted by Royal Decree No. M/22 dated 6/9/1389H (corresponding to October 15, 1969) as amended by Royal Decree No. M/33 dated 3/9/1421H (corresponding to November 29, 2000).

Environmental regulations

The Kingdom introduced a new Environmental Law enacted by Royal Decree No. M/165 dated 19/11/1441H corresponding to July 10, 2020, and repealing the General Environmental Law, enacted by Royal Decree No. M/34, dated 28/7/1422H (corresponding to October 16, 2001). This law sets out wide-ranging prohibitions of pollution and contamination of environmental mediums and water resources along with broad protections for plant covered lands, marine and coastal environments, wildlife and reservations. Additionally, the Environmental Law addresses emergencies and environmental disasters, and details violation and penalties.

Apart from national environmental legislation, other regulations are applicable in certain areas of the Kingdom. The Royal Commission for Jubail and Yanbu' has issued detailed local environmental regulations applicable to facilities located within the Royal Commission areas and contractors operating therein (i.e., the Jubail Industrial City Royal Commission Environmental Regulations of September 1999). Aramco separately requires compliance with environmental standards in certain circumstances. For example, Aramco administers the oil loading terminals at Ras Tanura, Ju'aymah and several smaller terminals independently of the Saudi Ports Authority.

Saudization
The Kingdom has promulgated a Saudization policy (Saudization) implemented by the Ministry of Human Resources and Social Development. Saudization requires Saudi companies to ensure that a certain percentage of their workforce comprises Saudi nationals. Further, investors in the energy sector are encouraged to abide by the Kingdom's broad policies of ensuring a commitment to the training and employment of Saudi nationals. The Nitaqat Saudization Program (the Nitaqat Program) was approved pursuant to the Ministry of Labor and Social Development (predecessor to the Ministry of Human Resources and Social Development) Resolution No. 4040, dated 12/10/1432H (corresponding to September 10, 2011), based on Council of Ministers Resolution No. 50, dated 21/5/1415H (corresponding to October 27, 1994), which was applied as at 12/10/1432H (corresponding to September 10, 2011). The Ministry of Human Resources and Social Development established the Nitaqat Program to encourage establishments to hire Saudi nationals. The Nitaqat Program assesses an establishment's Saudization performance based on specific ranges of compliance, which are platinum, green (which is further divided into low, medium and high ranges), yellow and red. Aramco has been classified under the "High Green" category, which means that Aramco complies with the current Saudization requirements, which accordingly allow the compliant companies to secure work visas.

Moreover, the Ministry of Human Resources and Social Development has approved a new amendment to the Nitaqat Program under the "Nitaqat Mawzon" Program in order to improve the market's performance and development and to eliminate non-productive nationalization. It was intended to come into effect on 12/3/1438H (corresponding to December 11, 2016), but in response to private sector demands for additional time to achieve the nationalization rate, the Ministry of Human Resources and Social Development postponed the program until further notice and no new implementation date has been set. Under the "Nitaqat Mawzon" program, points would be calculated based on five factors: (i) the nationalization rate; (ii) the average wage for Saudi workers; (iii) the percentage of female nationalization; (iv) job sustainability for Saudi nationals; and (v) the percentage of Saudi nationals with high wages. Currently, entities continue to be ranked on the basis of a system of rolling averages which calculate average weekly "Saudization" over a 26-week period.

Additional legal information

Aramco

The Company was established in the Kingdom as a company with limited liability by virtue of Royal Decree No. M/8 dated 4/4/1409H (corresponding to November 13, 1988) to assume the privileges and rights of its predecessor. On January 1, 2018, the Company was converted into a joint stock company pursuant to Council of Ministers Resolution No. 180 dated 1/4/1439H (corresponding to December 19, 2017) and registered in the city of Dhahran under commercial registration No. 2052101150 dated 11/07/1439H (corresponding to March 28, 2018) with Saudi Arabian Oil Company as its official name. Its registered head office is located at P.O. Box 5000, Dhahran 31311, Kingdom of Saudi Arabia. Its share capital is sixty billion Saudi Riyals (SAR 60,000,000,000), consisting of two hundred billion (200,000,000,000) fully paid ordinary shares with no par value. Aramco's primary operating segments are Upstream and Downstream, which are supported by corporate activities (for further details please refer to Section 3: Results and performance).

On December 11, 2019, the Company completed its IPO and its ordinary shares were listed on Tadawul. In connection with the IPO, the Government, being the sole owner of the Company's shares at such time, sold 3.45 billion ordinary shares, or 1.73% of the Company's share capital. In addition, concurrent with the IPO, the Company acquired 117.2 million of its ordinary shares from the Government for a cash payment of SAR 3,750 million which are being classified as treasury shares. These shares are for use by the Company for its employee share plans.

Material agreements

Aramco has entered into a number of agreements for the purposes of its business. The following is a summary of those agreements that Aramco considers material to its business. Aramco believes that all such agreements, in addition to the key provisions thereunder, have been included in this section and that there are no other agreements that are material in the context of its business. These summaries do not purport to describe all the applicable terms and conditions of such agreements and are qualified in their entirety by the respective agreements.

The Concession

Background

The Arabian American Oil Company Concession Agreement was ratified on 4/2/1352H (corresponding to May 29, 1933) and granted Aramco's predecessor certain exclusive rights, including the right to explore, drill, recover and treat crude oil and other hydrocarbons located within certain areas of the Kingdom (which were revised and grew over time), with limited territorial exceptions. Pursuant to Royal Decree No. M/8 dated 4/4/1409H (corresponding to November 13, 1988) approving Aramco's original articles, Aramco enjoyed all the privileges and rights provided under the Arabian American Oil Company Concession Agreement, and all subsequent supplementary documents, agreements, governmental orders and decisions in connection therewith (collectively, the "Original Concession"). Effective 6/4/1439H (corresponding to December 24, 2017), and in accordance with the Hydrocarbons Law, the Government, represented by the Minister of MEIM (predecessor to the Minister of Energy), and Aramco entered into the revised Concession Agreement (the "Concession"), which was adopted under Royal Decree No. (M/12) dated 18/1/1441H (corresponding to September 17, 2019) and replaced and superseded in its entirety the Original Concession on such date (the "Concession Effective Date"). Further, on 20/1/1441H (corresponding to September 19, 2019), and in accordance with the Hydrocarbons Law, the Government, represented by the Minister of Energy, and Aramco entered into an amendment to the Concession, with effect from January 1, 2020) (the "Concession Amendment").

Grant of rights

The Government grants Aramco the following rights to be exercised at Aramco's own responsibility during the term of the Concession:

- the exclusive right to explore, drill, prospect, appraise, develop, extract, recover and produce hydrocarbons in the Concession Area;
- the non-exclusive right to manufacture, refine and treat production and to market, sell, transport and export such production;
- the exclusive right to market and distribute hydrocarbons, petroleum products and LPG in the Kingdom, with Aramco's commitment to meeting all the domestic market's needs for such products in accordance with the consumption requirements thereof through domestic production or imports in accordance with laws issued by the Government;
- the right to build, own and operate relevant facilities and assets as may be necessary or desirable to perform Aramco's operations within the Reserved Areas;
- certain rights to acquire and use land, water and other natural products in connection with Aramco's operations;
- the right to purchase, lease, import or otherwise obtain all materials, equipment and any other supplies required for Aramco's operations;
- the right to conduct such other activity related to the foregoing subject to the provisions of the Concession and applicable law; and
- the right to receive Government assistance in securing the rights granted in the Concession, obtaining permits, licenses and other special approvals and obtaining access, rights of way and water rights from third parties necessary for Aramco's operations.

Under the Concession, Aramco is required to obtain the necessary licenses, permits and approvals that may be required pursuant to the Hydrocarbons Law, the Law of Gas Supplies and Pricing and the regulations issued pursuant to these laws. All hydrocarbons in the Kingdom are owned by the Kingdom, and upon extraction or recovery of such hydrocarbons by Aramco, title to such hydrocarbons shall automatically pass to Aramco at the ownership transfer point. Aramco has no rights to any natural resources existing in the Concession Area other than hydrocarbons except as otherwise provided in the Concession.

The rights granted to Aramco under the Concession are subject to the Hydrocarbons Law and other applicable law, including production decisions issued by the Government pursuant to its sovereign authority. Aramco may not sell to any entity any hydrocarbons or derivatives therefrom in violation of decisions the Government considers necessary for the protection of supreme security interests for the Kingdom in times of war or other emergency in international relations.

Term

The Concession will remain effective for 40 years from the Concession Effective Date, unless terminated earlier in accordance with its terms.

The Government will issue a decision to extend the Concession for a period of 20 years on the 30th anniversary of the Concession Effective Date, provided Aramco has fulfilled the following conditions: (a) Aramco has exerted reasonable efforts to maximize reserves and their recovery in the Concession Area, taking into consideration production decisions and hydrocarbons market conditions; (b) Aramco has conducted its operations in a manner that (i) is economically efficient, (ii) enhances the productivity of the reservoirs in the long-term in the Concession Area and (iii) supports good management of hydrocarbons, in all cases, according to the Hydrocarbons Law; and (c) Aramco generally has conducted its activities and operations in the Kingdom in an economically efficient manner thereby enhancing the efficiency of the Kingdom's economy.

If the Concession is extended as described in the previous paragraph, the Concession may be amended and extended for an additional 40 years following the 60th anniversary of the Concession Effective Date, if Aramco provides the Government with notice confirming its intent to extend the Concession, at any time from the beginning of the 50th anniversary until the end of the 53rd anniversary of the Concession Effective Date, provided that the parties undertake exclusive negotiations for a two-year period (which may be extended or reduced by the parties), commencing at the end of the 53rd anniversary of the Concession Effective Date, to reach an agreement on the terms and conditions of such amendment and extension. If the Government and Aramco are unable to reach agreement on the amendment and extension during such exclusive negotiation period, and the Government elects to negotiate with any third party to enter into an agreement with respect to any hydrocarbons activities or operations in the Concession Area, Aramco will have a priority right to enter into an agreement with the Government under the same terms and conditions as agreed between the Government and such third party, provided that Aramco notifies the Government of its desire to exercise the priority right within 120 days of its receipt of a written notice from the Government that includes the entire draft agreement with such third party with respect to such hydrocarbons activities and operations.

Royalty and taxes

As at December 31, 2016, the royalty payable to the Government under the Original Concession consisted of an amount equal to (a) 20% of the value of crude oil and the crude equivalent of refined products sold as exports, (b) 12.5% of the proceeds received from the sale of gas, (c) 12.5% of $0.035 per mmBTU of natural gas processed in the production of gas derivatives and (d) a certain amount per quantity of crude oil and the crude equivalent of refined products sold in-Kingdom. Pursuant to these requirements, the Company incurred royalties of SAR 101.3 billion ($27.0 billion) for the year ended December 31, 2016.

Commencing January 1, 2017, royalties payable to the Government with respect to the Company's operations were calculated as follows:

- With respect to the Company's production of crude oil and condensates, including those used by the Company in its operations, royalties were calculated based on a progressive scheme applied to crude oil and condensate production value. Production was valued based on the Company's official selling prices. An effective royalty rate was applied to production value and was based each month on the average daily price quotes for Brent crude on the Intercontinental Exchange (or any successor exchange) for each day during such period. The effective royalty rate was determined based on a baseline rate of 20% applied to the value of production at prices up to $70 per barrel, a marginal rate of 40% applied to the value of production at prices above $70 per barrel up to $100 per barrel and a marginal rate of 50% applied to the value of production at prices above $100 per barrel.
- With respect to the Company's production of natural gas, ethane and NGL, excluding those volumes used by the Company for upstream operations and related operations (including transportation, pipelines and storage and export facilities, fractionation plants, gas and NGL plants), royalties are calculated based on a flat royalty rate of 12.5% applied to a factor established by the Ministry of Energy. As at December 31, 2020, the factor to which this royalty is applied is $0.035 per mmBTU for NGL (propane, butane and natural gasoline) and $0.00 per mmBTU for natural gas (methane) and ethane. The Minister of Energy may amend the price on which such values are based, taking into account the price that achieves the targeted internal rate of return set by the Minister of Energy in coordination with the Company.

Commencing January 1, 2020, the Concession Amendment amended the royalties payable to the Government with respect to the Company's production of crude oil and condensates, including those used by the Company in its operations, so that the effective royalty rate is determined based on a baseline rate of 15% applied to the value of production at prices up to $70 per barrel, a marginal rate of 45% applied to the value of production at prices above $70 per barrel up to $100 per barrel and a marginal rate of 80% applied to the value of production at prices above $100 per barrel.

In order to increase gas production to meet the needs of the Kingdom, the Government may choose not to collect royalties on natural gas, NGL (including ethane) and condensates for a period specified by the Government with respect to any field as required by the economics of such field's development. Pursuant to the Ministry of Energy's authority under the Concession, on February 25, 2018, the Ministry of Energy decided not to collect royalties from the Company on condensate production for a grace period of five years beginning on January 1, 2018. On September 17, 2019, the Ministry of Energy issued Ministerial Resolution No. 1/422/1441, dated 18/1/1441H (corresponding to September 17, 2019), which extends the period for which the Company will not be obligated to pay royalties on condensate production after the current five-year period for an additional 10-year period, which may be further extended for subsequent 10-year periods, unless the Government determines the economics impacting gas field development do not warrant such an extension.

The Government has the option to take all or part of the royalty in-kind from the produced hydrocarbons.

Acquisition of 70% equity interest in SABIC

On June 16, 2020, Aramco acquired the PIF's 70% equity interest in SABIC for total consideration of $69.1 billion. SABIC operates in over 50 countries and produces a range of chemicals. Aramco believes that purchasing this majority interest in SABIC advances its strategy to increase the proportion of petrochemicals production in its downstream portfolio and supports Aramco's downstream growth ambitions. In addition, Aramco believes that the acquisition facilitates the application of SABIC's expertise in the chemicals industry to Aramco's existing and future integrated downstream facilities.

The March 27, 2019, purchase agreement provided that the purchase price for the acquisition would be paid on the closing date in the form of a cash payment equal to 50% of the purchase price (to be adjusted for certain expenses) and a seller loan in an amount equal to 50% of the purchase price with the last payment due on or before December 31, 2021. On October 6, 2019, Aramco and the PIF agreed to amend the payment terms to provide that, on the closing date, 36% of the purchase price (to be adjusted for certain expenses) would be paid in cash and 64% would be paid in the form of a seller loan with the last payment due on or before September 30, 2025.

On June 16, 2020, Aramco and the PIF agreed to further amend the payment terms to provide that the entire purchase price would be paid over several installments pursuant to a seller loan provided by the PIF. A loan payment of $7.0 billion was paid on August 2, 2020.

Future loan payments, which are represented by promissory notes, are payable between April 7, 2021, and April 7, 2028 (the last payment), as follows:

i. on or before April 7, 2021, an amount equal to $5.0 billion;

ii. on or before April 7, 2022, an amount equal to $8.5 billion plus a loan charge of $500 million (subject to reduction by $300 million in the event that the accelerated payment described below is made);

iii. on or before April 7, 2023, an amount equal to $10.5 billion plus a loan charge of $500 million;

iv. on or before April 7, 2024, an amount equal to $10.5 billion plus a loan charge of $600 million;

v. on or before April 7, 2025, an amount equal to $10.5 billion plus a loan charge of $800 million;

vi. on or before April 7, 2026, an amount equal to $17.1 billion (provided that (a) $3.0 billion of such amount is subject to acceleration as described below and (b) such amount will be reduced by the amount of any withholding taxes and similar amounts that Aramco incurs with respect to payments made under any promissory note as a result of the PIF's transfer thereof to a transferee who is not tax resident in the Kingdom) plus a loan charge of $1.5 billion;

vii. on or before April 7, 2027, a loan charge of $1.0 billion (subject to reduction to reflect certain withholding amounts as described above); and

viii. on or before April 7, 2028, a loan charge of $1.0 billion (subject to reduction to reflect certain withholding amounts as described above).

In the event that the average Brent price during 2021 meets or exceeds $60.0 per barrel and Aramco's average daily production of crude oil during 2021 exceeds ten million barrels per day, Aramco will be required to pay $3.0 billion of the payment otherwise due in April 2026 on April 7, 2022 (the "Early Payment Event").

Subject to the exceptions set forth below, the promissory notes are freely transferable and assignable and may be pledged by the PIF. However, if the PIF receives any offer or commitment of financing which would include a transfer of any promissory note, Aramco may within 30 days of receiving notice of the offer or commitment, notify the PIF in writing of its intent to purchase all or a portion of the promissory notes to be transferred on the same terms. To the extent Aramco does not elect to purchase the promissory notes to be transferred, the PIF may transfer such promissory note during the subsequent 120-day period. In addition, the PIF may not transfer, assign or pledge prior to April 8, 2022, promissory notes with aggregate initial principal outstanding balances of (i) $300 million and a payment date of April 7, 2022, and (ii) $3.0 billion and a payment date of April 7, 2026; provided that, if Aramco determines that the Early Payment Event will not occur by April 8, 2022, it is required to notify the PIF and the restrictions on transfer will terminate. Each such promissory note must be surrendered for cancellation in the event the accelerated payment described above is made. Furthermore, the PIF may not transfer, assign or pledge at any time promissory notes with aggregate initial principal outstanding balances of (i) $3.5 billion and a payment date of April 7, 2026, (ii) $250 million and a payment date of April 7, 2027, and (iii) $250 million and a payment date of April 7, 2028. Aramco currently intends to repay the promissory notes in a phased manner through cash from operations, external debt financing or a combination thereof.

As part of the June 16, 2020, amendment to the purchase agreement, Aramco agreed to enter into foreign exchange transactions with banking institutions mutually agreed to between Aramco and the PIF to exchange U.S. Dollars for Saudi Riyals. The aggregate amount of these foreign exchange transactions is (i) up to $2.0 billion between June 16, and August 2, 2020, (ii) up to $3.0 billion in 2021 and (iii) up to $2.0 billion in 2022. In connection therewith, between June 16, and August 2, 2020, Aramco exchanged an aggregate amount of $2.0 billion for Saudi Riyals.

Intellectual property

Aramco assesses, develops and incorporates new technology in a manner tailored to Aramco's operations to protect business interests, enhance its operational efficiency, increase profitability and reduce the environmental impact of its operations. The scale of Aramco's hydrocarbon reserves and operational capabilities enable it to realize significant benefits and value from otherwise marginal technological benefits.

Aramco focuses its technology initiatives in two primary areas: upstream and downstream. In addition, Aramco is working on several focused initiatives, including reductions in the environmental impact of operations and advancements in digital technologies. Upstream technology development is directed primarily to improving methods for discovering new hydrocarbon reserves, improving oil recoveries, increasing productivity, discovering novel catalysts and reducing lifting costs. Downstream technology development is dedicated primarily to maximizing value across the hydrocarbon chain and finding new and improved methods of producing products. Aramco's environmental impact initiatives include efforts aimed at producing low carbon intensity crude oil, advancing efficient transport and driving high-impact low carbon intensity solutions. Aramco's digital technologies include innovations that leverage machine learning, artificial intelligence, and data analytics.

Litigation

From time to time, Aramco is subject to various claims, lawsuits, regulatory investigations and other legal matters arising in the ordinary course of business, including contractual claims relating to construction projects and agreements to render services undertaken by Aramco, claims for title to land and environmental claims. Additionally, Aramco in the past has been subject to antitrust claims.

Furthermore, exports of crude oil, refined products and petrochemicals by Aramco or its affiliates to foreign countries may be affected by litigation, regulatory actions, investigations, disputes or agreements that lead to the imposition of import trade measures, including anti-dumping and countervailing duties, safeguard measures, import licensing and customs requirements, and new or increased tariffs, quotas or embargos. The possibility and effect of any such measures will depend on the domestic laws in the relevant country to which the applicable products are being exported and applicable international trade agreements. Foreign countries may take such measures for political or other reasons, including reasons unrelated to Aramco actions or operations.

The outcome of litigation and other legal matters, including government investigations or other trade actions, is inherently uncertain. Aramco believes it has valid defenses to the legal matters currently pending against it as a party. Certain trade actions that do not involve Aramco as a party may instead involve its products or industry, other products or industries impacting its operations, or the countries in which it operates. Trade actions may be taken without prior notice, or with retroactive effect. Actual outcomes of these legal, regulatory and other proceedings may materially differ from current estimates. To date, none of these types of litigation or trade matters has had a material impact on Aramco's operations or financial position. Except with respect to the Al-Qarqani case as described in Section 5: Risk, Aramco believes that it is not presently a party to any legal, regulatory or other proceedings that, if determined adversely to it, could reasonably be expected, individually or taken together, to have a material adverse effect on Aramco's business, financial position or results of operations.

Debt instruments issued by subsidiaries

All amounts in millions SAR unless otherwise stated	Debt instrument	Balance as at December 31, 2020[1]
Motiva Enterprise LLC	Debentures	7,249
Sadara Chemical Company	Sukuk	5,760
Saudi Aramco Sukuk Company	Sukuk	11,250
Saudi Aramco Total Refining and Petrochemical Company ("SATORP")	Sukuk	2,250
Saudi Basic Industries Corporation ("SABIC")	Debentures	11,970
S-Oil Corporation	Debentures	11,021

1. Represents 100% of the balance as reported in the respective subsidiaries' balance sheet.

Shares issued by subsidiaries

The Company holds direct or indirect ownership in the following domestic and foreign subsidiaries:

				Share capital	
Name of entity	Place of business / country of incorporation	Percentage ownership	Principal business activity	Currency	Amount (millions)
A. Wholly owned					
4 Rivers Energy LLC	USA	100%	Retail fuel operations	USD	–
Aramco (Beijing) Venture Management Consultant Co. Ltd	People's Republic of China	100%	Investment	USD	2.1
Aramco Affiliated Services Company	USA	100%	Support services	USD	0.0
Aramco Asia India Private Limited	India	100%	Purchasing and other services	INR	2.9
Aramco Asia Japan K.K.	Japan	100%	Purchasing and other services	JPY	738.2
Aramco Asia Korea Ltd.	South Korea	100%	Purchasing and other services	KRW	4,302.9
Aramco Asia Singapore Pte. Ltd.	Singapore	100%	Purchasing and other services	USD	3.9
Aramco Associated Company	USA	100%	Aircraft operations	USD	–
Aramco Capital Company, LLC	USA	100%	Aircraft leasing	USD	–
Aramco Chemicals Company	Saudi Arabia	100%	Chemicals	SAR	75.0
Aramco Far East (Beijing) Business Services Co., Ltd.	People's Republic of China	100%	Petrochemical purchasing/sales and other services	USD	25.0
Aramco Financial Services Company	USA	100%	Financing	USD	0.0
Aramco Gulf Operations Company Ltd.	Saudi Arabia	100%	Production and sale of crude oil	USD	0.3
Aramco Innovations LLC	Russia	100%	Research and commercialization	USD	0.2
Aramco International Company Limited	British Virgin Islands	100%	Support services	USD	0.0
Aramco Lubricants and Retail Company (formerly: Saudi Aramco Retail Company)	Saudi Arabia	100%	Retail fuel marketing	SAR	0.2
Aramco Overseas Company Azerbaijan	Azerbaijan	100%	Support services	USD	0.0
Aramco Overseas Company B.V.	Netherlands	100%	Purchasing and other services	USD	40.1
Aramco Overseas Company Spain, S.L.	Spain	100%	Personnel and other support services	USD	0.0
Aramco Overseas Company UK, Limited	United Kingdom	100%	Personnel and other support services	USD	0.0
Aramco Overseas Egypt LLC	Egypt	100%	Personnel and other support services	EGP	0.1
Aramco Overseas Indonesia PT PMA ("AOI")	Indonesia	100%	Project management support	IDR	2,500.0
Aramco Overseas Malaysia Sdn. Bhd	Malaysia	100%	Personnel and other support services	USD	0.1
Aramco Performance Materials LLC	USA	100%	Petrochemical manufacture and sales	USD	0.9
Aramco Services Company	USA	100%	Purchasing, engineering and other services	USD	0.0

Shares issued by subsidiaries continued

Name of entity	Place of business / country of incorporation	Percentage ownership	Principal business activity	Share capital Currency	Share capital Amount (millions)
Aramco Shared Benefits Company	USA	100%	Benefit administration	USD	0.0
Aramco Trading Company	Saudi Arabia	100%	Importing, exporting and trading of crude oil, refined and chemical products	USD	35.0
Aramco Trading Fujairah FZE	UAE	100%	Importing/exporting refined products	AED	0.2
Aramco Trading Limited	United Kingdom	100%	Importing/exporting refined products	GBP	0.0
Aramco Trading Singapore PTE-LTD	Singapore	100%	Marketing and sales support	USD	4.5
Aramco Venture Management Consultant Company LLC ("AVM")	USA	100%	Consulting services	n/a	n/a
Aramco Ventures Holdings Limited	Guernsey	100%	Investment	USD	–
Aramco Ventures Investments Limited	Guernsey	100%	Investment	USD	–
ARLANXEO Holding B.V.	Netherlands	100%	Development, manufacture, and marketing of high-performance rubber	USD	0.0
ARLANXEO Belgium N.V.	Belgium	100%	Development, manufacture, and marketing of high-performance rubber	EUR	108.4
ARLANXEO Branch Offices B.V	Netherlands	100%	Development, manufacture, and marketing of high-performance rubber	EUR	0.1
ARLANXEO Brasil S.A.	Brazil	100%	Development, manufacture, and marketing of high-performance rubber	BRL	1,264.0
ARLANXEO Canada Inc.	Canada	100%	Development, manufacture, and marketing of high-performance rubber	USD	46.9
ARLANXEO Deutschland GmbH	Germany	100%	Development, manufacture, and marketing of high-performance rubber	EUR	0.0
ARLANXEO Elastomères Frances S.A.S.	France	100%	Development, manufacture, and marketing of high-performance rubber	EUR	4.0
ARLANXEO Emulsion Rubber France S.A.S.	France	100%	Development, manufacture, and marketing of high-performance rubber	EUR	19.1
ARLANXEO High Performance Elastomers (Changzhou) Co., Ltd.	People's Republic of China	100%	Development, manufacture, and marketing of high-performance rubber	CNY	1,143.2
ARLANXEO India Private Limited	India	100%	Development, manufacture, and marketing of high-performance rubber	INR	22.5
ARLANXEO Netherlands B.V.	Netherlands	100%	Development, manufacture, and marketing of high-performance rubber	EUR	30.4
ARLANXEO Singapore Pte. Ltd.	Singapore	100%	Development, manufacture, and marketing of high-performance rubber	USD	378.6
ARLANXEO Switzerland S.A.	Switzerland	100%	Development, manufacture, and marketing of high-performance rubber	USD	0.7
ARLANXEO USA LLC	USA	100%	Development, manufacture, and marketing of high-performance rubber	USD	–
Petroflex Trading S.A.	Uruguay	100%	Development, manufacture, and marketing of high-performance rubber	USD	–

Shares issued by subsidiaries continued

Name of entity	Place of business / country of incorporation	Percentage ownership	Principal business activity	Share capital Currency	Share capital Amount (millions)
Aurora Capital Holdings LLC	USA	100%	Real estate holdings	USD	–
Bolanter Corporation N.V.	Curaçao	100%	Crude oil storage	USD	0.0
Briar Rose Ventures LLC	USA	100%	Real estate holdings	USD	–
Canyon Lake Holdings LLC	USA	100%	Retail fuel operations	USD	–
Excellent Performance Chemicals Company	Saudi Arabia	100%	Petrochemical manufacture and sales	USD	0.3
Investment Management Company	Saudi Arabia	100%	Investment management of post-employment benefit plans	USD	0.1
Motiva Chemicals LLC	USA	100%	Petrochemical manufacture	USD	–
Motiva Enterprises LLC	USA	100%	Refining and marketing	USD	8,008.7
Motiva Pipeline LLC	USA	100%	Refining	USD	–
Motiva Trading LLC	USA	100%	Purchasing and sale of petroleum goods and other services	USD	–
Mukamala International Investments Company	Saudi Arabia	100%	Investment	USD	–
Mukamala Oil Field Services Limited Company	Saudi Arabia	100%	Oil field services	USD	461.1
Pandlewood Corporation N.V.	Curaçao	100%	Financing	USD	0.0
Pedernales Ventures II LLC ("PVII")	USA	100%	Investment	USD	0.0
Pedernales Ventures LLC	USA	100%	Retail fuel operations	USD	–
SAEV Europe Ltd.	United Kingdom	100%	Investment	USD	0.0
SAEV Guernsey 1 Ltd.	Guernsey	100%	Investment	USD	2.4
SAEV Guernsey Holdings Ltd.	Guernsey	100%	Investment	USD	–
Saudi Aramco Asia Company Ltd.	Saudi Arabia	100%	Investment	USD	0.1
Saudi Aramco Capital Company Limited	Guernsey	100%	Investment	USD	–
Saudi Aramco Development Company	Saudi Arabia	100%	Investment	USD	0.1
Saudi Aramco Energy Ventures – U.S. LLC	USA	100%	Investment	USD	0.0
Saudi Aramco Energy Ventures LLC	Saudi Arabia	100%	Investment	USD	0.1
Saudi Aramco Entrepreneurship Center Company Ltd.	Saudi Arabia	100%	Financing	SAR	0.5
Saudi Aramco Entrepreneurship Venture Company, Ltd.	Saudi Arabia	100%	Investment	SAR	0.5
Saudi Aramco Jubail Refinery Company	Saudi Arabia	100%	Refining	USD	426.7
Saudi Aramco Power Company	Saudi Arabia	100%	Power generation	USD	0.0
Saudi Aramco Sukuk Company	Saudi Arabia	100%	Investment	SAR	0.5
Saudi Aramco Technologies	Saudi Arabia	100%	Research and commercialization	USD	0.1
Saudi Aramco Upstream Technology Company	Saudi Arabia	100%	Research and commercialization	USD	0.1
Saudi Petroleum International, Inc.	USA	100%	Marketing support services	USD	0.0
Saudi Petroleum Overseas, Ltd.	United Kingdom	100%	Marketing support and tanker services	GBP	0.0
Saudi Petroleum, Ltd.	British Virgin Islands	100%	Marketing support and tanker services	USD	0.0
Saudi Refining, Inc.	USA	100%	Refining and marketing	USD	0.0
Stellar Insurance, Ltd.	Bermuda	100%	Insurance	USD	0.1
Vela International Marine Ltd.	Liberia	100%	Marine management and transportation	USD	0.0
Wisayah Global Investment Company	Saudi Arabia	100%	Financial support	SAR	0.5

Shares issued by subsidiaries continued

Name of entity	Place of business / country of incorporation	Percentage ownership	Principal business activity	Share capital Currency	Share capital Amount (millions)
B. Unconsolidated structured entity					
Energy City Development Company ("SPARK")	Saudi Arabia	n/a	Industrial development	n/a	n/a
Energy City Operating Company ("SPARK")	Saudi Arabia	n/a	Industrial development	n/a	n/a
C. Non-wholly owned[1]					
Aramco Training Services Company	USA	49%	Training	USD	0.0
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	People's Republic of China	50%	Development, manufacture, and marketing of high-performance rubber	CNY	288.3
Johns Hopkins Aramco Healthcare Company	Saudi Arabia	80%	Health care	USD	25.0
Saudi Aramco Base Oil Company – LUBEREF	Saudi Arabia	70%	Production and sale of petroleum based lubricants	USD	0.0
Saudi Aramco Nabors Drilling Company	Saudi Arabia	50%	Drilling	USD	40.0
Saudi Aramco Rowan Offshore Drilling Company	Saudi Arabia	50%	Drilling	USD	50.0
S-Oil Corporation	South Korea	61.6%	Refining	USD	265.2
S-Oil Singapore Pte. Ltd.	Singapore	61.6%	Marketing support	SGD	1.2
S-International Ltd.	The Independent State of Samoa	61.6%	Purchasing and sale of petroleum goods	USD	0.0
Saudi Basic Industries Corporation ("SABIC")	Saudi Arabia	70%	Holding	SAR	30,000.0
SABIC Luxembourg S.àr.l. ("SLUX")	Luxembourg	70%	Holding	USD	34.4
SABIC Industrial Investments Company ("SIIC")	Saudi Arabia	70%	Holding	SAR	300.0
Arabian Petrochemical Company ("PETROKEMYA")[2]	Saudi Arabia	70%	Toller	SAR	1,955.5
Saudi Iron and Steel Company ("HADEED")	Saudi Arabia	70%	Metals	SAR	1,070.0
SABIC Investment and Local Content Development Company ("NUSANED")	Saudi Arabia	70%	Investment	SAR	10.0
SABIC Agri-Nutrients Investment Company ("SANIC")	Saudi Arabia	70%	Agri-Nutrients	SAR	0.0
International Shipping and Transportation Co. ("ISTC")	Saudi Arabia	70%	Support services	SAR	40.0
SABIC Supply Chain Services Limited Company ("SSCS")	Saudi Arabia	70%	Petrochemical	SAR	0.5
Saudi Specialty Chemicals Company ("SP. CHEM")[2]	Saudi Arabia	70%	Petrochemical	SAR	220.0
Saudi Organometallic Chemicals Company ("SOCC")[2]	Saudi Arabia	70%	Petrochemical	SAR	90.0
National Chemical Fertiliser Company ("IBN AL-BAYTAR")	Saudi Arabia	50%	Agri-Nutrients	SAR	494.7
National Industrial Gases Company ("GAS")	Saudi Arabia	49%	Toller	SAR	248.0
Yanbu National Petrochemical Company ("YANSAB")	Saudi Arabia	36.4%	Toller	SAR	5,625.0
Saudi Methanol Company ("AR-RAZI")	Saudi Arabia	52.5%	Toller	SAR	259.0
Al-Jubail Fertiliser Company ("AL BAYRONI")	Saudi Arabia	35%	Agri-Nutrients	SAR	671.5
National Methanol Company ("IBN-SINA")	Saudi Arabia	35%	Toller	SAR	558.0
Arabian Industrial Fibers Company ("IBN RUSHD")	Saudi Arabia	33.6%	Toller	SAR	2,000.0
SABIC Agri-Nutrients Company ("SABIC AGRI-NUTRIENTS") (formerly: Saudi Arabian Fertilizer Company ("SAFCO"))	Saudi Arabia	30%	Agri-Nutrients	SAR	4,166.7
SABIC Industrial Catalyst Company ("SABCAT")	Saudi Arabia	n/a[3]	Petrochemical	SAR	0.50
Saudi Carbon Fibre Company ("SCFC")	Saudi Arabia	n/a[3]	Petrochemical	SAR	0.50
Saudi Japanese Acrylonitrile Company ("SHROUQ")	Saudi Arabia	n/a[3]	Petrochemical	SAR	171.2
SABIC Innovative Plastics Argentina SRL	Argentina	70%	Petrochemical manufacture and sales	USD	11.0

Shares issued by subsidiaries continued

Name of entity	Place of business / country of incorporation	Percentage ownership	Principal business activity	Share capital Currency	Share capital Amount (millions)
SHPP Argentina SRL	Argentina	70%	Petrochemical manufacture and sales	USD	0.0
SABIC Australia Pty Ltd.	Australia	70%	Holding	AUD	110.2
SABIC Innovative Plastics GmbH & Co. KG	Austria	70%	Agent	EUR	164.7
SABIC Innovative Plastics South America-Indústria e Comércio de Plásticos Ltda	Brazil	70%	Petrochemical manufacture and sales	BRL	318.8
SHPP South America Comércio de Plásticos Ltda	Brazil	70%	Petrochemical manufacture and sales	BRL	16.3
NV Pijpleiding Antwerpen-Limburg-Luik ("PALL")	Belgium	70%	Support services	EUR	12.3
SABIC Belgium NV	Belgium	70%	Petrochemical	EUR	210.1
SHPP Canada, Inc.	Canada	70%	Petrochemical	CAD	176.7
SABIC Petrochemicals Canada, Inc.	Canada	70%	Petrochemical manufacture and sales	CAD	0.0
SABIC Innovative Plastics (China) Co., Ltd.	People's Republic of China	70%	Petrochemical	USD	392.2
SABIC Innovative Plastics (Chongqing) Co., Ltd.	People's Republic of China	70%	Petrochemical manufacture and sales	USD	112.5
SABIC Innovative Plastics International Trading (Shanghai) Ltd.	People's Republic of China	70%	Reseller	USD	1.2
SABIC Innovative Plastics Management (Shanghai) Co., Ltd.	People's Republic of China	70%	Support services	CNY	7.5
SHPP (Shanghai) Co., Ltd.	People's Republic of China	70%	Petrochemical	USD	432.7
SABIC (Shanghai) Trading Co. Ltd.	People's Republic of China	70%	Reseller	CNY	16.9
SABIC (China) Research & Development Co. Ltd.	People's Republic of China	70%	T&I	CNY	170.6
SABIC China Holding Co. Ltd.	People's Republic of China	70%	Petrochemical	CNY	–
SABIC Innovative Plastics Czech s.r.o.	Czech Republic	70%	Agent	CZK	0.0
SHPP Czech s.r.o.	Czech Republic	70%	Reseller	EUR	0.0
SABIC Innovative Plastics Denmark Aps	Denmark	70%	Agent	DKK	0.1
SABIC Nordic A/S	Denmark	70%	Agent	DKK	2.0
SHPP Denmark Aps	Denmark	70%	Reseller	EUR	0.0
SABIC Innovative Plastics Finland OY	Finland	70%	Agent	EUR	3.0
SHPP Finland Oy	Finland	70%	Reseller	EUR	0.0
SABIC France S.A.S.	France	70%	Reseller	EUR	1.9
SABIC Innovative Plastics France S.A.S.	France	70%	Agent	EUR	4.5
SHPP France S.A.S.	France	70%	Reseller	EUR	9.8
SABIC Deutschland GmbH	Germany	70%	Reseller	EUR	0.1
SABIC Holding Deutschland GmbH	Germany	70%	Holding	EUR	0.1
SABIC Innovative Plastics GmbH	Germany	70%	Agent	EUR	0.5
SABIC Innovative Plastics Holding Germany GmbH	Germany	70%	Holding	EUR	0.3
SABIC Polyolefine GmbH	Germany	70%	Toller	EUR	0.1
SHPP Germany GmbH	Germany	70%	Reseller	EUR	0.1
SABIC Greece M.E.P.E.	Greece	70%	Agent	EUR	0.1

Shares issued by subsidiaries continued

Name of entity	Place of business / country of incorporation	Percentage ownership	Principal business activity	Share capital Currency	Share capital Amount (millions)
SABIC Innovative Plastics Hong Kong Ltd.	Hong Kong	70%	Reseller	USD	279.7
SABIC Innovative Plastics SIT Holding Ltd.	Hong Kong	70%	Holding	USD	27.4
SABIC Innovative Plastics Taiwan Holding Ltd.	Hong Kong	70%	Petrochemical	USD	92.7
SHPP Hong Kong	Hong Kong	70%	Reseller	USD	12.7
SABIC Hungary Kft.	Hungary	70%	Agent	HUF	0.1
SABIC Innovative Plastics Kereskedelmi Kft.	Hungary	70%	Agent	HUF	0.1
SHPP Hungary Kft.	Hungary	70%	Reseller	EUR	0.0
SABIC India Pvt Ltd.	India	70%	Agent	INR	3.3
SABIC Innovative Plastics India Private Ltd.	India	70%	Petrochemical manufacture and sales	INR	34.4
SABIC R&T Pvt Ltd.	India	70%	T&I	INR	259.7
High Performance Plastics India Pvt Ltd.	India	70%	Petrochemical manufacture and sales	INR	0.0
SABIC Innovative Plastics Italy Srl	Italy	70%	Toller	EUR	69.8
SABIC Italia Srl	Italy	70%	Reseller	EUR	0.5
SABIC Sales Italy Srl	Italy	70%	Agent	EUR	0.0
SHPP Italy Srl	Italy	70%	Toller	EUR	0.0
SHPP Sales Italy Srl	Italy	70%	Reseller	EUR	0.0
SHPP Japan LLC	Japan	70%	Petrochemical manufacture and sales	JPY	276.8
SABIC Petrochemicals Japan LLC	Japan	70%	Petrochemical	JPY	3.63
SABIC Korea Ltd.	South Korea	70%	Petrochemical	KRW	86.7
SHPP Korea Ltd.	South Korea	70%	Reseller	KRW	63.6
SABIC Innovative Plastics Malaysia Sdn Bhd	Malaysia	70%	Agent	MYR	44.7
SHPP Malaysia Sdn Bhd	Malaysia	70%	Reseller	USD	0.9
SABIC Innovative Plastics Mexico S de RL de CV	Mexico	70%	Petrochemical manufacture and sales	USD	36.2
SABIC Innovative Plastics Servicios Mexico S de RL de CV	Mexico	70%	Support services	MXN	1.6
High Performance Plastics Manufacturing Mexico S de RL de CV	Mexico	70%	Petrochemical manufacture and sales	USD	13.8
High Performance Plastics Service Mexico S de RL de CV	Mexico	70%	Support services	MXN	0.0
BV Snij-Unie HiFi	Netherlands	70%	Petrochemical manufacture and sales	EUR	0.0
SABIC Capital B.V.	Netherlands	70%	Financing	USD	0.1
SABIC Capital I B.V.	Netherlands	70%	Financing	USD	0.1
Petrochemical Pipeline Services B.V.	Netherlands	70%	Support services	EUR	13.6
SABIC Europe B.V.	Netherlands	70%	Holding	EUR	747.1
SABIC Global Technologies B.V.	Netherlands	70%	T&I	USD	0.1
SABIC International Holdings B.V.	Netherlands	70%	Holding	USD	727.9
SABIC Innovative Plastics B.V.	Netherlands	70%	Principal (Manufacturing, Sales, R&D)	EUR	648.6
SABIC Innovative Plastics GP B.V.	Netherlands	70%	Holding	USD	0.1
SABIC Innovative Plastics Holding B.V.	Netherlands	70%	Holding	USD	0.1
SABIC Innovative Plastics Utilities B.V.	Netherlands	70%	Support services	EUR	0.0
SABIC Licensing B.V.	Netherlands	70%	T&I	USD	0.1
SABIC Limburg B.V.	Netherlands	70%	Support services	EUR	0.1
SABIC Sales Europe B.V.	Netherlands	70%	Reseller	EUR	0.5
SABIC Petrochemicals B.V.	Netherlands	70%	Principal (Manufacturing, Sales, R&D)	EUR	192.1
SABIC Ventures B.V.	Netherlands	70%	T&I	USD	0.1

Shares issued by subsidiaries continued

Name of entity	Place of business / country of incorporation	Percentage ownership	Principal business activity	Share capital Currency	Share capital Amount (millions)
SABIC Mining B.V.	Netherlands	70%	Holding	USD	0.1
SHPP Holding B.V.	Netherlands	70%	Holding	USD	0.0
SHPP Global Technologies B.V.	Netherlands	70%	Petrochemical	USD	0.0
SHPP Ventures B.V.	Netherlands	70%	T&I	USD	0.0
SHPP Capital B.V.	Netherlands	70%	Financing	USD	0.0
SHPP Capital I B.V.	Netherlands	70%	Financing	USD	0.0
SHPP Capital II B.V.	Netherlands	70%	Financing	USD	0.0
SHPP B.V.	Netherlands	70%	Principal (Manufacturing, Sales, R&D)	EUR	0.0
SHPP Sales B.V.	Netherlands	70%	Reseller	EUR	0.0
SABIC Innovative Plastics Poland Sp. Z o.o.	Poland	70%	Agent	PLN	1.8
SABIC Poland Sp. Z o.o.	Poland	70%	Agent	PLN	0.1
SHPP Poland Sp. Z o.o.	Poland	70%	Reseller	EUR	0.0
LLC SABIC Eastern Europe	Russia	70%	Agent	RUB	0.0
SABIC Innovative Plastics Rus OOO	Russia	70%	Agent	RUB	0.0
SHPP Russia OOO	Russia	70%	Agent	RUB	0.0
SABIC Innovative Plastics (SEA) Pte. Ltd.	Singapore	70%	Reseller	USD	346.8
SABIC Innovative Plastics Holding Singapore Pte. Ltd.	Singapore	70%	Holding	USD	2,370.0
SHPP Singapore Pte. Ltd.	Singapore	70%	Petrochemical manufacture and sales	USD	863.4
SABIC Asia Pacific Pte. Ltd.	Singapore	70%	Reseller	USD	0.2
SHPP Slovakia s.r.o.	Slovakia	70%	Reseller	EUR	0.0
SABIC Innovative Plastics España ScpA	Spain	70%	Toller	EUR	2,603.6
SABIC Innovative Plastics GP BV, Sociedad en Comandita	Spain	70%	Holding	EUR	15.8
SABIC Sales Spain SL	Spain	70%	Agent	EUR	0.0
SABIC Marketing Ibérica S.A.	Spain	70%	Reseller	EUR	0.3
SHPP Manufacturing SL	Spain	70%	Toller	EUR	0.0
SHPP Marketing Spain SL	Spain	70%	Reseller	EUR	0.0
Saudi Innovative Plastics Sweden AB	Sweden	70%	Agent	SEK	1.6
SABIC Innovative Plastics (Thailand) Co. Ltd.	Thailand	70%	Petrochemical	THB	–
SABIC Thailand Co. Ltd.	Thailand	70%	Petrochemical	THB	50.2
SHPP Petrokimya Ticaret Ltd Sirketi	Turkey	70%	Marketing and sales support	EUR	0.0
SABIC Global Ltd.	United Kingdom	70%	Holding	GBP	166.3
SABIC Tees Holdings Ltd.	United Kingdom	70%	Holding	EUR	1,245.0
SHPP Manufacturing UK Ltd.	United Kingdom	70%	Petrochemical	GBP	80.1
SABIC Innovative Plastics Ltd.	United Kingdom	70%	Agent	GBP	17.5
SABIC UK Ltd.	United Kingdom	70%	Reseller	GBP	–
SABIC UK Pension Trustee Ltd.	United Kingdom	70%	Investment management of post-employment benefit plans	GBP	–
SABIC UK Petrochemicals Ltd.	United Kingdom	70%	Toller	GBP	2,576.3
SHPP Sales UK Ltd.	United Kingdom	70%	Reseller	EUR	0.0
Exatec, LLC	USA	70%	T&I	USD	286.9
Mt. Vernon Phenol Plant Partnership	USA	35.7%	Petrochemical manufacture and sales	USD	91.9
SABIC Americas Inc.	USA	70%	Reseller	USD	7.0
SABIC US Holdings LP	USA	70%	Holding	USD	13,968.0
SABIC Innovative Plastics Mt. Vernon, LLC	USA	70%	Toller	USD	8,250.0
SABIC Innovative Plastics US LLC	USA	70%	Principal (Manufacturing, Sales, R&D)	USD	12,160.4

Shares issued by subsidiaries continued

Name of entity	Place of business / country of incorporation	Percentage ownership	Principal business activity	Share capital Currency	Share capital Amount (millions)
SABIC Petrochemicals Holding US, Inc.	USA	70%	Petrochemical manufacture and sales	USD	–
SABIC Ventures US Holdings LLC	USA	70%	T&I	USD	231.0
SABIC US Projects LLC	USA	70%	Projects	USD	56.3
SABIC Americas Growth LLC	USA	70%	Projects	USD	–
SABIC US Methanol LLC	USA	70%	Projects	USD	–
SHPP US LLC	USA	70%	Principal (Manufacturing, Sales, R&D)	USD	0.0
SABIC Uruguay SA	Uruguay	70%	Agent	USD	0.0
SABIC Vietnam Ltd.	Vietnam	70%	Agent	VND	1.9
SHPP Vietnam Co Ltd	Vietnam	70%	Petrochemical	VND	–
SABCAP Insurance Limited ("SABCAP")	Guernsey	70%	Insurance	USD	187.5
SABIC Petrokemya Ticaret Limited ("SABIC TURKEY")	Turkey	70%	Reseller	TRY	0.2
SABIC Middle East Offshore Company ("SABIC MIDDLE EAST")	Lebanon	70%	Marketing and sales support	USD	0.1
SABIC South Africa	South Africa	70%	Marketing and sales support	ZAR	2.9
SABIC Africa for Trading & Marketing ("SABIC AFRICA")	Egypt	70%	Marketing and sales support	EGP	0.1
SABIC Morocco	Morocco	70%	Marketing and sales support	MAD	0.4
SABIC Global Mobility Company ("GMC")	UAE	70%	Personnel and other support services	n/a	n/a
SABIC Mobility Company ("GMC LLC")	UAE	n/a[3]	Petrochemical	n/a	n/a
SABIC Tunisia	Tunisia	70%	Marketing and sales support	TND	0.4
SABIC Kenya	Kenya	70%	Marketing and sales support	KES	0.7
SABIC (Pvt.) Pakistan	Pakistan	70%	Marketing and sales support	PKR	0.6
SABIC Terminal Services Company ("SABTANK")	Saudi Arabia	63%	Support services	SAR	30.0
Jubail Chemical Storage and Services Company ("CHEMTANK")	Saudi Arabia	52.5%	Support services	SAR	582.8
Joint Operations[1]					
Al-Khafji Joint Operations	Saudi-Kuwaiti Partitioned Zone	50%	Oil and gas exploration and production	SAR	15.0
Fadhili Plant Cogeneration Company	Saudi Arabia	30%	Power generation	SAR	1.5
Pengerang Petrochemical Company Sdn. Bhd.	Malaysia	50%	Petrochemical	MYR	1,207.0
Pengerang Refining Company Sdn. Bhd.	Malaysia	50%	Refining	MYR	6,457.0
Power Cogeneration Plant Company, LLC	Saudi Arabia	50%	Power generation	SAR	24.8
Saudi Aramco Mobil Refinery Company Ltd.	Saudi Arabia	50%	Refining	SAR	1,800.0
Saudi Aramco Total Refining and Petrochemical Company	Saudi Arabia	62.5%	Refining/Petrochemical	USD	2,200.0
Yanbu Aramco Sinopec Refining Company Limited	Saudi Arabia	62.5%	Refining	USD	1,560.3
Gulf Coast Growth Venture LLC ("GCGV")	USA	35%	Petrochemical	USD	56.3
Utility Support Group B.V. ("USG")	Netherlands	35%	Petrochemical	EUR	0.1
Saudi Methacrylates Company ("SAMAC")	Saudi Arabia	35%	Petrochemical	SAR	1,350.0

Shares issued by subsidiaries continued

Name of entity	Place of business / country of incorporation	Percentage ownership	Principal business activity	Share capital: Currency	Share capital: Amount (millions)
Joint Ventures[1]					
Arabian Rig Manufacturing ("ARM")	Saudi Arabia	30%	Rig manufacturing	SAR	28.6
First Coast Energy LLP ("FCE")	USA	50%	Marketing	USD	164.0
Juniper Ventures of Texas LLP ("JVTX")	USA	60%	Marketing	USD	139.0
Novel Non-Metallics Solutions Manufacturing ("Novel")	Saudi Arabia	50%	Manufacturing	SAR	0.1
Sadara Chemical Company ("Sadara")	Saudi Arabia	65%	Petrochemical	USD	9,500.0
Saudi Arabian Industrial Investment Company ("Dussur")	Saudi Arabia	42.5%	Investment	SAR	2,000.0
S-Oil TOTAL Lubricants Co. Limited	South Korea	50%	Lubricants production/sale	KRW	35,000.0
Star Enterprises LLC ("Star-Ent")	USA	50%	Pension administration	USD	247.0
Tas'helat Marketing Company ("TMC")	Saudi Arabia	50%	Marketing	SAR	40.0
Advanced Energy Storage System Company ("AESSC")	Saudi Arabia	30.1%	Petrochemical	SAR	0.5
Al-Jubail Petrochemical Company ("Kemya")	Saudi Arabia	35%	Petrochemical	SAR	2,149.2
Eastern Petrochemical Company ("Sharq")	Saudi Arabia	35%	Petrochemical	SAR	1,890.0
SABIC Plastic Energy Advanced Recycling BV ("SABIC Plastic Energy")	Netherlands	35%	Petrochemical	SAR	2.3
SABIC SK Nexelene Company ("SSNC")	Singapore	35%	Petrochemical	SAR	1,125.0
Cosmar Inc. ("COSMAR")	USA	35%	Petrochemical	SAR	911.0
Saudi Yanbu Petrochemical Company ("Yanpet")	Saudi Arabia	35%	Petrochemical	SAR	4,596.0
Sinopec SABIC Tianjin Petrochemical Company ("SSTPC")	People's Republic of China	35%	Petrochemical	SAR	5,342.9
Associates[1]					
BP AOC Pumpstation Maatschap	Netherlands	50%	Storage	EUR	0.0
BP ESSO AOC Maatschap	Netherlands	34%	Storage	EUR	0.0
International Maritime Industries Company ("IMIC")	Saudi Arabia	50.1%	Maritime	SAR	1,591.0
Power & Water Utility Company for Jubail and Yanbu ("Marafiq")	Saudi Arabia	42.2%	Utilities	SAR	2,500.0
Team Terminal B.V.	Netherlands	34.4%	Storage	EUR	0.0
Rabigh Refining and Petrochemical Company ("Petro Rabigh")	Saudi Arabia	37.5%	Refining/Petrochemical	SAR	8,760.0

1. Percentages disclosed reflect the effective ownership of Aramco in the respective entities.
2. In February 2021, SP. CHEM and SOCC merged into PETROKEMYA.
3. Under liquidation.

For more information on Aramco's subsidiaries, see Section 8: Consolidated financial statements – Notes 38 and 39.

Forecasts and forward-looking statements

This Annual Report may contain certain forward-looking statements with respect to Aramco's financial position, results of operations and business and certain of Aramco's plans, intentions, expectations, assumptions, goals and beliefs regarding such items. These statements include all matters that are not historical fact and generally, but not always, may be identified by the use of words such as "believes", "expects", "are expected to", "anticipates", "intends", "estimates", "should", "will", "shall", "may", "is likely to", "plans", "outlook" or similar expressions, including variations and the negatives thereof or comparable terminology.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that Aramco's actual financial position, results of operations and business and the development of the industries in which it operates may differ significantly from those made in or suggested by these forward-looking statements. In addition, even if Aramco's financial position, results of operations and business and the development of the industries in which it operates are consistent with these forward-looking statements, those results or developments may not be indicative of results or developments in subsequent periods.

Factors that could cause actual results to differ materially from Aramco's expectations are contained in cautionary statements in this Annual Report and include, among other things, the following:

- supply, demand and price fluctuations with respect to oil and gas, and Aramco's other products;
- global economic market conditions;
- natural disasters and public health pandemics or epidemics (such as COVID-19);
- competition in the industries in which Aramco operates;
- conditions affecting the transportation of products;
- operational risk and hazards common in the oil and gas, refining and petrochemicals industries;
- the cyclical nature of the oil and gas, refining and petrochemicals industries;
- weather conditions;
- political and social instability and unrest and actual or potential armed conflicts in the MENA region and other areas;
- managing Aramco's growth;
- risks in connection with projects under development and recent and future acquisitions and joint ventures, including with respect to SABIC;
- managing Aramco's subsidiaries, joint operations, joint ventures, associates and entities in which it holds a minority interest;
- Aramco's exposure to interest rate risk and foreign exchange risk;
- risks related to operating in a regulated industry and changes to oil, gas, environmental or other regulations that impact the industries in which Aramco operates; and
- international trade litigation, disputes or agreements.

The discussion of risk factors under Section 5: Risk, contains a more complete discussion of the factors that could affect Aramco's future performance and the industries in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Annual Report may not occur.

We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Annual Report.

Terms and abbreviations

Currencies

SAR/Saudi Riyal
Saudi Arabian riyal, the lawful currency of the Kingdom

$/USD/US$/Dollar
U.S. Dollar

Units of measurement

Barrel (bbl)
Barrels of crude oil, condensate or refined products

boe
Barrels of oil equivalent

bpd
Barrels per day

bscf
Billion standard cubic feet

bscfd
Billion standard cubic feet per day

BTU
British thermal unit

mboed
Thousand barrels of oil equivalent per day

mbpd
Thousand barrels per day

mmbbl
Million barrels

mmboe
Million barrels of oil equivalent

mmboed
Million barrels of oil equivalent per day

mmbpd
Million barrels per day

mmBTU
Million British thermal units

mmscf
Million standard cubic feet

mmscfd
Million standard cubic feet per day

per day
Volumes are converted into a daily basis using a calendar year (Gregorian)

scf
Standard cubic feet

tscf
Trillion standard cubic feet

Technical terms

Arabian extra light
Crude oil with API gravity of 36° to 40° and sulfur content between 0.5% and 1.3%.

Arabian heavy
Crude oil with API gravity less than 29° and sulfur content greater than 2.9%.

Arabian light
Crude oil with API gravity of 32° to 36° and sulfur content between 1.3% and 2.2%.

Arabian medium
Crude oil with API gravity of 29° to 32° and sulfur content between 2.2% and 2.9%.

Arabian super light
Crude oil with API gravity more than 40° and sulfur content less than 0.5%.

Carbon intensity
A measure of greenhouse gas emissions in carbon dioxide (CO_2) equivalent per barrel of oil equivalent.

CO_2
Carbon dioxide.

CO_2e
Carbon dioxide equivalent.

Condensate
Light hydrocarbon substances produced with raw gas which condenses into liquid at normal temperatures and pressures associated with surface production equipment.

Delineation
A process by which new wells are drilled in order to determine the boundaries of a discovered oil or gas field, both its areal extent and its vertical hydrocarbon column.

Energy intensity
An index for measuring the total energy consumed to generate a unit of product, represented in thousand BTUs per total production in barrel of oil equivalent.

Flaring intensity
Volume of gas flared per barrel of oil equivalent produced (scf/boe).

Freshwater
Non-brackish water with total dissolved solids (TDS) concentration up to 2,000 mg/l.

Greenhouse gas (GHG) emissions
Any gaseous compound in the atmosphere that is capable of absorbing infrared radiation. Generally, consists of water vapor, CO_2, methane, nitrous oxide, hydro fluorocarbons, perfluorocarbons and sulfur hexafluoride. Aramco's inventory includes CO_2, methane and nitrous oxide.

Gross chemicals production capacity
The total combined chemicals production capacity of Aramco and the joint ventures and other entities in which Aramco owns an equity interest.

Gross refining capacity
The total combined refining capacity of Aramco and the joint ventures and other entities in which Aramco owns an equity interest.

Hydrocarbons
Crude oil and other hydrogen and carbon compounds in liquid or gaseous state.

Lifting costs
Oil and gas operations (i) production related expenses; (ii) taxes other than income taxes (if applicable); and (iii) production related general and administrative expenses. Lifting costs exclude exploration, royalty, R&D and depreciation costs.

Liquids
Crude oil, condensate and NGL.

LNG
Liquefied natural gas.

LPG
Liquefied petroleum gas, which is a mixture of saturated and unsaturated hydrocarbons, with up to five carbon atoms, used as household fuel.

MSC
Maximum Sustainable Capacity – the average maximum number of barrels per day of crude oil that can be produced for one year during any future planning period, after taking into account all planned capital expenditures and maintenance, repair and operating costs, and after being given three months to make operational adjustments.
The MSC excludes AGOC's crude oil production capacity.

MTBE
Methyl tertiary butyl ether.

Natural gas
Dry gas produced at Aramco's gas plants and sold within the Kingdom.

Net chemicals production capacity
Aramco's equity share of its gross chemicals production capacity, calculated by multiplying the gross chemicals production capacity of each facility in which Aramco has an interest by Aramco's percentage equity ownership in the entity that owns the facility.

Net refining capacity
Aramco's equity share of its gross refining capacity, calculated by multiplying the gross refining capacity of each refinery in which Aramco has an interest by Aramco's percentage equity ownership in the entity that owns the refinery.

NGL
Natural gas liquids, which are liquid or liquefied hydrocarbons produced in the manufacture, purification and stabilization of natural gas. For purposes of reserves, ethane is included in NGL. For purposes of production, ethane is reported separately and excluded from NGL.

Production costs
The sum of operating costs and depreciation, reflecting both the erosion of asset value over time on an accounting basis and the cost of operating the business.

Proved reserves
Those quantities of liquids and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, and under existing economic conditions, operating methods and government regulations – prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

Reliability
Total products volume shipped/delivered within 24 hours of the scheduled time, divided by the total products volume committed. Any delays caused by factors that are under the Company's control (e.g. terminal, pipeline, stabilization, or production) negatively affect the score, whereas delays caused by conditions that are beyond the Company's control, such as adverse weather, are not considered. A score of less than 100 percent indicates there were issues that negatively impacted reliability.

Reserves life
Calculated on a barrel of oil equivalent basis by dividing proved reserves as at a given year-end by production for that year.

Scope 1 GHG emissions
Direct emissions, which include GHG emissions from onsite fuel combustion, flaring, venting and fugitive emissions.

Scope 2 GHG emissions
Indirect emissions, which account for GHG emissions from offsite power generation including electricity and steam.

Tier 1 Process Safety Event
An unplanned or uncontrolled release of any material, including non-toxic and nonflammable materials, from a process that results in one or more of the consequences listed in API Recommended Practice-754.

Total recordable case (TRC) frequency
Sum of recordable cases that occurred in the workplace per 200,000 work hours.

Unconventional oil and gas
Term refers to the oil and gas resources which cannot be explored, developed and produced by conventional processes just in using the natural pressure of the wells and pumping or compression operations.

Upstream methane intensity
Estimated methane emissions from upstream operations per volume of marketed natural gas expressed as a percentage.

Glossary

Affiliate
Except with respect to financial information, the term Affiliate means a person who controls another person or is controlled by that other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect.

With respect to financial information, the term Affiliate is defined by IFRS, meaning the Company's subsidiaries, joint arrangements and associates.

AGM
Annual general assembly meeting.

AGOC
Aramco Gulf Operations Company Ltd.

API
The American Petroleum Institute, which is the major United States trade association for the oil and gas industry.

ARLANXEO
ARLANXEO Holding B.V., a wholly owned specialty chemicals subsidiary.

Associate
With respect to financial information, the term Associate, as defined by IFRS, means an entity over which the Company has significant influence but does not control, generally reflected by a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

ATC
Aramco Trading Company, a wholly owned subsidiary of Aramco.

Auditor
PricewaterhouseCoopers Public Accountants, the independent external auditor of Aramco.

Blended Price
Pursuant to Council of Ministers Resolution No. 370, dated 10/7/1439H (corresponding to March 27, 2018) and the Ministerial Resolution issued by the Ministry of Energy, in agreement with the Ministry of Finance, No. 01-5928-1439, dated as at 27/8/1439H (corresponding to May 13, 2018), effective March 17, 2018, the Kingdom established the price due to licensees for the domestic sale of Regulated Gas Products.

Board
The Board of Directors of the Company.

Bylaws
The Bylaws of the Company, approved by Council of Ministers Resolution No. 180 dated 1/4/1439H (corresponding to December 19, 2017), which came into effect on January 1, 2018.

CCUS
Carbon Capture, Utilization, and Storage.

CHP
Combined Heat and Power.

CMA
The Capital Market Authority, including, where the context permits, any committee, sub-committee, employee or agent to whom any function of the CMA may be delegated.

Companies Law
The Companies Law, issued under Royal Decree No. M/3, dated 28/1/1437H (corresponding to November 10, 2015), as amended.

Company
Saudi Arabian Oil Company.

Concession
As defined in Section 7: Additional financial and legal information – Material agreements – The Concession.

Concession Amendment
As defined in Section 7: Additional financial and legal information – Material agreements – The Concession.

Concession Area
The territorial lands and maritime areas of the Kingdom except in the Excluded Areas.

Concession Effective Date
As defined in Section 7: Additional financial and legal information – Material agreements – The Concession.

Control
Except with respect to financial information, the term Control means the ability to influence the actions or decisions of another person through, whether directly or indirectly, alone or with a relative or affiliate (a) holding 30% or more of the voting rights in a company, or (b) having the right to appoint 30% or more of the Board of a company; "controller" shall be construed accordingly.

With respect to financial information, the term Control is defined by IFRS: the Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Corporate Governance Regulations (CGRs)
The Corporate Governance Regulations issued pursuant to the CMA Board Resolution No. 8-16-2017, dated 16/5/1438H (corresponding to February 13, 2017), as amended.

Council of Ministers
The cabinet of the Kingdom, which is led by the Custodian of the Two Holy Mosques, the King, and includes HRH the Crown Prince and other cabinet ministers.

COVID-19
The coronavirus disease 2019.

D&M
DeGolyer & MacNaughton, Aramco's independent petroleum consultant.

Domestic
Refers to the Kingdom of Saudi Arabia.

Domestic price
Certain prices for the domestic sale of gas hydrocarbons including those for Regulated Gas Products.

Dow
Dow Inc.

EBIT
Earnings (losses) before interest, income taxes and zakat.

ERM
Enterprise Risk Management.

ESG
Environmental, social and governance.

Excluded Areas
The limited area excluded from Aramco's rights under the Concession, consisting of: (a) the boundaries of the Holy Mosques in Makkah Al-Mukarramah and Madinah Al-Munawwarah, (b) the partitioned territory and its adjoining offshore areas in accordance with the agreements between the Kingdom and the State of Kuwait and (c) the common zone in the Red Sea in accordance with the agreement between the Kingdom and the Republic of Sudan.

FSIA
U.S. Foreign Sovereign Immunity Act.

G20
Group of 20.

GAZT
The Saudi Arabian General Authority of Zakat and Tax.

GCC
The Cooperation Council for the Arab States of the Gulf, consisting of the member states of the Kingdom of Bahrain, State of Kuwait, Sultanate of Oman, State of Qatar, Kingdom of Saudi Arabia and United Arab Emirates.

GDP
Gross Domestic Product. The broadest quantitative measure of a nation's total economic activity, representing the monetary value of all goods and services produced within a nation's geographic borders over a specified period of time.

General Assembly
Any Ordinary General Assembly or Extraordinary General Assembly.

GMTN program
On April 1, 2019, the Company established a global medium term note program pursuant to which it may from time to time issue notes.

Government
The Government of the Kingdom (and "Governmental" shall be interpreted accordingly).

GSPR
The Law of Gas Supplies and Pricing enacted by Royal Decree No. M/36, dated 25/6/1424H (corresponding to August 23, 2003), as amended.

H
Hijri calendar.

HSE
Health, Safety and Environment.

HSSE
Health, Safety, Security, and Environment.

Hydrocarbons Law
Law governing hydrocarbons, hydrocarbon resources, and hydrocarbon operations existing within the territory of the Kingdom, enacted by Royal Decree No. M/37, dated 2/4/1439H (corresponding to December 20, 2017), as amended.

IAS
International Accounting Standard(s).

IASB
International Accounting Standards Board.

IFRS
International Financial Reporting Standard(s) that are endorsed in the Kingdom and other standards and pronouncements endorsed by SOCPA.

iktva
In-Kingdom total value add.

Income Tax Law/Tax Law
Income Tax Law issued under Royal Decree No. M/1 dated 15/1/1425H (corresponding to March 6, 2004) and its Implementing Regulations issued under Ministerial Resolution No. 1535 dated 11/6/1425H (corresponding to August 11, 2004), as amended from time to time.

IOCs
International oil companies.

IPIECA
International Petroleum Industry Environmental Conservation Association.

IPO
The initial public offering.

ISO
International Organization for Standardization.

Joint arrangement
The term joint arrangement, as defined by IFRS, refers to either a joint operation or a joint venture.

Joint operation
The term joint operation, as defined by IFRS, arises where the investors have rights to the assets and obligations for the liabilities of a joint arrangement.

Joint venture
The term joint venture, as defined by IFRS, means a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

KAUST
King Abdullah University of Science and Technology.

KFUPM
King Fahd University of Petroleum and Minerals.

Kingdom
Kingdom of Saudi Arabia.

KPIs
Key Performance Indicators.

LTI
Lost time injuries.

Luberef
Saudi Aramco Base Oil Company, a joint venture between Aramco and Jadwa Industrial Investment Company, which acquired its share from Mobil in 2007.

MEIM
The Ministry of Energy, Industry and Mineral Resources of the Kingdom. Predecessor to the Ministry of Energy.

MENA
Middle East and North Africa.

MGS
Master Gas System, an extensive network of pipelines that connects Aramco's key gas production and processing sites throughout the Kingdom.

Ministry of Energy
Ministry of Energy of the Kingdom. Successor to MEIM.

Ministry of Human Resources and Social Development
Ministry of Human Resources and Social Development of the Kingdom, formerly the Ministry of Labor and Social Development.

Ministry of Industry and Mineral Resources
The Ministry of Industry and Mineral Resources of the Kingdom.

Motiva
Motiva Enterprises LLC.

NOCs
National oil companies.

OGCI
Oil and Gas Climate Initiative.

OPEC
Organization of the Petroleum Exporting Countries.

Original Concession
As defined in Section 7: Additional financial and legal information – Material agreements – The Concession.

Paris Agreement
The United Nations Framework Convention on Climate Change Paris Agreement.

Petronas
Petroliam Nasional Bhd.

Petro Rabigh
Rabigh Refining and Petrochemical Company, a venture established by Aramco and Sumitomo Chemical Co. Ltd. in 2005, which is a publicly traded company listed on Tadawul.

PIF
Public Investment Fund of Saudi Arabia.

PRefChem
PRefChem Petrochemical and PRefChem Refining.

PRefChem Petrochemical
Pengerang Petrochemical Company Sdn. Bhd.

PRefChem Refining
Pengerang Refining Company Sdn. Bhd.

Price equalization
Prices are established separately by the Ministry of Energy for each relevant product using a combination of either internationally recognized indices or, where relevant, the Company's official selling price and, depending on the relevant product, on the basis of export parity, import parity or a combination of both.

R&D
Research and development.

Regulated Gas Products
Gas hydrocarbons which are subject to the Kingdom's gas pricing regime, including natural gas, ethane and NGL (propane, butane and natural gasoline).

Relatives
The term relatives is defined as:

i. Fathers, mothers, grandfathers and grandmothers (and their ancestors).
ii. Children and grandchildren and their descendants.
iii. Siblings, maternal and paternal half-siblings and their children.
iv. Husbands and wives.

Reserved areas
The areas reserved for Aramco's operations within the Concession Area.

ROACE
Return on average capital employed.

Rules on the Offer of Securities and Continuing Obligations (OSCO Rules)
As issued by the board of the CMA pursuant to CMA Board Resolution No. 3-123-2017 dated 9/4/1439H (corresponding to December 27, 2017) based on the Capital Market Law, as amended by CMA Board Resolution No. 1-104-2019 dated 1/2/1441H (corresponding to September 30, 2019).

SABIC
Saudi Basic Industries Corporation.

Sadara
Sadara Chemical Company, a joint venture established by Aramco and Dow Saudi Arabia B.V. in 2011.

SASREF
Saudi Aramco Jubail Refinery Company, a subsidiary of Aramco, formerly known as Saudi Aramco Shell Refinery Company.

SATORP
Saudi Aramco Total Refining and Petrochemical Company, a joint venture established by Aramco and Total Refining Saudi Arabia SAS in 2008.

Saudi Aramco / Aramco
Saudi Arabian Oil Company, together with its consolidated subsidiaries, and where the context requires, its joint operations, joint ventures and associates.

Any reference to "us", "we" or "our" refers to Aramco except where otherwise stated.

Unless otherwise stated, the text does not distinguish between the activities and operations of the Company and those of its subsidiaries.

Senior Executives / Management Committee
The members of the senior management of Aramco holding the title of President (CEO) or Senior Vice President.

Senior Management
The Senior Management and other officers of Aramco who, while subordinate to the Senior Executives, are still involved in the management of Aramco and participate in driving its strategies, decisions or operations.

Senior Unsecured Notes
Senior unsecured notes under the GMTN Program.

Shareholder
Any holder of shares.

Shari'a
Islamic religious law.

Shell
Royal Dutch Shell plc.

Sinopec
China Petroleum & Chemical Corporation.

SOCPA
Saudi Organization for Certified Public Accountants.

S-Oil
S-Oil Corporation.

SPE-PRMS
Society of Petroleum Engineers – Petroleum Resources Management System.

SSC
Sustainability Steering Committee.

Stellar
Stellar Insurance Ltd.

Subsidiaries
Except with respect to financial information, the term subsidiaries means the companies that Aramco controls through its ability to influence the actions or decisions of another person through, whether directly or indirectly, alone or with a relative or affiliate (i) holding 30% or more of the voting rights in a company or (ii) having the right to appoint 30% or more of the Board of a company.

With respect to financial information, the term subsidiaries is defined by IFRS, meaning entities over which the Company has control.

Sukuk
Senior unsecured sukuk (Shari'a-compliant certificates).

Sumed Company
The Arab Petroleum Pipeline Company.

Sumitomo
Sumitomo Chemical Co. Ltd.

Tadawul
The Saudi Stock Exchange, the sole entity authorized in the Kingdom to act as a securities exchange.

Total
Total S.A.

U.S. / United States / USA
United States of America.

YASREF
Yanbu Aramco Sinopec Refinery Company Limited, a joint venture established by Aramco and Sinopec Century Bright Capital Investment (Amsterdam) B.V. in 2010.

8

Consolidated financial statements

Business advancement

Aramco operates one of the world's largest refining businesses, and its integrated petrochemical refinery complex at Jazan City for Primary and Downstream Industries is part of the company's vibrant downstream growth strategy.

Independent auditor's report to the shareholders of Saudi Arabian Oil Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saudi Arabian Oil Company (the "Company") and its subsidiaries (together the "Group") as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of income for the year ended December 31, 2020;
- the consolidated statement of comprehensive income for the year ended December 31, 2020;
- the consolidated balance sheet as at December 31, 2020;
- the consolidated statement of changes in equity for the year ended December 31, 2020;
- the consolidated statement of cash flows for the year ended December 31, 2020; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

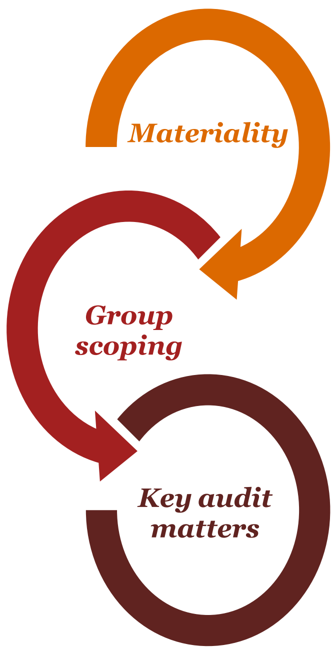
We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers, License No. 25, Saudi Aramco, P.O. Box 1659, Dhahran 31311, Kingdom of Saudi Arabia
T: +966 (13) 873-6800, F: +966 (13) 873-8883, www.pwc.com/middle-east

Independent auditor's report to the shareholders of Saudi Arabian Oil Company (continued)

Our audit approach

Overview



- We determined overall Group materiality taking into account the profit-oriented nature of the Group.
- Based on income before income taxes and zakat of SAR 372.4 billion, we determined our overall Group materiality at SAR 14.2 billion.
- Our quantitative threshold for reporting misstatements to those charged with governance was set at SAR 1.1 billion.

Based on their size, complexity and risk:

- We considered the Company's standalone operations and four other components located in the Kingdom of Saudi Arabia, the United States of America and the Republic of Korea as significant to the Group audit; and
- We also determined a number of other components to be in scope for the Group audit, in respect of which appropriate audit procedures were performed.

Our key audit matters comprise the following:

- Accounting for the acquisition of Saudi Basic Industries Corporation ("SABIC"); and
- Assessment of recoverability of the goodwill and brand recognised as part of the SABIC acquisition.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of Directors made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Independent auditor's report to the shareholders of Saudi Arabian Oil Company (continued)

Overall Group materiality	SAR 14.2 billion (2019: SAR 26.3 billion)
How we determined it	Approximately 4% of income before income taxes and zakat
Rationale for the materiality benchmark applied	Income before income taxes and zakat is an important benchmark for the Group's stakeholders and is a generally accepted benchmark for profit-oriented groups.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above SAR 1.1 billion.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group's operations are conducted through many components in several parts of the world. The most significant component within the Group is the Company itself and most of the audit effort was spent by the Group engagement team based in Dhahran, Kingdom of Saudi Arabia. The Group engagement team tested IT general controls, application and manual controls over systems and processes related to the Company's financial information supplemented by tests of detail and analytical procedures. Certain audit procedures were carried out by the Group engagement team with assistance from internal accounting, valuation, pension, tax and IT experts and specialists. The Group engagement team also coordinated the work done by the various component teams across different locations and performed audit procedures on the consolidation workings and disclosures.

We identified four additional significant components where a full scope audit on the respective components' financial information was performed under our instructions. Members of the Group engagement team performed the full scope audit of the significant component located in Dhahran, Kingdom of Saudi Arabia. Component teams in Riyadh, Kingdom of Saudi Arabia, the United States of America and the Republic of Korea performed full scope audits of the components at those locations. We also requested certain other component teams to perform appropriate audit procedures. The selection of these components was based on qualitative and quantitative considerations, including whether the component accounted for a significant proportion of individual consolidated financial statement line items.

The Group engagement team's involvement in the audit work performed by component teams considered the relative significance and complexity of the individual component. This included allocating overall Group materiality to the different components, sending formal instructions, obtaining regular updates on progress and results of procedures as well as review of deliverables and the relevant underlying working papers.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

pwc

Independent auditor's report to the shareholders of Saudi Arabian Oil Company (continued)

Key audit matter	***How our audit addressed the key audit matter***
Accounting for the acquisition of SABIC	
The Company acquired a 70% equity interest in SABIC in June 2020. The total purchase consideration was SAR 259.1 billion for acquisition of identifiable net assets with preliminary fair values of SAR 260.7 billion. Non-controlling interests of SAR 100.7 billion and goodwill of SAR 99.1 billion were recognised as part of the transaction. The acquisition was accounted for in accordance with IFRS 3 'Business Combinations', that is endorsed in the Kingdom of Saudi Arabia, and required management to make significant estimates as part of determining the preliminary fair values of the identifiable assets acquired and liabilities assumed. The Group engaged an independent valuer in order to determine the fair value of the purchase consideration and the preliminary fair values that formed part of the purchase price allocation. We considered this to be a key audit matter given the significant estimates involved in determining the preliminary fair values of the identifiable assets acquired and liabilities assumed. *Refer to Note 2(e) and Note 4 to the consolidated financial statements for further information.*	Our procedures included the following: • We read the share purchase agreement and tested the appropriateness of the fair value of the purchase consideration. • We assessed the competency, objectivity and independence of the independent valuer engaged by the Group. • With input from internal valuation experts (where considered necessary), we performed the following procedures, in relation to the preliminary fair values of the identifiable net assets that formed part of the purchase price allocation, as deemed appropriate: - Considered the appropriateness of the methodology and assumptions used in determining the preliminary fair values based on the applicable financial reporting requirements and established market practice; - Compared certain key unobservable inputs underlying the preliminary fair values to supporting documentation such as approved financial plans; and - Evaluated the reasonableness of certain observable inputs and/or the resulting preliminary fair values based on comparable market data. • We considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.

pwc

Independent auditor's report to the shareholders of Saudi Arabian Oil Company (continued)

Key audit matter	***How our audit addressed the key audit matter***
Assessment of recoverability of the goodwill and brand recognised as part of the SABIC acquisition	
IAS 36 'Impairment of Assets', that is endorsed in the Kingdom of Saudi Arabia, requires goodwill and indefinite-lived intangible assets to be tested annually, irrespective of whether there is any indication of impairment. Management performed an assessment of recoverability of the goodwill and brand recognised as part of the SABIC acquisition. The carrying amounts of these assets were SAR 99.1 billion and SAR 18.2 billion, respectively, at December 31, 2020. Goodwill has been provisionally allocated to the Downstream operating segment. Therefore, the goodwill impairment test was performed at the Downstream operating segment level. The brand test was performed based on an aggregation of the relevant cash-generating units. The recoverable amounts were determined based on value-in-use calculations derived using discounted cash flow models. The models were based on the most recent financial plans and included 10-year projection periods with terminal values assumed thereafter. The exercise performed supported the goodwill and brand carrying values and did not identify the need for any impairment charges to be recognised. We considered this to be a key audit matter given the significant estimates involved in determining recoverable amounts and the uncertainty inherent in the underlying forecasts and assumptions. The key inputs to the recoverable amounts included the: • Cash flows during the 10-year periods including the underlying assumptions; • Terminal values; and • Pre-tax discount rates. *Refer to Note 2(f) and Note 7 to the consolidated financial statements for further information.*	Our procedures included the following: • We reviewed the appropriateness of management's provisional allocation of goodwill to the Downstream operating segment and brand to the aggregation of the relevant cash-generating units, based on the requirements of IAS 36 'Impairment of assets', that is endorsed in the Kingdom of Saudi Arabia. • We assessed the appropriateness of the assets and liabilities considered as part of the impairment tests for the goodwill and brand. • With input from internal valuation experts (where considered necessary), we performed the following procedures on management's valuation models, as deemed appropriate: - Considered the consistency of certain unobservable inputs underlying the 10-year cash flows such as expected product volumes and future operating and development costs with approved financial plans; - Compared a sample of forecast commodity prices underlying the 10-year cash flows to market data points; - Evaluated the reasonableness of approved financial plans by comparison to historical results; - Assessed the reasonableness of the approach and inputs used to determine the terminal values; - Evaluated the reasonableness of the pre-tax discount rates used by cross-checking the underlying assumptions against observable market data; - Tested the mathematical accuracy and logical integrity of the models; and - Tested management's sensitivity analyses that considered the impact of changes in assumptions on the outcome of the impairment assessments. • We considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.

Independent auditor's report to the shareholders of Saudi Arabian Oil Company (continued)

Other information

The Board of Directors is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's Bylaws, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent auditor's report to the shareholders of Saudi Arabian Oil Company (continued)

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

pwc

Independent auditor's report to the shareholders of Saudi Arabian Oil Company (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

Bader I. Benmohareb
License No. 471

March 18, 2021

176 All amounts in millions of Saudi Riyals unless otherwise stated

Consolidated statement of income

		SAR		USD*	
		Year ended December 31		Year ended December 31	
	Note	**2020**	2019	**2020**	2019
Revenue	25	**768,109**	1,105,696	**204,829**	294,852
Other income related to sales		**93,982**	131,089	**25,062**	34,957
Revenue and other income related to sales		**862,091**	1,236,785	**229,891**	329,809
Royalties and other taxes		**(89,964)**	(182,141)	**(23,991)**	(48,571)
Purchases	26	**(181,116)**	(225,170)	**(48,297)**	(60,045)
Producing and manufacturing		**(74,350)**	(58,249)	**(19,827)**	(15,533)
Selling, administrative and general		**(46,970)**	(36,647)	**(12,525)**	(9,773)
Exploration		**(7,293)**	(7,291)	**(1,945)**	(1,944)
Research and development		**(2,830)**	(2,150)	**(755)**	(573)
Depreciation and amortization	6,7	**(76,208)**	(50,266)	**(20,322)**	(13,404)
Operating costs		**(478,731)**	(561,914)	**(127,662)**	(149,843)
Operating income		**383,360**	674,871	**102,229**	179,966
Share of results of joint ventures and associates	8	**(3,554)**	(9,455)	**(948)**	(2,521)
Finance and other income	28	**3,182**	7,351	**849**	1,960
Finance costs	21	**(10,564)**	(6,026)	**(2,817)**	(1,607)
Income before income taxes and zakat		**372,424**	666,741	**99,313**	177,798
Income taxes and zakat	9	**(188,661)**	(336,048)	**(50,310)**	(89,613)
Net income		**183,763**	330,693	**49,003**	88,185
Net income (loss) attributable to					
Shareholders' equity		**184,926**	330,816	**49,313**	88,218
Non-controlling interests		**(1,163)**	(123)	**(310)**	(33)
		183,763	330,693	**49,003**	88,185
Earnings per share (basic and diluted)	37	**0.93**	1.65	**0.25**	0.44

* Supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only.

H.E. Yasir O. Al-Rumayyan
Chairman of the Board

Amin H. Nasser
President & Chief Executive Officer

Khalid H. Al-Dabbagh
Senior Vice President,
Finance, Strategy & Development

All amounts in millions of Saudi Riyals unless otherwise stated

Consolidated statement of comprehensive income

	Note	SAR		USD*	
		Year ended December 31		Year ended December 31	
		2020	2019	**2020**	2019
Net income		**183,763**	330,693	**49,003**	88,185
Other comprehensive (loss) income, net of tax	19				
Items that will not be reclassified to net income					
Remeasurement of post-employment benefit obligations		**(8,966)**	2,628	**(2,391)**	701
Change in post-employment benefit deferred tax asset due to new income tax rate		**–**	(464)	**–**	(123)
Share of post-employment benefit obligations remeasurement from joint ventures and associates		**–**	2	**–**	–
Changes in fair value of equity investments classified as fair value through other comprehensive income		**1,795**	187	**479**	50
Change in equity investment deferred tax liability due to new income tax rate		**–**	180	**–**	48
Items that may be reclassified subsequently to net income					
Cash flow hedges and other		**(300)**	(322)	**(80)**	(86)
Changes in fair value of debt securities classified as fair value through other comprehensive income		**297**	59	**79**	16
Share of other comprehensive income (loss) of joint ventures and associates		**550**	(487)	**147**	(130)
Currency translation differences		**2,768**	(1,027)	**738**	(274)
		(3,856)	756	**(1,028)**	202
Total comprehensive income		**179,907**	331,449	**47,975**	88,387
Total comprehensive income (loss) attributable to					
Shareholders' equity		**180,960**	331,896	**48,256**	88,506
Non-controlling interests		**(1,053)**	(447)	**(281)**	(119)
		179,907	331,449	**47,975**	88,387

* Supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only.

H.E. Yasir O. Al-Rumayyan
Chairman of the Board

Amin H. Nasser
President & Chief Executive Officer

Khalid H. Al-Dabbagh
Senior Vice President,
Finance, Strategy & Development

All amounts in millions of Saudi Riyals unless otherwise stated

Consolidated balance sheet

	Note	SAR At December 31 2020	SAR At December 31 2019	USD* At December 31 2020	USD* At December 31 2019
Assets					
Non-current assets					
Property, plant and equipment	6	**1,209,460**	982,014	**322,523**	261,870
Intangible assets	7	**164,547**	30,122	**43,879**	8,033
Investments in joint ventures and associates	8	**65,976**	19,738	**17,594**	5,263
Deferred income tax assets	9	**15,280**	12,728	**4,075**	3,394
Other assets and receivables	10	**37,258**	21,372	**9,935**	5,699
Investments in securities	11	**22,861**	19,956	**6,096**	5,322
		1,515,382	1,085,930	**404,102**	289,581
Current assets					
Inventories	12	**51,999**	42,607	**13,867**	11,362
Trade receivables	13	**85,183**	93,526	**22,715**	24,940
Due from the Government	14	**28,895**	36,781	**7,705**	9,808
Other assets and receivables	10	**18,769**	12,109	**5,005**	3,230
Short-term investments	15	**6,801**	45,467	**1,814**	12,125
Cash and cash equivalents	16	**207,232**	177,706	**55,262**	47,388
		398,879	408,196	**106,368**	108,853
Total assets		**1,914,261**	1,494,126	**510,470**	398,434
Equity and liabilities					
Shareholders' equity					
Share capital		**60,000**	60,000	**16,000**	16,000
Additional paid-in capital		**26,981**	26,981	**7,195**	7,195
Treasury shares	17	**(3,264)**	(3,750)	**(870)**	(1,000)
Retained earnings:					
Unappropriated		**895,273**	943,758	**238,739**	251,669
Appropriated		**6,000**	6,000	**1,600**	1,600
Other reserves	19	**5,858**	2,076	**1,562**	553
		990,848	1,035,065	**264,226**	276,017
Non-controlling interests	20	**110,246**	11,170	**29,399**	2,979
		1,101,094	1,046,235	**293,625**	278,996
Non-current liabilities					
Borrowings	21	**436,920**	150,690	**116,512**	40,184
Deferred income tax liabilities	9	**53,621**	44,471	**14,299**	11,859
Post-employment benefit obligations	22	**54,207**	21,174	**14,455**	5,646
Provisions and other liabilities	23	**25,208**	15,985	**6,722**	4,263
		569,956	232,320	**151,988**	61,952
Current liabilities					
Trade and other payables	24	**93,740**	78,231	**24,998**	20,862
Obligations to the Government:					
Income taxes and zakat	9	**42,059**	62,243	**11,216**	16,598
Dividend payable	36	**–**	35,475	**–**	9,460
Royalties		**8,255**	14,727	**2,201**	3,927
Borrowings	21	**99,157**	24,895	**26,442**	6,639
		243,211	215,571	**64,857**	57,486
		813,167	447,891	**216,845**	119,438
Total equity and liabilities		**1,914,261**	1,494,126	**510,470**	398,434

* Supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only.

H.E. Yasir O. Al-Rumayyan
Chairman of the Board

Amin H. Nasser
President & Chief Executive Officer

Khalid H. Al-Dabbagh
Senior Vice President,
Finance, Strategy & Development

All amounts in millions of Saudi Riyals unless otherwise stated

Consolidated statement of changes in equity

	SAR								USD*
	Shareholders' equity								
				Retained earnings					
	Share capital	Additional paid-in capital	Treasury shares	Unappropriated	Appropriated[1]	Other reserves (Note 19)	Non-controlling interests	Total	Total
Balance at January 1, 2019	60,000	26,981	–	920,625	6,000	3,176	11,653	1,028,435	274,249
Net income (loss)	–	–	–	330,816	–	–	(123)	330,693	88,185
Other comprehensive income (loss)	–	–	–	–	–	1,080	(324)	756	202
Total comprehensive income (loss)	–	–	–	330,816	–	1,080	(447)	331,449	88,387
Acquisition of treasury shares (Note 17)	–	–	(3,750)	–	–	–	–	(3,750)	(1,000)
Transfer of post-employment benefit obligations remeasurement	–	–	–	2,178	–	(2,178)	–	–	–
Transfer of share of post-employment benefit obligation remeasurement from joint ventures and associates	–	–	–	2	–	(2)	–	–	–
Dividends (Note 36)	–	–	–	(309,863)	–	–	–	(309,863)	(82,630)
Dividends to non-controlling interests	–	–	–	–	–	–	(36)	(36)	(10)
Balance at December 31, 2019	**60,000**	**26,981**	**(3,750)**	**943,758**	**6,000**	**2,076**	**11,170**	**1,046,235**	**278,996**
Net income (loss)	**–**	**–**	**–**	**184,926**	**–**	**–**	**(1,163)**	**183,763**	**49,003**
Other comprehensive (loss) income	**–**	**–**	**–**	**–**	**–**	**(3,966)**	**110**	**(3,856)**	**(1,028)**
Total comprehensive income (loss)	**–**	**–**	**–**	**184,926**	**–**	**(3,966)**	**(1,053)**	**179,907**	**47,975**
Acquisition of subsidiary (Note 4)	**–**	**–**	**–**	**–**	**–**	**–**	**100,739**	**100,739**	**26,864**
Transfer of post-employment benefit obligations remeasurement	**–**	**–**	**–**	**(7,722)**	**–**	**7,722**	**–**	**–**	**–**
Treasury shares issued to employees (Note 17)	**–**	**–**	**486**	**44**	**–**	**(530)**	**–**	**–**	**–**
Share-based compensation	**–**	**–**	**–**	**(24)**	**–**	**556**	**–**	**532**	**142**
Dividends (Note 36)	**–**	**–**	**–**	**(225,709)**	**–**	**–**	**–**	**(225,709)**	**(60,189)**
Dividends to non-controlling interests and other	**–**	**–**	**–**	**–**	**–**	**–**	**(610)**	**(610)**	**(163)**
Balance at December 31, 2020	**60,000**	**26,981**	**(3,264)**	**895,273**	**6,000**	**5,858**	**110,246**	**1,101,094**	**293,625**

1. Appropriated retained earnings, originally established under the 1988 Articles of the Saudi Arabian Oil Company, represent a legal reserve which is not available for distribution. This amount is maintained pursuant to the Bylaws adopted on January 1, 2018 (Note 1).
* Supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only.

H.E. Yasir O. Al-Rumayyan
Chairman of the Board

Amin H. Nasser
President & Chief Executive Officer

Khalid H. Al-Dabbagh
Senior Vice President,
Finance, Strategy & Development

All amounts in millions of Saudi Riyals unless otherwise stated

Consolidated statement of cash flows

		SAR		USD*	
		Year ended December 31		Year ended December 31	
	Note	2020	2019	2020	2019
Income before income taxes and zakat		**372,424**	666,741	**99,313**	177,798
Adjustments to reconcile income before income taxes and zakat to net cash provided by operating activities					
Depreciation and amortization	6,7	**76,208**	50,266	**20,322**	13,404
Exploration and evaluation costs written off	7	**3,544**	3,217	**945**	858
Loss on disposal of property, plant and equipment		**2,020**	–	**539**	–
Inventory movement		**4,181**	(91)	**1,115**	(24)
Gain on remeasurement of existing interest in equity investments	28,35	**–**	(1,278)	**–**	(341)
Share of results of joint ventures and associates	8	**3,554**	9,455	**948**	2,521
Finance income	28	**(2,771)**	(5,534)	**(739)**	(1,476)
Finance costs	21	**10,564**	6,026	**2,817**	1,607
Dividends from investments in securities	28	**(382)**	(509)	**(102)**	(136)
Change in fair value of investments through profit or loss		**28**	(620)	**7**	(165)
Change in joint ventures and associates inventory profit elimination	8	**21**	240	**6**	64
Other		**794**	1,257	**211**	335
Change in working capital					
Inventories		**15,890**	1,960	**4,237**	523
Trade receivables		**22,172**	727	**5,913**	194
Due from the Government		**7,886**	12,083	**2,103**	3,222
Other assets and receivables		**(2,784)**	3,268	**(742)**	872
Trade and other payables		**(16,250)**	3,430	**(4,333)**	915
Royalties payable		**(6,472)**	2,865	**(1,726)**	763
Other changes					
Other assets and receivables		**(8,593)**	(9,951)	**(2,291)**	(2,654)
Provisions and other liabilities		**1,344**	330	**358**	88
Post-employment benefit obligations		**123**	1,119	**33**	298
Settlement of income, zakat and other taxes	9	**(198,204)**	(328,472)	**(52,855)**	(87,592)
Net cash provided by operating activities		**285,297**	416,529	**76,079**	111,074
Capital expenditures	5	**(101,030)**	(122,882)	**(26,942)**	(32,769)
Cash acquired on acquisition of subsidiary	4	**27,515**	–	**7,337**	–
Acquisition of affiliates, net of cash acquired	8,35	**–**	(13,628)	**–**	(3,634)
Distributions from joint ventures and associates	8	**2,601**	778	**694**	207
Additional investments in joint ventures and associates	8,32	**(537)**	(341)	**(143)**	(91)
Dividends from investments in securities	28	**382**	509	**102**	136
Interest received		**3,698**	4,561	**987**	1,216
Net investments in securities		**(599)**	(868)	**(160)**	(231)
Net maturities (purchases) of short-term investments		**47,071**	(45,273)	**12,552**	(12,073)
Net cash used in investing activities		**(20,899)**	(177,144)	**(5,573)**	(47,239)
Dividends paid to shareholders of the Company	36	**(261,184)**	(274,388)	**(69,649)**	(73,170)
Dividends paid to non-controlling interests in subsidiaries		**(718)**	(36)	**(191)**	(10)
Acquisition of treasury shares	17	**–**	(3,750)	**–**	(1,000)
Proceeds from borrowings		**87,520**	51,960	**23,339**	13,856
Repayments of borrowings		**(42,125)**	(5,162)	**(11,233)**	(1,376)
Principal portion of lease payments		**(10,868)**	(7,740)	**(2,898)**	(2,064)
Interest paid		**(7,497)**	(5,715)	**(2,000)**	(1,524)
Net cash used in financing activities		**(234,872)**	(244,831)	**(62,632)**	(65,288)
Net increase (decrease) in cash and cash equivalents		**29,526**	(5,446)	**7,874**	(1,453)
Cash and cash equivalents at beginning of the year		**177,706**	183,152	**47,388**	48,841
Cash and cash equivalents at end of the year		**207,232**	177,706	**55,262**	47,388

* Supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only.

H.E. Yasir O. Al-Rumayyan
Chairman of the Board

Amin H. Nasser
President & Chief Executive Officer

Khalid H. Al-Dabbagh
Senior Vice President,
Finance, Strategy & Development

Notes to the consolidated financial statements

1. General information

The Saudi Arabian Oil Company (the "Company"), with headquarters located in Dhahran, Kingdom of Saudi Arabia (the "Kingdom"), is engaged in prospecting, exploring, drilling and extracting hydrocarbon substances ("Upstream") and processing, manufacturing, refining and marketing these hydrocarbon substances ("Downstream"). The Company was formed on November 13, 1988 by Royal Decree No. M/8; however, its history dates back to May 29, 1933 when the Saudi Arabian Government (the "Government") granted a concession to the Company's predecessor the right to, among other things, explore the Kingdom for hydrocarbons.

On December 20, 2017, Royal Decree No. M/37 dated 2/4/1439H was issued approving the Hydrocarbons Law which applies to the Kingdom's hydrocarbons and hydrocarbon operations. Under the Hydrocarbons Law, all hydrocarbon deposits, hydrocarbons and hydrocarbon resources are the property of the Kingdom until ownership is transferred at the well head or when extracted. Further, the Hydrocarbons Law codifies the Government's sole authority to set the maximum amount of hydrocarbons production by the Company and the maximum sustainable capacity that the Company must maintain.

All natural resources within the Kingdom, including hydrocarbons, are owned by the Kingdom. Through a concession in 1933, the Government granted the Company the exclusive right to explore, develop and produce the Kingdom's hydrocarbon resources, except in certain areas. As of December 24, 2017, the Company's original concession agreement was replaced and superseded by an amended concession agreement (the "Concession Agreement") which provides the Company the exclusive right to explore, drill, prospect, appraise, develop, extract, recover, and produce hydrocarbons in the concession area. The Company is also provided the exclusive right to market and distribute hydrocarbons, petroleum products and liquid petroleum gas ("LPG") in the Kingdom along with the non-exclusive right to manufacture, refine, and treat production and to market, sell, transport and export such production.

The initial term of the Concession Agreement is for 40 years which shall be extended by the Government for 20 years unless the Company does not satisfy certain conditions commensurate with its then current operating practices. In addition, the Concession Agreement may be amended and extended for an additional 40 years beyond the original 60-year period subject to the Company and the Government agreeing on the terms of such extension.

Effective January 1, 2018, Council of Minister's Resolution No. 180, dated 1/4/1439H (December 19, 2017) converted the Company to a Saudi Joint Stock Company with new Bylaws. The Company's 1988 Articles were cancelled as of January 1, 2018 pursuant to Royal Decree No. M/36, dated 2/4/1439H (December 20, 2017). The Company's share capital has been set at Saudi Riyal ("SAR") 60,000, is fully paid and is divided into 200 billion ordinary shares with equal voting rights without par value. The Company's Commercial Registration Number is 2052101150.

On December 11, 2019, the Company completed its Initial Public Offering ("IPO") and its ordinary shares were listed on the Saudi Stock Exchange ("Tadawul"). In connection with the IPO, the Government, being the sole owner of the Company's shares at such time, sold an aggregate of 3.45 billion ordinary shares, or 1.73% of the Company's share capital. In addition, concurrent with the IPO, the Company acquired 117.2 million of its ordinary shares from the Government for a cash payment of SAR 3,750, which are being classified as treasury shares (Note 17). These shares are for use by the Company for its employee share plans (Note 18).

The consolidated financial statements of the Company and its subsidiaries (together "Saudi Aramco") were approved by the Board of Directors on March 18, 2021.

2. Summary of significant accounting policies, judgments and estimates

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The consolidated financial statements provide comparative information in respect of the previous period.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The consolidated financial statements are also in compliance with IFRS as issued by the International Accounting Standards Board ("IASB"). Amounts and balances relating to Shari'a compliant financial instruments of the Company, its subsidiaries and investments are disclosed separately. All other relevant amounts and balances relate to conventional financial instruments.

The consolidated financial statements have been prepared under the historical cost convention except for certain items measured at fair value which are, primarily, investments in securities, derivatives and certain trade receivables. The accounting policies that follow have been consistently applied to all years presented, unless otherwise stated.

2. Summary of significant accounting policies, judgments and estimates continued

In response to novel Coronavirus ("COVID-19"), which has caused global economic disruption, Saudi Aramco has implemented active prevention programs at its sites and contingency plans in order to minimize the risks related to COVID-19 and to safeguard the continuity of business operations. Crude oil sales account for a substantial portion of the Company's revenue. Crude oil is also a fundamental feedstock to the Company's Downstream operations. The COVID-19 pandemic has had an adverse impact on oil demand, which has led to an oversupply in global markets mostly during the second quarter of 2020, resulting in a reduction in crude oil prices. The markets showed signs of recovery during the second half of 2020 as governments began to ease restrictions and the improved economic activity translated into increased crude oil demand and higher prices. The increased prices have positively impacted Saudi Aramco's financial performance during the second half of 2020. Management has taken measures to optimize spending, which resulted in reduced operational and capital expenditures during the year. Additionally, the Company entered into new financing arrangements (Note 21) to ensure sufficient funding to meet forecasted cash flow requirements and limit any potential financial exposure. Management continues to monitor the situation, including the impact on both results of operations and cash flows and will take further actions as necessary.

(b) Fiscal regime changes

On September 17, 2019, the following significant changes to the fiscal regime under which the Company operates were announced and are all effective January 1, 2020:

(i) The Company and the Government executed an amendment to the Concession Agreement, which changed the effective royalty rate applied to crude oil production based on the Company's official selling prices. The effective royalty rate is determined based on a baseline marginal rate of 15% (from 20%) applied to prices up to $70 per barrel, increasing to 45% (from 40%) applied to prices above $70 per barrel and 80% (from 50%) applied to prices above $100 per barrel.

(ii) LPGs and certain other products were added to the price equalization mechanism to compensate the Company for revenue directly forgone as a result of the Company's compliance with the Government mandates related to domestic sales of those products by the Company.

(iii) The tax rate applicable to the Company's Downstream activities was reduced from the 50% rate applicable to qualified domestic oil and hydrocarbon production companies to the general corporate tax rate of 20% applicable to similar domestic downstream companies under the Saudi Arabian Income Tax Law of 2004 and its amendments (the "Tax Law"). The new rate is conditioned on the Company separating its Downstream activities under the control of one or more separate wholly owned subsidiaries before December 31, 2024, otherwise, the Company's Downstream activities will be retroactively taxed at 50%. The Company expects to transfer all its Downstream activities into a separate legal entity or entities within the period specified (Note 9).

(iv) During 2020, the Tax Law was amended whereby shares held directly or indirectly in listed companies on the Tadawul by taxpayers engaged in oil and hydrocarbon activities are exempt from the application of corporate income tax. As a result, the Company's ownership interests in Saudi Basic Industries Corporation ("SABIC"), Rabigh Refining and Petrochemical Company ("Petro Rabigh"), National Shipping Company of Saudi Arabia ("Bahri") and Saudi Electricity Company ("SEC") are now subject to zakat (Note 9).

(c) Significant accounting judgments and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to exercise judgment in applying Saudi Aramco's accounting policies and in the use of certain critical accounting estimates and assumptions concerning the future. Management has made various judgments that may significantly impact the valuation and presentation of assets and liabilities. In addition, management also applies judgment when undertaking the estimation procedures necessary to calculate assets, liabilities, revenue and expenses. Accounting estimates, by definition, may not equal the related actual results and are subject to change based on experience and new information. The areas requiring the most significant judgments, estimates and assumptions in the preparation of the consolidated financial statements are: accounting for interests in subsidiaries, joint arrangements and associates, fair values of assets acquired and liabilities assumed on acquisition, recoverability of asset carrying amounts, determining the lease term, taxation, provisions, post-retirement obligations and determination of functional currency and are set out in the individual accounting policies below.

2. Summary of significant accounting policies, judgments and estimates continued

(d) New or amended standards

(i) Saudi Aramco adopted the following IASB pronouncements, as endorsed in the Kingdom, effective for annual periods beginning on or after January 1, 2020:

Interbank Offered Rate ("IBOR") reform – Phase 1
In September 2019, the IASB amended IAS 39, Financial Instruments: Recognition and Measurement, IFRS 7, Financial Instruments: Disclosures, and IFRS 9, Financial Instruments, which modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform in which the London Interbank Offered Rate ("LIBOR") interest benchmark will cease after 2021. The amendments, part of Phase 1 of a two-phase project for IBOR reform, also require companies to provide additional information about their hedging relationships that are directly affected by these uncertainties. IBOR reforms and expectation of cessation of LIBOR will impact Saudi Aramco's current risk management strategy and possibly accounting for certain financial instruments used for hedging. Saudi Aramco has recognized the following hedging instruments at fair value (Note 3(d)) which are exposed to the impact of LIBOR with a nominal value of SAR 12,075:

- Financial Liabilities: SAR 874

Saudi Aramco uses financial instruments as part of its risk management strategy to manage exposures arising from variation of interest rates that could affect net income or other comprehensive income and applies hedge accounting to these instruments. Saudi Aramco has certain borrowings where the reference rate is linked to LIBOR. Saudi Aramco is establishing a transition plan that follows a risk management approach to ensure a smooth transition to alternative reference rates. There is no material impact on Saudi Aramco's consolidated financial statements from adopting the Phase 1 amendments to IAS 39, IFRS 7, and IFRS 9.

Amendments to IFRS 3, Business Combinations
In October 2018, the IASB issued amendments to clarify the definition of a business in IFRS 3. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include clarification that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. Additional guidance was also provided that helps to determine whether a substantive process has been acquired. These amendments have been applied prospectively to all transactions for which the acquisition date is on or after January 1, 2020. There is no material impact on Saudi Aramco's consolidated financial statements from adopting these amendments to IFRS 3.

Amendments to IAS 1 and IAS 8 – Definition of Material
In October 2018, the IASB issued amendments to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, effective January 1, 2020, to use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. There is no material impact on Saudi Aramco's consolidated financial statements from adopting these amendments to IAS 1 and IAS 8.

(ii) The following IASB pronouncement that is endorsed in the Kingdom will become effective for annual periods beginning on or after January 1, 2021 has not been early adopted by Saudi Aramco:

IBOR reform – Phase 2
On August 27, 2020, the IASB issued amendments to IAS 39, Financial Instruments: Recognition and Measurement, IFRS 4, Insurance Contracts, IFRS 7, Financial Instruments: Disclosures, IFRS 9, Financial Instruments, and IFRS 16, Leases as part of Phase 2 of a two-phase project for IBOR reform, which address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. These amendments, effective January 1, 2021, include: (1) providing practical expedients in relation to accounting for instruments to which the amortized cost measurement applies by updating the effective interest rate to account for a change in the basis for determining the contractual cash flows without adjusting the carrying amount; (2) additional temporary exceptions from applying specific hedge accounting requirements, including permitted changes to hedge designation without the hedging relationship being discontinued when Phase 1 reliefs cease; and (3) additional disclosures related to IBOR reform, including managing the transition to alternative benchmark rates, its progress and the risks arising from the transition, quantitative information about financial instruments that have yet to transition to new benchmarks and changes in the entity's risk management strategy where this arises. Saudi Aramco is currently assessing the impact of these Phase 2 amendments.

There are no other standards, amendments and interpretations that are not yet effective that are expected to have a material impact in the current or future reporting periods or on foreseeable future transactions.

2. Summary of significant accounting policies, judgments and estimates continued

(e) Principles of consolidation, acquisition and equity accounting

(i) Subsidiaries

The consolidated financial statements reflect the assets, liabilities and operations of the Company and its subsidiaries. Subsidiaries are entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

Intercompany balances and transactions, including unrealized profits and losses arising from intragroup transactions, have been eliminated. Where necessary, adjustments are made to the financial statements of subsidiaries to align the accounting policies with those used by the Company.

The acquisition method of accounting is used to account for business combinations, including those acquisitions of businesses under common control that have commercial substance. Acquisition related costs are expensed as incurred. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, liabilities incurred to the former owners of the acquired business, equity interests issued by the group, the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date the assets and liabilities are exchanged, irrespective of the extent of any non-controlling interests. The excess of the consideration transferred and the amount of any non-controlling interest in the acquired entity over the fair value of the acquired identifiable net assets is recorded as goodwill. Where settlement of any part of the cash consideration is deferred, the amounts payable in the future are discounted to their present value as of the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained under comparable terms and conditions. At the acquisition date, any goodwill arising is allocated to each of the cash-generating units, or groups of cash-generating units, expected to benefit from the business combination's synergies. Non-controlling interests represent the equity in subsidiaries that is not attributable, directly or indirectly, to Saudi Aramco.

Saudi Aramco recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statements of Income, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, and the Consolidated Balance Sheet, respectively.

If the business combination is achieved in stages, the acquisition date carrying value of the previously held equity interest is remeasured to fair value at the acquisition date with any gains or losses arising from such remeasurement recognized in net income.

(ii) Joint arrangements

Under IFRS 11, Joint Arrangements, an arrangement in which two or more parties have joint control is a joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Saudi Aramco has both joint operations and joint ventures.

1) Joint operations

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of a joint arrangement. In relation to its interests in joint operations, Saudi Aramco recognizes its:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation; and
- Expenses, including its share of any expenses incurred jointly.

2) Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Investments in joint ventures are accounted for using the equity method of accounting and are initially recognized at cost.

2. Summary of significant accounting policies, judgments and estimates continued

Saudi Aramco's share of results of its joint ventures is recognized within net income, while its share of post-acquisition movements in other comprehensive income is recognized within other comprehensive income. The cumulative effect of these changes is adjusted against the carrying amount of Saudi Aramco's investments in joint ventures, which is presented separately in the Consolidated Balance Sheet. When Saudi Aramco's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured non-current receivables, Saudi Aramco does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Gains and losses on transactions between Saudi Aramco and joint ventures not realized through a sale to a third party are eliminated to the extent of Saudi Aramco's interest in the joint ventures. Where necessary, adjustments are made to the financial statements of joint ventures to align their accounting policies with those used by Saudi Aramco.

Saudi Aramco's investments in joint ventures includes, when applicable, goodwill identified on acquisition, net of any accumulated impairment loss. Goodwill represents the excess of the cost of an acquisition over the fair value of Saudi Aramco's share of the net identifiable assets of the acquired joint venture at the date of acquisition. Dilution gains and losses arising from investments in joint ventures are recognized in net income.

Dividends received or receivable from joint ventures are recognized as a reduction in the carrying amount of the investment.

(iii) Associates

Associates are entities over which Saudi Aramco has significant influence. Significant influence is the power to participate in financial and operating policy decisions but with no control or joint control over those policies and is generally reflected by a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The accounting policies for joint ventures detailed in Note 2(e)(ii)(2) above are also applied by Saudi Aramco to its associates.

Significant accounting judgments and estimates

Significant estimates relate to the acquisition of subsidiaries and require management to estimate the fair values of the assets acquired and liabilities assumed (Notes 4 and 35). In addition, judgments are applied in the determination of whether control, joint control or significant influence is present with respect to investments in non-wholly owned subsidiaries, joint arrangements or associates, respectively. For control, judgment is applied when determining if an entity is controlled by voting rights, potential voting rights or other rights granted through contractual arrangements and includes considering an entity's purpose and design. For joint control, judgment is applied when assessing whether the arrangement is jointly controlled by all of its parties or by a group of the parties by taking decisions about relevant activities through unanimous consent of the parties sharing control. For joint control, judgment is also applied as to whether the joint arrangement is classified as a joint venture or joint operation taking into account specific facts and circumstances, such as the purpose and design of the arrangement, including with respect to its output, its relationship to the parties and its source of cash flows. For significant influence, judgment is applied in its determination by assessing factors such as representation on the board of directors, participation in policy-making processes, material transactions with the entity, interchange of managerial personnel and provision of essential technical information. Refer to Notes 8, 38, and 39.

(f) Intangible assets

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

Intangible assets other than exploration and evaluation costs (Note 2(g)) and those with indefinite useful lives such as goodwill and brand acquired on acquisition of SABIC (Note 4), consist primarily of brands and trademarks, franchise/customer relationships and computer software. If acquired in a business combination, these intangible assets are recognized at their fair value at the date of acquisition and, if acquired separately, these intangible assets are recognized at cost. All these intangible assets are subsequently amortized on a straight-line basis over their estimated useful lives.

2. Summary of significant accounting policies, judgments and estimates continued

The following table sets forth estimated useful lives, in years, of the principal groups of these intangible assets:

Brands and trademarks	10 to 22
Franchise/customer relationships	5 to 25
Computer software	3 to 15

Amortization is recorded in depreciation and amortization in the Consolidated Statement of Income.

(g) Exploration and evaluation

Exploration and evaluation costs are recorded under the successful efforts method. Under the successful efforts method, geological and geophysical costs are recognized as an expense when incurred and exploration costs associated with exploratory wells are initially capitalized on the Consolidated Balance Sheet as an intangible asset until the drilling of the well is complete and the results have been evaluated. If potential commercial quantities of hydrocarbons are found, these costs continue to be capitalized subject to further appraisal activities that would determine the commercial viability and technical feasibility of the reserves. If potentially commercial quantities of hydrocarbons have not been found, and no alternative use of the well is determined, the previously capitalized costs are written off to exploration in the Consolidated Statement of Income.

Exploratory wells remain capitalized while additional appraisal drilling on the potential oil and/or gas field is performed or while optimum development plans are established. All such capitalized costs are not subject to amortization, but at each reporting date are subject to regular technical and management review to confirm the continued intent to develop, or otherwise extract value from the well. Where such intent no longer exists, the costs are immediately written off to exploration in the Consolidated Statement of Income. Capitalized exploratory expenditures are, at each reporting date, subject to review for impairment indicators.

When proved reserves of hydrocarbons are determined and there is a firm plan for development approved by management, the relevant capitalized costs are transferred to property, plant and equipment.

(h) Property, plant and equipment

Property, plant and equipment is stated on the Consolidated Balance Sheet at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the construction and/or acquisition of the asset (Note 2(s)). Land and construction-in-progress are not depreciated. When a construction-in-progress asset is deemed ready for use as intended by management, depreciation commences.

Subsequent expenditures including major renovations are included in an asset's carrying amount, or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to Saudi Aramco and the cost of the item can be measured reliably. The carrying amount of the replaced item is derecognized. All other repair and maintenance expenditures are expensed as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met (Note 2(v)).

Where the life of expected hydrocarbon reserves substantially exceeds the economic or technical lives of the underlying assets, the straight-line method of depreciation is used on a field-by-field basis. The unit of production method is used for fields where the expected reserve life is approximately equal to or less than the estimated useful lives of the underlying assets. Depletion rates are calculated on the basis of a group of wells or fields with similar characteristics based on proved developed reserves. The estimation of expected reserve lives reflects management's assessment of proved developed reserves and the related depletion strategy on a field-by-field basis. Depreciation expense on all other assets is calculated using the straight-line method to allocate the cost less residual values over the estimated useful lives. Depreciation expense is recorded in the Consolidated Statement of Income.

Depreciation expense is calculated after determining an estimate of an asset's expected useful life and the expected residual value at the end of its useful life. The useful lives and residual values are determined by management at the time the asset is initially recognized and reviewed annually for appropriateness or when events or conditions occur that impact capitalized costs, hydrocarbon reserves or estimated useful lives.

All amounts in millions of Saudi Riyals unless otherwise stated

2. Summary of significant accounting policies, judgments and estimates continued

The following table sets forth estimated useful lives or, the lease term, if shorter, for right-of-use assets (Note 2(j)), in years of the principal groups of depreciable assets:

Crude oil facilities:	
Pipelines and storage tanks	12 to 23
Drilling and construction equipment	5 to 25
Oil and gas properties	15 to 30
Marine equipment	13 to 30
Refinery and petrochemical facilities	2 to 50
Gas and Natural Gas Liquids ("NGL") facilities	2 to 30
General service plant:	
Permanent buildings	20 to 40
Roads and walkways	10 to 20
Aircraft	8 to 17
Autos and trucks	3 to 20
Office furniture and equipment	6 to 8
Computer equipment	3 to 5

Net gains and losses on disposals of depreciable assets are recognized in net income. Right of use assets are depreciated over the life of the asset or the lease term, if shorter (Note 2(j)).

(i) Impairment of non-financial assets

Saudi Aramco assesses, at each reporting date, whether there is an indication that a non-financial asset may be impaired except that assets with indefinite useful lives such as goodwill and brand acquired on acquisition of SABIC (Note 4) are reviewed for impairment on an annual basis. If an indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal or value in use ("VIU"). The fair value less costs of disposal calculation is based on either, post-tax discounted cash flow models or available data from binding arm's length sales transactions for similar assets, or observable market prices less incremental costs for disposing of the asset. The VIU calculation is based on a post-tax risk adjusted discounted cash flow model. The use of post-tax discount rates in determining value in use does not result in a materially different determination of the need for, or the amount of, impairment that would be required if pre-tax discount rates had been used.

Impairment losses are recognized as a component of net income. If, in a subsequent period, the amount of a non-goodwill impairment loss decreases, a reversal of the previously recognized impairment loss is recognized in net income.

Significant accounting judgments and estimates
Impairment tests are undertaken on the basis of the smallest identifiable group of assets (cash-generating unit), or individual assets, for which there are largely independent cash inflows. The key assumptions used to determine the different cash-generating units involves significant judgment from management.

For the purposes of determining whether impairment of oil, refining and petrochemical, gas and NGL, general service plant or construction-in-progress assets has occurred, and the extent of any impairment or its reversal, the key assumptions management uses in estimating future cash flows for its VIU calculations are forecasted future oil and gas and chemical prices, expected production volumes, future operating and development costs, refining and petrochemical margins and changes to the discount rate used for the discounted cash flow model. There is an inherent uncertainty over forecasted information and assumptions. Changes in these assumptions and forecasts could impact the recoverable amounts of assets and any calculated impairment and reversals thereof.

2. Summary of significant accounting policies, judgments and estimates continued

(j) Leases

Saudi Aramco's portfolio of leased assets mainly comprises land and buildings, drilling rigs, marine vessels, industrial facilities, equipment, storage and tanks, aircraft and vehicles. The determination of whether the contract is, or contains, a lease is based on the substance of the contract at the inception of the lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Saudi Aramco recognizes right-of-use assets and lease liabilities at the lease commencement date. Right-of-use assets are initially measured at cost, which comprises lease liabilities at initial measurement, any initial direct costs incurred, any lease payments made at or before the commencement date, and restoration costs less any lease incentives received. Subsequent to initial recognition the right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis unless the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the asset reflects the exercise of the purchase option, in which case right of use assets are depreciated over the useful life of the underlying asset. Depreciation expense is recorded in the Consolidated Statement of Income. Right-of-use assets are included under property, plant and equipment (Note 6).

Lease liabilities are initially measured at the present value of lease payments. Lease payments include fixed lease payments, variable lease payments that depend on an index or rate, amounts payable for guaranteed residual values and payments to be made under extension or purchase or termination options, where applicable. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Subsequent to initial recognition, the lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and adjusted for remeasurement to reflect any reassessments or lease modifications. Lease liabilities are included under borrowings (Note 21). Lease payments are allocated between the principal and finance costs. Finance costs are recorded as an expense in the Consolidated Statement of Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Saudi Aramco has elected not to recognize right-of-use assets and lease liabilities for short-term and low-value leases. Lease payments under short-term and low-value leases are recorded as an expense in the Consolidated Statement of Income on a straight-line basis over the lease term.

Significant accounting judgments and estimates
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to not be terminated or to be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the lessee.

(k) Investments and other financial assets

(i) Classification
Management determines the classification of its financial assets based on the business model for managing the financial assets and the contractual terms of the cash flows. Saudi Aramco's financial assets are classified in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortized cost.

For financial assets measured at fair value, gains and losses are recorded either in net income or other comprehensive income. For investments in debt securities, this depends on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this depends on whether Saudi Aramco has made an irrevocable election at the time of initial recognition, due to the strategic nature of these investments, to account for such equity investments at fair value through other comprehensive income. Saudi Aramco reclassifies debt securities when and only when its business model for managing those assets changes. Certain revenue contracts provide for provisional pricing at the time of shipment with the final pricing based on an average market price for a particular future period. Such trade receivables are measured at fair value because the contractual cash flows are not solely payments of principal and interest. All other trade receivables meet the criteria for amortized cost measurement under IFRS 9.

2. Summary of significant accounting policies, judgments and estimates continued

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognized on the trade-date, which is the date on which Saudi Aramco commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and Saudi Aramco has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, Saudi Aramco measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed as a component of net income. Saudi Aramco subsequently measures all equity investments at fair value.

Equity investments:

Where Saudi Aramco has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to net income following the derecognition of the investment. Dividends from such investments continue to be recognized as a component of net income when Saudi Aramco's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognized as a component of net income.

Debt securities:

Subsequent measurement of debt securities depends on Saudi Aramco's business model for managing the asset and the cash flow characteristics of the asset. Debt securities are classified into the following three measurement categories:

1. Amortized cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost using the effective interest method. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized as a component of net income when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

2. Fair value through other comprehensive income ("FVOCI"):

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for impairment gains or losses, interest income and foreign exchange gains and losses which are recognized as a component of net income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to net income. Interest income from these financial assets is included in finance income using the effective interest rate method.

3. Fair value through profit or loss ("FVPL"):

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognized as a component of net income in the period in which it arises. Financial assets at FVPL are included in non-current assets unless management intends to dispose of the asset within 12 months from the end of the reporting period, in which case the asset is included in current assets.

Other financial assets:

Other financial assets are classified into the following categories:

1. Amortized cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a financial asset that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized as a component of net income when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate.

Financial assets at amortized cost comprise cash and cash equivalents, short-term investments, other assets and receivables, due from the Government and trade receivables other than those subsequently measured at fair value through profit or loss.

2. Fair value through profit or loss:

Trade receivables related to contracts with provisional pricing arrangements are subsequently measured at FVPL.

2. Summary of significant accounting policies, judgments and estimates continued

(iv) Impairment
Saudi Aramco assesses on a forward-looking basis the expected credit losses associated with debt securities carried at either amortized cost or FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, Saudi Aramco applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

(l) Derivative instruments and hedging activities

Saudi Aramco's use of derivative instruments does not have a material effect on its financial position or results of operations.

(i) Derivative instruments classified as held for trading
Saudi Aramco uses commodity swap derivative financial instruments to manage exposure to price fluctuations which arise on purchase and sale transactions for physical deliveries of various refined products. The swaps are initially recognized, and subsequently remeasured at fair value and recorded as an asset, when the fair value is positive, or liability, when the fair value is negative, under trade receivables or trade and other payables in the Consolidated Balance Sheet, respectively.

The fair value of the swap is determined in accordance with Saudi Aramco's derivative valuation policy by reference to the traded price of that instrument on the relevant exchange or over-the-counter markets at the Consolidated Balance Sheet date. The gain or loss from the changes in the fair value of the swap from its value at inception is recognized in net income.

(ii) Derivative instruments designated as hedges
Saudi Aramco uses interest rate swaps and currency forward contracts to manage its exposure to fluctuations in interest rates and foreign exchange rates. These derivative financial instruments, designated as either fair value or cash flow hedges, are purchased from counterparties of high credit standing and are initially recognized, and subsequently remeasured, at fair value.

At the inception of the hedging transaction, Saudi Aramco documents the economic relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategy for undertaking the hedge transaction.

The fair value of a derivative financial instrument used for hedging purposes is classified as a current asset or liability when the remaining maturity of the derivative is less than 12 months; otherwise, it is classified as a non-current asset or liability.

1) Fair value hedges
A fair value hedge is a hedge of the fair value of a recognized asset or liability or firm commitment. Saudi Aramco designates certain currency forward contracts as fair value hedges. The gain or loss from the changes in the fair value of the currency forward contracts is recognized in net income, together with changes in the fair value of the hedged item.

2) Cash flow hedges
A cash flow hedge is a hedge of a particular risk associated with all or a component of a recognized asset or liability or a highly probable forecast transaction, and could affect profit or loss. Any gain or loss relating to the effective portion of changes in the fair value of interest rate swap contracts is recognized in other comprehensive income, with the ineffective portion recognized immediately in net income.

Gains and losses deferred through other comprehensive income are reclassified to net income at the time the hedged item affects net income. However, when a hedged item is a forecast transaction resulting in the recognition of a non-financial asset or non-financial liability, the gains and losses deferred through other comprehensive income, if any, are included in the initial cost or other carrying amount of the asset or liability. When a hedging instrument expires, any cumulative gain or loss deferred through other comprehensive income will remain until the forecast transaction is recognized. When a forecast transaction is no longer expected to occur, the cumulative gain or loss deferred through other comprehensive income is immediately reclassified to net income.

2. Summary of significant accounting policies, judgments and estimates continued

(m) Income tax and zakat

Income tax expense for the period comprises current and deferred tax expense. Income tax expense is recognized in net income, except to the extent that it relates to items recognized in other comprehensive income. In this case, the related income tax is also recognized in other comprehensive income.

Current income tax expense is calculated primarily on the basis of the Tax Law. In addition, income tax expense results from taxable income generated by foreign affiliates.

Deferred income tax is provided in full, using the liability method at tax rates enacted or substantively enacted at the end of the reporting period and expected to apply when the related deferred income tax is realized or settled on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. In estimating such tax consequences, consideration is given to expected future events. Deferred income tax is not provided on initial recognition of an asset or liability in a transaction, other than a business combination that, at the time of the transaction, does not affect either the accounting profit or the taxable profit.

Deferred income tax assets are recognized where future recovery is probable. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred income tax is not provided for taxes on possible future distributions of retained earnings of subsidiaries where the timing of the distribution can be controlled and it is probable that the retained earnings will be substantially reinvested by the entities.

Zakat is levied at the higher of adjusted income subject to zakat or the zakat base in accordance with the Regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom. Zakat is computed using the zakat base. The zakat provision is charged to the Consolidated Statement of Income.

Significant accounting judgments and estimates
Saudi Aramco establishes provisions, based on reasonable estimates, for potential claims by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as different interpretations of tax regulations by the taxable entity and the responsible tax authority and the outcome of previous negotiations. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in net income in the period in which the change occurs. Deferred income tax assets are recognized only to the extent it is considered probable that those assets are recoverable. This includes an assessment of when those assets are likely to reverse, and a judgment as to whether or not there will be sufficient taxable income available to offset the assets when they do reverse. This requires assumptions regarding future profitability. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred income tax assets as well as in the amounts recognized in net income in the period in which the change occurs.

Detailed taxation information, including current expense and deferred income tax assets and liabilities, is presented in Note 9.

(n) Inventories

Inventories are stated at the lower of cost or estimated net realizable value. Cost comprises all expenses to bring inventories to their present location and condition and, for hydrocarbon inventories, is determined using the first-in, first-out ("FIFO") method. For materials and supplies inventories, cost is determined using the weighted average method less an allowance for disposal of obsolete and/or surplus materials and supplies. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(o) Due from the Government

The Government compensates the Company through price equalization (Note 2(z)) and for past due trade receivables of specified Government, semi-Government and other entities with Government ownership or control to whom the Company supplies specified products and services.

2. Summary of significant accounting policies, judgments and estimates continued

Revenue on sales to these specified Government, semi-Government and other entities with Government ownership or control is recognized upon the satisfaction of performance obligations, which occurs when control transfers to these customers. Control of the products is determined to be transferred when the title of products passes, which typically takes place when product is physically transferred to these customers. Once receivables from these customers are past due, these trade receivables are reclassified as a due from the Government current receivable.

Implementing regulations issued by the Government allow the Company to offset any amounts due from the Government against payment of taxes, and in the event of insufficiency of tax balances, offset against any other amounts due and payable by the Company to the Government. Balances due from the Government at December 31 represent amounts to be settled through offset against tax payments.

(p) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks together with all highly liquid investments purchased with original maturities of three months or less.

(q) Treasury shares

Treasury shares are recognized as a deduction from equity at the amount of consideration paid by the Company for their acquisition, including any directly attributable transaction costs incurred.

(r) Financial liabilities

Financial liabilities are classified as financial liabilities at FVPL or as financial liabilities measured at amortized cost, as appropriate. Management determines the classification of its financial liabilities at initial recognition.

Saudi Aramco's financial liabilities are:

(i) Financial liabilities at FVPL
Derivative financial liabilities are categorized as held for trading unless they are designated as hedges (Note 2(l)). Derivative financial liabilities held for trading are included in current liabilities under trade and other payables with gains or losses recognized in net income.

(ii) Financial liabilities at amortized cost
Financial liabilities other than financial liabilities at FVPL are classified as financial liabilities measured at amortized cost net of transaction costs. Such financial liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Discounting is omitted when the effect is immaterial. Financial liabilities measured at amortized cost are included in current liabilities, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current liabilities.

Financial liabilities at amortized cost include trade and other payables and borrowings. Financial liabilities are disclosed separately from financial assets in the Consolidated Balance Sheet unless there is a right to offset.

(s) Borrowing costs

Any difference between borrowing proceeds and the redemption value is recognized as finance costs in the Consolidated Statement of Income over the term of the borrowing using the effective interest method.

Borrowing costs are expensed as incurred except for those costs directly attributable to the acquisition, construction or production of a qualifying asset which are capitalized as part of the cost of that asset until the asset is complete for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for intended use or sale.

(t) Post-employment benefit plans

(i) Pension plans
Funded pension plans are non-contributory plans for the majority of employees and are generally funded by payments by Saudi Aramco and where applicable by group companies to independent trusts or other separate entities. Assets held by the independent trusts and other separate entities are held at their fair value. Valuations of both funded and unfunded plans are performed annually by independent actuaries using the projected unit credit method. The valuations take into account employees' years of service, average or final pensionable remuneration, and are discounted to their present value using interest rates of high-quality corporate bonds that have terms to maturity approximating the terms of the related defined benefit obligation.

2. Summary of significant accounting policies, judgments and estimates continued

The amount recognized in the Consolidated Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The periodic pension cost included in operating costs in the Consolidated Statement of Income in respect of defined benefit pension plans primarily represents the increase in the actuarially assessed present value of the obligation for pension benefits based on employee service during the year and the net interest on the net defined benefit liability or asset. Net interest is calculated by multiplying the defined benefit liability and plan assets by the discount rate applied to each plan at the beginning of each year, amended for changes to the defined benefit liability and plan assets as a result of benefit payments or contributions.

Past service costs, representing plan amendments, are recognized immediately as pension costs in the Consolidated Statement of Income, regardless of the remaining vesting period.

Remeasurements representing actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, and the actual returns on plan assets excluding interest on plan assets, are credited or charged to equity, net of tax, through other comprehensive income.

For defined contribution plans where benefits depend solely on the amount contributed to or due to the employee's account and the returns earned from the investment of those contributions, plan cost is the amount contributed by or due from Saudi Aramco and is recognized as an expense in the Consolidated Statement of Income.

(ii) Other post-employment benefits

Saudi Aramco provides certain post-employment healthcare, life insurance and other benefits to retirees and certain former employees. The entitlement is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. To the extent these plans are not fully funded, a liability is recognized in the Consolidated Balance Sheet. Valuations of benefits are performed by independent actuaries.

Such plans follow the same accounting methodology as used for defined benefit pension plans.

Significant accounting judgments and estimates

The costs of defined benefit pension plans and post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions, which are reviewed annually. Key assumptions include discount rates, future salary increases, future healthcare costs, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. Information about amounts reported in respect of defined benefit plans, assumptions applicable to the plans and their sensitivity to changes are presented in Note 22.

(u) Share-based compensation

The cost of an equity-settled award granted to employees is measured by reference to the fair value of the equity instrument on the date the award is granted. This cost is recognized as an employee benefit expense in the income statement with a corresponding increase in equity.

The cost of a cash-settled award granted to employees is measured by reference to the fair value of the liability at each balance sheet date until settlement. This cost is recognized as an employee benefit expense in the income statement with the corresponding recognition of a liability on the balance sheet.

The cost of both the equity-settled and cash-settled awards is recognized over the vesting period, which is the period over which the employees render the required service for the award and any non-market performance condition attached to the award is required to be met. Additionally, for a cash-settled award, any changes in the fair value of the liability between the vesting date and the date of its settlement are also recognized in the income statement within employee benefit expense.

In determining the fair value of an equity-settled or cash-settled award, an appropriate valuation method is applied. Service and non-market performance conditions are not taken into account in determining the fair value of the award, but during the vesting period the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of awards that are expected to vest. Any market performance conditions and non-vesting conditions are taken into account in determining the award's fair value.

(v) Provisions and contingencies

Provisions are liabilities where the timing or amount of future expenditures is uncertain. Provisions are recognized when Saudi Aramco has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated.

2. Summary of significant accounting policies, judgments and estimates continued

Provisions are recorded at the best estimate of the present value of the expenditure required to settle the obligation at the end of the reporting period. Amounts are discounted, unless the effect of discounting is immaterial, using an appropriate discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense within finance costs in the Consolidated Statement of Income.

Saudi Aramco records a provision and a corresponding asset for decommissioning activities in Upstream operations for well plugging and abandonment activities. The obligation for a well is recognized when it is drilled. Decommissioning provisions associated with Downstream facilities are generally not recognized, as the potential obligations cannot be measured, given their indeterminate settlement dates. The liability for decommissioning obligations will be recognized in the period when sufficient information becomes available to estimate a range of potential settlement dates. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows. The value of the obligation is added to the carrying amount of the related asset and amortized over the useful life of the asset. The increase in the provision due to the passage of time is recognized as finance costs in the Consolidated Statement of Income. Changes in future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows are recognized as a change in provision and related asset.

A contingent liability is disclosed where the existence of a possible obligation will only be confirmed by future events or where the amount of a present obligation cannot be measured with reasonable reliability or it is not probable that there will be an outflow of resources to settle that obligation. Contingent assets are not recognized, but are disclosed where the inflow of economic benefits is probable.

Significant accounting judgments and estimates
Most of Saudi Aramco's well plugging and abandonment activities are many years into the future with technology and costs constantly changing. Estimates of the amounts of a provision are recognized based on current legal and constructive requirements and costs associated to abandon using existing technologies. Actual costs are uncertain and estimates can vary as a result of changes in the scope of the project and/or relevant laws and regulation. The estimated timing of decommissioning may change due to certain factors, such as reserve life, a decision to terminate operations, or changes in legislation. Changes to estimates related to future expected costs, discount rates and timing may have a material impact on the amounts presented. As a result, significant judgment is applied in the initial recognition and subsequent adjustment of the provision and the capitalized cost associated with decommissioning, plugging and abandonment obligations. Any subsequent adjustments to the provision are made prospectively. Detail on the particular assumptions applied when making certain non-current provisions is included in Note 23.

(w) Foreign currency translation

The USD is the functional currency of the Company and most of its subsidiaries. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign currency monetary assets or liabilities are translated at each reporting date using the prevailing reporting date exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized as a component of net income. Non-monetary assets and liabilities, other than those measured at fair value, are translated using the exchange rate at the date of the transactions.

Significant accounting judgments and estimates
The Company has determined that USD is the functional currency as a substantial amount of its products are traded in USD in international markets. However, a substantial amount of costs of the Company are denominated in SAR which has been exchanged at a fixed rate to USD since 1986. A change in the fixed exchange rate could impact the recorded revenue, expenses, assets and liabilities of the Company.

(x) Presentation currency

The consolidated financial statements are presented in SAR. The financial position and results of the operations of the Company, subsidiaries, joint arrangements and associates that have a functional currency which is different from the presentation currency are translated at reporting date exchange rates and the average exchange rates that approximate the cumulative effect of rates prevailing at the transaction dates, respectively. All resulting exchange differences are recognized through other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that foreign operation is recognized in net income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Translations from SAR to USD presented as supplementary information in the Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows at December 31, 2020 and 2019, are for convenience and were calculated at the rate of USD 1.00 = SAR 3.75 representing the exchange rate at the balance sheet dates.

2. Summary of significant accounting policies, judgments and estimates continued

(y) Revenue recognition and sales prices

Revenue from sales of crude oil and related products is recognized upon the satisfaction of performance obligations, which occurs when control transfers to the customer. Control of the products is determined to be transferred to the customer when the title of crude oil and related products passes to the customer, which typically takes place when product is physically transferred into a vessel, pipe or other delivery mechanism.

Revenue contracts for crude and certain related products provide for provisional pricing at the time of shipment, with final pricing based on the average market price for a particular future period. Revenue on these contracts is recorded based on the estimate of the final price at the time control is transferred to the customer. Any difference between the estimate and the final price is recorded as a change in fair value of the related receivable, as part of revenue, in the Consolidated Statement of Income. Where applicable the transaction price is allocated to the individual performance obligations of a contract based on their relative stand-alone selling prices.

(z) Other income related to sales

The Government compensates the Company through price equalization for revenue directly forgone as a result of the Company's compliance with local regulations governing domestic sales and distribution of certain liquid products, LPG and other products (Note 2(b)(ii)). This compensation reflected in these consolidated financial statements, is calculated by the Company as the difference between the product's equalization price and the corresponding domestic regulated price, net of Government fees, in accordance with the implementing regulations issued by the Government in 2017 and 2019.

This compensation is recorded as other income related to sales, that is taxable, when the Company has satisfied its performance obligations through transfer of the title to the buyer, which occurs when product is physically transferred. The compensation due from the Government is characterized as a due from the Government (Note 2(o)) current receivable and is recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method less impairment losses, if any.

The implementing regulations allow the Company to offset any amounts due from the Government against payment of taxes, and in the event of insufficiency of tax balances, offsetting may extend against any other amounts due and payable by the Company to the Government.

(aa) Production royalties

Royalties to the Government are calculated based on a progressive scheme applied to crude oil and condensate production. An effective royalty rate is applied to production based on the Company's official selling prices. The effective royalty rate is determined based on a baseline marginal rate of 15% applied to prices up to $70 per barrel, increasing to 45% applied to prices above $70 per barrel and 80% applied to prices above $100 per barrel (Note 2(b)(i)). All such royalties are accounted for as an expense in the Consolidated Statement of Income and are deductible costs for Government income tax calculations.

(bb) Research and development

Development costs that are expected to generate probable future economic benefits are capitalized as intangible assets and amortized over their estimated useful life. During the period of development, the asset is tested for impairment annually. All other research and development costs are recognized in net income as incurred.

(cc) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

(dd) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing:

- the net income attributable to the ordinary shareholder of the Company;
- by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3. Financial risk management

Saudi Aramco operates internationally but has limited exposure to financial risks. Financial risks include market risk (including foreign currency exchange risk, price risk, and interest rate risk), credit risk, and liquidity risk. Financial risk management is carried out primarily by a central treasury department. The adequacy of financial risk management policies is regularly reviewed with consideration of current activities and market conditions on a consolidated basis. Saudi Aramco uses derivative financial instruments with limited complexity to manage certain risk exposures and does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(a) Financial risk factors

(i) Market risk

1) Foreign currency exchange risk – The risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign currency exchange rates.

Saudi Aramco operates internationally but has limited exposure to financial risk due to changes in foreign currency exchange rates as most significant transactions are denominated in its functional currency (Note 2(w)), are linked to its functional currency or are hedged. Saudi Aramco's limited foreign currency exchange risk arises from future commercial transactions or recognized assets or liabilities denominated in a currency that is not Saudi Aramco's functional currency. In addition, a substantial amount of costs of Saudi Aramco are denominated in SAR which has been at a fixed rate to USD since 1986. A change in the fixed exchange rate would result in foreign exchange differences being recognized in the consolidated financial statements.

Saudi Aramco engages foreign currency hedging activities through the use of currency forward contracts to manage its exchange exposure from significant transactions denominated in a foreign currency. The hedge ratio considers variability in potential outcomes, spot rates, as well as interest rates, and on a transaction by transaction basis, can cover up to 100% of the exposure at inception.

The notional amounts of outstanding currency forward contracts designated as hedging instruments are included in Note 31.

2) Price risk – The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Price risk primarily stems from investments in securities and commodity trading.

a) Investments in securities

Saudi Aramco has limited exposure to price risk with such risk arising from investments in securities carried at fair value.

Saudi Aramco regularly reviews its positions in investments in securities considering current and expected future economic trends.

At December 31, 2020 and 2019, a change in fair value due to a movement of 5% in the price of listed equity securities would result in a change in other comprehensive income before income taxes of SAR 403 and SAR 412, respectively.

At December 31, 2020 and 2019, a change in fair value due to a movement of 5% in the unit price of equities and mutual and hedge funds would result in a change in income before income taxes of SAR 124 and SAR 173, respectively.

b) Commodity swaps

Saudi Aramco trades refined, natural gas liquid, and bulk petrochemical products and uses commodity swaps as a means of managing price and timing of risks arising from this trading. In effecting these transactions, Saudi Aramco operates within policies and procedures designed to ensure that risks, including those related to the default of counterparties, are managed within authorized limits. The notional amounts of outstanding commodity swap contracts are included in Note 31.

3) Interest rate risk – The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Saudi Aramco is exposed to interest rate risk from changes in interest rates that affect the fair value or future cash flows of financial instruments, principally borrowings, issued at variable and fixed rates. Borrowings issued at variable rates expose Saudi Aramco to cash flow interest rate risk which is partially offset by short-term time deposits and debt securities held at variable rates. Borrowings issued at fixed rates expose Saudi Aramco to fair value interest rate risk. Saudi Aramco may enter into interest rate swap agreements as part of its overall strategy to manage the interest rate risk on its debt.

At December 31, 2020 and 2019, a change of 1% in market interest rates, with all other variables held constant, would result in a net change of SAR 696 and SAR 435, respectively, in Saudi Aramco's income before income taxes as a result of the effect of higher or lower market interest rates.

The notional amounts of interest rate swap contracts are included in Note 31.

3. Financial risk management continued

(ii) Credit risk

Credit risk is the risk that counterparties might not fulfill their contractual payment obligations towards an entity.

Saudi Aramco is exposed to credit risk related to its counterparties not performing or honoring their obligations which would result in financial loss. Credit risk arises from credit exposures on trade receivables as well as from cash and cash equivalents, short-term investments, debt securities, and derivatives with financial institutions. The maximum exposure to credit risk is the carrying value of these assets.

Saudi Aramco's trade receivables arise from a global customer base which limits geographic concentrations of credit risk. Moreover, a credit risk policy is in place to ensure credit limits are extended to creditworthy counterparties and risk mitigation measures are defined and implemented accordingly. Saudi Aramco performs ongoing evaluations of its counterparties' financial standing and takes additional measures to mitigate credit risk when considered appropriate by means of letter of credits, bank guarantees or parent company guarantees.

In addition, the credit policy limits the amount of credit exposure to any individual counterparty based on their credit rating as well as other factors. Moreover, Saudi Aramco's investment policy limits exposure to credit risk arising from investment activities. The policy requires that cash and cash equivalents and short-term investments be invested with a diversified group of financial institutions with acceptable credit ratings. Saudi Aramco ensures that each counterparty is of an acceptable credit quality by relying on quantitative and qualitative measures compiled from internal and third party rating models. At December 31, 2020, all the short-term investments were with financial institutions assigned a long-term credit rating of "BBB" (2019: "BBB") or above.

Employee home loans (Note 10) and debt securities are generally considered to have low credit risk based on history of default and thus the impairment provision recognized during the year based on the general approach allowed by IFRS 9, where applicable, was substantially limited to 12-month expected losses.

Saudi Aramco applies the simplified approach allowed by IFRS 9 in providing for expected credit losses for trade receivables which uses the lifetime expected credit loss provision for all trade receivables. Such credit losses have historically been nominal and the loss allowance for trade receivables (Note 13) is not material.

(iii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Saudi Aramco's liquidity risk management includes maintaining sufficient cash and cash equivalents and ensuring the availability of incremental funding through credit facilities (Note 21). Management also monitors and forecasts Saudi Aramco's liquidity requirements based on current and non-current expected cash flows.

Saudi Aramco invests surplus cash in current accounts, time deposits, money market deposits, government repurchase agreements, and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to meet forecasted cash flow requirements. Saudi Aramco prioritizes security and liquidity over yield.

Note 21 analyzes Saudi Aramco's borrowings into relevant maturity groupings based on the balances associated with each contractual maturity date at the end of the reporting period.

198 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

3. Financial risk management continued

(b) Capital structure management

Saudi Aramco seeks to maintain a prudent capital structure, comprised of borrowings and shareholders' equity, to support its capital investment plans and maintain a sustainable, growing dividend profile. Maintaining sufficient financial flexibility is considered strategically important to mitigate industry cyclicality while also enabling the pursuit of organic and inorganic investment opportunities. Borrowings or dividends will result in an adjustment to Saudi Aramco's capital structure. Saudi Aramco's debt to equity ratio at the end of the reporting year was as follows:

	2020	2019
Total liabilities	**813,167**	447,891
Less: cash and cash equivalents	**(207,232)**	(177,706)
Net debt	**605,935**	270,185
Total equity	**1,101,094**	1,046,235
Net debt to equity ratio	**55%**	26%

(c) Casualty loss risk retention

Saudi Aramco's casualty loss risk strategy includes a risk retention and insurance program, including providing coverage to certain joint arrangements and associates limited to Saudi Aramco's percentage interest in the relevant entity. Current maximum risk retention is SAR 3,138 per loss event (2019: SAR 2,490) and various insurance limits apply, of which the risk retention forms a part. Should a credible loss event occur, the maximum insurance limit above beyond retention is SAR 4,550 (2019: SAR 4,875) per event dependent on the circumstances.

(d) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. Management believes that the fair values of Saudi Aramco's financial assets and liabilities that are measured and recognized at amortized cost are not materially different from their carrying amounts at the end of the reporting period.

Saudi Aramco measures financial instruments such as derivatives, equity investments and debt securities classified as FVPL, and equity investments and debt securities classified as FVOCI, at fair value at each balance sheet date. Saudi Aramco uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

All amounts in millions of Saudi Riyals unless otherwise stated

3. Financial risk management continued

The following table presents Saudi Aramco's assets and liabilities measured and recognized at fair value at the years ended December 31, 2020 and 2019, based on the prescribed fair value measurement hierarchy on a recurring basis. Saudi Aramco did not measure any financial assets or financial liabilities at fair value on a non-recurring basis at December 31, 2020 and 2019.

Assets	Level 1	Level 2	Level 3	Total
2020				
Investments in securities:				
Equity securities at FVOCI	**8,051**	**174**	**1,475**	**9,700**
Debt securities at FVOCI	**21**	**6,948**	**–**	**6,969**
Equity securities at FVPL	**870**	**1,219**	**3,495**	**5,584**
Debt securities at FVPL	**53**	**–**	**–**	**53**
Trade receivables related to contracts with provisional pricing arrangements	**–**	**–**	**54,402**	**54,402**
	8,995	**8,341**	**59,372**	**76,708**
Other assets and receivables:				
Commodity swaps	**–**	**291**	**17**	**308**
Currency forward contracts	**–**	**275**	**–**	**275**
Financial assets against options	**–**	**1,863**	**–**	**1,863**
	–	**2,429**	**17**	**2,446**
Total assets	**8,995**	**10,770**	**59,389**	**79,154**
2019				
Investments in securities:				
Equity securities at FVOCI	8,246	–	1,244	9,490
Debt securities at FVOCI	1	4,563	–	4,564
Equity securities at FVPL	–	1,265	4,918	6,183
Trade receivables related to contracts with provisional pricing arrangements	–	–	75,723	75,723
	8,247	5,828	81,885	95,960
Other assets and receivables:				
Interest rate swaps	–	13	–	13
Commodity swaps	–	288	–	288
Currency forward contracts	–	30	–	30
	–	331	–	331
Total assets	8,247	6,159	81,885	96,291

Liabilities	Level 1	Level 2	Level 3	Total
2020				
Trade and other payables:				
Interest rate swaps	**–**	**874**	**–**	**874**
Commodity swaps	**78**	**159**	**28**	**265**
Currency forward contracts	**–**	**212**	**–**	**212**
Provisions and other liabilities:				
Financial liability against options	**–**	**1,995**	**–**	**1,995**
Total liabilities	**78**	**3,240**	**28**	**3,346**
2019				
Trade and other payables:				
Interest rate swaps	–	338	–	338
Commodity swaps	–	521	–	521
Currency forward contracts	–	109	–	109
Total liabilities	–	968	–	968

200 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

3. Financial risk management continued

The valuation techniques for Saudi Aramco's investments in securities are described in Note 11. The changes in Level 3 investments in securities for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
January 1	**6,162**	5,530
Acquisition	**262**	–
Net (disposals) additions	**(1,681)**	286
Net movement in unrealized fair value	**(299)**	296
Realized gain	**526**	50
December 31	**4,970**	6,162

The movement in trade receivables related to contracts with provisional pricing arrangements mainly relates to sales transactions, net of settlements, made during the period, resulting from contracts with customers (Note 13). Unrealized fair value movements on these trade receivables are not significant.

The change in commodity swaps primarily relate to purchase and sales derivative contracts including recognition of a gain or loss that results from adjusting a derivative to fair value. Fair value movements on these commodity swaps are not significant.

4. Acquisition of SABIC

On June 16, 2020, the Company acquired a 70% equity interest in SABIC from the Public Investment Fund ("PIF"), for SAR 259,125 ($69,100). This equates to SAR 123.39 ($32.90) per share.

SABIC is a global diversified chemicals company headquartered in Riyadh, Saudi Arabia. SABIC manufactures on a global scale in the Americas, Europe, Middle East, and Asia Pacific, making different products, including chemicals, commodity and high-performance plastics, specialties, agri-nutrients and metals. The acquisition of the equity interest in SABIC is consistent with Saudi Aramco's long-term Downstream strategy to grow its integrated refining and petrochemicals capacity and create value from integration across the hydrocarbon value chain.

The transaction resulted in the Company obtaining control of SABIC. The Company accounts for acquisitions of subsidiaries using the acquisition method of accounting, including those acquisitions under common control and having commercial substance. This requires recognition of the assets acquired and liabilities assumed at fair value as of the acquisition date.

Saudi Aramco has engaged an independent valuer in order to determine the fair values of the assets and liabilities of SABIC as part of the purchase price allocation. The preliminary fair values of the identifiable assets and liabilities are as follows:

Cash and cash equivalents	**27,515**
Trade receivables	**13,829**
Inventories	**24,919**
Other current assets and receivables	**4,803**
Short-term investments	**8,405**
Property, plant and equipment (Note 6)	**179,313**
Intangible assets (Note 7)	**37,079**
Investments in joint ventures and associates	**51,864**
Other non-current assets	**11,598**
Trade and other payables	**(23,460)**
Income tax and zakat payable	**(4,178)**
Current borrowings	**(8,149)**
Non-current borrowings	**(37,174)**
Post-employment benefit obligations	**(16,549)**
Other non-current liabilities	**(9,067)**
Total identified net assets at fair value	**260,748**
Non-controlling interests	**(100,739)**
Goodwill (Note 7)	**99,116**
Purchase consideration in the form of promissory notes	**259,125**

Non-controlling interests which result from both the Company's partial ownership of SABIC, as well as SABIC's partial ownership of a number of its subsidiaries, were measured at their proportionate share of recognized net assets.

All amounts in millions of Saudi Riyals unless otherwise stated

4. Acquisition of SABIC continued

The purchase price amount is to be paid over several installments pursuant to a seller loan provided by PIF. Loan payments, which are represented by promissory notes denominated in US Dollars, are as follows:

	Principal loan amount	Loan charge
On or before August 2, 2020	**26,250**	**–**
On or before April 7, 2021	**18,750**	**–**
On or before April 7, 2022	**31,875**	**1,875**
On or before April 7, 2023	**39,375**	**1,875**
On or before April 7, 2024	**39,375**	**2,250**
On or before April 7, 2025	**39,375**	**3,000**
On or before April 7, 2026	**64,125**	**5,625**
On or before April 7, 2027	**–**	**3,750**
On or before April 7, 2028	**–**	**3,750**
Total purchase price and loan charges	**259,125**	**22,125**
Payments during the period	**(26,250)**	**–**
Total amount of outstanding installments	**232,875**	**22,125**

The combined fair value of the principal loan amounts and loan charges on the date of acquisition amounted to SAR 259,125 ($69,100). This is subsequently measured at amortized cost using the effective interest method and is presented on a combined basis as 'Deferred consideration' within 'Borrowings' (Note 21).

Saudi Aramco has also agreed to make an accelerated payment of SAR 11,250 ($3,000) in April 2022 based on the occurrence of certain market conditions in 2021. If the accelerated payment is made, it will reduce the principal amount that would otherwise be payable on or before April 2026 by SAR 11,250 ($3,000) and the loan charge in April 2022 will be reduced from SAR 1,875 ($500) to SAR 750 ($200).

The provisional goodwill of SAR 99,116 arising from the transaction includes synergies expected from the transaction, representing value chain capture through downstream integration, procurement, supply chain, manufacturing, marketing and sales, future customer relationships and intangibles such as acquired work force. Goodwill has been provisionally allocated to the Downstream operating segment, which is expected to benefit from the synergies of the acquisition.

Acquisition and transaction costs of SAR 343 were expensed as selling, administrative and general expenses in the Consolidated Statement of Income.

SABIC contributed revenues of SAR 64,659 and net loss of SAR 2,426 to Saudi Aramco for the period from June 16, 2020 to December 31, 2020. If the acquisition had occurred on January 1, 2020, management estimates that consolidated pro-forma revenue and net income for the year ended December 31, 2020 would have been SAR 809,204 and SAR 179,168, respectively. These amounts have been calculated using SABIC's results and adjusting them mainly for depreciation, amortization and unwinding adjustments that would have been recorded assuming the acquisition-date fair value adjustments had applied from January 1, 2020.

5. Operating segments

Saudi Aramco is engaged in prospecting, exploring, drilling, extracting, processing, manufacturing, refining and marketing hydrocarbon substances within the Kingdom and has interests in refining, petrochemical, distribution, marketing and storage facilities outside the Kingdom.

Saudi Aramco's operating segments are established on the basis of those components that are evaluated regularly by the CEO, considered to be the Chief Operating Decision Maker. The Chief Operating Decision Maker monitors the operating results of Saudi Aramco's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenues, costs and a broad range of key performance indicators in addition to segment profitability.

For management purposes, Saudi Aramco is organized into business units based on the main types of activities. At December 31, 2020, Saudi Aramco had two reportable segments, Upstream and Downstream, with all other supporting functions aggregated into a Corporate segment. Upstream activities include crude oil, natural gas and natural gas liquids exploration, field development and production. Downstream activities, which now include SABIC's operations from the date of acquisition, consist primarily of refining and petrochemical manufacturing, supply and trading, distribution and power generation, logistics, and marketing of crude oil and related services to international and domestic customers. Corporate activities include primarily supporting services including Human Resources, Finance and IT not allocated to Upstream and Downstream. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

All amounts in millions of Saudi Riyals unless otherwise stated

5. Operating segments continued

The accounting policies used by Saudi Aramco in reporting segments internally are the same as those contained in Note 2 of the consolidated financial statements. There are no differences from the 2019 consolidated financial statements in the basis of segmentation or in the basis of measurement of segment earnings before interest, income taxes and zakat, except for some limited changes in the pricing basis of certain inter-segment transactions between Upstream and Downstream.

Information by segments is as follows:

	Upstream	Downstream	Corporate	Eliminations	Consolidated
2020					
External revenue	**410,956**	**355,787**	**1,366**	**–**	**768,109**
Other income related to sales	**38,878**	**55,104**	**–**	**–**	**93,982**
Inter-segment revenue	**155,636**	**30,330**	**304**	**(186,270)**	**–**
Share of results of joint ventures and associates	**(4)**	**(3,401)**	**(149)**	**–**	**(3,554)**
Depreciation and amortization	**(39,702)**	**(30,888)**	**(5,618)**	**–**	**(76,208)**
Dividends and other income	**–**	**408**	**3**	**–**	**411**
Earnings (losses) before interest, income taxes and zakat	**413,214**	**(20,170)**	**(17,041)**	**4,214**	**380,217**
Finance income					**2,771**
Finance costs					**(10,564)**
Income before income taxes and zakat					**372,424**
Capital expenditures – cash basis	**73,651**	**26,097**	**1,282**	**–**	**101,030**
2019					
External revenue	709,250	395,099	1,347	–	1,105,696
Other income related to sales	34,446	96,643	–	–	131,089
Inter-segment revenue	226,699	35,677	292	(262,668)	–
Share of results of joint ventures and associates	(3)	(9,371)	(81)	–	(9,455)
Depreciation and amortization	(30,855)	(14,350)	(5,061)	–	(50,266)
Dividends and other income	–	1,800	17	–	1,817
Earnings (losses) before interest, income taxes and zakat	689,894	(3,478)	(13,098)	(6,085)	667,233
Finance income					5,534
Finance costs					(6,026)
Income before income taxes and zakat					666,741
Capital expenditures – cash basis	93,927	26,696	2,259	–	122,882

Information by geographical area is as follows:

	In-Kingdom	Out-of-Kingdom	Total
2020			
External revenue	**538,360**	**229,749**	**768,109**
Property, plant and equipment, intangible assets, investments in joint ventures and associates	**1,245,524**	**194,459**	**1,439,983**
2019			
External revenue	871,451	234,245	1,105,696
Property, plant and equipment, intangible assets, investments in joint ventures and associates	900,938	130,936	1,031,874

Sales to external customers by region are based on the location of the Saudi Aramco entity, which made the sale. Out-of-Kingdom revenue includes sales of SAR 110,652 originating from the United States of America ("USA") (2019: SAR 119,325).

Property, plant and equipment, intangible assets and investments in joint ventures and associates by region are based on the location of the Saudi Aramco entity holding the assets.

All amounts in millions of Saudi Riyals unless otherwise stated 203

6. Property, plant and equipment

	Crude oil facilities	Refinery and petrochemical facilities	Gas and NGL facilities	General service plant	Construction-in-progress	Total
Cost						
January 1, 2020	**537,299**	**231,049**	**396,400**	**108,582**	**291,482**	**1,564,812**
Additions[1]	**8,965**	**4,881**	**484**	**6,144**	**102,024**	**122,498**
Acquisition (Note 4)	**–**	**150,889**	**–**	**–**	**28,424**	**179,313**
Construction completed	**67,333**	**24,853**	**58,232**	**28,937**	**(179,355)**	**–**
Currency translation differences	**–**	**7,158**	**–**	**(2)**	**816**	**7,972**
Transfers and adjustments[2]	**(17)**	**9**	**40**	**(724)**	**(1,922)**	**(2,614)**
Transfer of exploration and evaluation assets	**–**	**–**	**–**	**–**	**1,102**	**1,102**
Retirements and sales	**(1,717)**	**(4,900)**	**(362)**	**(3,509)**	**(121)**	**(10,609)**
December 31, 2020	**611,863**	**413,939**	**454,794**	**139,428**	**242,450**	**1,862,474**
Accumulated depreciation						
January 1, 2020	**(271,105)**	**(78,033)**	**(174,300)**	**(59,360)**	**–**	**(582,798)**
Charge for the year	**(23,910)**	**(23,189)**	**(17,476)**	**(8,135)**	**–**	**(72,710)**
Currency translation differences	**–**	**(4,568)**	**–**	**–**	**–**	**(4,568)**
Transfers and adjustments	**9**	**(215)**	**32**	**(47)**	**–**	**(221)**
Retirements and sales	**699**	**4,572**	**345**	**1,667**	**–**	**7,283**
December 31, 2020	**(294,307)**	**(101,433)**	**(191,399)**	**(65,875)**	**–**	**(653,014)**
Property, plant and equipment – net, December 31, 2020	**317,556**	**312,506**	**263,395**	**73,553**	**242,450**	**1,209,460**
Cost						
January 1, 2019	503,281	205,233	361,141	88,482	257,607	1,415,744
Adjustment for change in accounting policy	6,337	8,005	254	11,455	–	26,051
Additions[1]	4,929	3,545	164	2,559	110,995	122,192
Acquisitions (Note 35)	–	10,395	–	–	1,329	11,724
Derecognition on acquisition of joint operation (Note 35(a)(i))	–	(5,240)	–	–	(977)	(6,217)
Construction completed	25,517	12,764	34,647	6,865	(79,793)	–
Currency translation differences	–	(1,892)	–	–	(98)	(1,990)
Transfers and adjustments	(646)	513	307	(23)	300	451
Transfer of exploration and evaluation assets	–	–	–	–	2,119	2,119
Retirements and sales	(2,119)	(2,274)	(113)	(756)	–	(5,262)
December 31, 2019	537,299	231,049	396,400	108,582	291,482	1,564,812
Accumulated depreciation						
January 1, 2019	(253,544)	(74,438)	(160,220)	(53,715)	–	(541,917)
Charge for the year	(18,729)	(10,213)	(13,828)	(6,370)	–	(49,140)
Derecognition on acquisition of joint operation (Note 35(a)(i))	–	4,231	–	–	–	4,231
Currency translation differences	–	659	–	–	–	659
Transfers and adjustments	(25)	(510)	(354)	18	–	(871)
Retirements and sales	1,193	2,238	102	707	–	4,240
December 31, 2019	(271,105)	(78,033)	(174,300)	(59,360)	–	(582,798)
Property, plant and equipment – net, December 31, 2019	266,194	153,016	222,100	49,222	291,482	982,014

1. Borrowing cost capitalized during the year ended December 31, 2020, amounted to SAR 1,316 (2019: SAR 1,443).
2. Saudi Aramco recognized write-down of SAR 2,631 on certain downstream facilities, including a facility under construction of SAR 1,741.

204 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

6. Property, plant and equipment continued

Additions to right-of-use assets during the year ended December 31, 2020 were SAR 16,278 (2019: SAR 9,670). Acquisition of right-of-use assets during the year ended December 31, 2020 were SAR 7,003 (2019: SAR 207). The following table presents depreciation charges and carrying amounts of right-of-use assets by class of assets.

	Depreciation expense for the year ended December 31, 2020	Net carrying amount at December 31, 2020	Depreciation expense for the year ended December 31, 2019	Net carrying amount at December 31, 2019
Crude oil facilities	3,624	11,163	2,591	8,202
Refinery and petrochemical facilities	2,597	17,336	1,276	10,045
Gas and NGL facilities	163	395	178	190
General service plant	4,118	24,844	3,634	22,222
	10,502	53,738	7,679	40,659

7. Intangible assets

	Goodwill	Exploration and evaluation[1]	Brands and trademarks	Franchise/ customer relationships	Computer software	Other[2]	Total
Cost							
January 1, 2020	1,077	21,913	4,791	1,764	4,428	1,680	35,653
Additions	–	3,894	–	–	226	197	4,317
Acquisition (Note 4)	99,116	–	18,215	17,985	260	619	136,195
Currency translation differences	11	–	20	23	42	143	239
Transfers and adjustments	–	(1)	51	55	142	259	506
Transfer of exploration and evaluation assets	–	(1,102)	–	–	–	–	(1,102)
Retirements and write offs	–	(3,544)	–	–	(33)	(49)	(3,626)
December 31, 2020	100,204	21,160	23,077	19,827	5,065	2,849	172,182
Accumulated amortization							
January 1, 2020	–	–	(1,448)	(866)	(2,835)	(382)	(5,531)
Charge for the year	–	–	(405)	(572)	(437)	(343)	(1,757)
Currency translation differences	–	–	(11)	(8)	(30)	(89)	(138)
Transfers and adjustments	–	–	(51)	(55)	(1)	(161)	(268)
Retirements and write offs	–	–	–	–	33	26	59
December 31, 2020	–	–	(1,915)	(1,501)	(3,270)	(949)	(7,635)
Intangible assets – net, December 31, 2020	100,204	21,160	21,162	18,326	1,795	1,900	164,547

1. Cash used for exploration and evaluation operating activities in 2020 was SAR 3,749 (2019: SAR 4,074) and expenditures for investing activities were SAR 3,894 (2019: SAR 8,333).
2. Other intangible assets include licenses and usage rights of SAR 652 (2019: SAR 762), patents and intellectual property of SAR 629 (2019: SAR 536) and new intangible assets recognized as a result of the acquisition of SABIC consisting of technology and licenses of SAR 619.

All amounts in millions of Saudi Riyals unless otherwise stated 205

7. Intangible assets continued

	Goodwill	Exploration and evaluation[1]	Brands and trademarks	Franchise/ customer relationships	Computer software	Other[2]	Total
Cost							
January 1, 2019	580	18,916	4,827	1,263	4,310	1,577	31,473
Additions	–	8,333	–	–	303	65	8,701
Acquisitions (Note 35)	527	–	–	544	57	–	1,128
Derecognition on acquisition of joint operation (Note 35(a)(i))	–	–	–	–	(84)	–	(84)
Currency translation differences	(9)	–	(84)	(43)	–	(63)	(199)
Transfers and adjustments	(21)	–	48	–	(114)	101	14
Transfer of exploration and evaluation assets	–	(2,119)	–	–	–	–	(2,119)
Retirements and write offs	–	(3,217)	–	–	(44)	–	(3,261)
December 31, 2019	1,077	21,913	4,791	1,764	4,428	1,680	35,653
Accumulated amortization							
January 1, 2019	–	–	(1,046)	(715)	(2,541)	(275)	(4,577)
Charge for the year	–	–	(424)	(174)	(368)	(160)	(1,126)
Derecognition on acquisition of joint operation (Note 35(a)(i))	–	–	–	–	45	–	45
Currency translation differences	–	–	22	23	–	53	98
Transfers and adjustments	–	–	–	–	(15)	–	(15)
Retirements and write offs	–	–	–	–	44	–	44
December 31, 2019	–	–	(1,448)	(866)	(2,835)	(382)	(5,531)
Intangible assets – net, December 31, 2019	1,077	21,913	3,343	898	1,593	1,298	30,122

1. Cash used for exploration and evaluation operating activities in 2020 was SAR 3,749 (2019: SAR 4,074) and expenditures for investing activities were SAR 3,894 (2019: SAR 8,333).
2. Other intangible assets include licenses and usage rights of SAR 652 (2019: SAR 762), patents and intellectual property of SAR 629 (2019: SAR 536) and new intangible assets recognized as a result of the acquisition of SABIC consisting of technology and licenses of SAR 619.

As a result of the acquisition of SABIC (Note 4) certain new intangible assets have been recognized. These are being amortized on a straight-line basis over their estimated useful lives, with the exception of the goodwill arising from the transaction, which has an indefinite useful life, and the SABIC brand, which has been determined to have an indefinite useful life and are not subject to amortization.

Saudi Aramco performed an annual impairment test for the goodwill acquired as part of the SABIC acquisition, which is provisionally allocated to the Downstream operating segment. The recoverable amount of the Downstream operating segment was determined based on VIU calculations which require use of certain assumptions. The calculations used cash flow projections for a period of 10 years based on financial plans approved by management. Cash flows were discounted and aggregated with a terminal value. Management estimate for the cash flows is based on past performance and management's expectation of the future. This includes management's forecast for prices and margins for the downstream operations. Growth rate used in the terminal value calculation represents long-term inflation forecast. Pre-tax discount rate of 7.8% was applied to the cash flows. As a result of the analysis, management did not identify any impairment of goodwill related to the SABIC acquisition.

Saudi Aramco also performed an annual impairment test for the brand acquired as part of the SABIC acquisition. The impairment test was performed by aggregating the relevant cash-generating units. Cash flows were calculated in the same way as for the goodwill impairment test. The cash flows were discounted using the pre-tax discount rate of 7.8%. As a result of the analysis, management did not identify any impairment.

Management believes a reasonable range of increase or decrease in any of the assumptions within the projected cash flows would not change the outcome of the impairment analysis for the goodwill or the brand.

206 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

8. Investments in joint ventures and associates

Company	Equity ownership 2020/2019	Principal place of business	Nature of activities	**Carrying amount at December 31, 2020**	Carrying amount at December 31, 2019
Saudi Yanbu Petrochemical Company ("Yanpet")[1]	50%/Nil	Saudi Arabia	Petrochemical	**11,311**	–
Clariant AG ("Clariant")[1,5]	31.5%/Nil	Switzerland	Specialty chemical	**8,913**	–
Sinopec SABIC Tianjin Petrochemical Company ("SSTPC")[1]	50%/Nil	People's Republic of China	Petrochemical	**7,621**	–
Eastern Petrochemical Company ("Sharq")[1]	50%/Nil	Saudi Arabia	Petrochemical	**6,783**	–
Al-Jubail Petrochemical Co ("Kemya")[1]	50%/Nil	Saudi Arabia	Petrochemical	**5,696**	–
Hyundai Oilbank Co.,Ltd. ("Hyundai Oilbank")[3]	17%	South Korea	Refining/marketing/ petrochemical	**3,853**	4,372
Power & Water Utility Company for Jubail and Yanbu ("Marafiq")[7]	49.7%/ 24.8%	Saudi Arabia	Utilities	**3,630**	1,877
National Shipping Company of Saudi Arabia ("Bahri")[5]	20%	Saudi Arabia	Global logistics services	**2,263**	2,063
Fujian Refining and Petrochemical Company Limited ("FREP")	25%	People's Republic of China	Refining/petrochemical	**2,172**	2,070
Sadara Chemical Company ("Sadara")[2,4,6]	65%	Saudi Arabia	Petrochemical	**1,746**	4,483
Aluminium Bahrain BSC ("ALBA")[1,5]	20.6%/Nil	Bahrain	Aluminum	**1,660**	–
Ma'aden Phosphate Company ("MPC")[1]	30%/Nil	Saudi Arabia	Agri-Nutrients	**1,632**	–
Ma'aden Wa'ad Al Shamal Phosphate Company ("MWSPC")[1,3]	15%/Nil	Saudi Arabia	Agri-Nutrients	**1,426**	–
Rabigh Refining and Petrochemical Company ("Petro Rabigh")[4,5]	37.5%	Saudi Arabia	Refining/petrochemical	**1,096**	2,458
Other				**6,174**	2,415
				65,976	19,738

1. On June 16, 2020, SABIC became a subsidiary of the Company and as a result, Saudi Aramco acquired interest in its joint ventures/associates (Note 4). Equity ownership represents SABIC's shareholding in these investments.
2. Agreements and constitutive documents do not give a single shareholder control; therefore, the joint venture/associate does not qualify as a subsidiary and has not been consolidated.
3. Agreements and constitutive documents provide Saudi Aramco significant influence over this entity.
4. Saudi Aramco has provided guarantees as described in Note 34.
5. Listed company.
6. During the year ended December 31, 2019, Sadara's management identified certain indicators of impairment, which required a detailed impairment assessment of Sadara's long-lived assets. As a result of the assessment, Sadara recognized an impairment loss of SAR 9,225 for the year ended December 31, 2019 of which Saudi Aramco's share was SAR 5,996.
7. Saudi Aramco's existing interest increased due to the acquisition of SABIC, which also has an interest in Marafiq.

The components of the change in the investments in joint ventures and associates for the years ended December 31 are as follows:

	Joint ventures		**Associates**	
	2020	2019	**2020**	2019
January 1	**5,698**	12,425	**14,040**	10,154
Acquisitions (Notes 4, 35)	**33,269**	385	**18,595**	4,414
Share of results of joint ventures and associates	**(1,749)**	(9,435)	**(1,805)**	(20)
Additional investment	**263**	2,860	**274**	285
Distributions	**(867)**	(89)	**(1,734)**	(689)
Change in elimination of profit in inventory	**(230)**	27	**209**	(267)
Share of other comprehensive (loss) income	**(303)**	(479)	**853**	(8)
Reclassification between joint venture and associate	**374**	–	**(374)**	171
Other	**(257)**	4	**(280)**	–
December 31	**36,198**	5,698	**29,778**	14,040

All amounts in millions of Saudi Riyals unless otherwise stated

8. Investments in joint ventures and associates continued

Summarized financial information (100%) for joint ventures and associates and reconciliation with the carrying amount of the investments in the consolidated financial statements at December 31, 2020, are set out below. Statement of comprehensive income is presented for the full year including for entities acquired during the year:

Summarized Balance Sheet
At December 31, 2020

	Yanpet[1]	Clariant[1]	SSTPC[1]	Sharq[1]	Kemya[1]	Hyundai Oilbank	Marafiq[2]	Bahri	FREP
Current assets:									
Cash and cash equivalents	543	3,126	3,024	454	204	738	372	543	4,281
Other	3,706	10,894	1,533	4,850	3,224	9,949	2,463	3,538	4,329
Total current assets	4,249	14,020	4,557	5,304	3,428	10,687	2,835	4,081	8,610
Non-current assets	4,406	24,930	11,323	12,865	12,244	33,720	19,672	16,865	8,899
Current liabilities:									
Financial liabilities (excluding trade and other payables)	964	1,688	1,371	776	1,713	3,234	1,076	885	691
Other	481	7,083	958	680	491	7,294	949	1,485	2,959
Total current liabilities	1,445	8,771	2,329	1,456	2,204	10,528	2,025	2,370	3,650
Non-current liabilities	1,424	14,760	4,113	2,816	3,126	17,220	12,796	8,154	5,170
Net assets	5,786	15,419	9,438	13,897	10,342	16,659	7,686	10,422	8,689
Saudi Aramco interest	50%	31.5%	50%	50%	50%	17%	49.7%	20%	25%
Saudi Aramco share	2,893	4,857	4,719	6,949	5,171	2,832	3,814	2,084	2,172
Fair value and other adjustments at Saudi Aramco level	8,418	4,056	2,902	(166)	525	1,021	(184)	179	–
Investment balance at December 31	11,311	8,913	7,621	6,783	5,696	3,853	3,630	2,263	2,172

1. Saudi Aramco interest represents SABIC's shareholding in these investments.
2. Saudi Aramco's existing interest increased due to the acquisition of SABIC, which also has an interest in Marafiq.

Summarized Statement of Comprehensive Income
Year ended December 31, 2020

	Yanpet	Clariant	SSTPC	Sharq	Kemya	Hyundai Oilbank	Marafiq	Bahri	FREP
Revenue	5,139	15,713	6,652	6,944	6,679	32,720	3,854	9,064	21,029
Depreciation and amortization	562	1,141	622	1,363	909	1,388	1,192	876	1,379
Conventional interest income	5	64	105	4	2	327	11	–	64
Interest expense	45	428	76	33	135	536	219	294	291
Income tax expense	27	407	135	90	38	(662)	71	94	47
Net income (loss)	998	(721)	410	298	672	(1,364)	319	1,787	172
Dividends received from JVs/associates	348	1,247	–	350	105	105	56	149	79

208 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

8. Investments in joint ventures and associates continued

Summarized financial information (100%) for individually immaterial joint ventures and associates are set out below:

	Joint ventures	Associates
Net loss	**(3,257)**	**(3,628)**

Summarized financial information (100%) for joint ventures and associates and reconciliation with the carrying amount of the investments in the consolidated financial statements at December 31, 2019 are set out below:

Summarized Balance Sheet
At December 31, 2019

	Hyundai Oilbank	Bahri	FREP	Sadara	Petro Rabigh
Current assets:					
Cash and cash equivalents	1,556	164	3,012	1,611	316
Other	13,245	2,878	6,429	6,780	11,147
Total current assets	14,801	3,042	9,441	8,391	11,463
Non-current assets	35,670	17,206	9,506	57,559	62,509
Current liabilities:					
Financial liabilities (excluding trade and other payables)	4,226	733	688	5,080	17,372
Other	9,030	1,249	3,811	2,102	10,517
Total current liabilities	13,256	1,982	4,499	7,182	27,889
Non-current liabilities	10,793	8,846	6,168	51,517	36,043
Net assets	26,422	9,420	8,280	7,251	10,040
Saudi Aramco interest	17%	20%	25%	65%	37.5%
Saudi Aramco share	4,492	1,884	2,070	4,713	3,765
Fair value and other adjustments at Saudi Aramco level	(120)	179	–	(230)	(1,307)
Investment balance at December 31	4,372	2,063	2,070	4,483	2,458

All amounts in millions of Saudi Riyals unless otherwise stated

8. Investments in joint ventures and associates continued

Summarized Statement of Comprehensive Income
Year ended December 31, 2019

	Hyundai Oilbank	Bahri	FREP	Sadara	Petro Rabigh
Revenue	2,814	6,409	31,017	10,108	42,420
Depreciation and amortization	6	933	1,381	3,850	2,973
Conventional interest income	8	–	67	–	384
Interest expense	29	566	325	2,448	1,225
Income tax expense	12	91	107	76	225
Net income (loss)	42	477	271	(14,653)	(650)
Dividends received from JVs/associates	–	158	390	–	–

Summarized financial information (100%) for individually immaterial joint ventures and associates are set out below:

	Joint ventures	Associates
Net income	174	439

Saudi Aramco's share of the fair value of the listed associates at December 31 together with their carrying value at those dates is as follows:

	Fair value		Carrying value	
	2020	2019	**2020**	2019
Clariant	**8,380**	–	**8,913**	–
Petro Rabigh	**4,540**	7,115	**1,096**	2,458
Bahri	**3,193**	3,150	**2,263**	2,063
ALBA	**1,450**	–	**1,660**	–

9. Income taxes and zakat

(a) Kingdom income tax rates

The Company is subject to an income tax rate of 20% on the activities of exploration and production of non-associated natural gas, including gas condensates, as well as the collection, treatment, processing, fractionation and transportation of associated and non-associated natural gas and their liquids, gas condensates and other associated elements, and an income tax rate of 50% on all other activities, in accordance with the Tax Law.

Effective January 1, 2020, the tax rate applicable to the Company's Downstream activities was reduced from the 50% rate applicable to qualified domestic oil and hydrocarbon production companies to the general corporate tax rate of 20% applicable to similar domestic downstream companies under the Tax Law. The new rate is conditional on the Company separating its Downstream activities under the control of one or more separate wholly owned subsidiaries before December 31, 2024, otherwise the Company's Downstream activities will be retroactively taxed at 50%. The Company expects to transfer all its Downstream activities into a separate legal entity or entities within the period specified (Note 2(b)(iii)).

210 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

9. Income taxes and zakat continued

During 2020, the Tax Law was amended, effective January 1, 2020, whereby shares held directly or indirectly in listed companies on the Tadawul by taxpayers engaged in oil and hydrocarbon activities are exempt from the application of corporate income tax. As a result, the Company's ownership interests in SABIC, Petro Rabigh, Bahri and SEC are now subject to zakat (Note 2(b)(iv)).

The reconciliation of tax charge at the Kingdom statutory rates to consolidated tax and zakat expense is as follows:

	2020	2019
Income before income taxes and zakat	**372,424**	666,741
Less: Income subject to zakat	**(3,754)**	–
Income subject to income tax	**368,670**	666,741
Income taxes at the Kingdom's statutory tax rates	**178,808**	328,721
Tax effect of:		
Impact of change in income tax rates on deferred tax	**–**	2,655
Income not subject to tax at statutory rates and other	**9,082**	4,672
Income tax expense	**187,890**	336,048
Zakat expense	**771**	–
Total income tax and zakat expense	**188,661**	336,048

(b) Income tax and zakat expense

	2020	2019
Current income tax – Kingdom	**173,534**	319,979
Current income tax – Foreign	**614**	353
Deferred income tax – Kingdom:		
Impact of change in income tax rates	**–**	2,655
Charge for the period	**16,932**	12,610
Deferred income tax – Foreign	**(3,190)**	451
Zakat – Kingdom	**771**	–
	188,661	336,048

Saudi Aramco paid foreign taxes of SAR 427 and SAR 437 for the years ended December 31, 2020 and 2019, respectively.

Income tax credit recorded through other comprehensive income was SAR 9,331 for the year ended December 31, 2020 (2019: income tax expense of SAR 1,542).

(c) Income tax and zakat obligation to the Government

	2020	2019
January 1	**62,243**	70,299
Acquisition	**3,288**	–
Provided during the period	**174,305**	319,979
Payments during the period by the Company (Note 29)	**(72,582)**	(149,780)
Payments during the period by subsidiaries and joint operations	**(2,806)**	(1,023)
Settlements of due from the Government	**(116,872)**	(172,301)
Other settlements	**(5,517)**	(4,931)
December 31	**42,059**	62,243

All amounts in millions of Saudi Riyals unless otherwise stated

9. Income taxes and zakat continued

(d) Deferred income tax

	2020	2019
Deferred income tax assets:		
Kingdom	**13,749**	12,386
U.S. Federal and State	**84**	31
Other foreign	**1,447**	311
	15,280	12,728
Deferred income tax liabilities:		
Kingdom	**48,019**	37,943
U.S. Federal and State	**2,469**	3,312
Other foreign	**3,133**	3,216
	53,621	44,471
Net deferred income tax liabilities	**(38,341)**	(31,743)

The gross movement of the net deferred income tax position is as follows:

	2020	2019
January 1	**(31,743)**	(14,011)
Acquisition	**(2,176)**	–
Impact of change in income tax rate – charge to income	**–**	(2,655)
Impact of change in income tax rate – Other reserves	**–**	(284)
Current period charge to income	**(13,742)**	(13,061)
Adjustments to equity – Other reserves	**9,331**	(1,258)
Other adjustments	**(11)**	(474)
December 31	**(38,341)**	(31,743)

	2020	2019
Deferred income tax to be settled after more than 12 months	**(38,341)**	(31,743)
Deferred income tax to be recovered within 12 months	**–**	–
Net deferred income tax liabilities	**(38,341)**	(31,743)

212 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

9. Income taxes and zakat continued

The movement in deferred income tax assets (liabilities) for the years ended December 31 is as follows:

	Post-employment benefit obligations	Investment in subsidiary	Undistributed earnings	Provisions and other	Loss carry-forward	Property plant and equipment and intangibles	Investments in securities at FVOCI	Total
January 1, 2019								
Deferred tax assets	1,873	–	–	1,192	7,088	(287)	–	9,866
Deferred tax liabilities	9,379	(3,632)	(780)	9,060	3,357	(39,631)	(1,630)	(23,877)
	11,252	(3,632)	(780)	10,252	10,445	(39,918)	(1,630)	(14,011)
Recognized during the year								
Impact of change in income tax rate	(464)	–	–	(457)	–	(2,198)	180	(2,939)
Current period credits (charges) to income	194	(1,196)	44	2,095	3,637	(17,835)	–	(13,061)
Impact of adoption of IFRS 16	–	–	–	7,906	–	(7,906)	–	–
Other reserves charges	(526)	–	–	–	–	–	(732)	(1,258)
Other adjustments	–	–	–	(474)	–	–	–	(474)
	(796)	(1,196)	44	9,070	3,637	(27,939)	(552)	(17,732)
December 31, 2019								
Deferred tax assets	3,328	–	–	653	9,263	(516)	–	12,728
Deferred tax liabilities	7,128	(4,828)	(736)	18,669	4,819	(67,341)	(2,182)	(44,471)
	10,456	(4,828)	(736)	19,322	14,082	(67,857)	(2,182)	(31,743)
Recognized during the year								
Acquisition	**631**	**–**	**(86)**	**(2,721)**	**–**	**–**	**–**	**(2,176)**
Current period (charges) credits to income	**(524)**	**309**	**35**	**2,869**	**7,595**	**(24,026)**	**–**	**(13,742)**
Other reserves credits	**7,395**	**–**	**–**	**–**	**–**	**–**	**1,936**	**9,331**
Other adjustments	**–**	**–**	**–**	**(11)**	**–**	**–**	**–**	**(11)**
	7,502	**309**	**(51)**	**137**	**7,595**	**(24,026)**	**1,936**	**(6,598)**
December 31, 2020								
Deferred tax assets	**4,301**	**–**	**–**	**1,650**	**9,983**	**(654)**	**–**	**15,280**
Deferred tax liabilities	**13,657**	**(4,519)**	**(787)**	**17,809**	**11,694**	**(91,229)**	**(246)**	**(53,621)**
	17,958	**(4,519)**	**(787)**	**19,459**	**21,677**	**(91,883)**	**(246)**	**(38,341)**

To reflect the change in income tax rate effective January 1, 2020 for Downstream activities, in 2019, deferred tax liabilities, net of deferred tax assets, were increased by SAR 2,939, of which SAR 2,655 was recognized as an increase of income taxes in the Consolidated Statement of Income, and SAR 284 was recognized as an increase of income taxes in the Consolidated Statement of Comprehensive Income.

A deferred income tax liability has not been recognized with regard to the undistributed earnings of certain subsidiaries, which are considered to be permanently reinvested in their respective businesses. Such earnings would be taxed only upon distribution. The cumulative amount of the undistributed earnings of such subsidiaries is SAR 29,080 and SAR 32,674 at December 31, 2020 and 2019, respectively, and the unrecognized deferred income tax liability is SAR 1,969 and SAR 3,215 at December 31, 2020 and 2019, respectively. Also, a deferred income tax asset has not been recognized with regard to cumulative unused tax losses of certain subsidiaries with carry-forward periods from 2022 to indefinite. Such losses are available for offsetting against future taxable profits of the subsidiaries in which the losses arose. The cumulative amount of the unused tax losses is SAR 32,336 and SAR 443 at December 31, 2020 and 2019, respectively, and the unrecognized deferred tax asset is SAR 7,924 and SAR 109 at December 31, 2020 and 2019, respectively.

All amounts in millions of Saudi Riyals unless otherwise stated

9. Income taxes and zakat continued

(e) Income tax and zakat assessments

The Company and majority of its subsidiaries and affiliates are subject to tax review and audit in tax jurisdictions where they operate. In June 2020, the Company and its wholly owned domestic affiliates were notified that the Saudi Arabian income tax submissions for all years up to and including the year ended December 31, 2019 were accepted as filed.

For the Company's other domestic and international affiliates, examinations of tax and zakat returns for certain prior years had not been completed as of December 31, 2020; however, the Company is not aware of any significant claims. Therefore, no material provision for any additional income tax and zakat liability has been recorded in the consolidated financial statements.

10. Other assets and receivables

	2020	2019
Non-current:		
Loans to joint ventures and associates (Note 30(b))	**13,252**	4,480
Home loans	**10,155**	5,999
Contractor advances	**9,050**	6,768
Home ownership construction	**2,558**	3,160
Receivable from Government, semi-Government and other entities with Government ownership or control (Note 30(b))	**540**	–
Lease receivable from associates (Note 30(b))	**426**	440
Other	**1,277**	525
	37,258	21,372
Current:		
Employee and other receivables	**6,831**	4,999
Tax receivables	**4,963**	2,569
Prepaid expenses	**3,355**	1,400
Home loans	**1,084**	848
Investments in securities (Note 11)	**826**	281
Derivative assets	**583**	331
Interest receivable	**217**	1,144
Rig mobilization fees	**199**	242
Receivables from joint ventures and associates (Note 30(b))	**85**	15
Assets held for sale	**85**	81
Other	**541**	199
	18,769	12,109

Home loans

The home ownership programs provide subsidized non-interest-bearing loans to Saudi Arabian employees. Loans are repayable through payroll deductions and are net of associated subsidies. Any balance remaining upon the death, permanent disability or termination of an employee under the Chronic Medical Condition Program is forgiven. An analysis of the home loans balance is as follows:

	2020	2019
Gross amounts receivable[1]	**13,237**	9,317
Less:		
Discount	**(1,250)**	(1,610)
Allowance for doubtful home loans	**(466)**	(536)
Subsidies	**(282)**	(324)
Net amounts receivable	**11,239**	6,847
Current	**(1,084)**	(848)
Non-current	**10,155**	5,999

1. Includes home loans of SAR 3,560 acquired as part of the acquisition of SABIC (Note 4).

214 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

11. Investments in securities

	2020	2019
January 1	**20,237**	17,772
Acquisitions	**2,470**	–
Net additions	**789**	889
Net unrealized fair value gain	**128**	1,598
Net unrealized foreign currency gain (loss)	**63**	(22)
December 31	**23,687**	20,237
Current (Note 10)	**(826)**	(281)
Non-current	**22,861**	19,956

Net additions include unsettled transactions of SAR 190 at December 31, 2020 (2019: SAR 21). Investments in securities are carried at fair value.

The components of Investments in securities are as follows:

	2020	
	Percentage ownership	**Carrying amount as of December 31**
Equity investments at FVOCI:		
Equity investments – listed securities:		
Saudi Electricity Company ("SEC")	**6.9%**	**6,146**
Idemitsu Kosan Co., Ltd. ("Idemitsu")	**7.8%**	**1,905**
Equity investments – unlisted securities:		
Arab Petroleum Pipeline Company ("Sumed")	**15.0%**	**870**
Industrialization & Energy Services Company ("TAQA")	**4.6%**	**195**
Daehan Oil Pipeline Corporation ("Daehan")	**8.9%**	**154**
Other		**430**
Investments in debt securities at FVOCI:		
USD debt securities with fixed interest rates ranging from 0.1% to 13.9% and maturity dates between January 2021 and May 2069		**6,239**
USD debt securities with variable interest rates and maturity dates between May 2021 and May 2069		**730**
		16,669
Equity and debt investments at FVPL:		
Listed securities – mutual and hedge funds		**1,614**
Listed securities – equities		**870**
Listed securities – debt		**53**
Unlisted securities		**3,100**
		5,637
Investments in debt securities at amortized cost:		
Debt securities with fixed interest rates ranging from 2.5% to 5.1% and maturity dates between 2021 and 2043		**747**
Debt securities with variable interest rates and maturity dates between 2021 and 2028		**634**
		1,381
		23,687
Current portion (Note 10)		**(826)**
Non-current		**22,861**

All amounts in millions of Saudi Riyals unless otherwise stated

11. Investments in securities continued

	2019	
	Percentage ownership	Carrying amount as of December 31
Equity investments at FVOCI:		
Equity investments – listed securities:		
Saudi Electricity Company ("SEC")	6.9%	5,835
Idemitsu Kosan Co., Ltd. ("Idemitsu")	7.7%	2,411
Equity investments – unlisted securities:		
Arab Petroleum Pipeline Company ("Sumed")	15.0%	817
Industrialization & Energy Services Company ("TAQA")	4.6%	270
Daehan Oil Pipeline Corporation ("Daehan")	8.9%	157
Investments in debt securities at FVOCI:		
USD debt securities with fixed interest rates ranging from 0.7% to 8.8% and maturity dates between January 2020 and September 2057		3,840
USD debt securities with variable interest rates and maturity dates between January 2020 and October 2069		724
		14,054
Equity investments at FVPL:		
Listed securities – mutual and hedge funds		3,450
Unlisted securities		2,733
		6,183
		20,237
Current portion (Note 10)		(281)
Non-current		19,956

Equity investments designated at FVOCI are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, management has elected to designate these equity investments at FVOCI as recognizing short-term fluctuations in these investments' fair value in net income would not be consistent with Saudi Aramco's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

The fair value of Sumed is based on expected cash flows discounted using a rate based on market interest rates and a risk premium specific to the unlisted security which was 7.7% and 8.0% at December 31, 2020 and 2019, respectively. The fair value of TAQA is based on an earnings growth factor for unlisted equity securities from market information for similar types of companies. The fair value of Daehan is determined using discounted cash flow analysis based on the risk-adjusted yield.

On April 1, 2019, Saudi Aramco received 23.1 million common shares of Idemitsu in exchange for its shareholding of 56.4 million common shares of Showa Shell Sekiyu, K.K. ("Showa Shell"). As a result of this transaction, Saudi Aramco's interest in Idemitsu is 7.8% of Idemitsu's total common shares, which does not meet the requirement for significant influence. The investment in Idemitsu in the amount of SAR 1,905 at December 31, 2020 (2019: SAR 2,411) is accounted for at fair value through other comprehensive income.

The maximum exposure to credit risk at the reporting date of the investments in debt securities is the fair value. To limit credit risk, Saudi Aramco's investment policy requires that these securities be diversified. Credit ratings for debt securities held at December 31, 2020 range from AAA to BB (2019: AAA to BB) as set out by internationally recognized credit rating agencies.

216 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

12. Inventories

	2020	2019
Crude oil, refined products and chemicals	**36,964**	35,839
Materials and supplies – net	**14,731**	6,595
Natural gas liquids and other	**304**	173
	51,999	42,607

The carrying amount of materials and supplies are shown net of an allowance for obsolete and surplus materials with movement as follows:

	2020	2019
Balance, January 1	**1,997**	2,088
Net movement in allowance	**998**	(91)
Balance, December 31	**2,995**	1,997

During 2020, a portion of the inventory purchased from third parties by certain subsidiaries was written-down to its net realizable value.

13. Trade receivables

Trade receivables from export and local sales are denominated primarily in USD and SAR, respectively.

The components of trade receivables are as follows:

	2020	2019
Arising from export and local sales at international prices	**81,066**	86,058
Arising from local sales at Kingdom regulated prices	**5,186**	8,322
	86,252	94,380
Less: Loss allowance	**(1,069)**	(854)
	85,183	93,526

Trade receivables relating to certain contracts with provisional pricing arrangements are measured at fair value. The fair value was calculated using forward curves and future prices. These trade receivables are classified as level 3 in the fair value hierarchy (Note 3(d)) due to the inclusion of unobservable inputs, including counterparty credit risk in the fair value calculation.

As described in Note 2(o), the Government, through the Ministry of Finance, provided a guarantee to the Company in the event that certain Government, semi-Government and other entities with Government ownership or control are unable to settle within the terms agreed with the Company.

The movement of the allowance for trade receivables related to past due sales is as follows:

	2020	2019
January 1	**854**	839
Net movement in allowance	**215**	15
December 31	**1,069**	854

14. Due from the Government

	2020	2019
Other income related to sales (Note 2(z))	**24,604**	28,670
Government guarantee (Note 2(o))	**3,605**	7,189
Other	**686**	922
Note 30(b)	**28,895**	36,781

All amounts in millions of Saudi Riyals unless otherwise stated

15. Short-term investments

	2020	2019
USD time deposits	**90**	42,585
USD Murabaha time deposits (Shari'a compliant)	**615**	1,875
SAR time deposits	**91**	132
SAR Murabaha time deposits (Shari'a compliant)	**4,792**	–
South Korean Won time deposits	**1,213**	875
	6,801	45,467

16. Cash and cash equivalents

	2020	2019
Cash at bank and in hand	**65,689**	45,063
USD time deposits	**112,115**	119,031
USD Murabaha time deposits (Shari'a compliant)	**14,816**	2,570
SAR time deposits	**5,096**	4,959
SAR repurchase agreements	**1,260**	2,800
SAR Murabaha time deposits (Shari'a compliant)	**5,726**	2,369
South Korean Won time deposits	**2,530**	914
	207,232	177,706

17. Treasury shares

On December 11, 2019, the Company acquired 117.2 million ordinary shares from the Government for cash consideration of SAR 3,750. These shares are held by the Company as treasury shares for the purposes of issuing them to the Company's employees upon vesting of the shares in employee share plans, including those that the Company may adopt in the future. The number of treasury shares issued to employees during the year was 15 million (2019: nil) in relation to the Celebratory Grant awarded in 2019 (Note 18).

18. Share-based compensation

Share-based compensation relates to grants of ordinary shares awarded to the Company's eligible employees under the respective plan terms. Awards are generally equity-settled; however, in limited circumstances awards may be settled in cash. The Company recognized the following share-based compensation expense in the Consolidated Statement of Income, as an employee benefit expense, for the years ended December 31, 2020 and 2019:

	Equity-settled	**Cash-settled**	**Total**
2020			
Share-based compensation expense	**578**	**9**	**587**
2019			
Share-based compensation expense	32	1	33

At December 31, 2020, the total carrying amount of the liabilities in respect of the cash settlement elements and dividend equivalents of the respective awards was SAR 4 (2019: SAR 2) and the intrinsic value of such liabilities, which had vested during the year, was SAR 22.

Awards granted during the year relate to the Long-Term Incentive Plan for Executives ("ELTIP") and the Long-Term Incentive Plan for Management ("MLTIP").

18. Share-based compensation continued

Awards for all plans were granted for nil consideration. The fair value of grants was determined by reference to the market value of the Company's ordinary shares on the date of grant for equity-settled awards and at the balance sheet date for cash-settled awards. Where applicable, the fair value of the awards subject to market-based performance measure was estimated using a Monte Carlo Simulation model.

	Number of shares granted (in millions)	Weighted average fair value per share (SAR)
2020		
ELTIP	**2**	**33.77**
MLTIP	**3**	**33.35**
2019		
Celebratory Grant	16	35.20

The number of awards settled in shares during the year was 15 million (2019: nil) in relation to the Celebratory Grant awarded in 2019.

Participants in the plans are entitled to dividend equivalents, if dividends are paid to ordinary shareholders, during the vesting period. Such dividend equivalents will be paid in cash on vesting of the awards. Accordingly, no adjustment for expected dividends during the vesting period was made in determining the fair value of the awards.

The vesting of ELTIP is dependent on the achievement of (a) specified non-market and market-based performance measures over a three-year performance period, and (b) required service, except for certain qualifying leavers. Upon vesting, 50% of the vested awards are required to be held by the participants for an additional two years, except for certain qualifying leavers. The awards will be settled with the participants in shares on vesting.

The vesting of MLTIP is dependent on the participants achieving (a) specified individual performance targets over a one-year performance period, and (b) required service, except for certain qualifying leavers. The awards are subject to graded vesting. 25% of the awards will vest after the end of the performance period, and the remaining 75% of the awards will vest in equal installments over three years from thereon, provided that the participants continue to meet the required service condition. The awards will be settled with the participants in shares on vesting, except for certain qualifying participants who will receive cash-settlement.

19. Other reserves

						Share of other comprehensive income (loss) of joint ventures and associates		
	Currency translation differences	Investments in securities at FVOCI	Post-employment benefit obligations	Share-based compensation reserve	Cash flow hedges and other	Foreign currency translation gains (losses)	Cash flow hedges and other	Total
January 1, 2019	129	2,919	–	–	(74)	198	4	3,176
Current period change	(1,027)	1,517	–	31	(353)	(7)	(480)	(319)
Remeasurement (loss) gain	–	(539)	3,154	–	–	–	2	2,617
Transfer to retained earnings	–	–	(2,178)	–	–	–	(2)	(2,180)
Tax effect	–	(552)	(990)	–	–	–	–	(1,542)
Less: amounts related to non-controlling interests	313	(3)	14	–	–	–	–	324
December 31, 2019	(585)	3,342	–	31	(427)	191	(476)	2,076
Current period change	**2,768**	**156**	**–**	**556**	**(300)**	**1,116**	**(566)**	**3,730**
Remeasurement loss	**–**	**–**	**(16,361)**	**–**	**–**	**–**	**–**	**(16,361)**
Transfer to retained earnings	**–**	**–**	**7,722**	**(530)**	**–**	**–**	**–**	**7,192**
Tax effect	**–**	**1,936**	**7,395**	**–**	**–**	**–**	**–**	**9,331**
Less: amounts related to non-controlling interests	**(991)**	**(78)**	**1,244**	**–**	**–**	**(285)**	**–**	**(110)**
December 31, 2020	**1,192**	**5,356**	**–**	**57**	**(727)**	**1,022**	**(1,042)**	**5,858**

All amounts in millions of Saudi Riyals unless otherwise stated

20. Non-controlling interests

Summarized consolidated financial information (100%) for each subsidiary that has non-controlling interests that are material to Saudi Aramco are set out below. The amounts disclosed for each subsidiary are before inter-company eliminations:

Summarized Balance Sheet

At December 31

	2020		2019
	SABIC	S-Oil Corporation	S-Oil Corporation
Current assets	81,032	17,244	18,204
Non-current assets	278,939	41,372	39,841
Total assets	359,971	58,616	58,045
Current liabilities	37,709	22,696	18,617
Non-current liabilities	67,891	12,880	14,718
Total liabilities	105,600	35,576	33,335
Net assets	254,371	23,040	24,710
Accumulated non-controlling interest	99,603	8,842	9,484

Summarized Statement of Comprehensive Income

Year ended December 31

	2020		2019
	SABIC[1]	S-Oil Corporation	S-Oil Corporation
Revenue	66,678	53,482	78,478
Net loss	(2,426)	(2,940)	(491)
Other comprehensive (loss) income	(197)	1,336	(809)
Total comprehensive loss	(2,623)	(1,604)	(1,300)
Net loss attributable to non-controlling interests	(150)	(1,128)	(188)
Dividends paid to non-controlling interests	(704)	(14)	(36)

1. Amounts included are for the period from the date of acquisition of SABIC.

Summarized Statement of Cash Flows

Year ended December 31

	2020		2019
	SABIC[1]	S-Oil Corporation	S-Oil Corporation
Cash flows from operating activities	12,079	5,852	3,071
Cash flows from investing activities	(2,827)	(1,974)	(3,414)
Cash flows from financing activities	(3,611)	(2,279)	(953)
Net increase (decrease) in cash and cash equivalents	5,641	1,599	(1,296)

1. Amounts included are for the period from the date of acquisition of SABIC.

220 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

21. Borrowings

	2020	2019
Non-current:		
Deferred consideration (Note 4)	**217,231**	–
Borrowings	**55,954**	39,957
Debentures	**104,425**	60,957
Sukuk	**12,420**	12,649
Lease liabilities	**43,567**	33,831
Other[1]	**3,323**	3,296
	436,920	150,690
Current:		
Deferred consideration (Note 4)	**18,636**	–
Short-term bank financing	**60,085**	12,660
Borrowings	**10,197**	4,957
Sukuk	**231**	175
Lease liabilities	**10,008**	7,103
	99,157	24,895

	2020	2019
Finance costs:		
Conventional borrowings	**7,391**	3,144
Lease liabilities	**2,089**	1,790
Shari'a compliant financial instruments	**645**	652
Unwinding of discount (Note 23)	**439**	440
	10,564	6,026

1. Other borrowings comprise loans from non-financial institutions under commercial terms.

Borrowing facilities

Saudi Aramco has entered into long-term financing arrangements with various lenders. These financing arrangements limit the creation of additional liens and/or financing obligations and certain of these arrangements are secured over certain property, plant and equipment of Saudi Aramco with a carrying value of SAR 10,015 (2019: SAR 38,074). Additionally, certain financing arrangements require compliance by Saudi Aramco with covenants to maintain certain financial and other conditions. Saudi Aramco has complied with these covenants throughout the reporting period.

All amounts in millions of Saudi Riyals unless otherwise stated 221

21. Borrowings continued

Details of financing facilities at December 31 are as follows:

		Total facility		Total undrawn	
	Note	**2020**	2019	**2020**	2019
Conventional facilities:					
Deferred consideration (Note 4)		**259,125**	–	**–**	–
Revolving credit facilities	a	**50,460**	49,350	**43,628**	46,489
Commercial and other	b	**41,561**	41,576	**881**	4,249
Short-term borrowings	c	**74,213**	25,500	**24,203**	15,698
Export credit agencies	d	**7,691**	6,354	**–**	–
Public Investment Fund	e	**5,591**	4,594	**–**	–
Debentures	f	**106,313**	62,903	**–**	–
Shari'a compliant facilities:					
Sukuk	a	**39,844**	39,844	**26,250**	26,250
Murabaha	b	**18,814**	3,750	**–**	–
Saudi Industrial Development Fund	c	**5,036**	3,248	**–**	–
Ijarah/Procurement	d	**3,934**	1,811	**–**	–
Wakala	e	**1,721**	345	**–**	–
		614,303	239,275	**94,962**	92,686

Conventional facilities

(a) Revolving credit facilities

At December 31, 2020, Saudi Aramco held facilities that total SAR 50,460 (2019: SAR 49,350) consisting of:

(i) On June 9, 2020, the Company amended and restated certain agreements with respect to its USD denominated conventional five-year revolving credit facility equivalent to SAR 22,500 ($6,000) to incorporate a SAR 7,500 ($2,000) swing line sublimit-facility in support of the Company's establishment of a U.S. commercial paper program. The swing line makes up part of the revolving credit facility and has not been utilized as of December 31, 2020. In addition, the Company maintains a 365-day USD denominated facility equivalent to SAR 3,750 ($1,000) along with SAR denominated Islamic Murabaha facilities comprising a five-year facility of SAR 7,500 and a 364-day facility of SAR 3,750. The facilities were established in March 2015 will mature in March 2022. The credit facility documentation provides for certain limits on the creation of liens on or other security interests in the assets of the Company, and on the sale, lease or transfer, of its assets to third parties.

(ii) Saudi Aramco maintain facilities of SAR 12,960 (2019: SAR 11,850), consisting of revolving credit facilities of SAR 12,802 ($3,414), and a letter of credit facility of SAR 158 ($42) for working capital requirements and to support trading activities. The facilities are expected to be renewed in 2021 and 2022. The remaining revolving credit facilities are executed with a group of foreign and domestic banks for general corporate purposes and working capital requirements.

(b) Commercial and other

(i) Saudi Aramco has commercial and other facility agreements with a number of banks. The facilities are primarily repayable in 12 to 36 installments on a semi-annual basis from November 18, 2008 to November 30, 2039. Commission is payable on amounts drawn that are primarily calculated at a market rate plus a margin.

(ii) In 2020, Saudi Aramco refinanced an existing commercial facility having a balance of SAR 345 ($92). Under the refinancing agreement, the facility of SAR 375 ($100) is repayable semi-annually in 34 installments, starting March 2020 to November 2036. Commission is payable on amounts drawn at a market rate, starting March 2020.

(iii) On December 18, 2019, Saudi Aramco refinanced certain short-term bank financing through long-term project financing with 21 commercial banks and six export credit agencies. These long-term facilities were established in the amount of SAR 17,438 and payable in 27 installments on a semi-annual basis commencing on December 2021 to December 2034. Commission is payable on amounts drawn and calculated at market rate plus a margin.

21. Borrowings continued

(c) Short-term borrowings

(i) On May 7, 2020, the Company entered into a SAR 37,500 ($10,000) one-year term loan facility with various financial institutions for general corporate purposes. The one-year term loan facility currently terminates on May 6, 2021 but the Company has the option to extend the facility date by up to 364 days from May 6, 2021. As of December 31, 2020, the facility was fully utilized with the outstanding loan balance of SAR 37,500 ($10,000). The facility bears interest at LIBOR plus a margin commencing May 7, 2020.

(ii) In 2020, Saudi Aramco entered into debt factoring arrangements in relation to certain intercompany receivables, repayable over a four-month period and on market terms. A total of SAR 3,285 was outstanding at December 31, 2020 (2019: nil).

(iii) Saudi Aramco has facilities with a number of banks for short-term borrowing, with each borrowing less than one year and which incur interest at market rates plus a margin.

(d) Export credit agencies

Saudi Aramco has facility agreements with a number of export credit agencies. The facilities are repayable in 23 to 28 installments on a semi-annual basis from November 18, 2008 to December 20, 2025. Commission is payable on amounts drawn and is calculated at a market rate plus a margin.

(e) Public Investment Fund

Saudi Aramco has facility agreements with the Saudi Public Investment Fund. The facilities are repayable in 14 to 28 installments on a semi-annual basis from November 18, 2008 to December 20, 2025. Commission is payable on amounts drawn and is calculated at a market rate plus a margin.

(f) Debentures

(i) On April 16, 2019, the Company issued five tranches of USD denominated unsecured notes aggregating equivalent to SAR 45,000 ($12,000) and consisting of three-year maturities for SAR 3,750 ($1,000) with a coupon rate of 2.75%, five-year maturities for SAR 7,500 ($2,000) with a coupon rate of 2.875%, 10-year maturities for SAR 11,250 ($3,000) with a coupon rate of 3.5%, 20-year maturities for SAR 11,250 ($3,000) with a coupon rate of 4.25%, and 30-year maturities for SAR 11,250 ($3,000) with a coupon rate of 4.375%. The notes were issued and sold in accordance with Rule 144A/Regulation S under the U.S. Securities Act of 1933, as amended. Interest is payable semi-annually in arrears on April 16 and October 16. The notes are listed on the London Stock Exchange's Regulated Market and the proceeds were for general corporate purposes. At initial recognition, the Company recorded an amount of SAR 44,460 ($11,856) for the issuance proceeds, net of discounts and estimated transaction costs.

On November 24, 2020, the Company issued a series of USD Senior Unsecured Notes under the same program, aggregating SAR 30,000 ($8,000) consisting of maturity dates of three years to 50 years paid at the end of the maturity date with coupon rate ranging from 1.25% to 3.50%. At initial recognition, the Company recorded an amount of SAR 29,625 ($7,900) for the issuance proceeds, net of discounts. Discounts and transaction costs are amortized using the effective interest method and are reflected as finance costs in the Consolidated Statement of Income.

(ii) Certain debentures denominated in USD are issued in capital markets. Interest rates are fixed and variable with maturities that range between 2027 and 2040.

(iii) Debentures denominated in Korean Won are issued in capital markets. Interest rates range from 1.65% to 3.53% with maturities beginning in 2021 through 2030.

(iv) In November 2020, SABIC issued a 10-year and 30-year USD denominated $500 bond each, equivalent to a total of SAR 3,750 ($1,000). These bonds are unsecured and carry coupon rates of 2.15% and 3.00% for those maturing in 10 and 30 years, respectively. Both bonds are issued in accordance with Regulation S offering requirements under the U.S. Securities Act of 1933, as amended. These bonds are listed on the Irish Stock Exchange (Euronext Dublin) and the 30-year bond is dual listed in Taipei Exchange in Taiwan. The proceeds were used for general propose and refinancing maturing debt.

(v) In October 2018, SABIC issued a five-year and a 10-year USD denominated $1,000 bond equivalent to a total of SAR 7,500 ($2,000). These bonds are unsecured and carry coupon rates of 4% and 4.5%, respectively. The bonds are issued in accordance with the Rule 144A/Reg S offering requirements under the U.S. Securities Act of 1933, as amended. The bonds are listed on the Irish Stock Exchange (Euronext Dublin) and the proceeds were used for refinancing maturing debt.

21. Borrowings continued

Shari'a compliant facilities

(a) Sukuk

A Sukuk is a financial instrument similar to a bond that complies with Islamic financing principles.

(i) On April 10, 2017, Saudi Aramco issued a Sukuk for SAR 11,250 at par value as part of a SAR 37,500 program. The Sukuk issuance provides a return based on Saudi Arabian Interbank Offered Rate ("SAIBOR") plus a pre-determined margin payable semi-annually on April 10 and October 10. The Sukuk matures on April 10, 2024. In accordance with the terms of the Sukuk, 51% of the proceeds from issuance are invested in Mudaraba assets and the remaining 49% are used in a Murabaha arrangement.

(ii) On October 9, 2011, Saudi Aramco issued a Sukuk for SAR 2,344 at par value with semi-annual payments from December 20, 2014 to December 20, 2025 that provides a rate of return above SAIBOR. The Sukuk was structured as Istisnah for pre-construction and Ijarah for post-construction of the project.

(b) Murabaha

Saudi Aramco has a Murabaha Shari'a compliant Islamic facilities. The facilities are repayable in 10 to 44 installments on a semi-annual basis payments between 2008 and 2030. Commission is payable on amounts drawn and is calculated at a market rate plus a margin.

(c) Saudi Industrial Development Fund

Saudi Aramco has facility agreements with the Saudi Industrial Development Fund. The facilities bear no periodic financial charges and borrowings are repayable in 14 to 34 installments on a semi-annual basis, commencing from 2008 to 2030.

(d) Ijarah/Procurement

Saudi Aramco had Procurement and Ijarah Shari'a compliant Islamic facility agreements with a number of banks. The facilities were repayable in seven to 28 installments on a semi-annual basis, commencing November 18, 2008 to June 20, 2029. In 2019, Saudi Aramco refinanced the balance of the procurement facility with an Ijarah Shari'a compliant facility to be repayable on a semi-annual basis starting June 20, 2026. Commission is payable on amounts drawn that are primarily calculated at a market rate plus a margin.

(e) Wakala

Saudi Aramco has Shari'a compliant Islamic facility agreements with three lenders. The facilities utilize a Wakala financing structure which is an agency arrangement.

In 2020, Saudi Aramco entered into a new Wakala facility with semi-annual payment terms commencing from 2020 to 2036. Commission is payable on amounts drawn that are primarily calculated at a market rate.

In 2019, Saudi Aramco refinanced the Wakala Shari'a compliant Islamic facilities. The facilities were repayable in 23 unequal installments on a semi-annual basis commencing December 20, 2014 to December 20, 2025. In 2019, Saudi Aramco refinanced the balance of the facility to be repayable in seven unequal installments on a semi-annual basis starting June 20, 2026 to June 20, 2029. Commission is payable on amounts drawn that are primarily calculated at a market rate plus a margin starting June 20, 2020.

At the Consolidated Balance Sheet date, the carrying values of Saudi Aramco's borrowings approximate their fair values.

224 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

21. Borrowings continued

The carrying amounts of borrowings, excluding lease liabilities and deferred consideration, at December 31 are as follows:

	2020	2019
Conventional facilities:		
Revolving credit facilities	6,830	2,861
Commercial and other	34,478	32,564
Short-term borrowings	53,255	9,799
Export credit agencies	4,560	3,743
Public Investment Fund (Note 30(b))	3,656	2,880
Debentures	104,425	60,957
Other	3,323	3,296
Shari'a compliant facilities:		
Sukuk	12,651	12,824
Murabaha	15,379	1,085
Saudi Industrial Development Fund (Note 30(b))	3,855	2,486
Ijarah/Procurement	3,360	1,811
Wakala	863	345
	246,635	134,651

Movements in unamortized transaction costs are as follows:

	2020	2019
January 1	968	461
Additional transaction costs incurred	1,170	769
Less: amortization	(353)	(262)
December 31	1,785	968

Lease liabilities

Covenants of certain long-term financing facilities require Saudi Aramco to maintain defined financial and other conditions. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. The lessor has ownership of the assets during the term of the contract and is responsible for the operation, insurance and maintenance of the assets until termination of the underlying agreements. For certain leases, the lessor shall transfer its rights, title and interest in the assets to the lessee on the last day of the agreements; for others, there are no further obligations on completion of agreements. Performance guarantees are provided by the lessor under the terms of the agreements.

The total cash outflow for leases for the year ended December 31, 2020 was SAR 10,868 (2019: SAR 7,740). Expenses relating to short-term and low value leases were recognized in the Consolidated Statement of Income for the year ended December 31, 2020 and amounted to SAR 378 (2019: SAR 2,558) and SAR 278 (2019: SAR 540), respectively.

Maturities of borrowings and leases are as follows:

	No later than one year	Later than one year and no later than five years	Later than five years	Total contractual amount	Total carrying amount
2020					
Borrowings	101,505	244,553	242,929	588,987	482,502
Leases	11,228	26,051	23,854	61,133	53,575
	112,733	270,604	266,783	650,120	536,077
2019					
Borrowings	8,165	51,383	104,202	163,750	134,651
Leases	8,405	21,867	30,067	60,339	40,934
	16,570	73,250	134,269	224,089	175,585

All amounts in millions of Saudi Riyals unless otherwise stated

21. Borrowings continued

The movement of borrowings is as follows:

	Long-term borrowings	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
January 1, 2019	65,086	23,174	13,058	101,318
Cash flows	13,998	(11,660)	(7,740)	(5,402)
Debentures	44,460	–	–	44,460
Non-cash changes:				
Acquisitions (Note 35)	–	–	94	94
Lease liabilities on adoption of IFRS 16	–	–	26,051	26,051
Lease additions	–	–	9,670	9,670
Foreign exchange adjustment	(454)	27	8	(419)
Accretion of liabilities and others	(1,099)	1,119	(207)	(187)
December 31, 2019	121,991	12,660	40,934	175,585
Cash flows	**(37,504)**	**46,084**	**(10,868)**	**(2,288)**
Debentures	**36,815**	**–**	**–**	**36,815**
Non-cash changes:				
Deferred Consideration	**259,125**	**–**	**–**	**259,125**
Acquisition (Note 4)	**37,592**	**1,179**	**6,552**	**45,323**
Lease additions	**–**	**–**	**16,705**	**16,705**
Foreign exchange adjustment	**1,023**	**60**	**193**	**1,276**
Accretion of liabilities and others	**3,375**	**102**	**59**	**3,536**
December 31, 2020	**422,417**	**60,085**	**53,575**	**536,077**

22. Post-employment benefit obligations

Saudi Aramco sponsors or participates in several funded and unfunded defined benefit pension plans and other post-employment benefit plans that provide pension, severance, death, medical and/or other benefits to substantially all of its employees primarily in Saudi Arabia. The majority of the defined benefit plans for Saudi Arabia based employees are governed under the Kingdom of Saudi Arabia labor law, applicable benefit plan laws of the USA, and/or Company policies. Benefits to employees of group companies are provided based on local regulations and practices of the respective jurisdiction.

Retirement benefits for defined benefit pension plans are paid, primarily, in the form of lump sum payments upon retirement based on final salary and length of service. Other post-employment benefits such as medical are used to cover retired employees and eligible dependents of retirees for medical services in line with the plan policy documents.

At December 31, the net liability recognized for employee defined benefit plans in the Consolidated Balance Sheet is as follows:

	2020	2019
Pension plans	**12,167**	(1,600)
Medical and other post-employment benefit plans	**42,040**	22,774
Net benefit liability	**54,207**	21,174

All amounts in millions of Saudi Riyals unless otherwise stated

22. Post-employment benefit obligations continued

The status of Saudi Aramco's pension and other post-employment defined benefit plans is as follows:

	Pension benefits		Other benefits	
	2020	2019	**2020**	2019
Net benefit obligation by funding:				
Present value of funded obligations	**84,998**	59,824	**114,289**	87,090
Fair value of plan assets	**(78,328)**	(67,156)	**(82,629)**	(73,136)
Benefit deficit (surplus)	**6,670**	(7,332)	**31,660**	13,954
Present value of unfunded obligations	**5,497**	5,732	**10,380**	8,820
Net benefit liability (asset)	**12,167**	(1,600)	**42,040**	22,774
Change in benefit obligations:				
Benefit obligations, January 1	**65,556**	57,296	**95,910**	85,047
Current service cost	**3,799**	3,004	**2,576**	1,924
Interest cost	**2,254**	2,453	**3,458**	3,720
Past service (credit) cost	**(465)**	(8)	**2,340**	–
Remeasurement	**8,243**	6,481	**21,480**	6,754
Plan participants' contribution	**75**	105	**–**	–
Benefits paid	**(8,134)**	(3,563)	**(1,886)**	(1,804)
Settlements	**(386)**	(274)	**–**	–
Acquisitions (Notes 4, 35)	**19,651**	131	**975**	94
Foreign currency translation and other	**(98)**	(69)	**(184)**	175
Benefit obligations, December 31	**90,495**	65,556	**124,669**	95,910
Change in plan assets:				
Fair value of plan assets January 1	**(67,156)**	(58,376)	**(73,136)**	(60,758)
Interest income	**(2,018)**	(2,475)	**(2,438)**	(2,696)
Remeasurement	**(6,214)**	(6,604)	**(7,148)**	(9,785)
Employer contributions	**(7,406)**	(3,480)	**(1,793)**	(1,699)
Benefits paid	**8,134**	3,563	**1,886**	1,804
Settlements	**386**	274	**–**	–
Acquisitions (Notes 4, 35)	**(4,077)**	(56)	**–**	–
Foreign currency translation and other	**23**	(2)	**–**	(2)
Fair value of plan assets, December 31	**(78,328)**	(67,156)	**(82,629)**	(73,136)
Net benefit liability (asset) at December 31	**12,167**	(1,600)	**42,040**	22,774

The weighted average duration of the pension benefit obligations is 13 years at December 31, 2020 and December 31, 2019.
The weighted average duration of the other benefit obligations is 21 years at December 31, 2020 and December 31, 2019.

All amounts in millions of Saudi Riyals unless otherwise stated 227

22. Post-employment benefit obligations continued

The components of net defined benefit cost, before tax, are primarily recognized in producing and manufacturing, and selling, administrative and general expenses in the Consolidated Statement of Income. Remeasurements are included in the Consolidated Statement of Comprehensive Income. Net defined benefit cost and remeasurements for the years ended December 31 are as follows:

	Pension benefits		Other benefits	
	2020	2019	**2020**	2019
Amounts recognized in net income:				
Current service cost	**3,799**	3,004	**2,576**	1,924
Past service (credit) cost	**(465)**	(8)	**2,340**	–
Net interest cost (income)	**236**	(22)	**1,020**	1,024
Other	**(8)**	19	**(15)**	98
	3,562	2,993	**5,921**	3,046
Amounts recognized in other comprehensive income:				
Losses from changes in demographic assumptions	**729**	35	**496**	154
Losses from changes in financial assumptions	**7,728**	6,544	**13,203**	14,633
(Gains) losses from changes in experience adjustments	**(214)**	(98)	**7,781**	(8,033)
Returns on plan assets (excluding interest income)	**(6,214)**	(6,604)	**(7,148)**	(9,785)
	2,029	(123)	**14,332**	(3,031)
Net defined benefit loss before income taxes	**5,591**	2,870	**20,253**	15

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions, based in part on market conditions. Any changes in these assumptions will impact the carrying amount of the defined benefit obligations.

The significant assumptions used to determine the present value of the defined benefit obligations for the years ended December 31 are as follows:

	Pension benefits		Other benefits	
	2020	2019	**2020**	2019
Discount rate	**2.6%**	3.2%	**3.0%**	3.6%
Salary growth rate	**4.8%**	5.5%	**–**	–
Annual average medical claim cost, in whole SAR			**26,003**	22,110
Health care participation rate			**90.0%**	90.0%
Assumed health care trend rates:				
Cost-trend rate			**5.0%**	6.0%
Rate to which cost-trend is to decline			**5.0%**	5.0%
Year that the rate reaches the ultimate rate			**2021**	2021

All the above assumptions are reviewed and updated as necessary as part of the periodic actuarial valuation of the defined benefit obligations.

Saudi Aramco determines the discount rate used to calculate the present value of estimated future cash outflows expected to be required to settle the post-employment benefit plan obligations. In determining the appropriate discount rate, Saudi Aramco considers the interest rates of high-quality corporate bonds in the USA that have terms to maturity approximating the terms of the related defined benefit obligation.

Mortality assumptions are reviewed regularly and set based on actuarial advice in accordance with best practice and statistics, adjusted to reflect the experience and improvements to longevity. Relevant life expectancies are as follows:

	Saudi Plans		US Plans	
Life expectancy at age:	**Male**	Female	**Male**	Female
50	**31.6**	34.7	**33.8**	35.7
60	**23.0**	25.7	**24.7**	26.5
60 (currently aged 40)	**23.0**	25.7	**26.4**	28.1

All amounts in millions of Saudi Riyals unless otherwise stated

22. Post-employment benefit obligations continued

The salary growth rate assumption is based on a study of recent years' salary experience and reflects management's outlook for future increases. The annual average medical claim cost assumption is based on medical costs incurred in external medical providers, on behalf of the Company's employees and retirees. The health care participation rate considers the historical participation rate, amongst others, derived from the best available historical data. The assumed health care cost-trend rates reflect Saudi Aramco's historical experience and management's expectations regarding future trends.

The sensitivity of the overall defined benefit obligations to changes in the principal assumptions, keeping all other assumptions constant, is presented below. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation from one another.

	Change in assumption	Impact on obligation	**2020**	2019
Ultimate health care cost-trend rates	Increase by 0.5%	Increase by	**13,485**	9,926
	Decrease by 0.5%	Decrease by	**(11,726)**	(8,659)
Discount rate - other benefits	Increase by 0.5%	Decrease by	**(12,311)**	(9,195)
	Decrease by 0.5%	Increase by	**14,359**	10,669
Discount rate - pension benefits	Increase by 0.5%	Decrease by	**(6,146)**	(3,889)
	Decrease by 0.5%	Increase by	**6,818**	4,331
Salary growth rate	Increase by 0.5%	Increase by	**2,974**	1,890
	Decrease by 0.5%	Decrease by	**(3,364)**	(2,201)
Annual average medical claim cost	Increase by 5%	Increase by	**5,903**	4,463
	Decrease by 5%	Decrease by	**(5,903)**	(4,463)
Life expectancy	Increase by 1 year	Increase by	**5,880**	4,245
	Decrease by 1 year	Decrease by	**(5,914)**	(4,234)
Health care participation rate	Increase by 5%	Increase by	**1,823**	1,706
	Decrease by 5%	Decrease by	**(1,875)**	(1,751)

Plan assets consisted of the following:

	2020	2019
Cash	**5,816**	2,670
Time deposits	**8**	–
Equity instruments	**41,710**	39,199
Investment funds	**61,947**	48,845
Bonds	**50,516**	48,202
Sukuk (Shari'a compliant)	**960**	1,376
	160,957	140,292

Plan assets are administered under the oversight of the Company or one of its subsidiaries and managed by independent trustees or separate entities, in a manner consistent with fiduciary obligations and principles, acting in the best interest of plan participants. The objectives of the plans are to maximize investment returns consistent with prudent risk over a long-term investment horizon in order to secure retiree benefits and minimize corporate funding. All plan assets are held separately, solely to pay retiree benefits. Saudi Aramco has no rights to plan assets. Funded Saudi Plans have the right to transfer assets held in excess of the plan's defined benefit obligation to another funded Saudi plan. The right to transfer such assets is solely in respect of amounts held in excess of the plan's defined benefit obligations and solely to Plans with defined benefit obligations exceeding the value of assets held.

Through its post-employment benefit plans, Saudi Aramco is exposed to a number of risks including asset volatility, changes in bond yields, inflation and life expectancy. Investment risk is minimized through diversification of investments among fixed income, equity, and alternative asset classes. Asset allocation is determined by an asset liability modeling study. The target asset allocation is, approximately, 36% (2019: 38%) equity instruments, 31% (2019: 32%) debt instruments, and 33% (2019: 30%) alternative assets. Inflation risk is partially offset by equities inflation and life expectancy risk is borne by Saudi Aramco.

All amounts in millions of Saudi Riyals unless otherwise stated

22. Post-employment benefit obligations continued

Plan assets include transferrable securities with a fair value of SAR 1,307 (2019: SAR 806) in the Company and its affiliated entities.

Employer contributions to defined benefit plans are estimated to be SAR 6,583 in 2021. While the Saudi plans are generally not governed by regulatory minimum funding requirements, the funding objective is to reach full funding of the larger plans only. Saudi Aramco pays annual contributions equal to the cost of accrual on a Board approved cash funding basis. Asset outperformance is expected to meet the shortfall between assets and the assessed liabilities within a reasonable period. Funding for the U.S. plans sponsored by Aramco Shared Benefit Company, (a wholly owned subsidiary of the Company) is recommended by the actuary in order to meet Saudi Aramco's funding strategy to meet benefit plan expenses using applicable U.S. plan funding rules. Other plans follow local regulation or contractual obligations to meet minimum funding requirements.

In addition to the above plans, Saudi Aramco maintains or participates in defined contribution plans for which Saudi Aramco's legal or constructive obligation for these plans is limited to the contributions. The costs of the defined contribution plans, which are included principally within producing and manufacturing, and selling, administrative and general expenses in the Consolidated Statement of Income, are SAR 1,372 and SAR 1,028 for the years ended December 31, 2020 and 2019, respectively (Note 27).

23. Provisions and other liabilities

	Asset retirement	Environmental	Other	Total
January 1, 2019	13,707	849	1,050	15,606
Revision to estimate	(748)	45	(154)	(857)
Additional provisions	392	106	467	965
Unwinding of discounting (Note 21)	412	28	–	440
Amounts charged against provisions	(47)	(91)	(31)	(169)
December 31, 2019	13,716	937	1,332	15,985
Acquisition	**–**	**–**	**5,093**	**5,093**
Revision to estimate	**2,485**	**45**	**194**	**2,724**
Additional provisions	**744**	**83**	**544**	**1,371**
Unwinding of discounting (Note 21)	**411**	**23**	**5**	**439**
Amounts charged against provisions	**(17)**	**(148)**	**(239)**	**(404)**
December 31, 2020	**17,339**	**940**	**6,929**	**25,208**

These provisions consist primarily of asset retirement provisions for the future plugging and abandonment of oil and natural gas wells and the decommissioning of certain Downstream assets. The environmental provision is for the remediation of ground water and soil contamination. Payments to settle these provisions will occur on an ongoing basis and will continue over the lives of the operating assets, which can exceed 50 years for the time when it is necessary to abandon oil and natural gas wells. The amount and timing of settlement in respect of these provisions are uncertain and dependent on various factors that are not always within management's control. Other includes non-current payables, financial liability against options, provisions and other obligations.

24. Trade and other payables

	2020	2019
Trade payables	**36,595**	38,629
Accrued materials and services	**36,726**	24,544
Amounts due to related parties (Note 30(b))	**9,540**	7,587
Other accruals	**10,879**	7,471
	93,740	78,231

230 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

25. Revenue

	2020	2019
Revenue from contracts with customers	**771,246**	1,096,444
Movement between provisional and final prices	**(7,344)**	5,650
Other revenue	**4,207**	3,602
	768,109	1,105,696
Other revenue:		
Services provided to:		
Government, semi-Government and other entities with Government ownership or control (Note 30(a))	**953**	1,058
Third parties	**675**	510
Joint ventures and associates (Note 30(a))	**825**	266
Freight	**431**	161
Other	**1,323**	1,607
	4,207	3,602

Revenue from contracts with customers is measured at a transaction price agreed under the contract and the payment is due within 10 to 120 days from the invoice date depending on specific terms of the contract.

Transaction prices are not adjusted for the time value of money, as Saudi Aramco does not have any contracts where the period between the transfer of product to the customer and payment by the customer exceeds one year.

Disaggregation of revenue from contracts with customers
Saudi Aramco's revenue from contracts with customers according to product type and source is as follows:

	2020			
	Upstream	**Downstream**	**Corporate**	**Total**
Crude oil	**377,094**	**31,400**	**–**	**408,494**
Refined and chemical products	**–**	**314,066**	**–**	**314,066**
Natural gas and NGLs	**40,684**	**2,287**	**–**	**42,971**
Metal products	**–**	**5,715**	**–**	**5,715**
Revenue from contracts with customers	**417,778**	**353,468**	**–**	**771,246**
Movement between provisional and final prices	**(7,286)**	**(58)**	**–**	**(7,344)**
Other revenue	**464**	**2,377**	**1,366**	**4,207**
External revenue	**410,956**	**355,787**	**1,366**	**768,109**

	2019			
	Upstream	Downstream	Corporate	Total
Crude oil	645,499	22,049	–	667,548
Refined and chemical products	–	369,478	–	369,478
Natural gas and NGLs	57,649	1,769	–	59,418
Revenue from contracts with customers	703,148	393,296	–	1,096,444
Movement between provisional and final prices	5,405	245	–	5,650
Other revenue	697	1,558	1,347	3,602
External revenue	709,250	395,099	1,347	1,105,696

Revenue from contracts with customers includes local sales at Kingdom regulated prices as follows:

	2020	2019
Crude oil	**2,749**	2,745
Refined and chemical products	**44,620**	56,777
Natural gas and NGLs	**11,810**	15,341
	59,179	74,863

All amounts in millions of Saudi Riyals unless otherwise stated

26. Purchases

	2020	2019
Refined and chemical products	**122,011**	151,115
Crude oil	**47,911**	67,732
NGL and other products	**11,194**	6,323
	181,116	225,170

Purchases primarily consist of refined products, chemicals, crude oil and NGL purchased from third parties for use in Downstream operations and to meet demand for products in the Kingdom when it exceeds Saudi Aramco's production of the relevant product. Saudi Aramco also purchases products from third parties in certain markets where it is more cost effective compared to procuring them from other business units.

27. Employee benefit expense

	2020	2019
Salaries and wages	**37,396**	32,528
Social security costs	**2,426**	1,967
Post-retirement benefits (Note 22):		
Defined benefit plans	**9,483**	6,039
Defined contribution plans	**1,372**	1,028
Share-based compensation (Note 18)	**587**	33
	51,264	41,595

28. Finance and other income

	2020	2019
Interest income on time deposits and loans receivable	**1,817**	5,359
Investment income	**954**	175
Gain on remeasurement of existing interest in equity investments (Note 35)	**–**	1,278
Dividend income from investments in securities	**382**	509
Gain on derivative transactions and others	**29**	30
	3,182	7,351

29. Payments to the Government by Saudi Arabian Oil Company

	2020	2019
Income taxes (Note 9(c))	**72,582**	149,780
Royalties	**82,958**	170,256
Dividends	**257,246**	274,388

232 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

30. Related party transactions

(a) Transactions

	2020	2019
Joint ventures:		
Revenue from sales	**14,393**	7,485
Other revenue (Note 25)	**72**	83
Interest income	**98**	30
Purchases	**8,719**	544
Service expenses	**11**	19
Associates:		
Revenue from sales	**32,580**	36,866
Other revenue (Note 25)	**753**	183
Interest income	**120**	165
Purchases	**28,451**	36,960
Service expenses	**199**	188
Government, semi-Government and other entities with Government ownership or control:		
Revenue from sales	**24,866**	45,079
Other income related to sales	**93,982**	131,089
Other revenue (Note 25)	**953**	1,058
Purchases	**10,384**	11,606
Service expenses	**454**	409
Acquisition of treasury shares (Note 17)	**–**	3,750
Sale of partial interest in joint venture	**–**	14

Goods are purchased and sold according to supply agreements in force. Note 34 includes additional information on loans to joint ventures and associates.

(b) Balances

	2020	2019
Joint ventures:		
Other assets and receivables (Note 10)	**6,368**	1,609
Trade receivables	**3,210**	836
Interest receivable	**128**	30
Trade and other payables (Note 24)	**3,986**	15
Associates:		
Other assets and receivables (Note 10)	**7,395**	3,326
Trade receivables	**8,415**	8,715
Trade and other payables (Note 24)	**3,784**	4,553
Government, semi-Government and other entities with Government ownership or control:		
Other assets and receivables (Note 10)	**540**	–
Trade receivables	**1,429**	5,985
Due from the Government (Note 14)	**28,895**	36,781
Trade and other payables (Note 24)	**1,770**	3,019
Borrowings (Note 21)	**243,378**	5,366

Sales to and receivables from Government, semi-Government and other entities with Government ownership or control are made on specific terms within the relevant regulatory framework in the Kingdom.

All amounts in millions of Saudi Riyals unless otherwise stated 233

30. Related party transactions continued

(c) Compensation of key management personnel

Key management personnel of Saudi Aramco included directors and senior executive management. The compensation paid or payable to key management for services is shown below:

	2020	2019
Short-term employee benefits	**59**	63
Post-employment benefits	**29**	31
Other long-term benefits	**23**	7
Termination benefits	**17**	–
	128	101

(d) Other transactions with key management personnel

Other than as set out in Note 30(c), there were no reportable transactions between Saudi Aramco and members of key management personnel and their close family members during the year ended December 31, 2020 (2019: nil).

31. Derivative instruments and hedging activities

Saudi Aramco uses interest rate swap contracts to manage exposure to interest rate risk resulting from borrowings. These hedges are designated as cash flow hedges. Saudi Aramco also engages in hedging activities through the use of currency forward contracts in relation to firm commitments under procurement contracts and transactions for foreign currency payrolls. These hedges are designated as fair value hedges. Further, Saudi Aramco uses short-term commodity swap contracts to manage exposure to price fluctuations.

The notional amounts of currency forward contracts and interest rate swap contracts designated as hedging instruments and outstanding commodity swap contracts are as follows:

	2020	2019
Interest rate swaps	**12,075**	12,911
Commodity swap contracts	**19,894**	17,370
Currency forward contracts	**9,780**	8,452
	41,749	38,733

32. Non-cash investing and financing activities

Investing and financing activities during 2020 include the acquisition of SABIC for deferred consideration of SAR 259,125 (Note 4), additions to right-of-use assets of SAR 16,278 (2019: SAR 9,670), subordinated shareholder loans and trade receivables with a joint venture that were converted to equity of nil and nil (2019: SAR 1,706 and SAR 1,098), respectively, asset retirement provisions of SAR 2,786 (2019: SAR 50) and equity awards issued to employees for no consideration (Note 18) (2019: nil).

33. Commitments

(a) Capital commitments

Capital expenditures contracted for but not yet incurred were SAR 153,326 and SAR 154,181 at December 31, 2020 and 2019, respectively. In addition, leases contracted for but not yet commenced were SAR 7,990 and SAR 7,467 at December 31, 2020 and 2019, respectively.

(b) Sadara

In March 2020, Saudi Aramco and Dow Chemical Company equally committed to comply with the Ministry of Energy feedstock agreement to support the development of Chemical Value Parks in the Kingdom with an amount of SAR 375. The first payment of SAR 38 will be deposited within one month from the date of supplying Sadara with additional ethane. The remaining funds will be deposited over nine years at SAR 38 annually. Saudi Aramco's commitment of SAR 188 is outstanding at December 31, 2020.

33. Commitments continued

(c) IMIC

In 2017, Saudi Aramco Development Company ("SADCO"), a wholly owned subsidiary of the Company, and Lamprell plc ("Lamprell"), Bahri and Korea Shipbuilding Offshore Engineering ("KSOE"), formerly known as Hyundai Heavy Industries, formed a company, IMIC, in which SADCO owns 50.1%, Lamprell owns 20%, Bahri owns 19.9% and KSOE owns 10%. The principal activities of IMIC are the development, operation, and maintenance of a maritime yard under construction by the Government, as well as, the design, manufacture, maintenance and repair of ships and rigs. The maritime yard will be divided into four main zones and completion of the construction of the individual zones will vary but is expected to be partially completed and operational by 2021. SADCO has committed to fund IMIC up to SAR 1,315 through equity contributions. At December 31, 2020, SAR 638 (2019: SAR 555) has been drawn down by IMIC.

(d) Saudi Aramco Rowan Offshore Drilling Company ("ARO Drilling")

In 2017, SADCO and Rowan Rex Limited formed a company, ARO Drilling (Note 38), to provide offshore drilling services to the Company. In 2018, Mukamala Oil Field Services Limited ("MOFSL") was incorporated as a subsidiary of SADCO and all the investment and related commitments of ARO Drilling were transferred to MOFSL by way of a Novation Agreement. MOFSL has committed to invest SAR 2,719 through equity and shareholder loans, of which SAR 2,453 (2019: SAR 2,453) has been drawn down at December 31, 2020.

(e) Saudi Aramco Nabors Drilling Company ("SANAD")

In 2017, SADCO and Nabors International Netherlands BV formed a company, SANAD (Note 38), to provide onshore drilling services to the Company. In 2018, MOFSL was incorporated as a subsidiary of SADCO and all of SADCO's investments and related commitments in and to ARO Drilling were transferred to MOFSL by way of a Novation Agreement. Saudi Aramco has committed to lease 50 onshore rigs over a ten-year period beginning in 2021 for an estimated value of SAR 24,263. In addition, Saudi Aramco has committed to award drilling contracts for an estimated value of SAR 52,489 for up to 20 new build offshore rigs to be purchased by ARO Drilling over a 10-year period.

(f) Arabian Rig Manufacturing Company (''ARM'')

In June 2018, SADCO and NOV Downhole Eurasia Limited formed a company, ARM, to provide onshore land drilling manufacturing, equipment and services to SANAD and the Middle East and North Africa region. Saudi Aramco committed to invest SAR 225, of which, SAR 53 is invested at December 31, 2020 (2019: SAR 9). In addition, SADCO has guaranteed the purchase of 50 onshore rigs over a 12-year period beginning in 2021 for an estimated value of SAR 6,741, and has the option to cancel the onshore rig orders for a maximum financial exposure of SAR 1,358.

(g) Other

(i) In order to comply with past Government directives, the Company expects to sell portions of its equity in Saudi Aramco Total Refining and Petrochemical Company and Yanbu Aramco Sinopec Refining Company Ltd. (Note 39) through a public offering of shares in Saudi Arabia. Also in order to comply with a past Government directive, Excellent Performance Chemical Company ("EPCC"), a wholly owned subsidiary of the Company, expects to sell portions of its equity in Sadara (Note 34(a)) through a public offering of shares in Saudi Arabia.

(ii) Saudi Aramco is committed to comply with the Government directive to guarantee that Saudi Aramco Total Refining and Petrochemical Company and Yanbu Aramco Sinopec Refining Company Ltd. shall spend a total of SAR 750 over a 10-year period ending December 31, 2025 on social responsibility programs. At December 31, 2020, SAR 446 (2019: SAR 461) remains to be spent.

(iii) Saudi Aramco has commitments of SAR 328 (2019: SAR 384) to invest in private equity investments both inside and outside the Kingdom. Such commitments can be called on demand.

(iv) Saudi Aramco has commitments of SAR 55 (2019: SAR 58) to fund additional loans and acquire additional unlisted equity investments of certain small to mid-sized enterprises in the Kingdom. The commitments can be called by the enterprises upon meeting certain conditions.

34. Contingencies

Saudi Aramco has contingent assets and liabilities with respect to certain disputed matters, including claims by and against contractors and lawsuits and arbitrations involving a variety of issues. These contingencies arise in the ordinary course of business. It is not anticipated that any material adjustments will result from these contingencies.

Saudi Aramco also has bank guarantees with respect to the acquisition of a subsidiary (Note 4) amounting to SAR 2,867 as of December 31, 2020 arising in the ordinary course of business.

Saudi Aramco also has contingent liabilities with respect to the following:

(a) Sadara

In 2011, EPCC and Dow Saudi Arabia Holding B.V. (together to be referred to as the "Founding Shareholders") signed a shareholder agreement with a term of 99 years to construct and operate a fully-integrated chemicals complex at Jubail II Industrial City in Saudi Arabia ("the Project"). Shortly thereafter, the Founding Shareholders formed Sadara to execute the Project. In May 2019, Saudi Aramco committed to increase the total financing facility provided to Sadara from SAR 25,125 to SAR 32,035. As of December 31, 2020, SAR 30,678 (2019: SAR 28,362) has been drawn down.

In 2013, Sadara entered into definitive agreements with certain export credit agencies and commercial banks for approximately SAR 39,505 of project financing. In 2013, Sadara also conducted a project Sukuk issuance in Saudi Arabia for approximately SAR 7,500 with a final maturity in December 2028. Saudi Aramco previously provided guarantees of 65% of the senior debt (including Sukuk) amounts owed by Sadara to its senior creditors. Sadara achieved project completion on November 23, 2020, which triggered the automatic termination of these guarantees. As part of project completion, Saudi Aramco, on a several basis, provided a guarantee for the funding of 65% of the debt service reserve account (DSRA) balance required by the senior creditors to cover Sadara's semi-annual scheduled senior debt principal and interest payments. Saudi Aramco's guarantee amounts to approximately SAR 1,410 on a semi-annual basis. The DSRA guarantee terminates on the earliest of the final repayment date, a payment made under the DSRA guarantee, and a written release from the senior creditors' security agent.

With respect to Sadara's fuel and feed-stock allocation, Saudi Aramco has provided two letters of credit to the Ministry of Energy for SAR 169 and SAR 225 to construct epoxy plants and for the development of projects to support conversion industries in the Kingdom.

(b) Petro Rabigh

In March 2015, the two founding shareholders of Petro Rabigh, the Company and Sumitomo Chemical Co. Ltd., concluded external long-term debt financing arrangements ("Rabigh II Financing") with lenders on behalf of Petro Rabigh for the Rabigh II Project ("the Project") for which the two shareholders provided guarantees for their equal share of the Rabigh II Financing. On September 30, 2020, project completion under the Rabigh II Financing was successfully achieved. As a result, the guarantees provided of SAR 17,093 were released. Concurrently, a Debt Service Undertaking ("DSU") was provided by the two founding shareholders that covers shortfalls in scheduled (not accelerated) debt service under the Rabigh II Financing until at least 50% of the shareholder guaranteed SAR 11,250 equity bridge loans (the "EBLs") are repaid using share capital or shareholder-funded subordinated loans. The EBLs are due to be repaid on October 1, 2022. The amount utilized under the DSU as of December 31, 2020 was SAR 1,041 (Company's share SAR 521).

In addition, the two founding shareholders provided Petro Rabigh with shareholder funded revolving facilities (the "Shareholder Facilities") of up to SAR 7,500 with the Company's share being SAR 4,688. As of December 31, 2020, Petro Rabigh has utilized SAR 6,750 (the Company's share SAR 4,219). The Shareholder Facilities are scheduled to mature in September 2023, but provide for further tenor extensions, which are subject to certain conditions being met at that time.

236 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

35. Investments in affiliates

(a) Investments in subsidiaries

(i) Saudi Aramco Shell Refinery Company

On September 18, 2019, the Company completed the acquisition of Shell Saudi Arabia Limited's 50% equity interest for cash consideration of SAR 2,366. As a result of this transaction, the Company has become the sole shareholder of the Saudi Aramco Jubail Refinery Company ("SASREF"). SASREF owns and operates a 305,000 barrel per day refinery that includes a hydrocracker unit, a visbreaker unit and a thermal gas-oil unit. Located in the Kingdom in Jubail, the refinery began commercial operations in 1986 and currently produces naphtha, high-sulfur fuel oil, jet fuel and diesel fuel. This acquisition is in line with Saudi Aramco's strategy of expanding its Downstream portfolio, and strengthening its capabilities across the energy value chain. On increasing its ownership, Saudi Aramco remeasured its investment to fair value and recognized a gain of SAR 1,278, which is reflected in the Consolidated Statement of Income within finance and other income for the year ended December 31, 2019.

The transaction was accounted for using the acquisition method of accounting, which requires the assets acquired and liabilities assumed to be recognized at their fair value as of the acquisition date. If the acquisition had occurred on January 1, 2019, the consolidated revenue of Saudi Aramco would have been an additional SAR 394 and net income would have been an additional SAR 47 for the year ended December 31, 2019. In determining these amounts, management has assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition occurred on the first day of the accounting period.

The fair values of identifiable assets and liabilities have been determined by management, assisted by an independent valuer, as part of the purchase price allocation process.

The following table summarizes the goodwill and fair values of SASREF's assets and liabilities acquired on September 18, 2019:

Cash and cash equivalents	**1,233**
Trade accounts receivable and other current assets	**3,938**
Inventories	**1,260**
Property, plant and equipment	**5,461**
Intangible assets	**57**
Other non-current assets	**385**
Trade and other payables	**(6,249)**
Accrued expenses and other current liabilities	**(866)**
Deferred tax liabilities	**(528)**
Employee benefit obligations	**(298)**
Lease liabilities	**(188)**
Total identifiable net assets and liabilities at fair value	**4,205**
Goodwill	**527**
Total consideration	**4,732**
Acquisition date fair value of previously held interest	**(2,366)**
Purchase consideration	**2,366**

Acquisition and transaction costs of nil and SAR 2 for the years ended December 31, 2020 and 2019 were expensed as selling, administrative and general in the Consolidated Statement of Income. The post-acquisition revenue of SAR 39 and net loss of SAR 925 is included in the Consolidated Statement of Comprehensive Income for the year ended December 31, 2019.

All amounts in millions of Saudi Riyals unless otherwise stated

35. Investments in affiliates continued

(ii) Investment in Motiva Chemicals LLC ("Motiva Chemicals")

On October 31, 2019, Motiva Enterprises LLC ("Motiva"), a wholly owned subsidiary of the Company, acquired 100% of the equity interest in Flint Hills Resources Port Arthur LLC which was immediately re-named as Motiva Chemicals. Motiva Chemicals was acquired for total cash consideration of SAR 7,090. Motiva Chemicals owns and operates a chemical plant located in Port Arthur, Texas, comprised of a mixed feed cracker, a cyclohexane unit, a benzene unit, NGL and ethylene pipelines and storage facilities. The acquisition extends Motiva's logistics capabilities, provides an early entry into petrochemicals and creates the opportunity to further improve planned chemicals projects.

The transaction was accounted for using the acquisition method of accounting, which requires the assets acquired and liabilities assumed to be recognized at their fair value as of the acquisition date. If the acquisition had occurred on January 1, 2019, the consolidated revenue of Saudi Aramco would have been an additional SAR 2,928 and net loss would have been an additional SAR 28 for the year ended December 31, 2019.

Saudi Aramco engaged an independent valuer in order to determine the fair value of the assets and liabilities of Motiva Chemicals. The fair values of the identifiable assets and liabilities of Motiva Chemicals as of the date of acquisition are as follows:

Cash and cash equivalents	**11**
Accounts receivable and other assets	**229**
Inventories	**266**
Property, plant and equipment	**6,263**
Intangible assets	**544**
Trade and other payables	**(184)**
Post-employment benefit obligations and provisions	**(39)**
Total identifiable net assets at fair value/purchase consideration	**7,090**

Acquisition and transaction costs of nil and SAR 13 were expensed as selling, administrative and general in the Consolidated Statement of Income for the year ended December 31, 2020 and 2019. The post-acquisition revenue of SAR 372 and net loss of SAR 151 is included in the Consolidated Statement of Comprehensive Income for the year ended December 31, 2019.

(b) Investments in joint ventures and associates

(i) Investment in Tas'helat Marketing Company ("TMC")

On June 17, 2019, Saudi Aramco Retail Company, a wholly owned subsidiary of the Company, and Total Marketing S.A., a subsidiary of Total S.A., each acquired a 50% interest in TMC for a total of SAR 770. TMC operates a network of 270 retail service stations under the "Sahel" brand name and 73 convenience stores across the Kingdom. The two partners, over the next several years, will invest SAR 2,800 in upgrading the existing retail facilities and rebranding an equal number of the retail service stations with the two partners' brand names.

The purchasers engaged an independent valuer in order to determine the fair value of the assets and liabilities of TMC as part of the purchase price allocation. The fair values of the identifiable assets and liabilities of TMC as of the date of acquisition are as follows:

Cash and cash equivalents	**26**
Accounts receivable and other assets	**328**
Inventories	**44**
Property, plant and equipment	**362**
Intangible assets	**78**
Trade and other payables	**(28)**
Borrowings	**(128)**
Post-employment benefit obligations and provisions	**(24)**
Other liabilities	**(286)**
Total identifiable net assets at fair value	**372**
Saudi Aramco's 50% share	**186**
Goodwill	**199**
Purchase consideration	**385**

Acquisition and transaction costs of nil and SAR 4 were expensed as selling, administrative, and general in the Consolidated Statement of Income for the year ended December 31, 2020 and 2019.

238 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

35. Investments in affiliates continued

(ii) Hyundai Oilbank

On December 17, 2019, Aramco Overseas Company B.V. ("AOC"), a wholly owned subsidiary of the Company, acquired a 17% equity interest in Hyundai Oilbank, a subsidiary of Hyundai Heavy Industries Holdings, for SAR 4,414 with an option to acquire an additional 2.9% which can be exercised at any time before the earlier of five years or Hyundai Oilbank's IPO. Hyundai Oilbank is a private oil refining company in South Korea established in 1964. The business portfolio of Hyundai Oilbank and its subsidiaries includes oil refining, base oil, petrochemicals, and a network of gas stations. The investment in Hyundai Oilbank supports Saudi Aramco's Downstream growth strategy of expanding its global footprint in key markets in profitable integrated refining, chemicals and marketing businesses which enable Saudi Aramco to place crude oil and leverage its trading capabilities.

The carrying value of Hyundai Oilbank is recorded as an investment in associate (Note 8). Saudi Aramco engaged an independent valuer in order to determine the fair values of the assets and liabilities of Hyundai Oilbank. As a result of the independent valuer's concluded purchase price allocation report, the previously reported fair values of the identifiable investments in affiliates and intangible assets were updated. Accordingly, the fair values of the identifiable assets and liabilities of Hyundai Oilbank as of the date of acquisition are as follows:

Cash and cash equivalents	**1,541**
Trade and other receivables	**5,096**
Inventories	**8,074**
Other assets	**634**
Investments in affiliates	**6,769**
Property, plant and equipment	**26,100**
Intangible assets	**3,566**
Trade and other payables	**(9,491)**
Borrowings	**(12,604)**
Other liabilities	**(4,432)**
Total identifiable net assets at fair value	**25,253**
Hybrid securities	**(720)**
Non-controlling interest	**(3,045)**
Total identifiable net assets attributable to equity owners	**21,488**
Saudi Aramco's 17% share	**3,653**
Call option	**143**
Goodwill	**618**
Purchase consideration	**4,414**

(iii) Saudi Engines Manufacturing Company ("SEMC")

On May 19, 2019, Saudi Aramco Development Company ("SADCO"), a wholly owned subsidiary of the Company, Korea Shipbuilding Offshore Engineering ("KSOE"), and the Saudi Arabian Industrial Investments Company ("Dussur") concluded an agreement to establish an affiliate to form an engine manufacturing and aftersales facility in the Kingdom. The affiliate, Saudi Engines Manufacturing Company ("SEMC"), is a limited liability company and was formed on November 16, 2020 by SADCO, which owns 55% of the affiliate, and KSOE and Dussur own 30% and 15%, respectively. SADCO is a 25% shareholder of Dussur. The total investment in SEMC will be up to SAR 646, of which SADCO's share will be up to SAR 355.

(iv) Novel Non-Metallic Solutions Manufacturing ("Novel")

On October 22, 2020, SADCO and Baker Hughes Energy Technology UK Limited ("Baker Hughes") established an affiliate to create a multi sectorial nonmetallic investment platform in the Kingdom. The affiliate, Novel Non-Metallic Solutions Manufacturing ("Novel"), is a limited liability company and is owned 50% each by SADCO and Baker Hughes. The total investment in Novel will be up to SAR 400, of which SADCO's share will be up to SAR 200.

36. Dividends

Dividends declared and paid on ordinary shares are as follows:

			SAR per share	
	2020	2019	**2020**	2019
Quarter:				
March[1]	**50,227**	86,250	**0.25**	0.43
June[1]	**70,319**	87,713	**0.35**	0.44
September	**70,319**	50,212	**0.35**	0.25
December	**70,319**	50,213	**0.35**	0.25
Total dividends paid	**261,184**	274,388	**1.30**	1.37
Dividend declared in December 2019, paid in January 2020	**(35,475)**	35,475	**(0.18)**	0.18
Total dividends declared	**225,709**	309,863	**1.12**	1.55
Dividends declared on March 18, 2021 and March 12, 2020[2]	**70,331**	14,751	**0.35**	0.07

1. Dividends of SAR 50,227 paid in 2020 relate to 2019 results. Dividends of SAR 86,250 and SAR 37,500 paid in 2019 relate to 2018 results.
2. The consolidated financial statements do not reflect a dividend to shareholders of approximately SAR 70,331, which was approved in March 2021 (March 2020: SAR 14,751). This dividend will be deducted from unappropriated retained earnings in the year ending December 31, 2021. A total of SAR 281,288 in dividends were declared in 2020 and 2021 that relate to 2020 results (2019: SAR 200,864).

37. Earnings per share

The following table reflects the net income and number of shares used in the earnings per share calculations:

	2020	2019
Net income attributable to the ordinary shareholders of the Company	**184,926**	330,816
Weighted average number of ordinary shares (in millions) (Note 2(dd))	**199,884**	199,993
Earnings per share for net income attributable to the ordinary shareholders of the Company (in Saudi Riyal)	**0.93**	1.65

Potential ordinary shares during the year ended December 31, 2020 related to employees' share-based compensation in respect of the ELTIP and MLTIP (2019: Celebratory Grant) share plans that were awarded to the Company's eligible employees under those plan terms (Note 18). These share plans did not have a significant dilution effect on basic earnings per share for the year ended December 31, 2020 and 2019.

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2020[1,2]	Conventional financial liabilities as of December 31, 2020[2]	Interest income from conventional financial assets for the year ended December 31, 2020[2]
A. Wholly owned:					
4 Rivers Energy LLC	Retail fuel operations	USA	–	–	–
Aramco (Beijing) Venture Management Consultant Co. Ltd	Investment	People's Republic of China	1	1	–
Aramco Affiliated Services Company	Support services	USA	1	–	–
Aramco Asia India Private Limited	Purchasing and other services	India	15	25	–
Aramco Asia Japan K.K.	Purchasing and other services	Japan	226	486	–
Aramco Asia Korea Ltd.	Purchasing and other services	South Korea	39	8	–
Aramco Asia Singapore Pte. Ltd.	Purchasing and other services	Singapore	23	48	–
Aramco Associated Company	Aircraft operations	USA	213	501	20
Aramco Capital Company, LLC	Aircraft leasing	USA	10	1	1
Aramco Chemicals Company	Chemicals	Saudi Arabia	799	518	2
Aramco Far East (Beijing) Business Services Co., Ltd.	Petrochemical purchasing/ sales and other services	People's Republic of China	490	122	6
Aramco Financial Services Company	Financing	USA	1	(1)	–
Aramco Gulf Operations Company Ltd.	Production and sale of crude oil	Saudi Arabia	752	1,155	1
Aramco Innovations LLC	Research and commercialization	Russia	12	2	–
Aramco International Company Limited	Support services	British Virgin Islands	–	–	–
Aramco Lubricants and Retail Company (formerly: Saudi Aramco Retail Company)	Retail fuel marketing	Saudi Arabia	37	–	–
Aramco Overseas Company Azerbaijan	Support services	Azerbaijan	–	(1)	–
Aramco Overseas Company B.V.	Purchasing and other services	Netherlands	3,623	2,059	60
Aramco Overseas Company Spain, S.L.	Personnel and other support services	Spain	–	–	–
Aramco Overseas Company UK, Limited	Personnel and other support services	United Kingdom	3	139	–
Aramco Overseas Egypt LLC	Personnel and other support services	Egypt	–	–	–
Aramco Overseas Indonesia PT PMA ("AOI")	Project management support	Indonesia	–	–	–
Aramco Overseas Malaysia Sdn. Bhd	Personnel and other support services	Malaysia	12	–	–
Aramco Performance Materials LLC	Petrochemical manufacture and sales	USA	10	6	–
Aramco Services Company	Purchasing, engineering and other services	USA	345	404	1
Aramco Shared Benefits Company	Benefit administration	USA	–	–	–
Aramco Trading Company	Importing, exporting and trading of crude oil, refined and chemical products	Saudi Arabia	6,882	3,280	70
Aramco Trading Fujairah FZE	Importing/exporting refined products	UAE	997	680	1

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2020[1,2]	Conventional financial liabilities as of December 31, 2020[2]	Interest income from conventional financial assets for the year ended December 31, 2020[2]
Aramco Trading Limited	Importing/exporting refined products	United Kingdom	**3**	**944**	**(1)**
Aramco Trading Singapore PTE-LTD	Marketing and sales support	Singapore	**28**	**1,024**	**1**
Aramco Venture Management Consultant Company LLC ("AVM")	Consulting services	USA	**–**	**–**	**–**
Aramco Ventures Holdings Limited	Investment	Guernsey	**98**	**–**	**–**
Aramco Ventures Investments Limited	Investment	Guernsey	**75**	**–**	**–**
ARLANXEO Holding B.V.	Development, manufacture, and marketing of high-performance rubber	Netherlands	**412**	**2,888**	**12**
ARLANXEO Belgium N.V.		Belgium	**260**	**119**	**–**
ARLANXEO Branch Offices B.V.		Netherlands	**3**	**–**	**–**
ARLANXEO Brasil S.A.		Brazil	**182**	**218**	**5**
ARLANXEO Canada Inc.		Canada	**283**	**257**	**–**
ARLANXEO Deutschland GmbH		Germany	**375**	**338**	**–**
ARLANXEO Elastomères Frances S.A.S.		France	**65**	**125**	**–**
ARLANXEO Emulsion Rubber France S.A.S.		France	**(430)**	**173**	**–**
ARLANXEO High Performance Elastomers (Changzhou) Co., Ltd.		People's Republic of China	**(128)**	**319**	**–**
ARLANXEO India Private Limited		India	**1**	**–**	**–**
ARLANXEO Netherlands B.V.		Netherlands	**285**	**282**	**3**
ARLANXEO Singapore Pte. Ltd.		Singapore	**(405)**	**464**	**–**
ARLANXEO Switzerland S.A.		Switzerland	**25**	**63**	**–**
ARLANXEO USA LLC		USA	**135**	**263**	**2**
Petroflex Trading S.A.		Uruguay	**–**	**–**	**–**
Aurora Capital Holdings LLC	Real estate holdings	USA	**–**	**–**	**–**
Bolanter Corporation N.V.	Crude oil storage	Curaçao	**14**	**–**	**–**
Briar Rose Ventures LLC	Real estate holdings	USA	**–**	**–**	**–**
Canyon Lake Holdings LLC	Retail fuel operations	USA	**–**	**–**	**–**
Excellent Performance Chemicals Company	Petrochemical manufacture and sales	Saudi Arabia	**1**	**–**	**98**
Investment Management Company	Investment management of post-employment benefit plans	Saudi Arabia	**3**	**–**	**–**
Motiva Chemicals LLC	Petrochemical manufacture	USA	**36**	**72**	**–**
Motiva Enterprises LLC	Refining and marketing	USA	**1,882**	**18,474**	**20**
Motiva Pipeline LLC	Refining	USA	**–**	**–**	**–**
Motiva Trading LLC	Purchasing and sale of petroleum goods and other services	USA	**237**	**429**	**–**
Mukamala International Investments Company	Investment	Saudi Arabia	**–**	**–**	**–**
Mukamala Oil Field Services Limited Company	Oil field services	Saudi Arabia	**479**	**–**	**3**
Pandlewood Corporation N.V.	Financing	Curaçao	**6,583**	**2**	**46**
Pedernales Ventures II LLC ("PVII")	Investment	USA	**–**	**–**	**–**
Pedernales Ventures LLC	Retail fuel operations	USA	**111**	**–**	**–**
SAEV Europe Ltd.	Investment	United Kingdom	**4**	**2**	**–**

242 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2020[1,2]	Conventional financial liabilities as of December 31, 2020[2]	Interest income from conventional financial assets for the year ended December 31, 2020[2]
SAEV Guernsey 1 Ltd.	Investment	Guernsey	**147**	**–**	**–**
SAEV Guernsey Holdings Ltd.	Investment	Guernsey	**1,273**	**–**	**1**
Saudi Aramco Asia Company Ltd.	Investment	Saudi Arabia	**2,079**	**–**	**15**
Saudi Aramco Capital Company Limited	Investment	Guernsey	**–**	**–**	**–**
Saudi Aramco Development Company	Investment	Saudi Arabia	**536**	**–**	**1**
Saudi Aramco Energy Ventures – U.S. LLC	Investment	USA	**2**	**1**	**–**
Saudi Aramco Energy Ventures LLC	Investment	Saudi Arabia	**17**	**–**	**–**
Saudi Aramco Entrepreneurship Center Company Ltd.	Financing	Saudi Arabia	**151**	**4**	**5**
Saudi Aramco Entrepreneurship Venture Company, Ltd.	Investment	Saudi Arabia	**229**	**–**	**–**
Saudi Aramco Jubail Refinery Company	Refining	Saudi Arabia	**–**	**2,757**	**–**
Saudi Aramco Power Company	Power generation	Saudi Arabia	**6,197**	**3**	**16**
Saudi Aramco Sukuk Company	Investment	Saudi Arabia	**–**	**28**	**–**
Saudi Aramco Technologies	Research and commercialization	Saudi Arabia	**116**	**40**	**–**
Saudi Aramco Upstream Technology Company	Research and commercialization	Saudi Arabia	**10**	**–**	**–**
Saudi Petroleum International, Inc.	Marketing support services	USA	**40**	**47**	**–**
Saudi Petroleum Overseas, Ltd.	Marketing support and tanker services	United Kingdom	**52**	**37**	**–**
Saudi Petroleum, Ltd.	Marketing support and tanker services	British Virgin Islands	**38**	**–**	**–**
Saudi Refining, Inc.	Refining and marketing	USA	**277**	**62**	**1**
Stellar Insurance, Ltd.	Insurance	Bermuda	**9,854**	**990**	**619**
Vela International Marine Ltd.	Marine management and transportation	Liberia	**27,317**	**–**	**128**
Wisayah Global Investment Company	Financial support	Saudi Arabia	**202**	**21**	**1**
B. Unconsolidated structured entity					
Energy City Development Company ("SPARK")	Industrial development	Saudi Arabia	**–**	**–**	**–**
Energy City Operating Company ("SPARK")	Industrial development	Saudi Arabia	**–**	**–**	**–**
C. Non-wholly owned[4]					
49% Ownership of Aramco Training Services Company[3]	Training	USA	**1**	**–**	**–**
50% Ownership of ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.[3]	Development, manufacture, and marketing of high-performance rubber	People's Republic of China	**17**	**57**	**–**
80% Ownership of Johns Hopkins Aramco Healthcare Company	Healthcare	Saudi Arabia	**623**	**568**	**3**
70% Ownership of Saudi Aramco Base Oil Company – LUBEREF	Production and sale of petroleum based lubricants	Saudi Arabia	**510**	**2,766**	**2**
50% Ownership of Saudi Aramco Nabors Drilling Company[3]	Drilling	Saudi Arabia	**1,370**	**1,998**	**11**
50% Ownership of Saudi Aramco Rowan Offshore Drilling Company[3]	Drilling	Saudi Arabia	**891**	**2,168**	**25**
61.6% Ownership of S-Oil Corporation	Refining	South Korea	**3,930**	**31,471**	**39**
61.6% Ownership of S-Oil Singapore Pte. Ltd.	Marketing support	Singapore	**5**	**45**	**–**
61.6% Ownership of S-International Ltd.	Purchasing and sale of petroleum goods	The Independent State of Samoa	**4**	**–**	**–**

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2020[1,2]	Conventional financial liabilities as of December 31, 2020[2]	Interest income from conventional financial assets for the year ended December 31, 2020[2]
70% Ownership of Saudi Basic Industries Corporation ("SABIC")[5]	Holding	Saudi Arabia			
70% Ownership of SABIC Luxembourg S.àr.l. ("SLUX")	Holding	Luxembourg			
70% Ownership of SABIC Industrial Investments Company ("SIIC")	Holding	Saudi Arabia			
70% Ownership of Arabian Petrochemical Company ("PETROKEMYA")[7]	Toller	Saudi Arabia			
70% Ownership of Saudi Iron and Steel Company ("HADEED")	Metals	Saudi Arabia			
70% Ownership of SABIC Investment and Local Content Development Company ("NUSANED")	Investment	Saudi Arabia			
70% Ownership of SABIC Agri-Nutrients Investment Company ("SANIC")	Agri-Nutrients	Saudi Arabia			
70% Ownership of International Shipping and Transportation Co. ("ISTC")	Support services	Saudi Arabia			
70% Ownership of SABIC Supply Chain Services Limited Company ("SSCS")	Petrochemical	Saudi Arabia			
70% Ownership of Saudi Specialty chemicals company ("SP. CHEM")[7]	Petrochemical	Saudi Arabia			
70% Ownership of Saudi Organometallic Chemicals Company ("SOCC")[7]	Petrochemical	Saudi Arabia			
50% Ownership of National Chemical Fertiliser Company ("IBN AL-BAYTAR")[3]	Agri-Nutrients	Saudi Arabia			
49% Ownership of National Industrial Gases Company ("GAS")[3]	Toller	Saudi Arabia			
36.4% Ownership of Yanbu National Petrochemical Company ("YANSAB")[3]	Toller	Saudi Arabia			
52.5% Ownership of Saudi Methanol Company ("AR-RAZI")	Toller	Saudi Arabia			
35% Ownership of Al-Jubail Fertiliser Company ("AL BAYRONI")[3]	Agri-Nutrients	Saudi Arabia			
35% Ownership of National Methanol Company ("IBN-SINA")[3]	Toller	Saudi Arabia			
33.6% Ownership of Arabian Industrial Fibers Company ("IBN RUSHD")[3]	Toller	Saudi Arabia			
30% Ownership of SABIC Agri-Nutrients Company ("SABIC AGRI-NUTRIENTS") (formerly: Saudi Arabian Fertilizer Company ("SAFCO"))[3]	Agri-Nutrients	Saudi Arabia			
24.5% Ownership of Saudi Kayan Petrochemical Company ("SAUDI KAYAN")[3]	Toller	Saudi Arabia			
Ownership of SABIC Industrial Catalyst Company ("SABCAT")[6]	Petrochemical	Saudi Arabia			
Ownership of Saudi Carbon Fibre Company ("SCFC")[6]	Petrochemical	Saudi Arabia			
Ownership of Saudi Japanese Acrylonitrile Company ("SHROUQ")[6]	Petrochemical	Saudi Arabia			
70% Ownership of SABIC Innovative Plastics Argentina SRL	Petrochemical manufacture and sales	Argentina			
70% Ownership of SHPP Argentina SRL	Petrochemical manufacture and sales	Argentina			
70% Ownership of SABIC Australia Pty Ltd.	Holding	Australia			
70% Ownership of SABIC Innovative Plastics GmbH & Co. KG	Agent	Austria			

244 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2020[1,2]	Conventional financial liabilities as of December 31, 2020[2]	Interest income from conventional financial assets for the year ended December 31, 2020[2]
70% Ownership of SABIC Innovative Plastics South America-Indústria e Comércio de Plásticos Ltda	Petrochemical manufacture and sales	Brazil			
70% Ownership of SHPP South America Comércio de Plásticos Ltda	Petrochemical manufacture and sales	Brazil			
70% Ownership of NV Pijpleiding Antwerpen-Limburg-Luik ("PALL")	Support services	Belgium			
70% Ownership of SABIC Belgium NV	Petrochemical	Belgium			
70% Ownership of SHPP Canada, Inc.	Petrochemical	Canada			
70% Ownership of SABIC Petrochemicals Canada, Inc.	Petrochemical manufacture and sales	Canada			
70% Ownership of SABIC Innovative Plastics (China) Co., Ltd.	Petrochemical	People's Republic of China			
70% Ownership of SABIC Innovative Plastics (Chongqing) Co., Ltd.	Petrochemical manufacture and sales	People's Republic of China			
70% Ownership of SABIC Innovative Plastics International Trading (Shanghai) Ltd.	Reseller	People's Republic of China			
70% Ownership of SABIC Innovative Plastics Management (Shanghai) Co., Ltd.	Support services	People's Republic of China			
70% Ownership of SHPP (Shanghai) Co., Ltd.	Petrochemical	People's Republic of China			
70% Ownership of SABIC (Shanghai) Trading Co. Ltd.	Reseller	People's Republic of China			
70% Ownership of SABIC (China) Research & Development Co. Ltd.	T&I	People's Republic of China			
70% Ownership of SABIC China Holding Co. Ltd.	Petrochemical	People's Republic of China			
70% Ownership of SABIC Innovative Plastics Czech s.r.o.	Agent	Czech Republic			
70% Ownership of SHPP Czech s.r.o.	Reseller	Czech Republic			
70% Ownership of SABIC Innovative Plastics Denmark Aps	Agent	Denmark			
70% Ownership of SABIC Nordic A/S	Agent	Denmark			
70% Ownership of SHPP Denmark Aps	Reseller	Denmark			
70% Ownership of SABIC Innovative Plastics Finland Oy	Agent	Finland			
70% Ownership of SHPP Finland Oy	Reseller	Finland			
70% Ownership of SABIC France S.A.S.	Reseller	France			
70% Ownership of SABIC Innovative Plastics France S.A.S.	Agent	France			
70% Ownership of SHPP France S.A.S.	Reseller	France			
70% Ownership of SABIC Deutschland GmbH	Reseller	Germany			
70% Ownership of SABIC Holding Deutschland GmbH	Holding	Germany			
70% Ownership of SABIC Innovative Plastics GmbH	Agent	Germany			
70% Ownership of SABIC Innovative Plastics Holding Germany GmbH	Holding	Germany			

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2020[1,2]	Conventional financial liabilities as of December 31, 2020[2]	Interest income from conventional financial assets for the year ended December 31, 2020[2]
70% Ownership of SABIC Polyolefine GmbH	Toller	Germany			
70% Ownership of SHPP Germany GmbH	Reseller	Germany			
70% Ownership of SABIC Greece M.E.P.E.	Agent	Greece			
70% Ownership of SABIC Innovative Plastics Hong Kong Ltd.	Reseller	Hong Kong			
70% Ownership of SABIC Innovative Plastics SIT Holding Ltd.	Holding	Hong Kong			
70% Ownership of SABIC Innovative Plastics Taiwan Holding Ltd.	Petrochemical	Hong Kong			
70% Ownership of SHPP Hong Kong	Reseller	Hong Kong			
70% Ownership of SABIC Hungary Kft.	Agent	Hungary			
70% Ownership of SABIC Innovative Plastics Kereskedelmi Kft.	Agent	Hungary			
70% Ownership of SHPP Hungary Kft.	Reseller	Hungary			
70% Ownership of SABIC India Pvt Ltd.	Agent	India			
70% Ownership of SABIC Innovative Plastics India Private Ltd.	Petrochemical manufacture and sales	India			
70% Ownership of SABIC R&T Pvt Ltd.	T&I	India			
70% Ownership of High Performance Plastics India Pvt Ltd.	Petrochemical manufacture and sales	India			
70% Ownership of SABIC Innovative Plastics Italy Srl	Toller	Italy			
70% Ownership of SABIC Italia Srl	Reseller	Italy			
70% Ownership of SABIC Sales Italy Srl	Agent	Italy			
70% Ownership of SHPP Italy Srl	Toller	Italy			
70% Ownership of SHPP Sales Italy Srl	Reseller	Italy			
70% Ownership of SHPP Japan LLC	Petrochemical manufacture and sales	Japan			
70% Ownership of SABIC Petrochemicals Japan LLC	Petrochemical	Japan			
70% Ownership of SABIC Korea Ltd.	Petrochemical	South Korea			
70% Ownership of SHPP Korea Ltd.	Reseller	South Korea			
70% Ownership of SABIC Innovative Plastics Malaysia Sdn Bhd	Agent	Malaysia			
70% Ownership of SHPP Malaysia Sdn Bhd	Reseller	Malaysia			
70% Ownership of SABIC Innovative Plastics Mexico S de RL de CV	Petrochemical manufacture and sales	Mexico			
70% Ownership of SABIC Innovative Plastics Servicios Mexico S de RL de CV	Support services	Mexico			
70% Ownership of High Performance Plastics Manufacturing Mexico S de RL de CV	Petrochemical manufacture and sales	Mexico			
70% Ownership of High Performance Plastics Service Mexico S de RL de CV	Support services	Mexico			
70% Ownership of BV Snij-Unie HiFi	Petrochemical manufacture and sales	Netherlands			
70% Ownership of SABIC Capital B.V.	Financing	Netherlands			
70% Ownership of SABIC Capital I B.V.	Financing	Netherlands			
70% Ownership of Petrochemical Pipeline Services B.V.	Support services	Netherlands			
70% Ownership of SABIC Europe B.V.	Holding	Netherlands			
70% Ownership of SABIC Global Technologies B.V.	T&I	Netherlands			
70% Ownership of SABIC International Holdings B.V.	Holding	Netherlands			
70% Ownership of SABIC Innovative Plastics B.V.	Principal (Manufacturing, Sales, R&D)	Netherlands			

246 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2020[1,2]	Conventional financial liabilities as of December 31, 2020[2]	Interest income from conventional financial assets for the year ended December 31, 2020[2]
70% Ownership of SABIC Innovative Plastics GP B.V.	Holding	Netherlands			
70% Ownership of SABIC Innovative Plastics Holding B.V.	Holding	Netherlands			
70% Ownership of SABIC Innovative Plastics Utilities B.V.	Support services	Netherlands			
70% Ownership of SABIC Licensing B.V.	T&I	Netherlands			
70% Ownership of SABIC Limburg B.V.	Support services	Netherlands			
70% Ownership of SABIC Sales Europe B.V.	Reseller	Netherlands			
70% Ownership of SABIC Petrochemicals B.V.	Principal (Manufacturing, Sales, R&D)	Netherlands			
70% Ownership of SABIC Ventures B.V.	T&I	Netherlands			
70% Ownership of SABIC Mining B.V.	Holding	Netherlands			
70% Ownership of SHPP Holding B.V.	Holding	Netherlands			
70% Ownership of SHPP Global Technologies B.V.	Petrochemical	Netherlands			
70% Ownership of SHPP Ventures B.V.	T&I	Netherlands			
70% Ownership of SHPP Capital B.V.	Financing	Netherlands			
70% Ownership of SHPP Capital I B.V.	Financing	Netherlands			
70% Ownership of SHPP Capital II B.V.	Financing	Netherlands			
70% Ownership of SHPP B.V.	Principal (Manufacturing, Sales, R&D)	Netherlands			
70% Ownership of SHPP Sales B.V.	Reseller	Netherlands			
70% Ownership of SABIC Innovative Plastics Poland Sp. Z o.o.	Agent	Poland			
70% Ownership of SABIC Poland Sp. Z o.o.	Agent	Poland			
70% Ownership of SHPP Poland Sp. Z o.o.	Reseller	Poland			
70% Ownership of LLC SABIC Eastern Europe	Agent	Russia			
70% Ownership of SABIC Innovative Plastics Rus OOO	Agent	Russia			
70% Ownership of SHPP Russia OOO	Agent	Russia			
70% Ownership of SABIC Innovative Plastics (SEA) Pte. Ltd.	Reseller	Singapore			
70% Ownership of SABIC Innovative Plastics Holding Singapore Pte. Ltd.	Holding	Singapore			
70% Ownership of SHPP Singapore Pte. Ltd.	Petrochemical manufacture and sales	Singapore			
70% Ownership of SABIC Asia Pacific Pte Ltd	Reseller	Singapore			
70% Ownership of SHPP Slovakia s.r.o.	Reseller	Slovakia			
70% Ownership of SABIC Innovative Plastics Espana ScpA	Toller	Spain			
70% Ownership of SABIC Innovative Plastics GP BV, Sociedad en Comandita	Holding	Spain			
70% Ownership of SABIC Sales Spain SL	Agent	Spain			
70% Ownership of SABIC Marketing Ibérica S.A.	Reseller	Spain			
70% Ownership of SHPP Manufacturing SL	Toller	Spain			
70% Ownership of SHPP Marketing Spain SL	Reseller	Spain			
70% Ownership of Saudi Innovative Plastics Sweden AB	Agent	Sweden			
70% Ownership of SABIC Innovative Plastics (Thailand) Co. Ltd.	Petrochemical	Thailand			
70% Ownership of SABIC Thailand Co. Ltd.	Petrochemical	Thailand			

All amounts in millions of Saudi Riyals unless otherwise stated 247

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2020[1,2]	Conventional financial liabilities as of December 31, 2020[2]	Interest income from conventional financial assets for the year ended December 31, 2020[2]
70% Ownership of SHPP Petrokimya Ticaret Ltd Sirketi	Marketing and sales support	Turkey			
70% Ownership of SABIC Global Ltd.	Holding	United Kingdom			
70% Ownership of SABIC Tees Holdings Ltd.	Holding	United Kingdom			
70% Ownership of SHPP Manufacturing UK Ltd.	Petrochemical	United Kingdom			
70% Ownership of SABIC Innovative Plastics Ltd.	Agent	United Kingdom			
70% Ownership of SABIC UK Ltd.	Reseller	United Kingdom			
70% Ownership of SABIC UK Pension Trustee Ltd.	Investment management of post-employment benefit plans	United Kingdom			
70% Ownership of SABIC UK Petrochemicals Ltd.	Toller	United Kingdom			
70% Ownership of SHPP Sales UK Ltd.	Reseller	United Kingdom			
70% Ownership of Exatec, LLC	T&I	USA			
35.7% Ownership of Mt. Vernon Phenol Plant Partnership	Petrochemical manufacture and sales	USA			
70% Ownership of SABIC Americas Inc.	Reseller	USA			
70% Ownership of SABIC US Holdings LP	Holding	USA			
70% Ownership of SABIC Innovative Plastics Mt. Vernon, LLC	Toller	USA			
70% Ownership of SABIC Innovative Plastics US LLC	Principal (Manufacturing, Sales, R&D)	USA			
70% Ownership of SABIC Petrochemicals Holding US, Inc.	Petrochemical manufacture and sales	USA			
70% Ownership of SABIC Ventures US Holdings LLC	T&I	USA			
70% Ownership of SABIC US Projects LLC	Projects	USA			
70% Ownership of SABIC Americas Growth LLC	Projects	USA			
70% Ownership of SABIC US Methanol LLC	Projects	USA			
70% Ownership of SHPP US LLC	Principal (Manufacturing, Sales, R&D)	USA			
70% Ownership of SABIC Uruguay SA	Agent	Uruguay			
70% Ownership of SABIC Vietnam Ltd.	Agent	Vietnam			
70% Ownership of SHPP Vietnam Co Ltd	Petrochemical	Vietnam			
70% Ownership of SABCAP Insurance Limited ("SABCAP")	Insurance	Guernsey			
70% Ownership of SABIC Petrokemya Ticaret Limited ("SABIC TURKEY")	Reseller	Turkey			
70% Ownership of SABIC Middle East Offshore Company ("SABIC MIDDLE EAST")	Marketing and sales support	Lebanon			
70% Ownership of SABIC South Africa	Marketing and sales support	South Africa			
70% Ownership of SABIC Africa for Trading & Marketing ("SABIC AFRICA")	Marketing and sales support	Egypt			
70% Ownership of SABIC Morocco	Marketing and sales support	Morocco			

248 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	**Conventional financial assets as of December 31, 2020[1,2]**	**Conventional financial liabilities as of December 31, 2020[2]**	**Interest income from conventional financial assets for the year ended December 31, 2020[2]**
70% Ownership of SABIC Global Mobility Company ("GMC")	Personnel and other support services	UAE			
Ownership of SABIC Mobility Company ("GMC LLC")[6]	Petrochemical	UAE			
70% Ownership of SABIC Tunisia	Marketing and sales support	Tunisia			
70% Ownership of SABIC Kenya	Marketing and sales support	Kenya			
70% Ownership of SABIC (Pvt.) Pakistan	Marketing and sales support	Pakistan			
63% Ownership of SABIC Terminal Services Company ("SABTANK")	Support services	Saudi Arabia			
52.5% Ownership of Jubail Chemical Storage and Services Company ("CHEMTANK")	Support services	Saudi Arabia			

1. Conventional financial assets comprise cash, time deposits, short-term investments and investments in securities.
2. Represents 100% amounts of subsidiaries, after elimination of intercompany transactions.
3. Agreements and constitutive documents provide Saudi Aramco control.
4. Percentages disclosed reflect the effective ownership of Saudi Aramco in the respective entities.
5. Information for conventional financial assets, liabilities and interest income from conventional financial assets not included for entities and groups listed on the Tadawul.
6. Under liquidation.
7. In February 2021, SP. CHEM and SOCC merged into PETROKEMYA.

All amounts in millions of Saudi Riyals unless otherwise stated

39. Joint arrangements and associates of Saudi Arabian Oil Company

	Principal business activity	Percent ownership[4]	Place of business / country of incorporation	Conventional financial assets as of December 31, 2020[1,2]	Conventional financial liabilities as of December 31, 2020[2]	Interest income from conventional financial assets for the year ended December 31, 2020[2]
A. Joint Operations:						
Al-Khafji Joint Operations	Oil and gas exploration and production	50%	Saudi-Kuwaiti Partitioned Zone	–	–	–
Fadhili Plant Cogeneration Company	Power generation	30%	Saudi Arabia	62	1,223	–
Maasvlakte Olie Terminal C.V.	Tank storage	9.6%	Netherlands	–	70	–
Maasvlakte Olie Terminal N.V.	Tank storage	16.7%	Netherlands	–	122	–
Pengerang Petrochemical Company Sdn. Bhd.	Petrochemical	50%	Malaysia	8	2,824	1
Pengerang Refining Company Sdn. Bhd.	Refining	50%	Malaysia	574	22,221	4
Power Cogeneration Plant Company, LLC	Power generation	50%	Saudi Arabia	47	463	54
Saudi Aramco Mobil Refinery Company Ltd.	Refining	50%	Saudi Arabia	312	3,111	2
Saudi Aramco Total Refining and Petrochemical Company[3]	Refining/Petrochemical	62.5%	Saudi Arabia	185	10,918	4
Yanbu Aramco Sinopec Refining Company Limited[3]	Refining	62.5%	Saudi Arabia	506	6,308	–
Gulf Coast Growth Venture LLC ("GCGV")[5]	Petrochemical	35%	USA			
Utility Support Group B.V. ("USG")[5]	Petrochemical	35%	Netherlands			
Saudi Methacrylates Company ("SAMAC")[5]	Petrochemical	35%	Saudi Arabia			
B. Joint Ventures:						
Arabian Rig Manufacturing ("ARM")	Rig manufacturing	30%	Saudi Arabia	6	356	–
First Coast Energy LLP ("FCE")	Marketing	50%	USA	4	364	1
Jasara Program Management Company ("Jasara")	Engineering services	20%	Saudi Arabia	124	75	–
Juniper Ventures of Texas LLP ("JVTX")	Marketing	60%	USA	23	–	–
Novel Non-Metallics Solutions Manufacturing ("Novel")	Manufacturing	50%	Saudi Arabia	150	–	–
Sadara Chemical Company ("Sadara")	Petrochemical	65%	Saudi Arabia	5,588	44,989	–
Saudi Arabian Industrial Investment Company ("Dussur")	Investment	42.5%	Saudi Arabia	1,255	20	20
Saudi Silk Road Industrial Services Company ("SSRIS")	Investment services	20%	Saudi Arabia	115	–	3
S-Oil TOTAL Lubricants Co. Limited	Lubricants production/sale	50%	South Korea	292	204	–
Star Enterprises LLC ("Star-Ent")	Pension administration	50%	USA	4	–	–
Tas'helat Marketing Company ("TMC")	Marketing	50%	Saudi Arabia	142	141	4
Advanced Energy Storage System Company ("AESSC")[5]	Petrochemical	30.1%	Saudi Arabia			
Al-Jubail Petrochemical Company ("Kemya")[5]	Petrochemical	35%	Saudi Arabia			
Eastern Petrochemical Company ("Sharq")[5]	Petrochemical	35%	Saudi Arabia			
SABIC Plastic Energy Advanced Recycling BV ("SABIC Plastic Energy")[5]	Petrochemical	35%	Netherlands			
SABIC SK Nexelene Company ("SSNC")[5]	Petrochemical	35%	Singapore			
Cosmar Inc. ("COSMAR")[5]	Petrochemical	35%	USA			
Saudi Yanbu Petrochemical Company ("Yanpet")[5]	Petrochemical	35%	Saudi Arabia			

All amounts in millions of Saudi Riyals unless otherwise stated

39. Joint arrangements and associates of Saudi Arabian Oil Company continued

	Principal business activity	Percent ownership[4]	Place of business / country of incorporation	Conventional financial assets as of December 31, 2020[1,2]	Conventional financial liabilities as of December 31, 2020[2]	Interest income from conventional financial assets for the year ended December 31, 2020[2]
Sinopec SABIC Tianjin Petrochemical Company ("SSTPC")[5]	Petrochemical	35%	People's Republic of China			
C. Associates						
BP AOC Pumpstation Maatschap	Storage	50%	Netherlands	–	–	–
BP ESSO AOC Maatschap	Storage	34%	Netherlands	–	–	–
Fujian Refining and Petrochemical Company Limited ("FREP")	Refining/Petrochemical	25%	People's Republic of China	**5,967**	**5,730**	**64**
GCC Electrical Equipment Testing Lab ("GCC Lab")	Inspection	20%	Saudi Arabia	**83**	**5**	–
Hyundai Oilbank Co. Ltd. ("Hyundai Oilbank")	Refining /Marketing/ Petrochemical	17%	South Korea	**6,160**	**20,079**	**327**
International Maritime Industries Company ("IMIC")	Maritime	50.1%	Saudi Arabia	**586**	–	–
Lukoil Saudi Arabia Energy Ltd. ("LUKSAR")	Exploration	20%	British Virgin Islands	–	–	–
Power & Water Utility Company for Jubail and Yanbu ("Marafiq")	Utilities	42.2%	Saudi Arabia	**2,197**	**11,070**	**11**
Sinopec SenMei (Fujian) Petroleum Company Limited ("SSPC")	Marketing/Petrochemical	22.5%	People's Republic of China	**1,668**	**2,137**	**25**
Team Terminal B.V.	Storage	34.4%	Netherlands	**20,355**	–	–
Aluminium Bahrain BSC ("ALBA")[5]	Aluminum	14.4%	Bahrain			
ARG mbH & Co. KG ("ARG")[5]	Pipeline	23.8%	Germany			
Clariant AG ("Clariant")[5]	Specialty chemical	22.1%	Switzerland			
Gulf Aluminum and Rolling Mills Company ("GARMCO")[5]	Aluminum	21.3%	Bahrain			
Gulf Petrochemical Industries Company ("GPIC")[5]	Petrochemical	23.3%	Bahrain			
Ma'aden Phosphate Company ("MPC")[5]	Agri-Nutrients	21%	Saudi Arabia			
Ma'aden Wa'ad Al Shamal Phosphate Company ("MWSPC")[5]	Agri-Nutrients	10.5%	Saudi Arabia			
National Chemical Carrier Company ("NCC")[5]	Transportation	14%	Saudi Arabia			
National Shipping Company of Saudi Arabia ("Bahri")[5]	Global logistics services	20%	Saudi Arabia			
Rabigh Refining and Petrochemical Company ("Petro Rabigh")[5]	Refining/Petrochemical	37.5%	Saudi Arabia			
Saudi Acrylic Butanol Company ("SABUCO")[5]	Petrochemical	23.3%	Saudi Arabia			

1. Conventional financial assets comprise cash, time deposits, short-term investments and investments in securities.
2. Represents Saudi Aramco's share of conventional financial assets, financial liabilities and interest income.
3. Agreements and constitutive documents do not give a single shareholder control; therefore, the joint operation does not qualify as a subsidiary.
4. Percentages disclosed reflect the effective ownership of Saudi Aramco in the respective entities.
5. Information for conventional financial assets, liabilities and interest income from conventional financial assets not included for entities and groups listed on the Tadawul.

40. Events after the reporting period

On January 4, 2021, SABIC Agri-Nutrients Company ("SABIC AGRI-NUTRIENTS"), formerly Saudi Arabian Fertilizer Company ("SAFCO"), acquired 100% of the issued share capital of SABIC Agri-Nutrients Investment Company ("SANIC") from SABIC in consideration for the issue by SAFCO of 59,368,738 additional shares to SABIC thereby increasing SABIC's ownership of SAFCO from 43% to 50.1%. Under the terms of the transaction, SABIC injected cash of SAR 392 into SANIC prior to its transfer to SAFCO and an adjustment to the purchase price will be required depending on the levels of net working capital and net cash at completion.

aramco.com