this is energy
this is aramco

saudi aramco annual report 2019

A category all our own

Saudi Aramco is the world's largest integrated oil and gas company, producing the energy and chemicals that drive global commerce and enhance the daily lives of people around the globe.

From our proven upstream capabilities and our strategically integrated global downstream network, to our focus on technology and sustainability, we have created value that places us in a category all our own.

Our behavior is what defines us – as a company, as employees, as people. Everything we do is anchored by our corporate values: excellence, safety, citizenship, integrity and accountability.

Reporting period and boundary

The financial and operational aspects of Saudi Aramco are covered in this Annual Report. The Annual Report covers the period from January 1, 2019 to December 31, 2019 and has been issued in both Arabic and English. In the event of any discrepancy, the Arabic version shall prevail.

The print version of the Annual Report is identical to its PDF counterpart, which is available on the Company's website at saudiaramco.com.

contents

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 / saudi aramco

chairman's message

As the need for energy continues to rise, we seek to be a force for progress and opportunity, not only by providing reliable energy, but also by investing in the sustainability of our business and the world in which we all live

"We are actively working towards providing sustainable and profitable growth, and increased value for our shareholders and customers."

In 2019 Saudi Aramco made history.

During the year, we achieved a number of major milestones that served to solidify Saudi Aramco's standing as the world's largest integrated oil and gas company. First and foremost among these milestones was our initial public offering (IPO) and listing on the Saudi Stock Exchange (Tadawul), which provided eligible investors the first-ever opportunity to directly take a stake in our company. Indeed, we are pleased to welcome all our new investors alongside our majority shareholder, the Government of Saudi Arabia.

In addition to completing the world's largest IPO in 2019, we established our presence in the global capital markets through a landmark US$12 billion inaugural international bond issuance earlier in the year, as well as disclosing detailed financial, operational and reserves information for the first time in our history. The success of the Tadawul listing and the response to our global debt offering were strong votes of investor confidence in Saudi Aramco's track record and potential for continued growth.

Another important milestone specific to Saudi Aramco's downstream strategy in 2019 was the signing of the purchase agreement to acquire a majority equity interest in Saudi Basic Industries Corporation (SABIC). Following the expected closing of this transaction in the first half of 2020, Saudi Aramco will be a major petrochemical producer globally.

Operationally, in 2019 Saudi Aramco also demonstrated remarkable resilience in the face of unprecedented adversity following attacks on our facilities at Shaybah, Abqaiq and Khurais. Thankfully, in each of the incidents there were no fatalities and overall output was reduced only temporarily due to the extraordinary efforts of many individuals.

Financially, Saudi Aramco once again delivered solid earnings and strong cash flows through consistent operational performance, cost management and fiscal discipline.

Careful stewardship

It has been almost nine decades since the Kingdom granted an initial concession to explore for oil across the remote sands of the Arabian desert. Over that time, our company has built a reputation for both safety and reliability. We are passionate about preserving the environment and are actively working towards providing sustainable and profitable growth, and increased value for our shareholders and customers.

Of course, value creation means more than just dollars generated or dividends distributed – it is also measured by the positive contributions that a company makes to people, to communities and to the world as a whole. On this count, Saudi Aramco continues to excel by prudently managing the Kingdom's reserves while meeting the daily needs of its customers around the world.

Saudi Aramco announces its intention to float on Tadawul

As the need for energy continues to rise, we seek to be a force for progress and opportunity, not only by providing reliable energy, but also by investing in the sustainability of our business and the world in which we all live. We remain committed to leveraging technology and innovation to lower the climate impact of our industry and its products. We endeavor to strengthen our legacy of corporate responsibility and continue to manage the environmental, social and governance (ESG) issues that are important to our stakeholders and our business.

Strong governance

It was an honor to be appointed to serve as Chairman of the Board of Directors (Board) of this great company. I am deeply humbled by the responsibilities of the important role Saudi Aramco plays as a key contributor to the Kingdom of Saudi Arabia and its Vision 2030, as well as to global growth and prosperity. My promise to all shareholders is to work closely with my Board colleagues and with Amin and his entire management team to continue to deliver on our strategy while providing sustainable and growing dividends to our shareholders through crude oil price cycles.

The strong position of Saudi Aramco today is a testament to the considerable contributions of my predecessor, H.E. Khalid A. Al-Falih, who led the company through an important time of transformation. On behalf of the Board, I thank Khalid for his dedication and for his many years of service to Saudi Aramco and to Saudi Arabia.

In 2019, we also welcomed one new Board member, H.E. Nabeel M. Al-Amudi, who previously served as the Minister of Transport of Saudi Arabia. The wide range and high level of experience and expertise that our directors individually bring to the table will be vital as we continue to pursue our strategy for the future.

Saudi Aramco's achievements during the past year would not have been possible without the clear vision and continued 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.

Shared success

On behalf of the Board, I want to take this opportunity to pay tribute to all the men and women of Saudi Aramco – not only now, but throughout its history – whose collective performance and commitment have propelled our company to the position it occupies today. I also want to thank all our new shareholders as well as our long-standing customers, partners, suppliers, and communities where we operate for their confidence in Saudi Aramco and their contributions to our shared success.

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

“We achieved a number of major milestones that served to solidify Saudi Aramco's standing as the world's largest integrated oil and gas company.”

president and CEO's foreword

2019 was a year in which the world was offered unprecedented insight into what this company is made of, the spirit of our people, and the principles that guide us

"In a year of both tests and triumphs, 2019 might best be remembered as the year the world came to better know Saudi Aramco."

When the definitive history of Saudi Aramco is written, 2019 will be considered exceptional for a number of reasons. Through a variety of circumstances both planned and unexpected, it was a year in which the world was offered unprecedented insight into what this company is made of, the spirit of our people, and the principles that guide us. And with this, I believe the public gained a powerful appreciation not only of how we operate, but of what Saudi Aramco means to the future of energy.

In December, we completed Saudi Aramco's record-breaking IPO with the listing of shares on Tadawul. This followed April's launch of our first-ever global debt offering, which attracted significant investor interest. The response to both our IPO and debt offering can be seen as a testament to what we have worked so hard to achieve over nearly nine decades of successful operations. Either event alone would have made for a banner year; together, they represent a historic transformation.

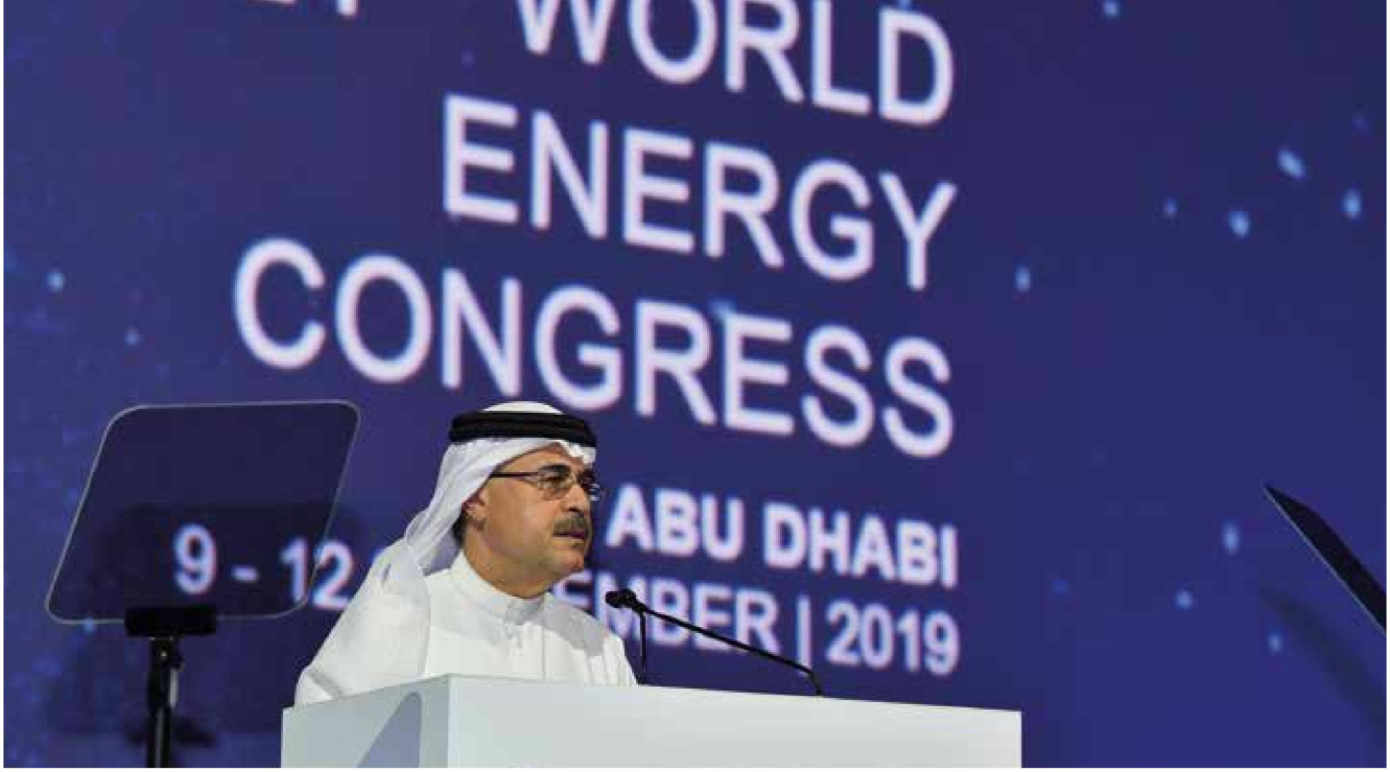
Resilience

As Saudi Aramco's global visibility was increasing, the world witnessed powerful examples of our importance to the crude oil market and the resilience that defines us when, first, our Shaybah NGL facility was attacked in August, and then in September our oil processing facilities at Abqaiq and Khurais were attacked. The damage inflicted by the September strikes resulted in a temporary shutdown of approximately 54% of Saudi Aramco's crude oil processing capacity, which caused understandable concern in energy markets. Through an inspiring display of unity across our workforce, production was restored to pre-attack levels within 11 days and the impact on the markets proved negligible. This demonstrated how seriously Saudi Aramco takes its role and responsibility in meeting market demands.

Notwithstanding bearish signals that global economic growth slowed to some degree in 2019, global demand for crude oil is expected to continue growing for years to come, with GDP growth led primarily by non-OECD Asia Pacific. Short-term market uncertainty, swings in commodity prices and unclear energy policies continue to impact long-term investment in new and traditional energy sources and production. However, we continue to maintain our commitment to invest in the future and in March 2020 we announced an increase in crude oil supply beginning April 1, and subsequently Saudi Aramco received a directive from the Government to increase our maximum sustainable capacity. Indeed, our work to build the world's foremost integrated energy and chemicals company moved forward with resolve, and in significant ways.

Preeminence

Our preeminence in upstream remains the cornerstone of our business, positioning Saudi Aramco as not only the world's leading crude oil producer by production volume, but also the lowest cost producer, one of the most reliable crude oil suppliers, and among the world's least carbon intense sources of crude oil. In 2019, we entered into agreements that will increase hydrocarbon production capacities at the Berri and Marjan fields. The Marjan program also includes the construction of a gas plant in the Tanajib area. Further, the development of our Fadhili gas processing facility is on track to deliver an additional 2.5 bscfd of gas processing capacity upon completion in 2020. And in February 2020, we received regulatory



approval for the development of the Jafurah unconventional gas field in the Eastern Province, the largest unconventional gas field in the Kingdom to date, which will provide valuable feedstock for the petrochemical and metallic industries. We expect the field's production to commence in early 2024.

Growth

In the downstream business, Saudi Aramco continued to make solid progress towards its long-term strategic goal of increasing its global gross refining capacity. In addition, in March 2019, Saudi Aramco entered into a purchase agreement to acquire a 70% equity stake in SABIC, which when completed will see Saudi Aramco's chemicals business operating in more than 50 countries. Elsewhere, we acquired a 17% equity interest in Hyundai Oilbank in South Korea and saw our wholly owned subsidiary Motiva acquire 100% interest in Motiva Chemicals LLC (formerly Flint Hills Resources Port Arthur LLC) in the USA. We also continued to develop Jazan, an integrated petrochemical refinery in the Kingdom, and PRefChem, an integrated refinery and petrochemicals complex in Malaysia, with both facilities expected to become fully operational in 2020.

As we move forward, Saudi Aramco will continue its commitment to being a responsible steward of the environment. Having already achieved one of the lowest upstream carbon footprints per unit of hydrocarbons produced, we continue to support the Kingdom's efforts to achieve the objectives of the United Nations Framework Convention on climate change, the Paris Agreement, the United Nations Environment Program as well as other climate change mitigation efforts. In 2019, we proudly endorsed and signed the World Bank's "Zero Routine Flaring by 2030" initiative.

Innovation is an important contributor to our environmental stewardship as we continue to deliver new value across our business through research and development initiatives, which resulted in a record 524 U.S. patents being granted.

We are also deeply committed to supporting the Kingdom's Vision 2030 by building a stronger, more diverse and competitive energy sector. In 2019, the key measure for iktva, our local supply chain development initiative, continued to show improvement by reaching 56%.

In a year of both tests and triumphs, 2019 might best be remembered as the year the world came to better know Saudi Aramco – and what it came to know could not make me prouder. Our men and women have exemplified time and again a culture of resilience, the pride they take in their work, and our total commitment to safely, reliably and responsibly deliver energy that is building a brighter tomorrow. These are qualities I have long known and cherished about Saudi Aramco, and it is tremendously rewarding to see the world gain this insight and share in this appreciation.

Amin H. Nasser
President and Chief Executive Officer

"We continue to support the Kingdom's efforts to achieve the objectives of the United Nations Framework Convention on climate change, the Paris Agreement, the United Nations Environment Program as well as other climate change mitigation efforts."

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 who 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 moved from New York City to Dhahran

1958 Oil production exceeds 1 mmbpd

1965 Oil production exceeds 2 mmbpd

Dhahran 1936

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

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

1980-1981 Saudi Government increases its participation interest in Aramco's crude oil concession rights, production and facilities to 100%

1988 Saudi 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 Saudi 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, Saudi Aramco's first petrochemical plant, begins production

2011 Sadara Chemical Company formed

2014 SATORP and YASREF refineries come online

2015-2019

Transformation

2017 Saudi Aramco acquires full ownership of Motiva

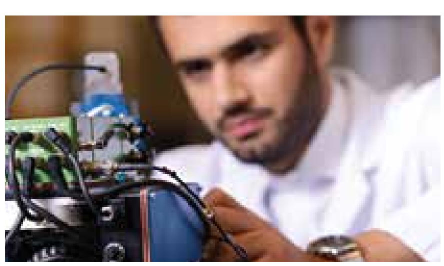
2018 Saudi Aramco becomes a joint stock company

Saudi Aramco acquires full ownership of ARLANXEO

2019 Saudi Aramco enters into a purchase agreement to acquire a 70% equity interest in SABIC

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

Saudi Aramco becomes a public company with shares listed on Tadawul



2019 highlights

Our work to build the world's foremost integrated energy and chemicals company moved forward in 2019 with resolve, and in significant ways

February

Saudi Aramco signs agreement to form the largest Sino-foreign joint venture with NORINCO and Panjin Sincen in China

Saudi Aramco signs agreements to acquire stake in Zhejiang Integrated Refining & Petrochemical Complex

March

Saudi Aramco showcases innovative engine technologies at Geneva International Motor Show

Saudi Aramco signs purchase agreement to acquire a 70% equity stake in SABIC from the Public Investment Fund of Saudi Arabia (PIF)

August

Saudi Aramco publicly reports first-ever half-year financial results, with net income of $46.9 billion

September

H.E. Yasir Othman Al-Rumayyan named Chairman of the Board

New Aramco Singapore office marks regional downstream expansion and integration

Following the September 14 attacks on Abqaiq and Khurais plants, Saudi Aramco restores production to pre-attack output on September 25

Saudi Aramco completes the acquisition of the remaining 50% equity interest in the SASREF refining joint venture, from Shell

Saudi Aramco goes public

April

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

Aramco Trading signs Supply Agreement with "PKN Orlen", Poland's leading oil refiner, enhancing downstream integration in Europe

June

Aramco Trading Company opens Fujairah office in UAE

Saudi Aramco and Air Products inaugurate Saudi Arabia's first hydrogen fueling station

Saudi Aramco inaugurates new complex with S-Oil in Ulsan, South Korea, advancing its global chemicals strategy

Saudi Aramco acquires a network of 270 service stations and a fuel tanker fleet in Saudi Arabia through a joint venture with Total

July

Saudi Aramco awards contracts valued at $18 billion to increase Marjan and Berri oilfields' production capacity by 550 mbpd and 2.5 bscfd of gas

October

Motiva, a wholly owned subsidiary, acquires a 100% equity interest in Motiva Chemicals LLC (formerly Flint Hills), a chemical plant in Port Arthur, Texas

November

Saudi Aramco announces intention to float

Saudi Aramco joins World Bank's "Zero Routine Flaring by 2030" initiative

December

Saudi Aramco lists on Tadawul

Saudi Aramco acquires a 17% equity interest in Hyundai Oilbank in South Korea

saudi aramco's operations

Saudi Aramco's operations span the Kingdom of Saudi Arabia and the globe

Saudi Aramco headquarters
Office of subsidiary[1]
R&D center/technology office
Refining and petrochemical facility
Shipping terminals and strategic delivery points
Retail fuels network
Crude oil and natural gas production

United States

1. Boston
2. Detroit
3. Houston
4. New York City
5. Washington, D.C.

Europe & Africa

1. Aberdeen
2. Ain Sukhna
3. Baku
4. The Hague, Maastricht, Delft and Rotterdam
5. London
6. Milan
7. Moscow
8. Paris

1. Subsidiaries are separate legal entities from the Company.

Saudi Arabia

We operate upstream oil and gas production, processing plants, refining and petrochemical facilities, power generation, and distribution facilities, including pipelines, the Master Gas System (MGS) and shipping terminals, throughout the Kingdom of Saudi Arabia.

1. Dhahran
2. Duba
3. Jazan
4. Jiddah
5. Ju'aymah
6. Jubail
7. Thuwal
8. Ras Tanura
9. Riyadh
10. Rabigh
11. Yanbu'

Asia

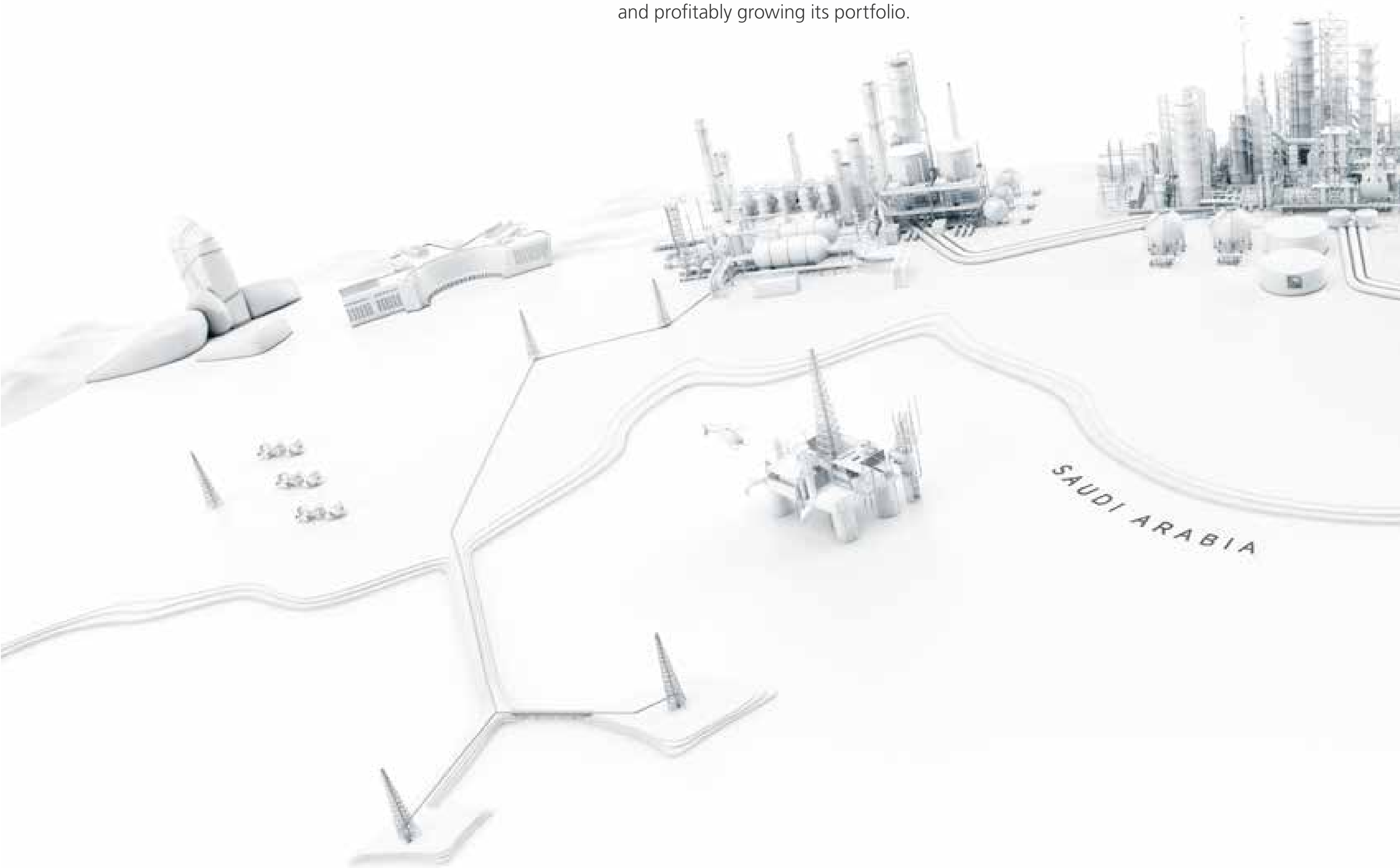
1. Beijing
2. Daejeon
3. Fujairah
4. Fujian
5. Johor
6. Kuala Lumpur
7. New Delhi
8. Okinawa
9. Seoul
   Seosan
10. Shanghai
11. Singapore
12. Tokyo
13. Xiamen

Saudi Aramco's vision

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

Saudi Aramco's mission

Saudi 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.



Saudi Aramco's values

Excellence
At Saudi 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.

As a business, we drive excellence by setting challenging goals, rewarding top performance, committing ourselves to developing our people, encouraging innovation, creativity and diversity of thought, and fostering teamwork and open communication.

Safety
Safety is an integral part of Saudi 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.

We define safety as protecting ourselves, protecting others and protecting our future.

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.

We define citizenship as acting as a catalyst for economic growth, demonstrating social responsibility, supporting our communities and serving as role models in building solid relationships with our customers and partners.

Integrity
The integrity of business at Saudi 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.

We treat people with fairness and respect, we embrace diversity and accept differences and we do not tolerate misconduct.

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

Our employees place authority where responsibility lies, deliver on commitments and seek and provide constructive feedback.

Business model

Our resources

Saudi 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, Saudi Aramco sustains its low cost and low carbon intensity crude oil production.

Total 2019 hydrocarbon reserves
(billion boe)

258.6

Total 2019 crude oil and condensate reserves
(billion barrels)

201.9

Employees[1]

79,000

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

0.016

Research centers

12

Granted U.S. patents[3]

524

What we do

Upstream

Saudi 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 46 for more detail.

Downstream

Saudi Aramco has a large, 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 54 for more detail.

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.

1. The Company and its wholly owned subsidiaries.
2. In-Kingdom wholly owned operated assets.
3. The Company and its subsidiaries ARLANXEO and Motiva.

How Saudi Aramco adds value across the production lifecycle

Explore and produce

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

Maximum Sustainable Capacity (MSC)
(mmbpd)

12.0

Upstream lifting cost per boe
($/boe)

2.8

Refine and manufacture

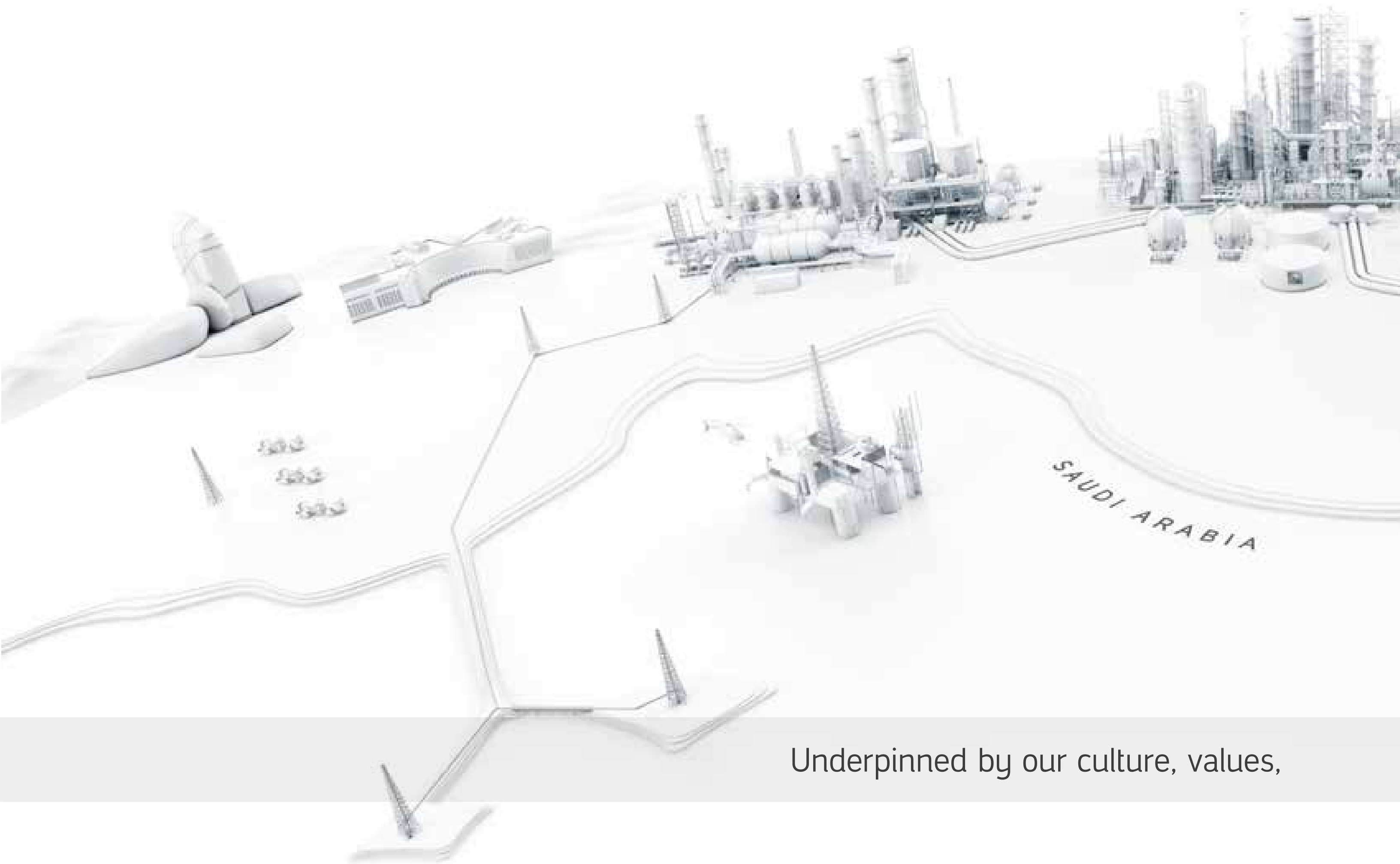
Saudi Aramco operates a strategically integrated global downstream business. Saudi Aramco's downstream activities consist primarily of refining and petrochemical manufacturing. Other activities include base oils, lubricants and power generation.

Gross refining capacity
(mmbpd)

6.4

Gross chemical production capacity
(million tonnes per year)

46.1



Underpinned by our culture, values,

Distribute

Saudi Aramco delivers upstream production to a high-quality external customer base and a dedicated downstream system. Saudi 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[4]
(%)

99.2

Crude exports
(mmbpd)

7.1

4. The Company.

risk approach, strong governance and ethics

Value we create

Saudi Aramco strives to create value across the hydrocarbon chain. Our energy and chemicals production drives commerce and enhances the daily lives of people around the globe.

Financial

Average realized crude oil price ($/barrel)
64.6

Net income (billion)
SAR331
$88

EBIT* (billion)
SAR667
$178

Free cash flow* (billion)
SAR294
$78

ROACE* (%)
28.4

Gearing* (%)
-0.2

Shareholder

Dividend paid (billion)
SAR274
$73

Operational

Hydrocarbon production (mmboed)
13.2

Crude oil production[5] (mmbpd)
9.9

Total traded volumes (mmbpd)
4.5

Environmental

Upstream carbon intensity[6] (kg of CO_2e/boe)
10.1

Flaring intensity[6] (scf/boe)
5.54

* Non-IFRS measure: refer to Section 3: Results and performance.
5. Includes blended condensate and excludes the Kingdom of Bahrain's entitlement to volumes produced from the Abu Sa'fah field.
6. In-Kingdom wholly owned operated assets.

2 / business overview and strategy

business overview

Saudi Aramco is the world's largest integrated oil and gas company

Overview of Saudi Aramco

Saudi Aramco is the world's largest integrated oil and gas company. Its primary operating segments are the Upstream segment and the Downstream segment, which are supported by corporate activities. Saudi Aramco's upstream operations are based in the Kingdom while the downstream business is global.

In 2019, Saudi Aramco produced 13.2 mmboed of hydrocarbons, including 9.9 mmbpd of crude oil (including blended condensate, and excluding the Kingdom of Bahrain's share of volumes produced from the Abu Sa'fah field). As at December 31, 2019, based on the initial 40-year period and 20-year extension of the Concession, Saudi Aramco's reserves stood at 258.6 billion boe, including 201.9 billion barrels of crude oil and condensate, 25.7 billion barrels of NGLs and 190.6 tscf of natural gas. In addition, as at December 31, 2019, Saudi Aramco had a gross refining capacity of 6.4 mmbpd and net refining capacity of 3.6 mmbpd.

Saudi Aramco manages the Kingdom's unique reserves and resources base to optimize production and maximize long-term value

13.2
mmboed

Hydrocarbon production, including crude oil production of 9.9 mmbpd

Upstream

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

Saudi 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 Saudi Aramco's fields, processing plants and other facilities. The crude oil, condensate, natural gas and NGLs produced travel through Saudi Aramco's pipelines to multiple facilities for processing into refined products or to domestic customers or export terminals. In particular, Saudi 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 Saudi Aramco to maintain MSC. As at December 31, 2019, Saudi Aramco's MSC was 12.0 mmbpd of crude oil. The spare capacity afforded by maintaining MSC enables Saudi Aramco to increase its crude oil production above planned levels rapidly in response to changes in global crude oil supply and demand. Saudi 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.

Saud Aramco is the exclusive supplier of natural gas in the Kingdom and its gas portfolio is rich in liquids, demonstrated by its production of unblended condensate and NGLs as byproducts of its crude production. Saudi Aramco owns and operates the MGS, which is an extensive network of pipelines that connects its key gas production and processing sites throughout the Kingdom. Saudi Aramco expects 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.

The spare capacity afforded by maintaining MSC enables Saudi Aramco to increase its crude oil production above planned levels rapidly in response to changes in global crude oil supply and demand

Shaybah plant

Sadara Chemical Company

Downstream

Saudi 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 strategic integration of Saudi Aramco's Upstream and Downstream segments provides an opportunity for Saudi 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. This crude placement provides significant benefits to Saudi 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 products to its downstream customers.

The Downstream segment's other business activities include base oils, lubricants and retail operations.

Saudi Aramco's downstream business is the single largest customer for the Upstream segment's crude oil production, consuming 38% of its crude oil production in 2019. Saudi Aramco's upstream business produces all the crude oil supplied to and processed by Saudi Aramco's wholly owned and affiliated refineries in the Kingdom and the majority of crude oil used by its international wholly owned and affiliated refineries.

Saudi Aramco's refining operations in the Kingdom, including its domestic affiliates and local distribution system, provide Saudi Aramco unique access to the large domestic marketplace to which it is the sole supplier. In addition to its domestic focus, Saudi 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.

Saudi Aramco also has an integrated petrochemicals business within its Downstream segment, which enables it to capture incremental margin in the hydrocarbon value chain. Saudi 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 proposed acquisition of the PIF's 70% equity interest in SABIC recently received unconditional clearance in all jurisdictions in which pre-notification antitrust filings were required and is expected to close in the first half of 2020. Post acquisition, Saudi Aramco's chemicals business will operate in over 50 countries and will produce a range of chemicals, including ethylene, ethylene glycol, ethylene oxide, methanol, MTBE, polyethylene and engineering plastics and their derivatives, among other products. Saudi Aramco believes that purchasing a majority interest in SABIC will advance its strategy to increase the proportion of petrochemicals production in Saudi Aramco's downstream portfolio and support its downstream growth ambitions.

Saudi Aramco's Downstream segment includes its crude oil and product sales, distribution and trading platforms. These platforms support Saudi Aramco's upstream and downstream operations 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.

Corporate

Saudi 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 Saudi Aramco's core business, as well as human resources, finance, legal and corporate affairs.

Saudi 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).

Following the closing of the proposed acquisition of the PIF's 70% equity interest in SABIC, Saudi Aramco's chemicals business will operate in over 50 countries and produce a range of chemicals

Market overview

$64/bbl

Brent crude oil price averaged $64/bbl in 2019, approximately 11% lower than the average of $72/bbl in 2018

Global

Following a period of substantial economic growth from 2016-2018, the global economy in 2019 showed signs of an economic slowdown. In particular, the ongoing trade war between the U.S. and China has had a detrimental effect on global trade. The economic growth rate for 2019 is estimated to be 2.9% compared to 3.6% in 2018, as per IMF's latest World Economic Outlook release.

According to the International Energy Agency (IEA) January 2020 Oil Market Report, global oil demand is estimated to have grown by 1.0 mmbpd in 2019 reaching 100.3 mmbpd. Global oil supply is estimated to have averaged 100.3 mmbpd in 2019, per the IEA. Thus markets were roughly in balance in 2019.

Brent crude oil price averaged $64/bbl in 2019, approximately 11% lower than the average of $72/bbl in 2018.

Domestic

Following economic growth in 2018 of 2.4%, reflecting rising activity in both the oil and non-oil sectors, the Kingdom's growth was subdued in 2019, mainly due to a contraction of oil revenues. According to the General Authority for Statistics (GSTAT), the Kingdom's GDP is reported to have grown by 0.3% in 2019.

Domestic energy demand in 2019 remained essentially unchanged at 4.7 mmboed, following a drop of 1.6% for the year ended December 31, 2018 in the wake of sharp increases in gasoline and household electricity prices. In terms of energy sources, natural gas remained the largest energy source in 2019, accounting for almost 36% of the overall primary energy mix and around 55% of the power generation and desalination sectors' fuel mix.

Strategy

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

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

1

Maintain its position as the world's leading crude oil producer by production volume and the lowest cost producer, 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 in the Kingdom and internationally

See page 31 for more detail.

4

Expand global recognition of Saudi 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

Operate sustainably by leveraging technology and innovation

See page 33 for more detail.

7

Deliver sustainable and growing dividends through crude oil price cycles

See page 33 for more detail.

Strategy

1

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

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

Saudi Aramco intends to maintain its position as the world's leading crude oil producer by production volume. Its reserves, operational capabilities and spare capacity allow it to increase production in response to demand. Saudi 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. Saudi Aramco 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 Saudi Aramco's reservoirs are located, synergies available from Saudi Aramco's use of its large infrastructure and logistics networks, low depletion rate operational model and scaled application of technology.

In addition, Saudi Aramco seeks to maintain its position as one of the world's most reliable crude oil suppliers. The Saudi Arabian Government determines the Kingdom's maximum level of crude oil production in the exercise of its sovereign prerogative and requires Saudi Aramco to maintain MSC 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 Saudi 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, Saudi 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. Saudi Aramco continues to invest in and develop a sophisticated and extensive crude oil distribution and dispatch system, which maintains Saudi Aramco's supply reliability.

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

2

Capture value from further strategic integration and diversification of its operations

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

In addition, the integration of Saudi Aramco's Upstream and Downstream segments provides a unique opportunity for Saudi Aramco to secure crude oil demand by selling to refineries designed specifically to economically process Arabian crude oil. Furthermore, Saudi 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 Saudi Aramco's existing business and future expansion strategy. Moreover, Saudi 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 in the Kingdom and internationally

Saudi Aramco plans to expand its gas business to meet large and growing domestic demand for low-cost clean 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. Saudi Aramco's gas production also yields NGLs (including ethane) and condensate, which supplement its crude oil production and provide feedstock to the refining and petrochemical industries. Furthermore, Saudi Aramco seeks over time to develop an integrated global gas portfolio and is pursuing investment and joint venture opportunities outside the Kingdom in natural gas and LNG projects.

4

Expand global recognition of Saudi Aramco's brands

Saudi Aramco intends to expand global recognition of its brands in the energy sector. 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, Saudi Aramco intends to use its own brands and thereby build recognition of its position as a leader in the global energy sector.

5

Efficiently allocate capital and maintain a prudent and flexible balance sheet

Saudi Aramco has a comprehensive and disciplined internal approval process for capital expenditures, new projects and debt incurrence. It analyzes future projects based on strategic, operational, commercial and financial targets. Saudi Aramco's unique reserves and resource base, operational flexibility, field management and strong cash flow generation serve as a foundation for its low gearing and flexibility to allocate capital.

One aspect of Saudi Aramco's 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

6

Operate sustainably by leveraging technology and innovation

Saudi Aramco's climate change strategy aims to grow its business sustainably by leveraging technology and innovation to lower its climate impact. Saudi Aramco intends to maintain its position as a leader in Scope 1 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, Saudi Aramco's natural gas program is increasing the percentage of gas used to meet the Kingdom's energy needs. Saudi Aramco is also collaborating with other major companies to share best practices and devise common solutions to climate change, including through participation in the Oil and Gas Climate Initiative forum.

Refer to Section 4: ESG for further detail.

7

Deliver sustainable and growing dividends through crude oil price cycles

Saudi Aramco intends to deliver sustainable and growing dividends to its shareholders through crude oil price cycles. Saudi Aramco's fiscal discipline is demonstrated through the ability of executing on its strategic growth objectives and the timely and cost-effective delivery of capital projects. A prudent capital structure and rigorous capital allocation processes and investment thresholds enable Saudi Aramco to generate significant operating cash flows.

Refer to Section 6: Corporate governance for further detail.

results and performance

3

Financial highlights

Net income
(billion)

SAR331
$88
(2018: $111)

EBIT*
(billion)

SAR667
$178
(2018: $213)

Earnings per share
(basic and diluted)

SAR1.65
$0.44
(2018: $0.55)

Net cash provided by operating activities
(billion)

SAR417
$111
(2018: $121)

Capital expenditures
(billion)

SAR123
$33
(2018: $35)

Free cash flow*
(billion)

SAR294
$78
(2018: $86)

Average realized crude oil price
($/barrel)

64.6

(2018: 70.0)

ROACE*
(%)

28.4

(2018: 41.1)

Gearing*
(%)

-0.2

(2018: -8.6)

Dividend paid
(billion)

SAR274
$73
(2018: $58)

* Non-IFRS measure: refer to "Non-IFRS measures reconciliations and definitions" for further detail.

Operational highlights

Hydrocarbon production
(mmboed)

13.2

(2018: 13.6)

Crude oil production[1]
(mmbpd)

9.9

(2018: 10.3)

MSC
(mmbpd)

12.0

(2018: 12.0)

Gross refining capacity
(mmbpd)

6.4

(2018: 4.9)

Reliability[2]
(%)

99.2

(2018: 99.8)

Total recordable case (TRC) frequency[3]
(per 200,000 work hours)

0.059

(2018: 0.056)

Upstream carbon intensity[3]
(kg of $C0_2e$/boe)

10.1

(2018: 10.2)

Flaring intensity[3]
(scf/boe)

5.54

(2018: 5.77)

1. Includes blended condensate and excludes the Kingdom of Bahrain's entitlement to volumes produced from the Abu Sa'fah field.
2. The Company.
3. In-Kingdom wholly owned operated assets.

Unrivalled profitability

Saudi Aramco delivered solid earnings and strong cash flows through consistent operational performance, cost management and fiscal discipline.

Saudi Aramco's preeminence in upstream remains the cornerstone of its business, positioning Saudi Aramco as not only the world's leading crude oil producer by production volume, but also the lowest cost producer, one of the most reliable crude oil suppliers, and among the world's least carbon intense sources of crude oil.

In the downstream business, Saudi Aramco continued to make solid progress towards its long-term strategic goal of increasing its global gross refining capacity.

Saudi Aramco's performance is driven by operational excellence and is underpinned by strong fiscal discipline, risk management and its governance framework

CFO's message

In 2019, Saudi Aramco delivered unrivalled profitability, strong cash flows and a robust financial position

"Saudi Aramco's unmatched financial results were achieved in the context of a lower price environment and challenging refining and chemicals margins."

It is with great pride that I take this opportunity to reflect on the many milestones that Saudi Aramco achieved in 2019. These include signing a share purchase agreement to acquire a majority stake in SABIC and completing Saudi Aramco's inaugural international bond issuance and its record breaking IPO. Together, they mark out the year as truly transformational for the world's most valuable company by market capitalization.

In 2019, Saudi Aramco and its people were also tested by attacks on some of its oil and gas facilities. With a rapid return to full operations and no material impact on the 2019 financial results, Saudi Aramco displayed exceptional resilience and its ability to maintain a reliable supply of crude oil to its customers.

In a year marked by historic achievements, Saudi Aramco delivered unrivalled profitability, strong cash flows and a robust financial position. This level of performance is driven by our operational excellence and is underpinned by our strong fiscal discipline, risk management and governance framework, which focuses on financial performance and ensures that established targets for dividends, capital expenditures, and gearing levels are met.

In addition, leveraging innovation and our advanced technologies further our competitive advantages while also supporting Saudi Aramco's environmental objective of maintaining its low upstream carbon intensity.

For 2019, Saudi Aramco's net income was SAR 331 billion ($88 billion) and free cash flow was SAR 294 billion ($78 billion). Compared to 2018, capital expenditure was SAR 9 billion ($2 billion) lower. These unmatched financial results were achieved in the context of a lower price environment and challenging refining and chemicals margins. This strong performance supported total dividend payments of SAR 274 billion ($73 billion) during the year.

The past year was full of exceptional achievements and Saudi Aramco is set to continue along the path laid down by this momentous year.

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

financial performance

Discussion of the most significant factors that have impacted Saudi Aramco's financial position and results of operations for the year ended December 31, 2019

The financial information of Saudi Aramco set forth below as at December 31, 2018 and 2019 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 7: 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 Saudi Aramco's financial results

The following is a discussion of the most significant factors that have impacted Saudi Aramco's financial position and results of operations for the year ended December 31, 2019.

Supply, demand and price for hydrocarbons and refined products

Saudi Aramco's financial results are primarily driven by its sales of hydrocarbons and refined products, which are dependent on global supply and demand, and market prices. Sales of crude oil and refined products are the largest components of Saudi Aramco's consolidated revenue and other income related to sales.

Other income related to sales represents compensation from the Government for revenue directly forgone as a result of Saudi Aramco's compliance with local regulations governing domestic sales and distribution of certain products. This compensation is calculated as the difference between the products' equalization prices (which are determined using reported regional prices) and the corresponding domestic regulated prices, net of Government fees.

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 at any time based on its strategic energy security goals or for any other reason. Therefore, Saudi Aramco's results of operations may depend in part on sovereign decisions with respect to production levels that are made by the Government.

Crude oil is also a major component of the cost of production of refined products and chemicals that use hydrocarbons as feedstock.

Accordingly, Saudi Aramco's results of operations and cash flows are significantly impacted by market prices and the volumes sold of hydrocarbons and refined products.

Key acquisitions

On December 31, 2018, Saudi Aramco purchased the 50% equity interest of ARLANXEO Holding B.V. (ARLANXEO) from LANXESS Deutschland GmbH (LANXESS) that it did not already own, which led to Saudi Aramco fully consolidating ARLANXEO onto its balance sheet from December 31, 2018 and its results of operations from January 1, 2019. Prior to the full acquisition, Saudi Aramco's stake in ARLANXEO was accounted for as an investment in associate.

On September 18, 2019, Saudi Aramco acquired Shell's 50% equity interest in Saudi Aramco Shell Refining Company (SASREF) that it did not already own, and fully consolidated the business from the date of acquisition. Prior to the acquisition, Saudi Aramco reflected its stake in SASREF as a joint operation.

Sales of crude oil and refined products are the largest components of Saudi Aramco's consolidated revenue and other income related to sales

SAR331bn

Net income for the year ended December 31, 2019

On October 31, 2019, Motiva, a wholly owned subsidiary, acquired a 100% equity interest in Flint Hills Resources Port Arthur, LLC (Flint Hills) and fully consolidated the business from the date of acquisition. Subsequent to the acquisition, Flint Hills was renamed to Motiva Chemicals LLC.

On December 17, 2019, Saudi Aramco also acquired a 17% equity interest in Hyundai Oilbank from Hyundai Heavy Industries Holdings (HHIH), with an option to acquire an additional 2.9% equity interest within five years of the closing date. This acquisition was accounted for as an investment in associate and the purchase price was fully paid before year end.

Other acquisitions during the year did not have a significant impact on Saudi Aramco's 2019 financial performance.

Adoption of IFRS 16

Saudi Aramco adopted IFRS 16, Leases, on January 1, 2019. This adoption impacts the accounting treatment of operating expenses, financing costs, current and non-current liabilities, net cash used in financing activities, net cash from operating activities and property, plant and equipment and related depreciation, in addition to ROACE, free cash flow and gearing.

Issuance of Senior Unsecured Notes

On April 16, 2019, the Company issued a series of USD Senior Unsecured Notes (Senior Unsecured Notes) aggregating SAR 45,000 ($12,000). Interest is payable semi-annually on April 16 and October 16. The notes are listed on the London Stock Exchange's Regulated Market. 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.

Sadara impairment

During the year ended December 31, 2019, the management of Sadara 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 ($2,460) for the year ended December 31, 2019 of which Saudi Aramco's share is SAR 5,996 ($1,599).

Recent fiscal regime changes

In 2019, the Government made the following changes to the fiscal regime under which the Company operates:

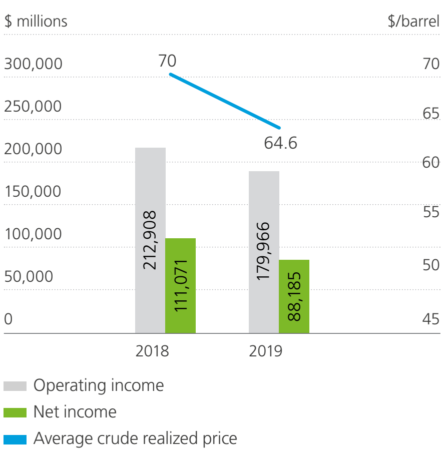
- The Government adopted regulations regarding the manner in which the Company is compensated for gas sold domestically in the Kingdom. The Company will be compensated by the Government for revenue directly forgone as a consequence of domestically supplying Regulated Gas Products in the event that Government-established prices do not meet the relevant price determined to achieve the rate of return approved by the Government for the Company's gas projects (effective as at September 17, 2019);
- 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/barrel;
  - (ii) increases the marginal royalty rate to 45% (from 40%) on Brent prices above $70/barrel up to $100/barrel; and
  - (iii) increases the marginal royalty rate to 80% (from 50%) on Brent prices above $100/barrel;
- The Government determined that the tax rate applicable to the Company's downstream business will be changed from the 50% to 85% multi-tiered structure of income tax applicable to domestic oil and hydrocarbon production companies to the general corporate tax rate of 20% applicable to similar domestic downstream companies under the Income Tax Law, on the condition that the Company consolidates its downstream business under the control of one or more separate, wholly owned subsidiaries before December 31, 2024 (effective as at January 1, 2020); and
- 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).

Summarized consolidated statement of income

All amounts in millions unless otherwise stated	SAR Year ended December 31 2019	SAR 2018	USD* Year ended December 31 2019	USD* 2018	% change
Operating income	**674,871**	798,405	**179,966**	212,908	**(15.5)%**
Share of results of joint ventures and associates	**(9,455)**	(1,415)	**(2,521)**	(377)	**568.2%**
Finance and other income	**7,351**	3,865	**1,960**	1,030	**90.2%**
Finance costs	**(6,026)**	(2,959)	**(1,607)**	(789)	**103.6%**
Income before income taxes	**666,741**	797,896	**177,798**	212,772	**(16.4)%**
Income taxes	**(336,048)**	(381,378)	**(89,613)**	(101,701)	**(11.9)%**
Net income	**330,693**	416,518	**88,185**	111,071	**(20.6)%**
Average realized crude oil price ($/barrel)			**64.6**	70.0	**(7.7)%**
ROACE**	**28.4%**	41.1%	**28.4%**	41.1%	**(12.7) 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" below for further detail.

Income vs. realized crude price



Financial results

Despite a lower oil price environment during 2019, Saudi Aramco delivered solid earnings and strong cash flows combined with reliable operational performance.

Net income for the year ended December 31, 2019 was SAR 330,693 ($88,185), compared to SAR 416,518 ($111,071) in 2018, a decrease of SAR 85,825 ($22,886). This decrease was primarily due to lower crude oil prices, coupled with declining refining and chemical margins, and an increase in Saudi Aramco's share of losses of joint ventures and associates, principally due to an impairment charge recognized by Sadara.

Operating costs increased by SAR 13,302 ($3,547), or 2.4%, from 548,612 ($146,296) to SAR 561,914 ($149,843), for the years ended December 31, 2018 and 2019, respectively. This reflects an increase in purchases, producing and manufacturing, selling, administrative and general, and depreciation and amortization costs, partially offset by a decrease in royalties and other taxes, and exploration costs. Research and development costs remained broadly stable year-on-year.

Income taxes

The charge for income taxes was SAR 336,048 ($89,613) in 2019 compared to SAR 381,378 ($101,701) in 2018. The decrease mainly reflects the lower level of profit in 2019, partially offset by the deferred tax impact of the fiscal regime changes in both years.

Summarized consolidated balance sheet

	SAR		USD*		
	As at December 31		As at December 31		
All amounts in millions unless otherwise stated	**2019**	2018	**2019**	2018	**% change**
Total assets	**1,494,126**	1,346,892	**398,434**	359,171	**10.9%**
Total liabilities	**447,891**	318,457	**119,438**	84,922	**40.6%**
Significant balance sheet movements:					
Property, plant and equipment[1]	**982,014**	873,827	**261,870**	233,021	**12.4%**
Short-term investments	**45,467**	194	**12,125**	52	**>100%**
Borrowings (non-current and current)[1]	**175,585**	101,318	**46,823**	27,018	**73.3%**
Deferred income tax liabilities	**44,471**	23,877	**11,859**	6,367	**86.3%**
Dividend payable	**35,475**	–	**9,460**	–	**n/a**
Gearing**	**(0.2)%**	(8.6)%	**(0.2)%**	(8.6)%	**+8.4 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" below for further detail.
1. Saudi Aramco adopted IFRS 16 on January 1, 2019 using a modified retrospective approach. As a result, in the preparation of the 2019 financial statements, Saudi Aramco applied prospectively, starting January 1, 2019, the new classification and measurement models for lease contracts and consequently 2018 comparative information was not restated.

Financial position

Total assets were SAR 1,494,126 ($398,434) as at December 31, 2019, compared to SAR 1,346,892 ($359,171) as at December 31, 2018. This increase was mainly attributable to an increase in property, plant and equipment and short-term investments.

The increase in property, plant and equipment primarily reflects additions from capital expenditures incurred during the year, the acquisitions of SASREF and Motiva Chemicals LLC (previously Flint Hills), and the recognition of right-of-use assets upon the adoption of IFRS 16.

The increase in short-term investments was driven by the investment of cash receipts following the issuance of the Senior Unsecured Notes in April 2019.

Total liabilities were SAR 447,891 ($119,438) at December 31, 2019, compared to SAR 318,457 ($84,922) at December 31, 2018. This increase was primarily due to higher borrowings, deferred income tax liabilities and dividend payable.

The increase in borrowings (current and non-current) mainly reflects the issuance of the Senior Unsecured Notes and the recognition of additional lease liabilities upon the adoption of IFRS 16.

Deferred income tax liabilities, which reflect the impact of temporary differences between the amount of assets and liabilities recognized for accounting purposes and their tax bases, increased predominantly due to temporary differences related to property, plant and equipment and the impact of the recent fiscal regime changes.

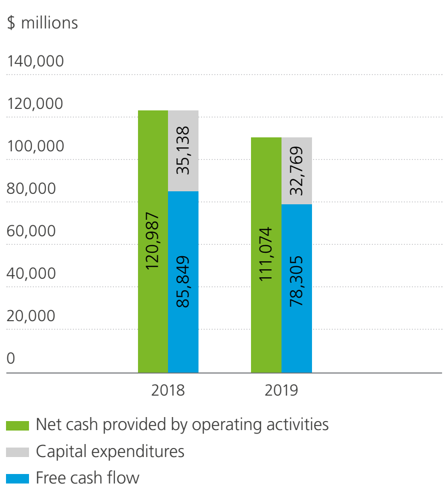
The dividend payable at December 31, 2019 represents an ordinary dividend declared in December 2019, prior to the IPO date, and paid to the Government in January 2020.

Summarized consolidated statement of cash flows

	SAR		USD*		
	Year ended December 31		Year ended December 31		
All amounts in millions unless otherwise stated	**2019**	2018	**2019**	2018	**% change**
Net cash provided by operating activities	**416,529**	453,701	**111,074**	120,987	**(8.2)%**
Net cash used in investing activities	**(177,144)**	(131,205)	**(47,239)**	(34,988)	**35.0%**
Net cash used in financing activities	**(244,831)**	(220,586)	**(65,288)**	(58,823)	**11.0%**
Cash and cash equivalents at end of the year	**177,706**	183,152	**47,388**	48,841	**(3.0)%**
Capital expenditures	**(122,882)**	(131,766)	**(32,769)**	(35,138)	**(6.7)%**
Free cash flow**	**293,647**	321,935	**78,305**	85,849	**(8.8)%**

* 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" below for further detail.

Cash flows



Cash flows

Net cash provided by operating activities was SAR 416,529 ($111,074) for the year ended December 31, 2019, a decrease of SAR 37,172 ($9,913) compared to SAR 453,701 ($120,987) reported in 2018. This principally reflects the impact of a lower oil price environment, partially offset by favorable movements in working capital, lower payments for income and other taxes and the change in classification of lease rentals to financing activities upon the adoption of IFRS 16.

Net cash used in investing activities was SAR 177,144 ($47,239) for the year ended December 31, 2019, compared with SAR 131,205 ($34,988) in 2018. This increase of SAR 45,939 ($12,251) mainly reflects the investment of cash receipts following the issuance of the Senior Unsecured Notes and an increase in cash paid for acquisitions, partially offset by lower capital expenditures.

Net cash used in financing activities was SAR 244,831 ($65,288) in 2019 compared with SAR 220,586 ($58,823) in 2018. This increase was primarily due to higher dividends, interest paid and debt repayments (including the impact of change in classification of lease rentals to financing activities upon the adoption of IFRS 16), as well as cash paid for the purchase of treasury shares for use in connection with the Saudi Aramco Share Plan for employee compensation. The increase was partially offset by net proceeds from the issuance of Senior Unsecured Notes.

Non-IFRS measures reconciliations and definitions

This Annual Report includes certain non-IFRS financial measures, including ROACE, free cash flow, gearing and EBIT, which Saudi Aramco uses in the analysis of its business and financial position.

These non-IFRS financial measures have been included in this Report to facilitate a better understanding of Saudi Aramco's historic trends of operation and financial position.

Saudi 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 Saudi 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 Saudi Aramco's industry, may calculate similarly titled non-IFRS financial measures differently from Saudi Aramco. Because companies do not necessarily calculate these non-IFRS financial measures in the same manner, Saudi 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.

ROACE

	SAR		USD*	
	Year ended December 31		Year ended December 31	
All amounts in millions unless otherwise stated	**2019**	2018	**2019**	2018
Net income	**330,693**	416,518	**88,185**	111,071
Finance costs, net of tax	**3,013**	1,480	**804**	395
Net income before finance costs, net of tax	**333,706**	417,998	**88,989**	111,466
As at period start (January 1):				
Non-current borrowings	**71,329**	68,692	**19,021**	18,318
Current borrowings	**29,989**	8,906	**7,997**	2,375
Total equity	**1,028,435**	826,314	**274,249**	220,350
Capital employed	**1,129,753**	903,912	**301,267**	241,043
As at period end (December 31):				
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
Average capital employed	**1,175,787**	1,016,833	**313,543**	271,155
ROACE	**28.4%**	41.1%	**28.4%**	41.1%

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

ROACE measures the efficiency of Saudi Aramco's utilization of capital. Saudi Aramco defines ROACE as net income before finance costs, net of tax, 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. Saudi Aramco utilizes ROACE to evaluate management's performance and demonstrate to its shareholders that capital has been used effectively.

ROACE decreased from 41.1% in 2018 to 28.4% in 2019. This was due to lower net income, principally driven by lower crude oil prices, coupled with declining refining and chemical margins, and higher borrowings resulting from the issuance of the Senior Unsecured Notes and the recognition of additional lease liabilities upon the adoption of IFRS 16 in 2019.

Free cash flow

	SAR		USD*	
	Year ended December 31		Year ended December 31	
All amounts in millions unless otherwise stated	**2019**	2018	**2019**	2018
Net cash provided by operating activities	**416,529**	453,701	**111,074**	120,987
Capital expenditures	**(122,882)**	(131,766)	**(32,769)**	(35,138)
Free cash flow	**293,647**	321,935	**78,305**	85,849

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

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

Free cash flow decreased from SAR 321,935 ($85,849) in 2018 to SAR 293,647 ($78,305) in 2019, a decrease of SAR 28,288 ($7,544), or 8.8%. This was mainly driven by lower operating cash flow, resulting from lower crude oil prices, coupled with declining refining and chemical margins, partially offset by the change in classification of lease rentals from operating activities to financing activities upon the adoption of IFRS 16 and a decrease in capital expenditures of SAR 8,884 ($2,369).

Gearing

All amounts in millions unless otherwise stated	SAR As at December 31 2019	SAR As at December 31 2018	USD* As at December 31 2019	USD* As at December 31 2018
Total borrowings (current and non-current)	**175,585**	101,318	**46,823**	27,018
Cash and cash equivalents	**(177,706)**	(183,152)	**(47,388)**	(48,841)
Net cash	**(2,121)**	(81,834)	**(565)**	(21,823)
Total equity	**1,046,235**	1,028,435	**278,996**	274,249
Total equity and net cash	**1,044,114**	946,601	**278,431**	252,426
Gearing	**(0.2)%**	(8.6)%	**(0.2)%**	(8.6)%

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

Gearing is a measure of the degree to which Saudi Aramco's operations are financed by debt. Saudi Aramco defines gearing as the ratio of total borrowings less cash and cash equivalents to total borrowings less cash and cash equivalents 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.

Saudi Aramco's gearing ratio increased from (8.6)% as at December 31, 2018 to (0.2)% as at December 31, 2019 (net cash position at both year-ends). This was mainly attributable to an increase in total borrowings following the issuance of the Senior Unsecured Notes, the cash receipts of which were invested in short-term investments and not held within cash and cash equivalent at period end, and the recognition of additional lease liabilities upon the adoption of IFRS 16.

Earnings before interest and taxes (EBIT)

All amounts in millions unless otherwise stated	SAR Year ended December 31 2019	SAR Year ended December 31 2018	USD* Year ended December 31 2019	USD* Year ended December 31 2018
Net income	**330,693**	416,518	**88,185**	111,071
Finance income	**(5,534)**	(2,840)	**(1,476)**	(757)
Finance costs	**6,026**	2,959	**1,607**	789
Income taxes	**336,048**	381,378	**89,613**	101,701
Earnings before interest and taxes	**667,233**	798,015	**177,929**	212,804

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

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

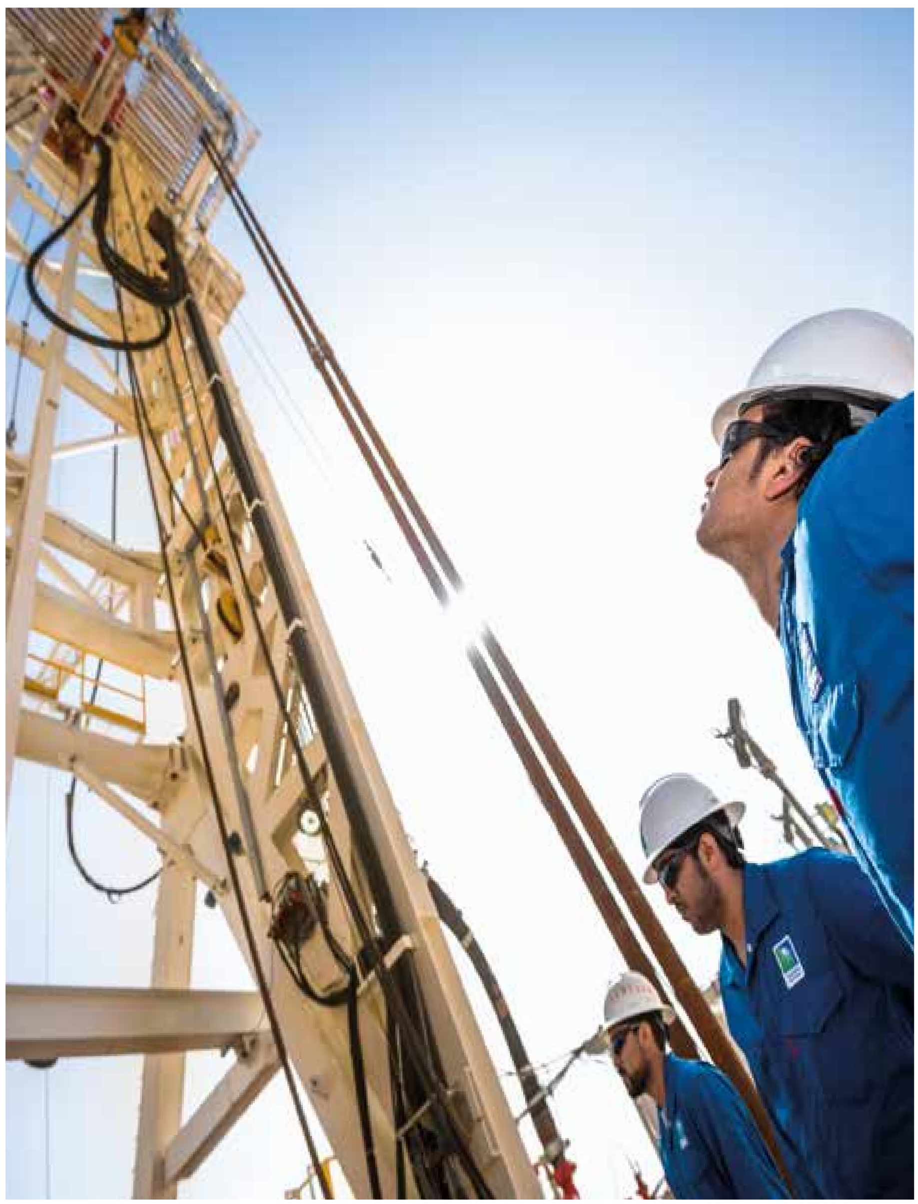
EBIT for the year decreased by SAR 130,782 ($34,875), or 16.4%, from SAR 798,015 ($212,804) to SAR 667,233 ($177,929) in 2018 and 2019, respectively. This was mainly attributable to lower crude oil prices, coupled with declining refining and chemical margins, and an increase in Saudi Aramco's share of losses of JVs and associates, principally due to an impairment charge recognized by Sadara.

upstream

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

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 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; and
- Ability to execute some of the world's largest upstream capital projects.



Key events in 2019

- Safe restoration of operations after the attacks on Abqaiq, Khurais and Shaybah facilities;
- Commencement of work for both Marjan and Berri increment programs;
- Maintenance of MSC at 12.0 mmbpd at year end December 31, 2019;
- Commencement of production at Fadhili Gas Plant, which is on track to be fully operational in 2020;
- Issuance of independent third party certification letter for the reserves balances as at December 31, 2018 by DeGolyer & MacNaughton;
- Exploration successes with discoveries of two new oil fields and one new gas field; and
- Total processing capacity of the unconventional assets in North Arabia reaching 400 mmscfd.

Overview

The Upstream segment's activities consist of exploring for, developing and producing crude oil, condensate, natural gas and NGLs. Saudi 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 Saudi 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, Saudi Aramco has exclusive access to all hydrocarbons within the Kingdom and its territorial waters, except the Excluded Areas. Under the Concession, Saudi Aramco is required to meet the domestic demand for certain hydrocarbons, petroleum products and LPG through domestic production or imports. The Concession provides for an initial period of 40 years, which will be extended by the Government for 20 years provided that Saudi 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 Saudi Aramco and the Government agreeing on the terms of the extension. The provision of a specified term in the Concession impacts the calculation of Saudi Aramco's reserves as compared to the Kingdom's reserves in the fields Saudi Aramco operates.

As at December 31, 2019, Saudi Aramco's reserves under the Concession agreement were 258.6 billion boe (2018: 256.9 billion boe), including 201.9 billion barrels (2018: 201.4 billion barrels) of crude oil and condensate, 25.7 billion barrels (2018: 25.4 billion barrels) of NGLs and 190.6 tscf (2018: 185.7 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 Saudi Aramco to maintain MSC in accordance with the Hydrocarbons Law. As at December 31, 2019 and 2018, the MSC was 12.0 mmbpd of crude oil. The spare capacity afforded by maintaining MSC enables Saudi 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 2019, Saudi 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 13.2 mmboed (2018: 13.6 mmboed), including 9.9 mmbpd (2018: 10.3 mmbpd) of crude oil (including blended condensate but excluding the Kingdom of Bahrain's share of volumes produced from the Abu Sa'fah field). For the year ended December 31, 2019, approximately 85% (2018: 86%) of the aggregate hydrocarbon production consisted of liquids, which generally command a higher margin.

Saudi Aramco also maintained its position as one of the lowest cost producers globally for the year ended December 31, 2019. The average upstream lifting cost was SAR 10.6 ($2.8) per boe produced in both 2019 and 2018, while the upstream capital expenditures averaged SAR 17.5 ($4.7) (2018: SAR 17.7 ($4.7) per boe produced. The low-cost position is due to the unique nature of the Kingdom's geological formations, favorable onshore and shallow water offshore environments in which Saudi Aramco's reservoirs are located, synergies available from the use of its large infrastructure and logistics networks, its low depletion rate operational model and Saudi Aramco's scaled application of technology.

"Our upstream operations' value creation is unmatched. In 2019 we continued our long history of delivering enviable exploration successes and reliable production, while we strategically invested in value adding projects for the future."

Mohammed Y. Al Qahtani
Senior Vice President, Upstream

Upstream hydrocarbon production

	Year ended December 31		
	2019	2018	% change
Crude oil[1] (mbpd)	**9,943**	10,315	(3.6)%
Condensate (mbpd)	**202**	218	(7.3)%
Propane (mbpd)	**535**	565	(5.3)%
Butane (mbpd)	**319**	328	(2.7)%
Natural gasoline (mbpd)	**222**	203	9.4%
Total liquids (mbpd)	**11,221**	11,629	(3.5)%
Natural gas (mmscfd)	**8,978**	8,856	1.4%
Ethane (mmscfd)	**960**	993	(3.3)%
Total gas (mmscfd)	**9,938**	9,849	0.9%
Total hydrocarbon production[2] (mboed)	**13,172**	13,567	(2.9)%

1. Includes 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	**2019**	2018	**2019**	2018	**% change**
Revenue and other income related to sales (including sales to other segments)	**970,395**	1,102,161	**258,772**	293,910	**(12.0)%**
Earnings before interest and taxes	**689,894**	796,321	**183,972**	212,352	**(13.4)%**
Capital expenditures – cash basis	**93,927**	96,768	**25,047**	25,805	**(2.9)%**

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

Earnings before interest and taxes (EBIT) for the year ended December 31, 2019 totaled SAR 689,894 ($183,972) compared to SAR 796,321 ($212,352) in 2018, a decrease of SAR 106,427 ($28,380), or 13.4%. This was primarily due to lower revenues as a result of lower crude oil prices and production.

Capital expenditures in 2019 decreased by 2.9% compared to the year ended December 31, 2018, from SAR 96,768 ($25,805) to SAR 93,927 ($25,047). This was mainly attributable to reduced spending on the Fadhili Gas Plant as it nears completion as well as further optimization activities.

Crude oil

Overview

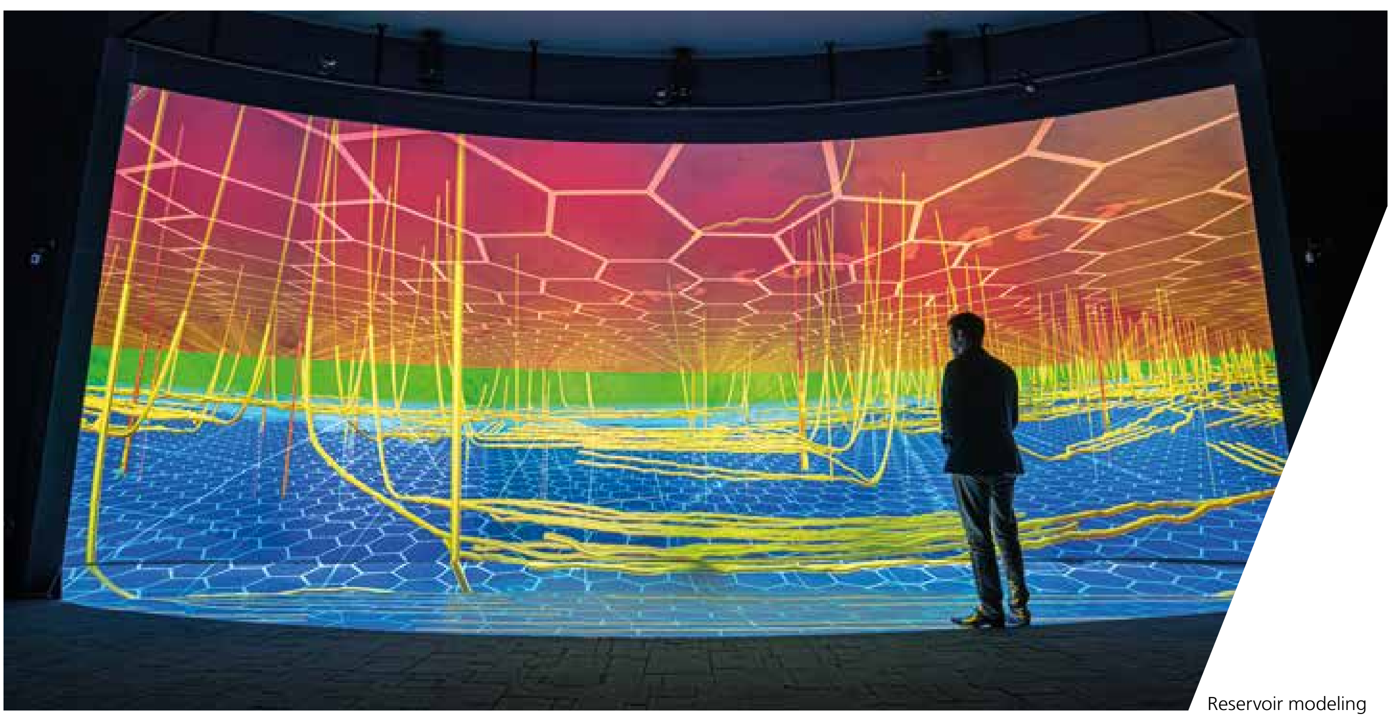
Saudi Aramco actively manages its prolific reserves base to maximize long-term value while optimizing ultimate recovery from its fields. Because of the size and number of its fields, Saudi Aramco is able to maintain its desired level of overall production by tapping into new reservoirs as costs rise in maturing areas, enhancing capital efficiency, increasing overall stability of production and ultimately improving total oil recovery. 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.

Saudi Aramco's principal fields are located in close proximity to each other within the Central and Eastern Provinces of the Kingdom. The crude oil, condensate, natural gas and NGLs that Saudi Aramco produces from its fields travel through Saudi Aramco's extensive network of pipelines to multiple facilities for processing into refined products or to domestic customers or export terminals. In particular, Saudi 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.

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

Saudi 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 2019, Arabian Super Light, Arabian Extra Light and Arabian Light accounted for approximately 67% of Saudi Aramco's total crude oil production and were classified as premium grades. On a total basis, Saudi Aramco produced 9.9 mmbpd (2018: 10.3 mmbpd) of crude oil (including blended condensate but excluding the Kingdom of Bahrain's share of volumes produced from the Abu Sa'fah field), of which approximately 6.2 mmbpd (2018: 6.4 mmbpd) were sold to third-party customers. Also, Saudi Aramco's downstream business is the single largest customer of Upstream's crude oil, consuming approximately 38% of its crude oil production in both 2019 and 2018.

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



Reservoir modeling

MSC
12.0mmbpd
spare capacity was maintained to help stabilize the market when needed

Performance and achievements
Saudi Aramco continued to support the Kingdom's role as a reliable supplier of energy. Accordingly, spare capacity was maintained to respond to changes in global crude oil supply and demand and to supplement operational and supply reliability.

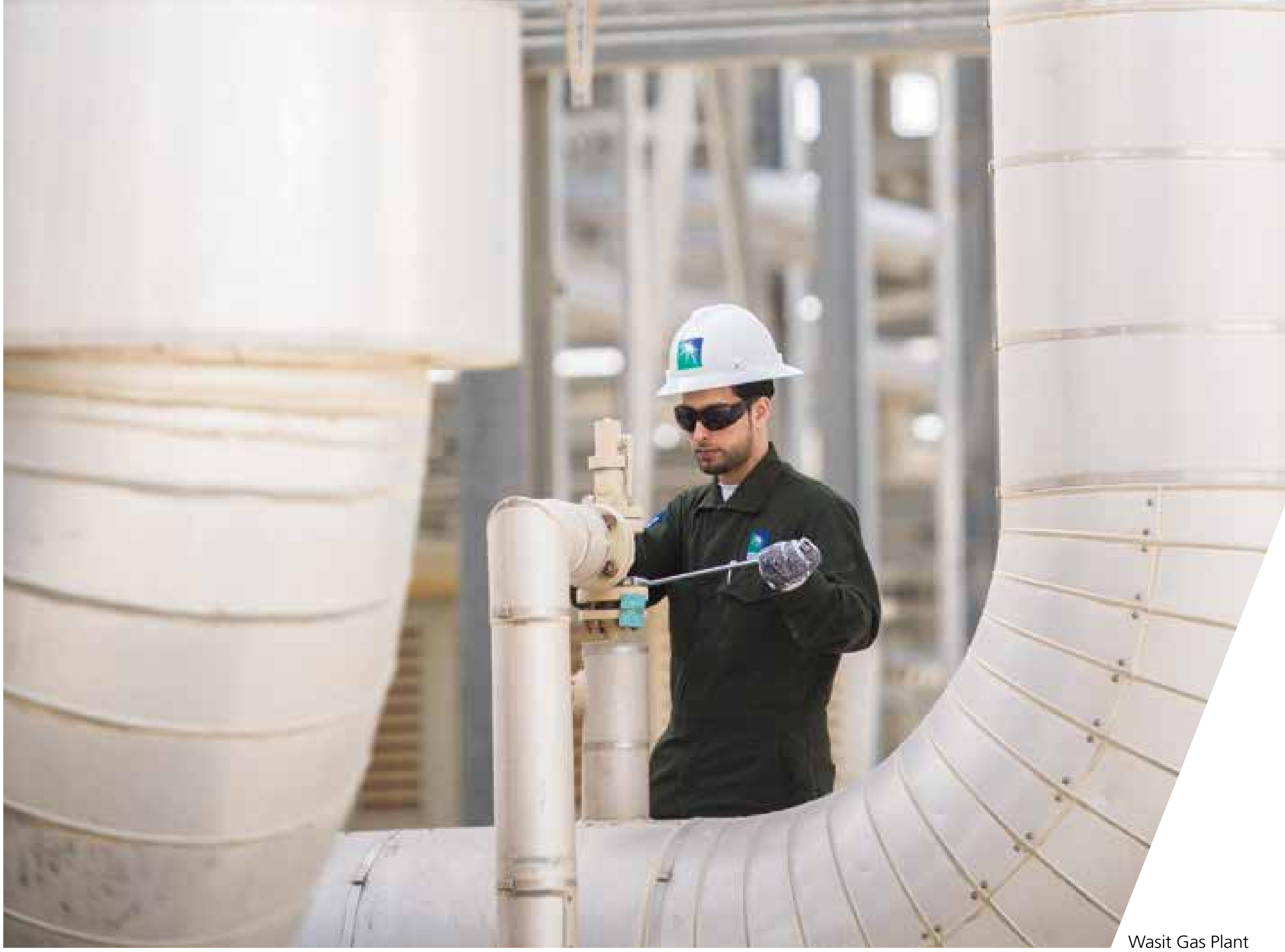
The swift and effective restoration of the Abqaiq and Khurais capacity after the attacks in September 2019 enabled Upstream to maintain the MSC at 12.0 mmbpd during 2019.

Maintaining MSC requires crude increments, development and maintain potential drilling as well as support programs such as well intervention and reservoir pressure maintenance. Significant work has been undertaken to progress key increment projects. Highlights of the status of these projects are listed below:

- The Harmaliyah increment was completed and commenced operations in January 2019, adding 25 mbpd to reach a total of 100 mbpd capacity;
- The 'Ain Dar and Fazran increments are progressing in the construction activities. Both increments are expected to commence operations in 2020 with a total production capacity of 175 mbpd;
- The engineering design phase and the procurement work have commenced for both the Marjan and Berri field increment programs. These projects are expected to contribute 300 mbpd and 250 mbpd of crude oil, respectively, and are expected to commence operations in 2023; and
- The Dammam project with a total production capacity of 75 mbpd is expected to commence operations in two phases. The preparation for phase one has commenced and is planned to be completed in 2022 with an expected capacity of 25 mbpd, while the remaining capacity is planned to commence operations in 2026.

On September 14, 2019, Saudi Aramco's Abqaiq and Khurais facilities were attacked, which resulted in explosions, fires and significant damage to equipment at each facility. As a result of these attacks, Saudi Aramco's crude oil production was temporarily reduced by approximately 54%. Saudi Aramco took a number of actions to minimize the impact on its customers, including tapping into its crude oil inventories located outside the Kingdom, swapping grades of deliveries and curtailing NGL deliveries to some customers and increasing production from other fields. As at September 25, 2019, Saudi Aramco's production had recovered to the same level as that prior to the attacks. The related restoration and construction work is currently on-going and the estimated cost of repairs of those facilities is not expected to have a material impact on the Company's financial position or results of operations.

Khurais plant



Wasit Gas Plant

Gas and NGLs

Overview

Saudi 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, Saudi Aramco's crude oil production provides a base load of associated gas, which is rich in liquids.

Saudi Aramco's primary natural gas processing and fractionation facilities are located in three geographical regions: Jubail, Ghawar and the Kingdom's western area. 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, 2019, the total gas processing system had a capacity of 17.0 bscfd (2018: 15.5 bscfd). This capacity feeds the MGS, an extensive network of pipelines that connects Saudi Aramco's key gas production and processing sites throughout the Kingdom.

Pursuant to the Concession, Saudi Aramco is the exclusive supplier of natural gas in the Kingdom. Saudi 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. Saudi Aramco also exports a portion of its NGLs production.

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

In 2019, Saudi Aramco produced approximately 9.0 bscfd of natural gas (2018: 8.9 bscfd), 1.0 bscfd of ethane (2018: 1.0 bscfd), 1.1 mmbpd of NGLs (2018: 1.1 mmbpd) and an additional 0.2 mmbpd of unblended condensate (2018: 0.2 mmbpd).

1.5bscfd

Fadhili Gas Plant facilities achieved 1.5 bscfd capacity at year-end

Performance and achievements

The Kingdom's growing demand for energy continues to drive Saudi Aramco's large-scale pursuit of new gas, ethane, and NGLs production. Saudi Aramco's strategy to meet demand leverages all aspects of exploration, appraisal and development of conventional and unconventional resources in addition to investment in infrastructure.

Major gas projects throughout 2019 are as follows:

- Fadhili Gas Plant achieved 1.5 bscfd capacity and is expected to reach full capacity of 2.5 bscfd in 2020;
- Ethane deep recovery facility at the Uthmaniyah Gas Plant to recover an additional 85 mmscfd of ethane has been completed and was undergoing commissioning activities at year-end 2019;
- Haradh increment program for the Hawiyah Gas Plant (HGP) expansion project is currently under construction to provide additional gas processing capacity at HGP, achieving a total processing capacity of 3.6 bscfd of raw gas. Operations are expected to commence in 2021;
- The Tanajib Gas Plant, which is part of the Marjan Development Program, provides for gas processing facilities of up to 2.5 bscfd with operations expected to commence in 2023. The engineering design work phase and critical material procurement have commenced for this project. This project will process gas from the Marjan, Safaniyah and Zuluf fields; and
- Hawiyah Unayzah Reservoir Gas Storage will be the first underground natural gas storage project in the Kingdom to inject 1.5 bscfd of surplus natural gas from the MGS into the Hawiyah Unayzah Reservoir during off-peak demand by 2022. In addition, the program will provide gas processing facilities to reproduce up to 2.0 bscfd of gas for re-introduction into the MGS by 2024.

Tanajib plant

In addition, Saudi Aramco successfully and safely restored full production levels following the attack on its Shaybah NGL facility on August 17, 2019. The facility was attacked by five unmanned aerial vehicles, which resulted in fires and damage to the processing and cogeneration infrastructure at the facility. No injuries or fatalities were reported during the incident. Restoration of plant operations on one NGL train was completed within two weeks after the attack. Saudi Aramco took a number of steps to mitigate the impact of the shutdown on its customers, including providing alternative feedstock supply where possible.

Exploration

Overview

The exploration program continued its effort to achieve the strategic objectives and associated targets of growing Saudi Aramco's oil and non-associated gas reserves.

Crude oil

The majority of Saudi 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. Saudi Aramco places strong emphasis on operational performance improvement of its drilling activities by applying innovative technologies and benchmarking of key metrics to identify trends and potential areas for enhancements. Saudi Aramco believes that its approach to drilling and development has led to high levels of well integrity.

Natural gas

Saudi 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. Saudi 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. Saudi Aramco expects 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.

Performance and achievements

Saudi Aramco's exploration activities during 2019 resulted in the following discoveries:

- Crude oil: two fields, two new reservoirs and seven successful delineations; and
- Conventional gas: one new onshore field, five reservoirs and six successful delineations.

Unconventional resources

Overview

Saudi Aramco has initiated an unconventional resources program and it 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 goal to develop unconventional gas resources in support of the Kingdom's growing demand for gas and to offset crude oil used for power generation. The unconventional resources program continued to delineate and prove the Kingdom's unconventional gas resource base, pursue full development of the Jafurah and South Ghawar fields and to carry out maintain potential activities in North Arabia, which has been producing since 2018. Subsequent to year end, Saudi Aramco received regulatory approval for the development of the Jafurah field.

Performance and achievements

2019 was a year of success, growth and transformation for unconventional resources. A significant milestone has been achieved with the commissioning of additional surface processing facilities that include four satellite facilities and associated well sites. Total North Arabia processing capacity is now 400 mmscfd.

Outlook for 2020

Saudi Aramco's Upstream segment will continue to focus on maintaining its preeminent position in oil and gas exploration, development and production. Saudi Aramco plans to maintain its MSC as required by the Government.

2019 was a year of success, growth and transformation for unconventional resources

downstream

Saudi 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 into a high-quality external customer base and through a dedicated downstream system;
- Strong track record of supply reliability;
- Global network of complex, reliable assets in key regional markets and hubs;
- Scale 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; and
- Potential to become a major petrochemicals producer globally.

Key events in 2019

On March 27, 2019, the Company entered into a purchase agreement with the PIF to acquire 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, including ethylene, ethylene glycol, ethylene oxide, methanol, MTBE, polyethylene and engineering plastics and their derivatives, among other products.

In 2019, Saudi Aramco continued to capture value from further strategic integration and diversification of its operations, including:

- Acquiring a 17% equity interest in Hyundai Oilbank from HHIH for SAR 4.4 billion ($1.2 billion), with an option to acquire an additional 2.9% equity interest. Hyundai Oilbank operates a fully integrated refining plant with a processing capacity of 650.0 mbpd;
- Acquiring Shell Saudi Arabia Refining Limited's 50% equity interest of the SASREF joint venture for SAR 2.4 billion ($631.0 million) thereby increasing Saudi Aramco's net refining capacity by an additional 152.5 mbpd;
- Entering into a 50:50 joint venture with Total S.A. (Total) and acquiring a network of 270 service stations and a fuel tanker fleet in the Kingdom under the "Sahel" brand name;
- Acquiring 100% of the equity interest in Motiva Chemicals LLC (previously Flint Hills). The cash purchase price paid at closing was SAR 7.1 billion ($1.9 billion). Motiva Chemicals LLC owns and operates a chemical plant located in Port Arthur, Texas, comprising of a mixed feed cracker, a cyclohexane unit, a benzene unit, NGL and ethylene pipelines and storage facilities; and
- Signing a Shareholder Agreement with the intent to establish a joint venture to own and operate the Jazan Integrated Gasification Combined Cycle (IGCC) plant. The joint venture shareholders will be Saudi Aramco with 20%, Air Products with 46%, ACWA Power with 25% and Air Products Qudra with 9% equity interests.

Overview

Saudi 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 strategic integration of Saudi Aramco's Upstream and Downstream segments provides an opportunity for Saudi Aramco to secure crude oil demand by selling to its dedicated system of domestic and international wholly owned and affiliated refineries. In 2019, Saudi Aramco's downstream operations consumed 38% (2018: 38%) of its crude oil production.

The Downstream segment's other business activities include base oils, lubricants and retail operations.

Saudi 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, in the case of international refining operations, facilitate the placement of its crude oil in large offtake volumes relative to its equity interest and capital costs. In line with this strategy, Saudi Aramco has significantly increased its net refining capacity from 2.2 mmbpd as at December 31, 2010 to 3.6 mmbpd as at December 31, 2019. Saudi Aramco's gross refining capacity as at December 31, 2019 was 6.4 mmbpd, an increase of 1.5 mmbpd from December 31, 2018. Additionally, Saudi Aramco's ongoing initiatives focus on optimizing petrochemicals integration at existing facilities as well as developing new integrated facilities.

"In 2019 we experienced a very challenging market environment but kept pace with our long-term strategy to secure placement of our crude, de-risking and optimizing our Company's product portfolio through investments in strategically located refining and chemical assets. We also continued to build out additional businesses, including retail, trading, and lubes that will add additional value in the years ahead."

Abdulaziz M. Al Gudaimi
Senior Vice President, Downstream

Downstream financial results

	SAR		USD*		
	Year ended December 31		Year ended December 31		
All amounts in millions unless otherwise stated	**2019**	2018	**2019**	2018	**% change**
Revenue and other income related to sales (including sales to other segments)	**527,419**	552,825	**140,645**	147,420	**(4.6)%**
Earnings (losses) before interest and taxes	**(3,478)**	12,638	**(927)**	3,370	**(127.5)%**
Capital expenditures – cash basis	**26,696**	32,677	**7,119**	8,714	**(18.3)%**

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

Earnings (losses) before interest and taxes (EBIT)
Refining and Chemical margins were lower in 2019 compared to 2018 due to slower global economic growth and oversupplied gasoline and petrochemicals markets. Accordingly, Downstream EBIT for the year decreased by 127.5% from SAR 12,638 ($3,370) in 2018 to a loss of SAR 3,478 ($927) in 2019, which includes SAR 5,996 ($1,599) related to Saudi Aramco's share of an impairment charge recognized by Sadara.

Capital expenditures decreased by 18.3% from SAR 32,677 ($8,714) in 2018 to SAR 26,696 ($7,119) in 2019. This was predominantly due to the completion of the S-Oil Residue Upgrade Complex and Olefins Downstream Complex upgrade and reduced spending on the Jazan Refinery Complex and MGS Phase II as these developments near completion.

25%

placed 25% of the Company's crude oil production, or 2.5 mmbpd, to its in-Kingdom refineries

Refining

Overview
Saudi Aramco operates one of the world's largest refining businesses, with gross refining capacity of 6.4 mmbpd for 2019 (2018: 4.9 mmbpd). Saudi Aramco's refining operations are conducted in the Kingdom and internationally through wholly owned and affiliated refineries. The refining operations allow Saudi Aramco to transform its crude oil and NGLs into refined products and chemicals for sale within the Kingdom and internationally.

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

Domestic refining
The majority of Saudi Aramco's refining operations are located in the Kingdom. Its in-Kingdom refineries (both wholly owned and affiliated) receive their crude oil supply from Saudi Aramco's upstream production.

As a result, in 2019, Saudi Aramco placed 25% (2018: 25%) of its crude oil production and 0.2 mmbpd (2018: 0.2 mmbpd) of condensate to in-Kingdom wholly owned and affiliated refineries. Saudi 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 Saudi Aramco's pipelines, distribution and terminals system.

Domestic wholly owned refining operations

Saudi Aramco's Jazan Refinery Complex project is intended to address the Kingdom's refined products demand, power needs, and to support economic growth. Once Jazan refinery becomes fully operational, Saudi Aramco will have five wholly owned refineries within the Kingdom.

In September 2019, Saudi Aramco completed the acquisition of Shell Saudi Arabia Limited's 50% equity interest in SASREF for cash consideration of SAR 2.4 billion ($631 million). As a result of this transaction, Saudi Aramco became the sole shareholder of SASREF, now renamed as Saudi Aramco Jubail Refinery Company, which owns and operates a 305.0 mbpd refinery.

Domestic affiliated refining operations

Saudi 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, Saudi 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, Saudi 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.

In 2019, Saudi Aramco completed its acquisition of a 17% equity interest in Hyundai Oilbank from HHIH. The business portfolio of Hyundai Oilbank and its subsidiaries includes oil refining, base oil, petrochemicals, and a network of branded retail fuel stations. Saudi Aramco's investment in Hyundai Oilbank will also support its crude oil placement strategy by providing a dedicated outlet for Arabian crude oil in South Korea. The Daesan Complex, where Hyundai Oilbank's major facilities are located, is a fully integrated refining plant with a processing capacity of 650.0 mbpd.

Consistent with its downstream strategy, Saudi Aramco and Petronas are involved in the joint development of PRefChem, which includes a 300.0 mbpd refinery, an integrated steam cracker with 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. PRefChem is expected to be fully operational in the second half of 2020 and Saudi Aramco will provide a significant portion of PRefChem's crude supply under a long-term supply agreement, which presents an expansion opportunity in Southeast Asia and offers new geographies for crude oil sales.

Saudi Aramco's net refining capacity for its international wholly owned and affiliated refineries was 1.5 mmbpd (2018: 1.2 mmbpd). Product sales by Saudi Aramco's international ventures are facilitated through multiple channels of distribution, including systems owned by the respective affiliates through over 17,000 branded fuel retail networks.

Performance and achievements

In 2019, Saudi Aramco placed 9% (2018: 7%) of its crude oil production, or 0.9 mmbpd (2018: 0.7 mmbpd) to its domestic wholly owned refineries and 16% (2018: 18%), or 1.6 mmbpd (2018: 1.9 mmbpd), to its domestic affiliated refineries. Moreover, Saudi Aramco supplied 1.2 mmbpd (2018: 1.3 mmbpd) of crude oil to its international wholly owned and affiliated refineries.

Base oils

Overview

During the year, Saudi Aramco's three affiliates, Luberef, Motiva and S-Oil, as major producers and marketers of base oils, have completely rebranded their products utilizing the official Saudi Aramco base oil brands: aramcoDURA® (Group I), aramcoPRIMA® (Group II), and aramcoULTRA® (Group III). Saudi Aramco has also created an Aramco Base Oils Alliance with its three affiliates to better serve its customers.

Performance and achievements

In 2019, Saudi Aramco sold 4.2 million tonnes (2018: 4.1 million tonnes) of base oils, making it one of the primary marketers of base oils globally.

Saudi Aramco sold 4.2 million tonnes of base oils, making it one of the primary marketers of base oils globally

Motiva sells fuel in the U.S. at more than 5,000 stations

Saudi Aramco continues to execute its strategy towards becoming a top-tier integrated chemicals company through growth, integration, innovation and development of its product portfolio

Retail operations

Overview

In 2019, Saudi Aramco continued to grow its fuel retail presence through its affiliates. Saudi Aramco has continued to supply 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.

Performance and achievements

In February 2019, Saudi Aramco grew its service stations business and increased its access to in-Kingdom retail customers by entering into a 50:50 joint venture with Total to operate service stations in the Kingdom. Saudi Aramco and Total also entered into an agreement to acquire a network of 270 service stations and a fuel tanker fleet in the Kingdom under the "Sahel" brand name. The transaction closed in June 2019. Saudi Aramco and Total intend to rebrand these newly acquired service stations in the future.

Chemicals

Overview

Saudi Aramco's chemicals business represents an extension of the hydrocarbon value chain and strategically complements its refining operations. Saudi Aramco's growing operations in chemicals include participation in high-growth chemical markets with demand from industries such as packaging, automotive and appliances.

Saudi Aramco has strategic positions domestically and internationally, and benefits from technical and operational knowledge transfer. The core of its petrochemical manufacturing is conducted through affiliates located in the Kingdom, China, Japan, South Korea and the Netherlands with key industry players, including Dow (Sadara), Sumitomo (Petro Rabigh), Total (SATORP) and Sinopec (YASREF). Through these affiliates, Saudi Aramco produces commodity and differentiated petrochemicals.

The proposed acquisition of the PIF's 70% equity interest in SABIC recently received unconditional clearance in all jurisdictions in which pre-notification antitrust filings were required and is expected to close in the first half of 2020. Post acquisition, Saudi Aramco's chemicals business will operate in over 50 countries and produce a range of chemicals products. Saudi Aramco believes that purchasing a majority interest in SABIC will advance its strategy to increase the proportion of petrochemicals production in Saudi Aramco's downstream portfolio and support its downstream growth ambitions.

As at December 31, 2019, Saudi Aramco had a net and gross chemical production capacity of 21.7 million (2018: 16.7 million) and 46.1 million (2018: 33.2 million) tonnes per year, respectively. Upon closing of the SABIC transaction, Saudi Aramco is expected to have the largest net production capacity for ethylene and monoethylene glycol, and to be among the top four companies by net production capacity for polyethylene and polypropylene.

Performance and achievements

Saudi Aramco continues to execute its strategy towards 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 Saudi Aramco's commitment and ambition to be the world's preeminent integrated energy and chemicals company.

In October 2019, through its wholly owned subsidiary, Motiva, Saudi Aramco acquired 100% of the equity interest in Motiva Chemicals LLC (previously Flint Hills). Motiva Chemicals LLC owns and operates a chemical plant located in Port Arthur, Texas, comprising a mixed feed cracker, a cyclohexane unit, a benzene unit, NGL and ethylene pipelines and storage facilities. This transaction marks Saudi Aramco's entry into the U.S. chemicals market with an exciting opportunity to develop synergies between its refining and chemicals business. The cash purchase price paid at closing was SAR 7.1 billion ($1.9 billion).

Pipelines, distributions and terminals

Overview

Saudi 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. In particular, Saudi 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. In both 2018 and 2019, the East-West pipeline transported an average of 2.1 mmbpd of crude oil.

Saudi 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, Saudi 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.

Saudi Aramco supplies oil products to customers throughout the Kingdom, which provides it with reliable demand and allows for high utilization of its domestic refining system. In order to meet demand and help ensure high levels of supply reliability, Saudi Aramco has made significant investments in a global distribution system that utilizes sophisticated control and monitoring hardware and highly skilled personnel to ensure highly reliable operations that maximize the value of the crude oil and other products Saudi Aramco produces and sells.

Performance and achievements

The East-West crude pipeline successfully achieved temporary mechanical capacity increase from 5.0 mmbpd to 7.0 mmbpd through interim conversion of NGL pipelines and use of reducing agents.

The East-West crude pipeline successfully achieved temporary mechanical capacity increase from 5.0 mmbpd to 7.0 mmbpd

7.1mmbpd

total crude exports averaged 7.1 mmbpd

Supply and trading

Overview

Saudi 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, Saudi 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.

With the recent increase in scale of its downstream operations, Saudi 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, Saudi 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.

Performance and achievements

In 2019, Saudi Aramco expanded its trading activities worldwide by adopting a globally integrated business model to capture maximum value through greater market access and coverage. Currently, Saudi Aramco has five global trading offices operating worldwide, with wider access to customers and greater market coverage.

In 2019, Saudi Aramco traded an average of 4.5 mmbpd (2018: 4.0 mmbpd) of crude and refined petroleum products, 2.2 million tonnes of liquid chemical products (2018: 1.6 million tonnes) and 1.4 million tonnes of polymers (2018: 715 thousand tonnes). In 2019, total crude exports averaged 7.1 mmbpd (2018: 7.3 mmbpd).

Despite the attacks in Abqaiq and Khurais in September 2019, the Company maintained its ability to meet customer needs through the execution of emergency response plans, meeting 99.2% (2018: 99.8%) of its delivery obligations on time in 2019. This high level of reliability was achieved through a well trained workforce and an agile in-Kingdom and global trading function that is supported by the robustness of Saudi Aramco's facilities.

Ras Tanura
Sea Island

Power systems

Overview

As at December 31, 2019, Saudi Aramco's power operations comprised 16 captive power plants and associated transmission and distribution assets located across the Kingdom. These assets are primarily designed to provide electricity and steam to Saudi Aramco's upstream oil and gas production facilities, gas processing plants and wholly owned downstream 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 Saudi Aramco has an ownership interest. Saudi Aramco also enters into offtake arrangements with independent power producers. In addition, Saudi Aramco currently owns a 6.9% stake in the Saudi Electricity Company, the Kingdom's national electricity utility company, and a 24.8% stake in Marafiq, a domestic utility company that serves the industrial areas of Jubail and Yanbu'.

For the years ended December 31, 2018 and 2019 Saudi Aramco had 6.5 gigawatts of power generation capacity.

Performance and achievements

In 2019, Saudi Aramco generated 4.8 gigawatts (2018: 4.8 gigawatts) of power, of which 3.3 gigawatts (2018: 3.5 gigawatts) was used to meet internal demand and the remaining 1.5 gigawatts (2018: 1.3 gigawatts) of spill power was transferred to the national grid.

A shareholder agreement was signed with the intent to establish a joint venture to own and operate the Jazan Integrated Gasification Combined Cycle (IGCC) plant. The joint venture shareholders will be Saudi Aramco with 20%, Air Products with 46%, ACWA Power with 25% and Air Products Qudra with 9% equity interest.

Saudi Aramco completed the physical establishment and operationalization of the Intelligent Power (iPower) center, which is aimed at driving and accelerating its digital transformation of the whole value chain of power systems.

As part of Saudi Aramco's initiative to optimize the Kingdom's fuel-mix utilization and to reduce liquid burning in the power sector, Saudi Aramco has worked jointly with in-Kingdom stakeholders to establish an efficiency based plan that aims to reduce high value liquid burning, promote sustainability, and utilize competitive gas resources.

Outlook for 2020

Saudi 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 value creation, including upgrading its systems to capture synergistic opportunities in order to increase competitiveness compared to international peers.

Key events and initiatives include:

- Following the expected closing of the proposed acquisition of the PIF's 70% equity interest in SABIC, Saudi Aramco's chemicals business will operate in over 50 countries and produce a range of chemicals;
- By the end of 2020, Saudi Aramco expects its net refining capacity to increase to 4.0 mmbpd and gross refining capacity to increase to 6.8 mmbpd;
- 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; and
- Saudi Aramco expects to identify and execute international growth opportunities through joint venture partnerships as part of its crude oil placement strategy.

Downstream segment's primary focus is on value creation, including upgrading its systems to capture synergistic opportunities in order to increase competitiveness compared to international peers

corporate

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

Overview

Corporate activities play an integral role in supporting Saudi Aramco's Upstream and Downstream segments by providing technical and other support services that are essential to the success of our core business, such as engineering services, capital planning, project management, procurement, environmental protection, office services, aviation, marine, industrial security, human resources, finance, legal, corporate affairs and IT.

Financial performance

	SAR		USD*		
	Year ended December 31		Year ended December 31		
All amounts in millions unless otherwise stated	**2019**	2018	**2019**	2018	**% change**
Losses before interest and taxes	**13,098**	12,927	**3,493**	3,447	**1.3%**
Capital expenditures – cash basis	**2,259**	2,321	**602**	619	**(2.7)%**

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

Losses before interest and taxes were stable year-on-year, and include costs relating to Saudi Aramco's employee home ownership program, post-employment benefits and corporate citizenship costs.

Capital expenditures for the year ended December 31, 2019 principally relate to various community and industrial support projects.

4 / environmental, social and governance (ESG)

sustainability at saudi aramco

Saudi Aramco is committed to responsibly managing the Kingdom's oil and gas reserves to provide the world with affordable and reliable energy and endeavors to be not just a great business, but also a good corporate citizen

By living its corporate values – Citizenship, Safety, Accountability, Excellence, and Integrity – the Company seeks to deliver value for shareholders, customers, partners, and the communities in which it operates.

Since its founding, one of Saudi Aramco's core principles has been to improve the communities where it operates. As Saudi Aramco has grown, this responsibility has expanded to taking real steps to protect the environment, and engaging in a range of corporate social responsibility projects and initiatives.

Saudi Aramco strives to support local socioeconomic development initiatives and seeks to comply with all applicable laws, regulations and corporate policies. For its operations within the Kingdom, the Company has developed environmental standards aligned with top industry practices to achieve the Company's environmental objectives. Future focus will be on leading in low-carbon intensity, supporting the development of non-fuel applications for crude oil, and targeting the highest impact solutions across the oil and gas value chain.

Saudi Aramco understands the importance of good governance to any sustainable business and has integrated governance mechanisms across its operations. As it enters a new era of public ownership, it is dedicated to enhancing transparency in public reporting and accountability for its stakeholders.

Saudi Aramco's focus will be on leading in low-carbon intensity, supporting the development of non-fuel applications for crude oil, and targeting the highest impact solutions across the oil and gas value chain

governance framework

Good governance is at the core of how Saudi Aramco operates and is fundamental to sustainable success

A Board level Risk and Health, Safety, and Environment Committee provides strategic direction and governance on health, safety, and environmental matters

Saudi Aramco has had the opportunity to leverage shared knowledge, expertise and experience since its earliest days, and continues to advance its operating platforms and governance mechanisms.

The Company's approach to managing the ESG considerations builds upon this foundation and has continued to mature in parallel with an evolving business context. The Company has established Board and Company committees, processes and procedures, and ESG is integrated into its Risk Register and Enterprise Risk Management (ERM) systems. See Section 5: Risk, for more details.

ESG management is a priority for Saudi Aramco at the Senior Executive and Board levels. Established committees, systems, procedures and programs are in place to manage ESG matters and provide the Company with the ability to respond in an orderly manner.

ESG-related initiatives and performance have historically been managed by a variety of operational functions and overseen by governing bodies across the Company, in alignment with its corporate strategies, and monitored by the Board and associated committees.

The Board's Risk and Health, Safety, and Environment (HSE) Committee provides strategic direction and governance on health, safety, and environmental matters. It oversees the management of the associated risks and performance indicators. The Company's Health, Safety, Security and Environmental (HSSE) Committee establishes the Company's safety policy and standards covering key issues, including emergency preparedness, incident reporting and investigation, competency and training, community awareness, off-job safety, risk management and asset integrity. This Committee actively tracks and monitors the health, safety, security, and environmental performance across the organization to extend accountability and improve safety performance.

The Company's Climate Initiatives Steering Committee (CISC), made up of leaders from across the business, guides and oversees management of climate and sustainability actions. This includes the carbon footprint of operations and assets, and the understanding of future energy, technology and climate change trends. CISC facilitates coordination and collaboration among relevant internal and external organizations and parties with respect to climate change matters.

A Nomination Committee oversees, reviews, and approves changes to the Company's corporate governance practices and procedures. It also develops and recommends codes of professional conduct and ethics representing the Company's values. The Nomination Committee advises the Board regularly with respect to significant developments in corporate governance practices.

An ESG strategy and reporting function has been established to oversee the ESG framework in Saudi Aramco. The function is responsible for developing, ensuring implementation, and communicating Company positions on emerging sustainability topics, aligning with Company strategy and objectives, building awareness, and sustainability reporting.

Saudi Aramco's performance dashboards include ESG-related Key Performance Indicators (KPIs), and are reviewed by management on a regular basis. Corporate KPIs are used to measure performance and to allocate annual performance bonuses for all employees.

Ethical conduct

The Company has implemented corporate governance policies and procedures specified in the Kingdom's Corporate Governance Regulations and additional policies and procedures appropriate for a company of its size, structure and industry. A Code of Business Conduct provides guidelines to the Directors, Senior Executives, employees and contract employees of the Company and its controlled affiliates regarding, among other things, integrity, health, safety and environmental protection, competition and antitrust, anti-bribery and anti-corruption, insider trading and compliance with applicable law.

Suppliers and contractors are held to the Company's standard of ethics through a dedicated Supplier Code of Conduct. For each of these policies, the Company has operating guidelines and instructions addressing record-keeping, approval procedures, appropriate behavior, stakeholder responsibilities, governance, process flows, workflow interfaces and audits.

To promote the adoption of the Company's ethics and compliance principles into its corporate culture, regular training is provided to employees across business lines, as well as suppliers and contractors, in connection with Anti-Bribery and Anti-Corruption, Conflict of Interest, and Business Ethics policies.

All of this is carried out under the auspices of the Corporate Compliance Department, which is responsible for enterprise-wide compliance-related systems, programs and practices.

Whistleblowing

Detailed policies and procedures require all employees to report suspected improper behavior, including ethical concerns, through a dedicated, anonymous General Auditor Hotline. Internal or external subject matter experts determine whether and how to investigate the allegation. The policies and procedures also include whistleblower protections. The existence and purpose of the hotline is communicated to all employees through the Company's continuous compliance training campaigns and initiatives.

	2019	2018
Allegations received	**507**	462

Concerted efforts and a communication strategy have increased trust in the system and expanded awareness and use of the hotline across the Company's operations. All allegations have been reviewed and investigated. In 2019, 9% of received allegations have resulted in cases whereby irregular activities were substantiated and for which corrective actions were applied.

Grievance mechanisms

In addition to the anonymous hotline, a channel exists for employees to raise formal complaints. The Company has engaged employees to promote a culture of psychological safety, where it is safe to speak up.

Saudi Aramco's performance dashboards include ESG-related Key Performance Indicators (KPIs), and are reviewed by management on a regular basis

The Company carefully manages security concerns that could have a material effect on its business, financial position and operations

Business resilience and continuity planning

With its operations in the Kingdom of Saudi Arabia, and across the globe, Saudi Aramco recognizes the risks associated with political and social instability, terrorism, and armed conflict. The Company takes these ongoing risks seriously as part of its continuity planning and has demonstrated the ability to recover expeditiously from even significant physical attacks on its facilities. The Company carefully manages security concerns that could have a material effect on the safety of its staff, contractors, its business, financial position, or assets.

Refer to Section 5: Risk for more details.

The Company's Operational Excellence management system enables continuous improvement and operational discipline through management of its various systems. It comprises processes, procedures, rules and standards that work together to govern operations of all operating assets throughout the asset lifecycle. Examples include the Safety Management System, Environmental Management System, Asset Integrity Management System, Energy Management Program, Business Continuity Management, Data Protection Program, Inspection Programs, Knowledge Management Program and others.

Information security

The Company works to protect Company data and systems, ensure business continuity and operational recovery, and repel intrusion attempts.

Data privacy

Data privacy compliance is important to the Company and enshrined in a Board approved enterprise-wide data privacy and protection policy, developed to protect the personal data of all employees, contractors, shareholders, customers, vendors, job applicants, and website users. The data privacy and protection policy obligates employees to ensure compliance with the applicable data privacy and protection laws and regulations.

The Company's Code of Business Conduct outlines expectations with respect to maintaining the privacy of employee personal data and the data of customers and business partners.

Cybersecurity

Saudi Aramco recognizes cybersecurity as a risk-management imperative in today's increasingly digital business, political, and technological landscape. The Company addresses cybersecurity at senior levels, including Board consideration and oversight of the Company's cybersecurity and assessment of risks. Cybersecurity is a top corporate risk and is regularly reviewed by the Risk and HSE Committee.

Refer to Section 5: Risk for more details.

The Company has programs, controls and processes in place designed to protect Company data and systems, to ensure business continuity and operational recovery and to repel intrusion attempts. To respond to an ever-changing cyber threat landscape, the Chief Information Security Officer leads the cybersecurity governance management model for Saudi Aramco's operations in the Kingdom, to establish and maintain cybersecurity policies, direct the cybersecurity programs, and mandate relevant processes, capabilities and technologies.

In addition, the Company has established a Supply Chain Cybersecurity Program to combat cyber risks originating from third parties.

The Company works to protect Company data and systems, ensure business continuity and operational recovery, and repel intrusion attempts

environmental stewardship

Saudi Aramco understands the importance of managing precious natural resources

Grow sustainably

Saudi Aramco's "Grow Sustainably" approach to addressing climate-related risks and opportunities is based on key commitments:

- Maintain the Kingdom's crude oil upstream carbon intensity as among the lowest globally;
- Support sustainable oil-based transport;
- Drive low-GHG revenue growth; and
- Target high-impact solutions to address climate change.

Saudi Aramco has long been a pioneer in water conservation, energy efficiency, management of emissions and the conservation of the natural environment

The Company celebrates its role in global economic development by extracting, processing and delivering its products safely, reliably, and efficiently.

As a company founded and operating in a desert nation, Saudi Aramco understands the importance of managing precious natural resources and continues to promote environmental awareness within and outside the Company. It has long been a pioneer in water conservation, energy efficiency, management of emissions, waste, leaks, and spills management and the conservation of the natural environment.

The Company's environmental commitments are underpinned by an environmental management system, aligned to ISO 14001: 2015 standards, to manage compliance and drive environmental performance through continual improvement and an environmental master plan that provides a framework for achieving the Company's environmental objectives. The 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.

The Board's Risk and HSE Committee and the CISC oversee the corporate risk management program focused on environmental compliance. Each subsidiary company is responsible for establishing its own environmental compliance framework and monitoring ongoing compliance consistent with the Environmental Protection Policy.

Climate change

Saudi Aramco understands that no single solution is sufficient to solve the climate challenge. The Company's approach leverages a diverse and balanced portfolio, champions technological innovation, and is collaborative in nature. It aims to work towards solutions that will improve the delivery of affordable and reliable energy to people across the world for societies to have access to the energy they need to sustain economic growth and development.

Advancing local, industry and global climate initiatives

Saudi Aramco participates in collaborations that support the development of sustainable energy systems and low Greenhouse Gas (GHG) technologies. Saudi Aramco is a founding member of the Oil and Gas Climate Initiative (OGCI) and a member of the International Petroleum Industry Environmental Conservation Association (IPIECA), the Petroleum Environmental Research Forum, and the World Bank's "Zero Routine Flaring by 2030" initiative.

The Company also supports the Government's efforts to achieve its contributions as a signatory of the Paris Agreement as well as other climate change mitigation and adaptation efforts by the Kingdom.

Greenhouse Gas (GHG) emissions
Saudi Aramco believes that, for the foreseeable future, hydrocarbon-based energy will remain indispensable to supporting continued economic expansion and higher living standards.

The Company established a GHG emissions management program to account for Scope 1 and 2 GHG emissions from the Company's operations and assets, develop relevant KPIs, identify initiatives that could further reduce its already low carbon intensity, and support reporting requirements based on industry guidelines. The program follows the widely-accepted IPIECA industry guidelines and aligns with the GHG protocol developed by the World Resources Institute and the World Business Council for Sustainable Development, as well as the American Petroleum Institute Compendium of Greenhouse Gas Emissions Estimation Methodologies for the Oil and Natural Gas Industries (API Compendium).

The Company's full year 2018 GHG emissions were verified for the first time by a certified third party and an independent limited assurance opinion was issued. The GHG emissions include carbon dioxide, methane and nitrous oxide.

The following table provides the Company's direct (Scope 1) and indirect (Scope 2) emissions for the in-Kingdom wholly owned operated assets, based on estimates available at the time of publication of this Annual Report. The 2019 data reflects estimates for the fourth quarter of 2019. Hence, metrics are subject to change pending third party verification in 2020.

	2019	2018
Scope 1 emissions*	**44.7**	46.6
Scope 2 emissions*	**13.2**	14.7

* Million metric tons of CO_2e.

The Company is pursuing various initiatives to manage the carbon footprint of its operations and assets by implementing flare gas recovery systems, energy efficiency programs, leak detection and repair programs and evaluating the potential utilization of carbon dioxide in various applications, such as enhanced oil recovery.

Minimizing flaring
Since the 1970s, the Company has acted to mitigate the negative environmental impacts of systematic flaring of associated gas by utilizing gas for power generation and petrochemicals production, which also has positive economic benefits to the Company. The Company has grown the MGS, which supplies gas for use in the electric power facilities located in the Kingdom and in the Kingdom's rapidly growing petrochemical sector. The development of the MGS reduced the Company's environmental impact and GHG emissions arising from flaring, in addition to supporting national economic growth.

In addition to the MGS, the Company established a flaring minimization plan in 2006 to further improve its environmental performance. The Company also invested in Company-wide Flaring Minimization Roadmap, and a Fourth Industrial Revolution Center, designed to monitor flaring and other operations in real time. The following table provides flaring intensity for the in-Kingdom wholly owned operated assets in 2018 and 2019.

	2019	2018
Flaring intensity (standard cubic feet per barrel of oil produced)	**5.54**	5.77

The reduction in flaring intensity in 2019 is mainly attributed to improvements in flare gas recovery systems, enhanced equipment reliability, and improved flare management practices.

In 2019, Saudi Aramco formally endorsed and signed the World Bank's "Zero Routine Flaring by 2030" initiative, with the objective of sharing best practices and knowledge in flaring minimization, reporting progress and demonstrating its efforts in reaching zero routine flaring. The following table provides volume of flared gas for the in-Kingdom wholly owned operated assets in 2018 and 2019.

	2019	2018
Flared gas (mmscf)	**26,551**	27,783

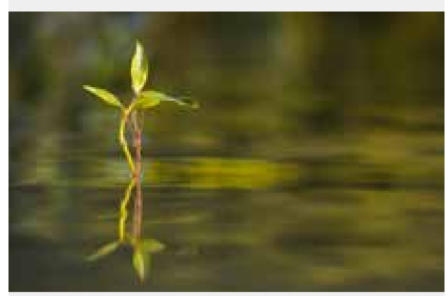
Low carbon intensity

The proven low carbon intensity of Saudi Aramco's upstream operations, a product of both the unique geology of the Kingdom's reserves as well as its focus on innovation and smart reservoir management practices, positions Saudi Aramco to remain a supplier of choice throughout future energy transitions.

Saudi Aramco has strengthened its operational performance through continuous improvement of its business processes, systems and policies. The Company's legacy and framework for operational excellence and its capacity to deliver at scale have driven efficiency and reliability across its operations.

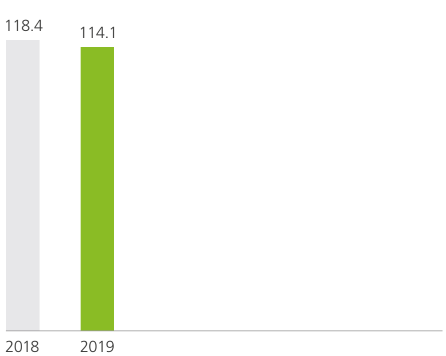
The upstream process improvements are designed to maintain the low carbon intensity of the Company's operations and flaring reduction commitments. The following table provides the upstream carbon intensity for the in-Kingdom wholly owned operated assets, based on total verified GHG emissions and total hydrocarbon deliveries, applying estimates available at the time of publication of this Annual Report. The 2019 data reflects estimates for the fourth quarter of 2019. Hence, metrics are subject to change pending third party verification in 2020.

	2019	2018
Upstream carbon intensity (kg of CO_2e/boe)	**10.1**	10.2



Energy intensity

thousand BTUs per boe



Methane emissions

Methane emissions remain a focus area for Saudi Aramco, given the greater warming potential of methane, compared to carbon dioxide.

Throughout 2018 and 2019, the Company implemented a leak detection and repair program, enabling further reductions in emissions through the identification and mitigation of fugitive leaks. The program covers all operating wholly owned facilities in Saudi Arabia, and entailed detailed process analysis, tagging millions of components, field surveys, equipment upgrades, and changing processes.

The following table provides the upstream Methane Intensity in percentage terms for the in-Kingdom wholly owned operated assets based on estimates available at the time of publication of this Annual Report. The 2019 data reflects estimates for the fourth quarter of 2019. Hence, metrics are subject to change pending third party verification in 2020.

	2019	2018
Upstream methane intensity (%)	**0.057**	0.057

Collaborating for emissions reductions across the value chain

Saudi Aramco is actively engaging partners across its value chain to improve the efficiency of their energy use and reduce their environmental footprint. As part of this effort, the Company is pursuing advanced research and development (R&D) programs for further reducing emissions in its upstream, refining, and chemicals operations as well as end-use applications. Saudi Aramco is actively engaged in developing cutting-edge technologies such as novel carbon capture, utilization, and storage (CCUS) solutions for both fixed and mobile sources and potentially game-changing thermal and catalytic crude-to-chemicals processes.

Saudi Aramco also works with engine technology developers and major automakers to introduce innovative internal combustion-based transport and fuel technologies, compression ignition, improve internal combustion engine efficiency and reduce GHG emissions through new engine designs and fuel formulations. Advances in the efficiency of internal combustion engines, along with advanced fuel formulations to support them, can significantly reduce overall transport-based GHG emissions.

Energy efficiency

The Company issued its corporate energy conservation policy in 2000, and has been improving its energy performance. Energy Intensity (EI) is the key metric used to measure and report the energy performance. The following table provides EI KPI results for the in-Kingdom wholly owned operated assets in 2018 and 2019.

	2019	2018
Energy intensity (thousand BTUs per boe)	**114.1**	118.4

Non-industrial and renewable energy

In 2013, Saudi Aramco launched a non-industrial energy initiative called the Lead by Example program. Starting with its own facilities, the program aims to demonstrate viable energy efficiency solutions for other companies and communities to emulate and concentrates on six key focus areas: water heaters, lighting, vehicles, heating ventilation and air conditioning (HVAC), home ownership, and smart electricity meters. The program targets a 35% reduction of the Company's non-industrial energy consumption by 2020 versus a 2013 baseline, and has achieved 90% progress against this goal, with a total accumulated energy savings of 27%, equivalent to 660 thousand barrels of oil, as of the end of 2019.

The Company is also deploying renewable energy systems in office buildings and industrial facilities such as production wells and bulk plants. For example, in January 2017, the Company installed the Kingdom's first wind turbine at the Turaif Bulk Plant. Additionally, the Company has installed a carpark solar panel system covering a total area of 100,000 square meters with a power generation capacity of 10.5 MW.

Research and Development (R&D)

Saudi Aramco manages a global network of 12 research and technology centers located in the Kingdom and abroad with the goal of delivering new technologies to achieve its recovery, discovery, and diversification and sustainability objectives.

The Company and its subsidiaries ARLANXEO and Motiva collectively filed 637 US patent applications and received 335 US patents in 2018. In 2019, 1,048 US patent applications were filed and 524 were granted. About 19% of the 2019 granted patents relate to production, 18% drilling, 14% chemicals and refining, and 11% reservoir engineering. With regard to filed patents, about 21% relate to drilling, 16% production, 12% chemicals and refining and 8% reservoir engineering.

The Company's research projects like the Corporate Nonmetallic Strategy, designed to find new lower carbon-impact uses for oil-based products and extend the lifecycle of industrial materials, are well under way and seek to discover new ways to enhance the value of plastics and, in turn, reduce the potential for negative environmental impacts.

The Company has deployed nonmetallic piping across its operations, including both onshore and offshore applications. The Company continues R&D efforts to expand the operating envelope for nonmetallics.

Protecting the natural environment

Water

The Company's comprehensive water conservation efforts entail supplementing water supply with non-traditional sources, implementing water-efficient practices, maximizing wastewater reuse and minimizing water losses.

The Company's freshwater consumption was higher in 2019 compared to 2018 mainly due to inclusion of new operating facilities and increase in drilling activities.

	2019	2018
Freshwater consumption (million cubic meters)	**36.15**	30.5

The Company seeks to reduce its dependence on non-renewable groundwater by using non-traditional water sources like seawater, treated sewage effluent, and treated reject streams.

The water conservation policy, issued in 2011 in compliance with the ISO 14001:2015 standard, is overseen by the HSSE Committee at the Company-level and the Risk and HSE Committee at the Board level.

Discharge and effluents

The Company monitors its hydrocarbon discharges by deploying online monitoring systems to provide continuous, reliable and accurate measurements of hydrocarbons in wastewater effluents, helping to proactively manage hydrocarbon discharges to the marine environment in a timely manner. The following table provides quantities of hydrocarbon discharge to marine for the in-Kingdom wholly owned operated assets in 2018 and 2019.

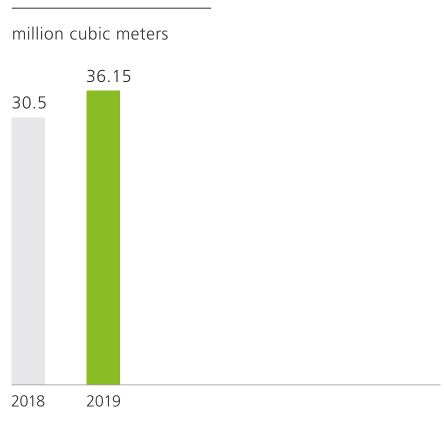
	2019	2018
Hydrocarbon discharge to marine (barrels)	**15**	18

Waste management

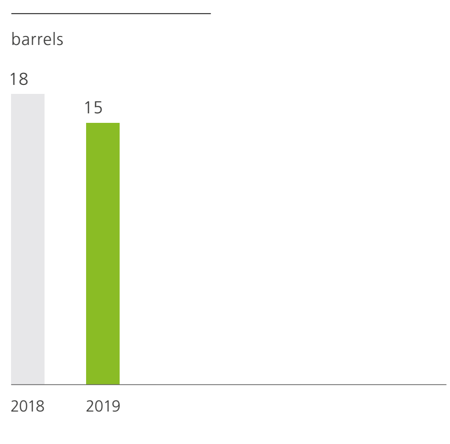
Waste management is an integral part of the Company's operations where waste is categorized into three management streams: hazardous, non-hazardous (including municipal), and inert waste. Management options are then ranked by their environmental impact with highest priority going to waste prevention, followed by reuse, recycling, recovery and, lastly, disposal. All new and selected existing projects are assessed for waste minimization opportunities, and the design of facilities and processes includes reuse, recycling, and recovery opportunities.

The Company launched a corporate enhanced waste management initiative. This initiative includes all waste management aspects related to waste generator, waste transporter, waste receiver, waste management technologies, compliance, and performance of facilities, current practices by waste generators, waste data and monitoring.

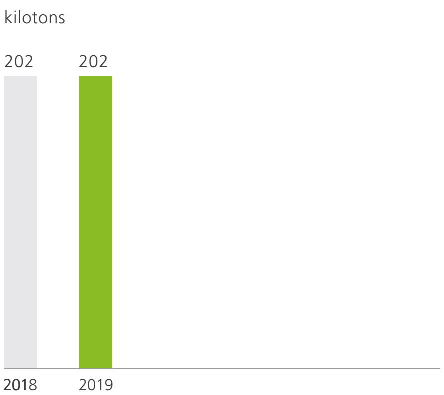
Freshwater consumption



Hydrocarbon discharge to marine



SOx equivalent



The Company seeks to continually reduce emissions through capital investment and operational improvement

Operational incidents

The Company proactively manages its operations in a manner that seeks to avoid hydrocarbon leaks and spills by maintaining asset integrity throughout the asset lifecycle. This approach includes prevention, preparedness and incident response, making use of modern technologies to monitor operations in real time and mitigate risk of leaks. These technologies include high frequency radar, high-tech mooring buoys, intelligent early-warning systems and hydrodynamic modeling capabilities. The following table provides quantities of spills to the environment for the in-Kingdom wholly owned operated assets in 2018 and 2019, including spills and leaks of at least 1 barrel.

	2019	2018
Spills to the environment (barrels)	**18**	139

The Company has dedicated functions responsible for controlling all leaks and spills and for maintaining onshore and offshore spill response readiness. Its offshore response teams serve the Company as well as other parties that may request assistance.

Air emissions

The Company seeks to continually reduce emissions through capital investment and operational improvement. In 2018 and 2019, the Company maintained the volume of sulfur oxide (SOx) emissions for the in-Kingdom wholly owned operated assets at 202 kilotons of SO_2 equivalent, which include sulfur dioxide (SO_2) and sulfur trioxide (SO_3).

	2019	2018
SOx equivalent (kilotons)	**202**	202

The low SOx emissions are mainly attributed to efficient sulfur recovery operations at several facilities, in addition to the effect of lower than planned flaring. The sulfur recovery dashboard at the Fourth Industrial Revolution Center also provides an opportunity to closely monitor sulfur recovery performance and initiate prompt action to address potential failure.

Mangrove restoration and conservation

The Company is developing a mangrove eco-park, which will help foster knowledge and appreciation of this fragile ecosystem. A mangrove plantation initiative to restore lost mangrove habitats in the Kingdom's Eastern Province coastal areas aims to plant two million mangrove trees. Although this is a voluntary environmental stewardship initiative, this effort is important to protect the natural habitats and ecosystems the Company relies on in its areas of operation. The Company supported a study to estimate carbon sequestration associated with mangroves, which highlighted that areas such as the Ras Tanura mangrove eco-park and Abu Ali Island are able to store approximately 1.7 million metric tons of CO_2 over the lifetime of the mangroves.

Biodiversity preservation

The Company believes that the protection and preservation of the natural environment for future generations is vital to its continued success. The Company maintains 10 different sites that have been designated as Corporate Biodiversity Protection Areas, where it endeavors to protect local natural ecosystems. The areas include diverse initiatives from migratory bird sanctuaries, to sandy-gravel wildflower fields and mangrove forests. Eight additional sites are currently under review for designation as biodiversity protection areas. In 2019, the Company focused on the following biodiversity preservation projects.

One million trees
In May 2018, the Company commenced a program to plant one million native trees in strategic locations throughout the Kingdom, helping to combat desertification, enhance native biodiversity and create shaded areas. Over 300,000 trees have been planted as of 2019.

Protecting the Asir Magpie
The Company entered into a partnership with the Smithsonian Institution and the Saudi Wildlife Authority to save one of the unique and highly endangered species in Asir region (in the south-west of Saudi Arabia) – the Asir magpie – whose estimated numbers have dwindled to just 100 breeding pairs. Using genetic markers, GPS tracking systems and tracking of vital health indicators, this initiative involves studies to assess population genetics, estimate magpie population size, density, habitat use and distribution, and identify strategies to save the species.

Shaybah wildlife sanctuary

A 637 square kilometer reserve located adjacent to one of Saudi Aramco's mega-facilities in Saudi Arabia's Rub' al-Khali desert region, Shaybah Wildlife Sanctuary has been instrumental in protecting native flora and fauna such as the Arabian oryx, gazelles, and ostriches.

637sq km

The size of the Shaybah wildlife sanctuary, one of 10 different sites that have been designated as Corporate Biodiversity Protection Areas

people and communities

Saudi Aramco makes efforts to recruit, develop and retain a highly diverse workforce

Contractor safety

The Company is dedicated to the health, safety, wellness and overall human rights of its contractors. The Company's success and resilience stem from collaborating with its committed partners as they contribute 80% of total man-hours. Dedicated teams continuously provide in-depth assessments and support to improve contractor safety performance. Living conditions and contractor pay are assessed on a regular basis to ensure adequate labor conditions. Proactive safety performance metrics and injury statistics are utilized to drive selection of contractors performing high risk construction, drilling, operation and maintenance activities. The Company's safety culture is rooted in integrating safety in every facet of its business, including contractor utilization.

Providing for our people

The Company's employees and workplace culture are important to its success. The Company invests in its personnel and has implemented a number of training and skills development programs.

Saudi Aramco makes efforts to recruit, develop and retain a highly diverse workforce, and employs numerous strategies and programs to promote their personal and professional growth.

Occupational health and safety

Safety is not a choice but a requirement when working for or engaging in business with Saudi Aramco. 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, while adapting to market and operating conditions. This involves a continuous improvement approach and a low risk tolerance with rigorously applied operational safety procedures.

The Company has various occupational and environmental health programs in place to protect its workforce, contractor employees, and various communities where the Company operates from hazards that may arise from its operations or activities, including the Occupational Health Hazard Assessment, Hazard Materials Communication, Comprehensive Environmental Health Assessment and Contractor Camp Environmental Health Inspection program.

The Company employs a Safety Management System (SMS) that includes performance expectations and specifies safety roles and responsibilities for management, employees and contractors. It is aligned with the Company's safety policy, which drives a disciplined approach in establishing specific safety expectations and provides a framework for managers to fulfil their safety and loss prevention obligations.

The Company benchmarks its safety performance against industry standards and performance targets. Safety performance is measured and tracked through a set of KPIs established by the HSSE Committee and reported to the Board Risk and HSE Committee. The Company administers an effective program for conducting safety reviews and maintains an annual calendar for site visits by top management and deep dives into key process safety components.

The following table provides the Company's safety performance in 2018 and 2019 for the total workforce, including employees and contractor personnel, of the in-Kingdom wholly owned operated assets.

	2019	2018
Tier 1 events	**4**	7
TRC frequency*	**0.059**	0.056
LTI rate*	**0.016**	0.014
Number of fatalities	**6**	9

* Per 200,000 man-hours.

The Company continued to maintain a position of safety leadership among industry peers with respect to occupational and process safety performance in 2019. This was achieved by emphasizing operational discipline, committed and visible safety leadership, and innovative safety technologies.

In 2019, the Company suffered six fatalities among contractors at remote sites mainly involving construction activities. These incidents are taken seriously and quickly addressed by the Company in accordance with its health and safety policies and procedures. Each incident has been investigated with root causes identified and corrective actions taken to avoid recurrence.

Health and safety training

Health and safety training is provided to personnel at all levels of the Company throughout their careers. During 2018 and 2019, the Company developed enhanced training programs in management of change, equipment and process isolation simulation, and the Company's work permit system. In addition to the existing training, the Company is focusing efforts on developing new interactive and multimedia training utilizing advanced e-learning methodologies that can be easily accessed from any location, with supplemental classroom training and examination as required. In addition, health and safety leadership training is provided for supervisors and senior management.

Empowering workforce

The Company values professionals of all backgrounds, genders, abilities, races and ethnicities, in the Kingdom and abroad. The Company has worked hard to attract and develop diverse and high-caliber talent across its business lines and geographies.

The Company offers incentives, benefits and educational, professional and personal development opportunities, as well as health care programs, housing and recreational facilities. These programs and initiatives are designed to promote employee satisfaction, development, health and well-being. The following table provides the Company's total number of employees for the in-Kingdom wholly owned operated assets in 2018 and 2019.

	2019	2018
Company employees	**69,867**	67,947

Attracting top talent

In order to build a pipeline of the best and brightest talent, Saudi Aramco engages in early outreach programs with select in-Kingdom universities, colleges and high schools. Through these programs, company representatives help students prepare for their futures and begin to consider career opportunities with the Company. In 2019, the Company visited 29 cities in the Kingdom and met with over 21,000 students, a 60% increase over the previous year. Outreach programs include sessions for female students such as the Female University Seminar initiative in partnership with Princess Nourah Bint Abdulrahman University in Riyadh.

The Company's vocational school, college and apprenticeship programs raise awareness of, and attract key talent to, career opportunities with the Company.

Local hiring

The Company is consistently committed to creating employment opportunities for Saudi nationals. As of December 31, 2019, approximately 88.5% of the Company's employees were Saudi nationals.

Diversity and inclusion

The Company, in its own right and in alignment with international frameworks, is fully committed to gender, special needs and generational inclusion in its workforce. The Company's employees represent over 90 different nationalities and its corporate values include treating all people with fairness and respect, embracing diversity and accepting differences among its people.

Today, female employees include engineers working in the field and in plants, scientists in the Company's R&D centers conducting innovative research, inventors coming up with new processes and products, and traders selling products to customers around the world. In fact, more than 180 patents have been filed collectively by female employees at Saudi Aramco and its subsidiaries globally.

The Company is actively investing in having greater female representation within its workforce and leadership. As of 31 December 2019, 4.9% of the workforce consisted of women and the Company now has one female Board member.

Road traffic safety

As traffic safety is a significant public health risk in Saudi Arabia, the Company has instituted a Traffic Safety Signature Program to engage employees, contractors and the public on safe driving. It has invested in new technology and infrastructure including real-time trackers on Company fleet vehicles to monitor driver behavior, and is building facilities for highway rest stops to avoid the risks of highway shoulder parking. The Company has embedded traffic safety into its work culture by directly linking employee performance appraisals to traffic safety. Since 2012, there has been a 52% reduction in deaths or serious injuries resulting from traffic accidents associated with company, contractor, and employee vehicles in the Eastern Province of Saudi Arabia.

Since 2012, there has been a 52% reduction in deaths or serious injuries resulting from traffic accidents associated with company, contractor, and employee vehicles in the Eastern Province of Saudi Arabia

To further increase the percentage of women employed by the Company and to broaden the pool of qualified female employees in the energy sector generally, the Company conducts STEM programming in elementary schools to encourage future careers in these fields

The following table provides the share of female employees for the in-Kingdom wholly owned operated assets in 2018 and 2019.

	2019	2018
Female employees	**4.9%**	4.7%

To further increase the percentage of women employed by the Company and to broaden the pool of qualified female employees in the energy sector generally, the Company conducts Science, Technology, Engineering, and Math (STEM) programming in elementary schools to encourage future careers in these fields. The Company also sponsors young Saudi women pursuing degrees in STEM subjects through various training institutes, academies and a university scholarship program. Other programs include the Gulf Regional Organization for Women initiative, Leadership Excellence for Women Awards & Symposium, STEMania program for school-age girls, and targeted university scholarships. Specifically, the Company has been actively promoting women in Petro-Technical Professional (PTP) jobs through the Company's college degree sponsorship program. More than 170 PTP graduate female students are part of Saudi Aramco's core operations today.

Complementary to the Government's childcare program (Qurrah) provided to working mothers, the Company also provides daycare services at its Dhahran headquarters to ensure working mothers have access to quality childcare. The Company has taken a leading role in promoting and supporting the right of women to drive in the Kingdom following changes to applicable laws in 2018. The Company opened a driving center to train the Company's female employees and employees' female family members, as well as to encourage a safer and friendlier driving environment on the Kingdom's roadways.

Employee development and capacity building

The Company's employees and workplace culture are important to its success. The Company invests in its personnel and has implemented a number of training and skills development programs. The Company believes these programs allow it to shape its workforce for the future.

Saudi Aramco's training and development organizations collaborate with top local and international universities to provide robust career development programs.

Saudi Aramco engages with top universities, such as Harvard Business School, London Business School, and Wharton School of the University of Pennsylvania. In 2019, over 140 selected employees attended programs custom-designed for Saudi Aramco by these business schools. Additionally, the Company's Leadership Center in Ras Tanura trains over 21,000 employees each year in key leadership capabilities.

Labor practices
Saudi Aramco programs and institutions provide employees and their families with a safe, comfortable and rewarding work environment.

A designated team conducts monthly analysis to measure construction contractor and sub-contractor well-being in all departments, with a focus on living conditions, medical care, work efficiency, salary, and training and development.

Medical care

The Company provides employees with access to high-quality medical care through its Employee Medical Program. In 2013, the Company engaged in a joint venture with Johns Hopkins Medicine to enhance health services for Saudi Aramco employees and their families. In 2018, Saudi Aramco expanded its medical care offering for employees, retirees and their families through a partnership with BUPA.

Human well-being

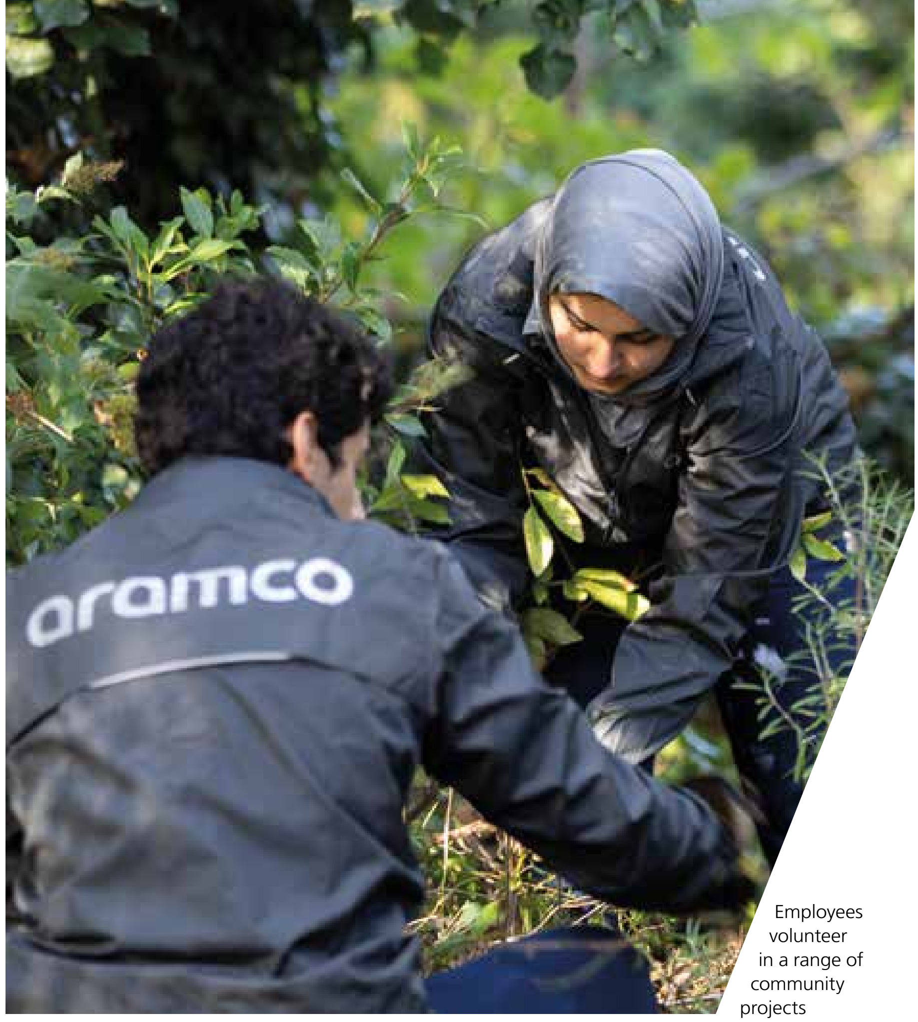
The Company established a Human Energy Management (HEM) program to energize employees and encourage well-being through research-based workshops that deliver resources on the science and art of human well-being. In 2019, HEM delivered 117 workshops on topics like stress management, workplace ergonomics, nutrition and wellness, and provided different certifications and events Company-wide, benefiting over 6,500 employees in total.

Employee rights and fair representation

Saudi Aramco follows all relevant laws and practices of the jurisdictions that apply to its operations and workforce with respect to workplace organizing.

The Company Workers' Committee is a team of elected employees who voluntarily represent all workers in the corporation regardless of their nationalities or genders. The Workers' Committee mandate, approved by the Ministry of Human Resources and Social Development, is to present recommendations to management in the following five areas:

- Promoting safety and occupational health;
- Improving workers' health and hygiene;
- Improving work conditions and circumstances;
- Enhancing workers' productivity and quality to create a stable work relationship; and
- Developing workers' vocational and administrative training programs, and improving cultural and social standards.



Employees volunteer in a range of community projects

Local and global citizenship

The Company engages in a range of corporate social responsibility projects and initiatives to support the communities and the environment in which it operates and leverages its know-how and operational capabilities to further advance these projects. The Company strives to make a positive impact across the two central pillars of its Citizenship strategy by supporting the intellectual, creative and economic development of its people, and protecting and sustaining the unique environment and diverse habitats of the planet.

Citizenship efforts reflect both a long history of supporting socio-economic development and the needs of today's emerging knowledge society. The Company aims to have a positive impact on communities and citizens in Saudi Arabia and in the many other countries where it does business.

Recent efforts include education and training programs, and pioneering the Kingdom's first regular, public programs for people with disabilities.

Citizenship efforts reflect both a long history of supporting socio-economic development and the needs of today's emerging knowledge society

Ithra

The largest corporate citizenship project undertaken by the Company on its own initiative was the construction of The King Abdulaziz Center for World Culture (Ithra) in Dhahran, which opened in late 2017. Ithra is the first of its kind in the Kingdom and contains an 18-floor "knowledge tower" with learning facilities, a children's museum, performing arts theater, library and cinema.

Ithra focuses on accelerating creativity, inspiring minds, and empowering talent. During 2019, Ithra hosted dozens of performances and exhibitions, welcomed over 50,000 visitors to the Children's Museum, another 40,000 students who participated in the Center's School Visitation Program, and 1,500 volunteers who donated over 60,000 hours leading events and programs both at the Center and around the Kingdom. Between 2018 and 2019, Ithra hosted over a million visitors.

1,500

volunteers donated over 60,000 hours leading events and programs both at the Center and around the Kingdom

Knowledge and creativity
Training centers
The Company has established a partnership with Technical & Vocational Training Corporation and other stakeholders to build training academies for young Saudis that provide training in various industry sectors through a sponsorship scheme followed by employment. Working in tandem with the Board of Energy Sector Training and the Saudi-based Technical and Vocational Training Corporation, the Company has helped over 22,000 Saudi youth to graduate from Training Center programs to date.

Saudi Aramco Entrepreneurship Center (Wa'ed)
The Company Entrepreneurship Center (Wa'ed) was established to foster the entrepreneurial and innovation ecosystem in Saudi Arabia by investing in and empowering the most promising Kingdom-based entrepreneurs. Wa'ed has established a comprehensive suite of end-to-end services for entrepreneurs including but not limited to professional business development support, business incubation and acceleration, innovative solutions to market challenges, and a variety of funding options to energize entrepreneurs. Since its founding, Wa'ed has created 1,700 new job opportunities, funded 80 ventures, hosted 70 teams of entrepreneurs in its startup lab, and trained more than 400 entrepreneurs.

Supporting people with disabilities
Establishing national centers for people with disabilities
Saudi Aramco is committed to improving the living conditions of community members with disabilities and their families. The Company extends financial and technical support to autism and Down syndrome centers, rehabilitation centers and centers for individuals with special needs.

The Company provided the funds to construct the Shamah Autism Center in Dammam. This is the first multidisciplinary autism center for Saudi children in the Eastern Province of the Kingdom. In addition, the Company constructed the Ajyal Center for Comprehensive Education & Life Skills. The center serves children with developmental disabilities, including autism spectrum disorder, behavioral disorders and intellectual disabilities.

The Shamah Autism Center and Abdul Latif Al-Fozan Autism Center have the capacity to serve hundreds of students with autism, with the aim to educate the public about autism and raise awareness about autistic patients' rights.

Corporate matching employee donations program
Through donation campaigns designed to raise social awareness, the Company's employee donation program provides a platform for employees to engage with the community, and in addition, the Company matches the donations raised by employees. One such campaign, that ran between 2016 and 2018, delivered hearing aids to hearing impaired children in the Kingdom.

Socio-economic development in the Kingdom
The Company's initiative to seed micro industries in the Kingdom is designed to empower people to shape their own economic future by creating additional value from traditional crafts and natural resources. The Company has identified several micro industries that, with the right business model and support, are ripe for generating long-term impact for local communities. These programs focus on delivering training and training facilities, knowledge, tools and technology that remove financial barriers and lay the groundwork for participants and beneficiaries to succeed in new endeavors and enterprises.

In the Jazan Mountains, Saudi Aramco's coffee programs have supported farmers with training, farm preparation and water network system installations, resulting in the planting of over 20,000 seedlings since 2016, replacing other less sustainable crops.

The Company is working in partnership with the Border Guard, Ministry of Environment, Water and Agriculture, and Nesma Holding Company to strengthen fishing industries in Yanbu' and Jazan, providing expertise and equipment to fishermen collectively since 2018.

The Company has provided embroidery training and jobs to hearing-impaired and other under-served women in Dammam since 2017, also in partnership with Nesma Holding Company.

These programs seek to make a real difference in people's lives by equipping community members with the knowledge and skills to establish, manage and grow sustainable businesses.

Saudi Aramco has helped over 22,000 Saudi youth to graduate from Training Center programs to date

Helping beekeepers

In partnership with the Al-Baha Beekeepers Cooperative Association, the Company has been helping beekeepers in Al-Baha improve their honey yield quantity and quality. Since 2016, the program has planted flowering trees and generated 500 jobs.

Everywhere Saudi Aramco operates, it participates in community outreach and development efforts

International citizenship initiatives
Saudi Aramco's community efforts extend beyond the borders of Saudi Arabia with participation in community outreach and development efforts everywhere it operates. These range from natural disaster relief and educational initiatives in China, habitat preservation programs in Japan and Southeast Asia, to STEM and petrochemical industry education programs in the U.S. and Europe. Saudi Aramco's international citizenship efforts are governed by the Company's Citizenship Executive Committee. The committee advises on the Citizenship Strategy and overarching position, approves related plans and mobilizes requisite business support, ensures alignment of activities and spending, monitors progress and compliance of related programs and develops citizenship activity budgets for CEO and Board approval.

North America
As the base of North American operations and home to many of its regional affiliates, much of Saudi Aramco's North American community-related efforts focus on or originate from the Houston area. In the aftermath of Hurricane Harvey in 2017, Saudi Aramco volunteers have continually provided assistance to the local community, including packing over 300,000 meals for at-risk families and working on Habitat for Humanity crews to rebuild 176 homes. It is also the title sponsor of the Houston Half Marathon, and in Houston and across the United States, over 5,000 students and educators have participated in Saudi Aramco-sponsored STEM education, career awareness, environmental stewardship and energy conservation programs.

Europe
Saudi Aramco's community outreach programs in Europe seek to motivate people to become more active and engaged members of their communities. In the Netherlands, for example, another location central to its global operations, Saudi Aramco's supports a range of local philanthropic and recreational opportunities like the Juliana Children's Hospital; one of the country's leading pediatric hospitals, and the Aramco Beach Run, the Saudi Aramco's flagship Citizenship event in Europe.

Asia
Saudi Aramco is committed to making important community and citizenship contributions everywhere it has meaningful operations throughout Asia. Ranging from coral reef conservation in Okinawa, to children's medical and educational programs in China, Malaysia and Korea, to replacing vulnerable homes in rural Indonesia, Saudi Aramco's programs have served thousands of workers, students, and at-risk citizens in dozens of locations throughout the region.

Saudi Aramco's procurement supports a diversified energy sector

Responsible procurement

Saudi Aramco's commitment to ethical business practices extends to its supply chain through its Supplier Code of Conduct which outlines mandatory policies on environmental, health and safety issues, fair trade practices, ethical sourcing, conflicts of interest, bribery, kickbacks, gifts and fraud, monitoring and compliance. Saudi Aramco's Supplier Code of Conduct promotes the Company's values and extends and maintains its ethical standards across the supplier network, enabling long-term, mutually beneficial partnerships. This requires that the Company's vendors and suppliers, and those of the Company's subsidiaries, meet the required standards of ethics when it comes to anti-bribery and anti-corruption, as well as compliance with all local legislation around human rights.

Supply chain localization

In support of the Company's initiative to develop local supply chains to enhance its long-term commercial interests and reduce procurement costs, in 2015 the Company launched its In-Kingdom Total Value Add Program (iktva), designed to increase the use of in-Kingdom suppliers of goods and services. In 2019, the iktva metric reached 56%. The Company believes that the scale of the Company's procurement program can support building a diversified energy sector in the Kingdom. In addition, the Company believes this program not only has a positive impact on the Kingdom's economy but also supports the Company's efforts to improve the efficiency and effectiveness of its supply chain. The program aims to increase the use of in-Kingdom suppliers, expand local supply chain capabilities and capacities, elevate the training and hiring of Saudi nationals, drive collaboration in the industry through supplier development, bring new innovations to the Kingdom through R&D and promote the Kingdom as an export hub.

The Company aims to cultivate local business with a goal of 70% of all expenditures in the Kingdom being locally sourced over the next three years.

The Company has engaged with its business partners and suppliers to support local community development and recruitment through a model of scholarship and vocation training in different industries. The Saudi Arabian Drilling Academy (SADA), a Saudi Aramco-led collaboration, is working to train thousands of skilled exploration, drilling and workover talent in alignment with the Saudi Vision 2030 workforce development aims. In September 2018 the first cohort of 132 drillers and service people graduated from SADA.

The Company is a major employer in Saudi Arabia, and as part of the country's Vision 2030, which includes goals for increasing female participation in the workforce, the Company has helped develop skilled female talent. The Company created the Leading National Academy (LNA) as a public-private partnership under the National Specialized Partnership Academies (NSPA) focusing on providing women with industrial and technical skills training as well as soft skills including speaking with impact, emotional intelligence and business acumen. Since inception, NSPA academies have graduated over 18,000 trainees and currently have over 5,000 active students in 18 specialized institutions. LNA provides curricula in supply chain, electrical, instrument, mechanical, laboratory science, and HSE disciplines. As the first female-focused industrial training center in Saudi Arabia, LNA is paving the way to build inclusion into even the most male-dominated industrial sectors.

The Company aims to cultivate local business with a goal of 70% of all expenditures in the Kingdom being locally sourced over the next three years

5 / risk

Risk management

Risk objectives

Saudi 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. Saudi 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 & HSE Committee of the Board oversees the risk management framework and monitors specific major 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:

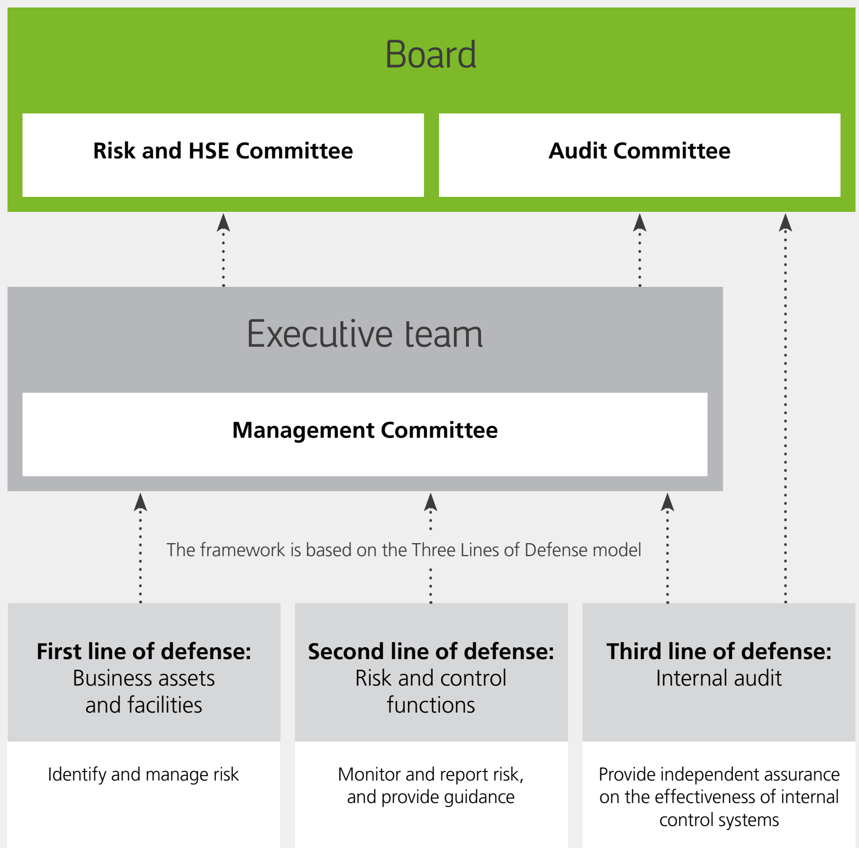
(i) leadership, direction, and oversight with respect to Saudi Aramco's risk appetite, risk tolerance, risk framework and risk strategy;

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

(iii) fostering a culture within Saudi 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



The Enterprise Risk Management (ERM) framework follows the "Three Lines of Defense" concept. The operating businesses and support organizations form the first line of defense, and, as risk owners, have primary responsibility for identifying and managing their risks. The second line of defense 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 of defense, 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, which is chaired by the President & 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 provide oversight of risk-related topics, such as the Climate Initiatives 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 Saudi Aramco's annual planning cycle through a system that follows ISO 31000 principles and guidelines. This includes the escalation, as appropriate, of risk ownership through Saudi 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 & HSE Committee.

Decision making

To reduce planning uncertainty and help manage the variability of outcomes, Saudi 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 Saudi Aramco. There may be additional risks that Saudi Aramco is currently not aware of, or that Saudi Aramco currently believes are immaterial, which may in the future become material or affect Saudi 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 Saudi Aramco expects, or at all. All forward-looking statements in this Annual Report should be considered in light of these explanations and reliance should not be placed on any forward-looking statements.

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

Principal risk categories

1

Risks related to Saudi Aramco's operations

See page 90

2

Risks related to Saudi Aramco's industry and regulatory environment

See page 98

3

Risks related to Saudi Aramco's shares

See page 104

Risk factors

1 Risks related to Saudi Aramco's operations

1.1. Risks related to crude oil supply and demand

Saudi 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 Saudi Aramco's consolidated revenue and other income related to sales. Accordingly, Saudi Aramco's results of operations and cash flow are significantly impacted by the price at which it is able to sell crude oil.

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

- market 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 known as Coronavirus disease 2019 (COVID-19)) on supply and demand for crude oil and general economic conditions;
- 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 – Risks related to climate change);
- changes to environmental or other regulations or laws applicable to crude oil and related products or the energy industry (see – Risks related to environmental protection, health and safety laws and 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
- trading activities in the crude oil commodities market.

International crude oil prices have fluctuated significantly in the past and may remain volatile. Brent crude oil prices witnessed a significant decline between mid-2014 and early 2016, with Brent crude oil prices declining from a monthly average of $112.0 per barrel in June 2014 to a monthly average of $31.9 per barrel in January 2016. From January 2016 to early March 2020, Brent crude oil prices generally fluctuated between $50.0 and $75.0 per barrel. However, most recently, the Brent crude oil price fell below $37.0 per barrel in mid-March 2020, largely in response to concerns about coronavirus, its potential impact on worldwide demand for oil and economic activity, a breakdown in relations among some of the world's largest oil producing countries and a decision by the Company to reduce its official selling prices.

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

1.2. Risks related to economic and political developments in Asia

Saudi 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 Saudi Aramco's results of operations.

Saudi Aramco exports a majority of its crude oil and refined products to customers in Asia. In addition, Saudi Aramco expects to export additional crude to Asia as new downstream assets in Asia commence operations.

Saudi 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 Saudi Aramco's joint ventures and international operations in Asia are generally sold locally and exported to other Asian countries. If there is a slowdown in economic growth, an economic downturn or recession or other adverse economic or political development in Asia (including the recent outbreak of the novel strain of coronavirus known as Coronavirus disease 2019 (COVID-19)), Saudi Aramco may experience a material reduction in demand for its products by its customers located in that 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 Saudi Aramco sells its products to customers there. Any decrease in demand for Saudi Aramco's products in Asia could have a material adverse effect on its business, financial position and results of operations.

1.3. Risks related to competition

Saudi 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. Saudi 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 driving competition are global crude oil supply and demand and the quality of the crude oil produced, which impacts the relative value of the crude oil to be used in the production of diesel, gasoline and other refined products.

Other factors that could affect competition in the crude oil marketplace include additional discoveries of crude oil reserves by Saudi Aramco's competitors, the cost of shale and other unconventional production, new technologies that increase the viability of reserves or reduce production costs, political and economic factors and other factors outside Saudi Aramco's control. Increased competitive pressures could have a material adverse impact on prices at which Saudi Aramco can sell crude oil and its regional and global market share.

In addition, Saudi Aramco's refineries in its Downstream segment are subject to competition in the geographies to which they sell refined products or petrochemicals. Competition is primarily from other 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 the key factors affecting competition in the refined products and chemicals markets. Accordingly, if the operating efficiencies and production costs of Saudi Aramco's refineries are not sufficiently competitive in the geographies they serve, Saudi Aramco's business, financial position and results of operations could be materially and adversely impacted.

1.4. Risks related to hydrocarbon reserves estimation

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 Saudi Aramco's proved reserves.

Saudi Aramco's reserve estimates conform to the SPE-PRMS definitions and guidelines, which are the internationally recognized industry standards promulgated 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. Reserve estimation is an inherently complex process that principally relies on a combination of knowledge, experience and engineering judgment. Saudi Aramco's estimates of the quantity of its 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 Saudi Aramco to estimate proved reserves will prove to be accurate. Any significant deviation from these interpretations, assumptions or judgments could materially affect the estimated quantity or value of Saudi 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 Saudi Aramco's estimates of its proved reserves, impairment of its assets or changes to Saudi 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 Saudi Aramco's proved reserves could affect its business.

1.5. Risks related to operational risks and hazards

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

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

Furthermore, the majority of Saudi 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. Saudi Aramco also depends on critical assets to process its crude oil, such as the Abqaiq facility, which is Saudi Aramco's largest oil processing facility. The East-West pipeline, the Shaybah NGL facility, the Abqaiq facility and the Khurais processing facility have recently been subject to attacks. If Saudi Aramco's critical transport systems or processing facilities were subject to a disruption, it could have a material adverse effect on Saudi Aramco's business, financial position and results of operations. See – Risks related to terrorism, armed conflict and sabotage.

1.6. Risks related to insufficient insurance

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

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

Saudi 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, Saudi Aramco does not maintain business interruption insurance for disruptions to its operations and certain of its operations are insured separately from the rest of Saudi Aramco's business. Furthermore, there can be no assurance that Saudi Aramco can continue to renew its existing levels of coverage on commercially acceptable terms, or at all. As a result, Saudi Aramco 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 Saudi Aramco's business, financial position and results of operations.

1.7. Risks related to achieving growth objectives

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

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

- constraints on the availability and cost of skilled labor, contractors, materials, equipment and facilities, particularly during periods of global expansion in the oil and gas or chemicals industry;
- its ability to obtain funding necessary for the implementation of the relevant project on terms acceptable to it, or at all;
- fluctuations in the market prices for hydrocarbons, which may impact its ability to finance its projects from its cash flow from operating activities;
- difficulties in obtaining necessary permits, complying with applicable regulations and changes to applicable law or regulations;
- difficulties coordinating multiple contractors and sub-contractors involved in complex projects;
- making economic estimates or assumptions based on data or conditions, including crude oil and gas price assumptions, which may change; and
- undertaking projects or ventures in new lines of business in which Saudi 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, Saudi Aramco's operations and expected levels of production could be impacted. These occurrences could result in Saudi 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 Saudi Aramco's business, financial position and results of operations.

In addition, many of Saudi Aramco's projects require significant capital expenditures. If cash flow from operating activities and funds from external financial resources are not sufficient to cover Saudi Aramco's capital expenditure requirements, Saudi 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 Saudi Aramco's capital expenditure plans could, in turn, have a material adverse effect on Saudi Aramco's growth objectives and its business, financial position and results of operations.

1.8. Risks related to litigation

Saudi Aramco has been subject to litigation in the past and may be again in the future.

Saudi Aramco 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 Saudi 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 FSIA and other legal defenses. However, there is no assurance that Saudi Aramco will prevail in its assertion of these defenses in the future and any adverse judgment or settlement could have an adverse effect on Saudi Aramco's business, financial position and results of operations.

In February 2019, members of the U.S. House of Representatives introduced a bill that seeks to make unlawful certain conduct by foreign states, state instrumentalities and state agents, such as taking action collectively to reduce the production of oil. The draft bill would expressly remove or weaken certain sovereign defenses, including sovereign immunity under the FSIA. If this or any other legislation affecting Saudi Aramco's legal liability were to become law and result in litigation against Saudi Aramco, such litigation, including any adverse judgment or settlement, could have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

In addition, increasing attention on climate change risks may result in an increased possibility of litigation against Saudi 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, 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, Saudi Aramco's refining subsidiary in the United States, was named as a defendant in such a claim brought by the State of Rhode Island against multiple companies in the oil and gas industry. Claims such as these could grow in number and Saudi Aramco could be the subject of similar claims in the United States or elsewhere in the future.

Further, Saudi 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), require Saudi Aramco to devote substantial resources and divert management attention, which may have a material adverse effect on Saudi Aramco's business, financial position and results of operations. For further details on litigation, see Section 8: Additional Information.

1.9. Risks related to the comparability of financial periods presented

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

The Government has recently adopted several changes to the fiscal regime under which Saudi Aramco operates. These changes materially impact Saudi Aramco's results of operations and make its consolidated financial statements for certain periods less comparable, particularly with respect to revenue, production royalties and excise and other taxes and income tax. For a more detailed discussion of the fiscal regime changes and their effect on Saudi Aramco's consolidated financial statements please see Section 3: Results and performance and Section 7: Financial statements.

1.10. Risks related to acquisitions

Saudi Aramco may not realize some or all of the expected benefits of recent or future acquisitions, including with respect to SABIC.

Saudi 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 Saudi 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. Saudi 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 Saudi Aramco's ongoing business, distract its management and employees and increase its expenses which could, in turn, have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

On March 27, 2019, the Company entered into a purchase agreement with the PIF to acquire the PIF's 70% equity interest in SABIC for total consideration of $69.1 billion. The proposed acquisition has now received unconditional clearance in all jurisdictions in which pre-notification antitrust filings are required. Closing of the proposed acquisition is subject to the remaining customary closing conditions and is currently expected to occur in the first half of 2020. For the acquisition to be successful for Saudi Aramco, Saudi Aramco will need to manage its ownership stake in SABIC in a manner which will support the optimization of SABIC's performance, including with respect to the technology capabilities, sales and marketing platforms and technical and support functions of each company. The realization of such benefits may be affected by a number of factors, many of which are beyond Saudi Aramco's control.

Failure to realize all of the anticipated benefits of the acquisition may impact Saudi Aramco's financial performance and prospects, including the growth of its downstream business.

Immediately following the closing of the acquisition of the PIF's 70% equity interest in SABIC, Saudi Aramco could exceed its targeted Gearing ratio. While Saudi Aramco intends to maintain its Gearing ratio to within its targeted range of 5% to 15%, there can be no assurance that it will be able to do so. Failure to lower the Gearing ratio may impact Saudi Aramco's financial performance and its results of operations.

In addition, the shareholding of SABIC will require significant management attention. The diversion of management's attention and any delays or difficulties encountered in connection with SABIC's operations could have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

Furthermore, Saudi Aramco will fund a portion of the purchase price of its interests in SABIC with promissory notes issued by Saudi Aramco in favor of the PIF. The promissory notes are fully transferable and assignable and may be pledged by the PIF, subject to Saudi Aramco's right of first refusal to purchase the promissory notes if the PIF receives any offer or commitment of financing which would include a transfer of the promissory notes. The PIF could receive an offer or commitment of financing at any time.

Following the proposed acquisition, SABIC is expected to remain a listed company on Tadawul and its board of directors will continue to owe duties to its minority shareholders. The interests of SABIC's minority shareholders may not align with those of Saudi Aramco.

1.11. Risks related to foreign operations

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

A substantial portion of Saudi 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 and data privacy, 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 Saudi Aramco's income;
- the imposition of new, or changes to existing, transfer pricing regulations or the imposition of new restrictions on foreign trade or investment;
- adverse changes in economic and trade sanctions, export controls and national security measures resulting in business disruptions, including delays or denials of import or export licenses or blocked or rejected financial transactions;
- conducting business through a number of subsidiaries, joint operations and joint ventures and challenges implementing Saudi 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 Saudi Aramco's business, financial position and results of operations.

1.12. Risks related to sanctions and anti-bribery and anti-corruption regimes

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

Saudi 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 imposed by the United States, the European Union and other sanctioning bodies. Laws and regulations governing sanctions and trade restrictions are complex and are subject to change. Saudi Aramco is currently pursuing investment and joint venture opportunities in oil and gas and LNG projects located in Russia and with Russian counterparties. Certain Russian individuals and entities are subject to a number of sanctions and trade restrictions imposed by the United States and the European Union targeting the Russian financial, defense and energy sectors.

There can be no assurance that Saudi Aramco's corporate governance and compliance policies (including with respect to sanctions and trade restrictions, anti-bribery and anti-corruption) will protect it from improper conduct of its employees or business partners. If Saudi 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 Saudi Aramco, restrictions on investors trading securities issued by Saudi Aramco, substantial civil or criminal penalties, or both, and could have a material adverse effect on Saudi Aramco's business and financial position.

1.13. Risks related to chemicals and plastics regulations

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.

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 Saudi Aramco's business, financial position, results of operations and reputation.

1.14. Risks related to dependence on Senior Management and key personnel

Saudi Aramco is dependent on Senior Management and key personnel.

Saudi 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. Saudi Aramco's Senior Management and key personnel may voluntarily terminate their employment with Saudi Aramco or leave their positions due to reasons beyond Saudi Aramco's control. In addition, from time to time, certain members of Saudi Aramco's Senior Management have resigned from their position at Saudi Aramco in order to accept employment in various positions in the Government. In addition, there is an international shortage of experienced and skilled oil and gas professionals and Saudi Aramco may have difficulty hiring and retaining such individuals with the desired expertise or experience. If Saudi Aramco experiences a large number of retirements or 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 Saudi 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 Saudi Aramco's business, financial position and results of operations.

1.15. Risks related to managing a public company

Saudi Aramco's management team has limited experience managing a public company.

Saudi Aramco's management team has limited experience managing a public company, interacting with investors and complying with the increasingly complex laws, regulations and other obligations pertaining to public companies. As a public company, Saudi Aramco is subject to significant regulatory oversight and reporting obligations under Capital Market Authority (CMA) rules, securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from Saudi Aramco's Senior Management and could divert their attention from the day-to-day management of Saudi Aramco's business. In addition, failure to comply in a timely manner with the regulations and disclosure requirements imposed on listed companies will expose Saudi Aramco to regulatory sanctions and fines. Any of these impacts could have a material adverse effect on Saudi Aramco's business, financial position or results of operations.

1.16. Risks related to IT systems

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

Saudi Aramco relies on the security of critical information and operational technology systems for, among other things, the exploration, development, production, storage and distribution of hydrocarbons; the processing, use and security of financial records, proprietary information, intellectual property, personal information and operating data; and communications with management, personnel and business partners. 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. Saudi Aramco's systems are a high profile target for sophisticated cyberattacks by nation states, criminal hackers and competitors, and Saudi 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 Saudi Aramco systems. Attempts to gain unauthorized access to Saudi Aramco networks have been successful in the past, including a 2012 cyberattack in which Saudi 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 Saudi Aramco's financial performance or reputation. Nonetheless, the nature and breadth of any potential future cyberattack remain unknown and 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 Saudi Aramco's operations and reputation. For further information on Saudi Aramco's cybersecurity, see Section 4: Environmental, social and governance (ESG).

2 Risks related to Saudi Aramco's industry and regulatory environment

2.1. Risks related to Government-set maximum level of crude oil production and target MSC

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 addition, in order to facilitate rapid changes in production volumes, the Government requires Saudi Aramco to maintain MSC in accordance with the Hydrocarbons Law. The Government 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. Saudi 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.

The Government's decisions regarding crude oil production and spare capacity, and Saudi Aramco's costs of complying with such decisions, may not maximize returns for Saudi Aramco. For example, Saudi 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 Saudi Aramco to make significant capital expenditures to build new infrastructure and facilities. Any of these actions could have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

2.2. Risks related to the Kingdom's public finances and the hydrocarbon industry

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

The hydrocarbon industry is the single largest contributor to the Kingdom's economy. The Government is expected to continue to rely on royalties, taxes 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 Saudi 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 Saudi Aramco is subject, which became effective on January 1, 2017, seek to align the fiscal regime to which Saudi Aramco is subject with tax and royalty rates that are customary in other hydrocarbon producing jurisdictions. In addition, effective January 1, 2017, the Government implemented an equalization mechanism to compensate Saudi 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 were modified, the tax rate applicable to Saudi Aramco's downstream business was reduced and the Government expanded the equalization mechanism to include LPGs and certain other products. Moreover, effective January 1, 2017, the Government guaranteed amounts due to Saudi 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 Saudi Aramco, are subject. Any such change could have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

2.3. Risks related to climate change

Climate change concerns and impacts could reduce global demand for hydrocarbons and hydrocarbon-based products and could cause Saudi 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 that aim 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 of the countries that have 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 re-assessment and, in some cases, it is difficult to predict with certainty the ultimate impact GHG-related laws, regulations and international agreements will have on Saudi Aramco. In some of the areas in which Saudi Aramco operates such as the Netherlands, GHG emissions are regulated by the European Union Emissions Trading Scheme. In the future, areas in which Saudi 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 Saudi Aramco's business, financial position and results of operations.

2.4. Risks related to political and social instability in the MENA region

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

Saudi 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 MENA 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 Saudi 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 Saudi Aramco's business, financial position and results of operations.

In addition, the majority of Saudi 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 Saudi 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 Saudi National Shipping Company – 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 Saudi National Shipping Company-Bahri off the coast of Yemen. Any political or armed conflict or other event, including those described above, that impacts Saudi Aramco's use of the Strait of Hormuz, Suez Canal or other international shipping routes could have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

Moreover, the majority of Saudi 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.

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.

2.5. Risks related to terrorism, armed conflict and sabotage

Terrorism, armed conflict and sabotage may materially and adversely affect Saudi Aramco and the market price of the shares.

Saudi Aramco's facilities have been targeted by terrorist and other attacks. In September 2019, the Abqaiq facility and the Khurais processing facility were subject to attack by unmanned aerial vehicles and missiles. Abqaiq is Saudi Aramco's largest oil processing facility. The Khurais field is one of Saudi 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 was reduced and Saudi Aramco took a number of actions to minimize the impact of lower Arabian Light and Arabian Extra Light production by tapping into Saudi 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 Saudi Aramco has facilities or operations. In January 2020, missiles were launched from Yemen towards Jazan, where Saudi Aramco operates an integrated refinery and petrochemical facility, which were intercepted before striking any targets. Any additional terrorist or other attacks could have a material adverse effect on Saudi Aramco's business, financial position and results of operations and could cause Saudi Aramco to expend significant funds.

2.6. Risks related to Government-directed projects

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

The Government has directed, and may in the future direct, Saudi Aramco to undertake projects or provide assistance for initiatives outside Saudi Aramco's core business in furtherance of the Government's macroeconomic, social or other objectives, leveraging Saudi Aramco's know-how, resources and operational capabilities. For instance, the Government has previously directed Saudi 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 Saudi Aramco for its costs incurred relating to such Government-directed activities by allowing Saudi 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 Saudi 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, Saudi Aramco and the Government entered into a framework agreement to govern the furnishing of services by Saudi Aramco to the Government. While these projects and initiatives have generally been of national importance to the Kingdom and in Saudi Aramco's long-term commercial interests, they have often been outside Saudi Aramco's core businesses and have not always been consistent with its immediate commercial objectives or profit maximization. If the Government directs Saudi Aramco to undertake future projects other than on a commercial basis, Saudi Aramco's financial position and results of operation may be materially and adversely affected.

2.7. Risks related to the regulation of the oil and gas industry

Saudi 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 Saudi 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 Saudi Aramco satisfies certain conditions commensurate with current operating practices (and may be amended and extended for an additional 40 years thereafter subject to Saudi 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 Saudi Aramco's rights in respect of the Concession, which would have a significant effect on Saudi 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, Saudi Aramco's business, financial position and results of operations could be materially and adversely affected.

2.8. Risks related to equalization compensation

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

The Concession requires Saudi 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, Saudi 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 Saudi Aramco than if the same products had been sold for export.

Effective January 1, 2017, the Government implemented an equalization mechanism to compensate Saudi Aramco for the revenue it directly forgoes as a result of selling these products in the Kingdom at regulated prices. Under this mechanism, Saudi Aramco receives compensation for the difference between regulated prices and equalization prices (which are determined using reported regional 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 Saudi 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 Saudi Aramco receives a commercial rate of return on each project. Under this mechanism, Saudi 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 Saudi 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 Saudi Aramco to the Government. Any such event could have a material adverse effect on Saudi Aramco's earnings, cash flow, financial position and results of operations.

2.9. Risks related to the Company's failure to consolidate its downstream business as a condition of the Government allowing the general corporate tax rate to apply to the Company's downstream business

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

Effective January 1, 2020, the tax rate applicable to the Company's downstream business will be, 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% multi-tiered structure of income tax rates that applies to domestic oil and hydrocarbon production companies. In order for the general corporate tax rate to apply to the Company's downstream business, the Company will be required to consolidate its downstream business under the control of one or more separate, wholly owned subsidiaries before December 31, 2024. If the Company does not comply in so consolidating its downstream business within this five-year period, the Company's downstream business will be taxed retroactively on an annual basis for such five-year period in accordance with the multi-tiered tax rates applicable to domestic oil and hydrocarbon production companies. In such case, the Company will be required to pay the difference in taxes due to the Government, which could adversely affect its financial condition. See Section 3: Results and performance.

2.10. Risks related to licenses, permits and approvals

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

The rights granted to Saudi Aramco under the Concession represent Saudi Aramco's licenses, permits, and approvals necessary to conduct business in the Kingdom with respect to Hydrocarbons operations and related activities. However, Saudi Aramco is required to obtain and renew any license, 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 licenses, permits or approvals in the time frame anticipated by Saudi Aramco, or at all. Any failure to renew, maintain or obtain the required permits and approvals, or the revocation or termination of existing licenses, permits and approvals, may interrupt Saudi Aramco's operations and could have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

2.11. Risks related to environmental protection, health and safety laws and regulations

Saudi Aramco's operations are subject to extensive environmental protection, health and safety laws and regulations.

Saudi Aramco's operations are subject to extensive 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 Saudi Aramco's employees and the communities in which it operates. Compliance with these obligations can result in significant expenditures. If Saudi Aramco fails to comply with applicable laws and regulations, it could be subject to fines or the partial or total shut down of related operations. Saudi Aramco has, from time to time, shut down 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 Saudi Aramco or otherwise adversely affect Saudi Aramco's business, financial position and results of operations.

Saudi 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 Saudi 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.

2.12. Risks related to international trade litigation, disputes or agreements

Saudi Aramco may be affected by international trade litigation, disputes or agreements.

Exports of crude oil, refined products and petrochemicals by Saudi Aramco or its affiliates to foreign countries may be affected by litigation, 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. 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. Since the majority of Saudi Aramco's products are exported, any such measures may have a material adverse effect on Saudi 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 Saudi 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, Saudi Aramco's business operations could be exposed to scrutiny and its exports to potential remedial measures, such as duties, which could have a material adverse effect on its business, financial position and results of operations.

2.13. Risks related to the SAR to U.S. Dollar peg

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

Saudi 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, Saudi Aramco may experience a significant increase in the SAR denominated costs of its operations. Such an increase could have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

In addition, Saudi Aramco pays dividends to its shareholder, the Government, 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, Saudi Aramco may be required to expend additional cash to fund any dividends. Such changes could have a material adverse effect on Saudi Aramco's financial position.

3 Risks related to Saudi Aramco's shares

3.1. Risks related to availability of SAR

The inability of foreign investors to exchange SAR for other currencies could have a material adverse effect on demand for, and the trading price of, the shares.

All purchases and sales of shares on the Exchange, or interests in the shares through swap arrangements, will be denominated in SAR. There can be no assurance that Foreign Investors and Foreign Strategic Investors will have the ability to obtain SAR in amounts necessary to purchase the desired amount of shares or swap interests. In addition, Saudi Aramco will pay dividends on the shares to non-Government shareholders in SAR. Any actual or perceived inability for foreign investors to exchange SAR for other currencies could have a material adverse effect on demand for, and the trading price of, the shares.

3.2. Risks related to the volatility of the trading price of the shares

The trading price of the shares may be volatile and fluctuate significantly due to a variety of factors, many of which are outside Saudi Aramco's control, which could result in significant losses to prospective investors.

The trading price of the shares may be volatile and could fluctuate significantly in response to a variety of factors, many of which are beyond Saudi Aramco's control, including:

- changes affecting market valuations of companies in the oil and gas industry, including changes in the price of crude oil and natural gas, or the willingness of investors to invest in oil and gas companies;
- variations in Saudi Aramco's results of operations or reserve data;
- announcements regarding Saudi Aramco's earnings that are not consistent with market expectations;
- political or military developments or terrorist attacks in MENA or elsewhere;
- publication of industry data by third parties, including government statistical agencies, that differ from expectations of industry or financial analysts;
- downgrades or changes in research coverage by securities research analysts;
- changes in eligibility for the shares to be included in certain financial indices;
- press reports, whether or not factual, about Saudi Aramco or the Kingdom;
- political, economic or other developments in or affecting the Kingdom;
- changes in the regulatory environment;
- additions to or departures of key personnel;
- changes to the policy of pegging the exchange rate between the SAR and the U.S. Dollar;
- release or expiry of lock up or other transfer restrictions on the shares; and
- sales or perceived potential sales of additional shares by the Government.

Any of these factors may result in large and sudden changes in the trading volume and market price of the shares which in turn could lead to potential losses for investors.

3.3. Risks related to being a minority shareholder

The interests of the Government, Saudi Aramco's controlling shareholder, may differ from the interests of Saudi Aramco or Saudi Aramco's minority shareholders.

The Government owns a controlling interest in Saudi Aramco. The Government is able to control matters requiring shareholder approval. The Government has veto power with respect to any shareholder action or approval requiring a majority vote, except where it is required by relevant rules for the Government, as controlling shareholder, to abstain from voting. If the interests of the Government conflict with those of Saudi Aramco's minority shareholders, the minority shareholders may be disadvantaged.

In addition, pursuant to the Bylaws, the State may offer to purchase shares from minority shareholders. If 75% of the shares not held by the Government (or any shareholder acting in concert with the Government) consent to such sale in a duly held Extraordinary General Assembly, minority shareholders will be obligated to sell their shares to the Government at the offer price proposed by the Government. A minority shareholder who is not present at such Extraordinary General Assembly, or votes against the resolution approving the sale of shares to the Government, will still be bound by the Extraordinary General Assembly's resolution and will be compelled to sell its shares to the Government.

3.4. Risks related to payment of dividends on the shares

There can be no assurance that Saudi Aramco will pay dividends on the shares in the future or as to the amount of any such dividends and Saudi Aramco may change its dividend policy without prior notice to its minority shareholders.

Any decision to pay dividends on the shares and the amount of dividends to be paid will be made at the discretion of the Board. The amount and frequency of any dividends will depend on a number of factors, including Saudi Aramco's historic and anticipated earnings and cash flow, Saudi Aramco's financial obligations and capital requirements, general economic and market conditions and other factors deemed relevant by the Board. Accordingly, there can be no assurance that Saudi Aramco will pay dividends on the shares or the amount of any such dividends. Additionally, Saudi Aramco will continue to review its dividend policy on an ongoing basis and may change its dividend policy at any time without prior notice to its minority shareholders. For further details regarding dividends on the shares, see Section 6: Corporate Governance.

3.5. Risks related to research published about Saudi Aramco

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about Saudi Aramco or its business, the market price for the shares may decline.

The trading price and volume of the shares will depend in part on the research that securities or industry analysts publish about Saudi Aramco and its business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who cover Saudi Aramco downgrades their recommendations on the shares or publishes inaccurate or unfavorable research about Saudi Aramco's business, the market price for the shares could decline. In addition, if one or more research analysts cease coverage of Saudi Aramco or fail to publish reports on it regularly, it could lose visibility in the financial markets, which, in turn, could cause the market price for the shares to decline significantly.

6 / corporate governance

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, 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.

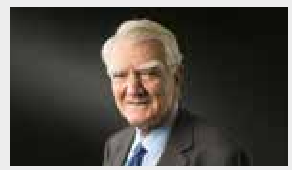
H.E. Yasir O. Al-Rumayyan

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

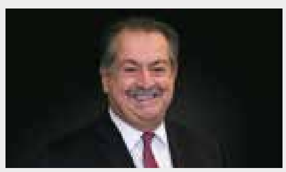
H.E. Mohammed A. Al-Jadaan

H.E. Mohammad M. Al-Tuwaijri

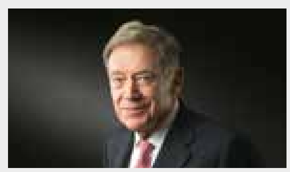
H.E. Nabeel M. Al-Amudi



Sir Mark Moody-Stuart



Mr. Andrew N. Liveris



Mr. Andrew F. J. Gould

Ms. Lynn Laverty Elsenhans

Mr. Peter L. Cella

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
Mr. Andrew F. J. Gould	Director	Independent non-executive Director
Ms. Lynn Laverty Elsenhans	Director	Independent non-executive Director
Mr. Peter L. Cella	Director	Independent non-executive Director
Mr. Amin H. Nasser	Director, President and Chief Executive Officer	Executive Director

H.E. Yasir O. Al-Rumayyan

Chairman

H.E. Yasir O. Al-Rumayyan, 50, is the Chairman of the Board. H.E. Al-Rumayyan has served as a Director of the Company since 2016. H.E. Al-Rumayyan has served as an Advisor to the General Secretariat of the Council of Ministers since 2016 and as Governor and Director of the Board of the PIF since 2015. He also serves as Chairman of the Board of the Decision Support Center under the Royal Court since 2016 as well as a Director of the Board of the Saudi Industrial Development Fund since 2016, the Board of Uber Technologies, Inc. since 2016 and the Board of SoftBank Group Corp. since 2017.

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

- Director of The Royal Commission for Makkah City and Holy Sites since 2018;
- Director of NEOM Company since 2019;
- Director of The Red Sea Development Company since 2018;
- Vice Chairman of Central Arriyadh Development Company since 2018;
- Director of AMAALA Company since 2019;
- Chairman of King Abdullah Financial District Development & Management Company since 2018;
- Director of Community Development Company since 2018;
- Chairman of Noon Investments Company since 2017;
- Director of Qiddiya Investment Company since 2018;
- Chairman of Sanabil Investments Company since 2017;
- Chairman of Saudi Arabian Mining Company (Ma'aden) since 2019;
- Director of ARM Company since 2018; and
- Member of the Board of Governors of the Islamic Development Bank since 2016.

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

- Chief Executive Officer of Saudi Fransi Capital 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 earned 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, 71, has served as a Director of the Company since 1999. H.E. Dr. Al-Assaf has served as the Minister of State of the Kingdom since 2019 and a member of the Council of Ministers as well as a Director on the Board of the PIF since 2016.

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

- Minister of Foreign Affairs of the Kingdom from 2018 to 2019;
- Minister of State of the Kingdom from 2016 to 2018;
- Minister of Finance of the Kingdom from 1996 to 2016;
- Chairman of the Board of the PIF 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, a M.S. 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, 56, has served as a Director of the Company since 2018. H.E. Al-Jadaan has served as the Minister of Finance of the Kingdom since 2016, Minister of Economy and Planning since March 2020 and is a member of the Council of Ministers. He also has served as Governor of the Islamic Development Bank since 2016.

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

- Director of the PIF since 2016;
- Director of Military Industries Corporation since 2016;
- Director of National Development Fund since 2017;
- Director of General Authority for Military Industries since 2017;
- 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 Arab Investment and Export Credit Guarantee Corporation since 2016;
- Member of the Board of Governors of the Arab Authority for Agricultural Investment and Development since 2016;
- Member of the Board of Governors of the Asia Infrastructure Investment Bank since 2016;
- 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;
- Chairman of the Board of the Saudi Customs since 2018;
- Chairman of the Board of the General Authority of Zakat and Tax since 2017;
- Chairman of the Board of the Spending Efficiency Center since 2018;
- Chairman of the Board of the Non-Oil Revenue Center since 2018;
- Committee Chairman of the Financial Sector Development Program Committee since 2017;
- Committee Chairman of the Fiscal Balance Program Committee since 2017;
- Chairman of the General Authority of Government Real Estate since 2018;
- Director of the National Center for Performance Measurement (Adaa) since 2016;
- Director of the National Information Center since 2018;
- Director of the National Program to Support the Management of Projects in Public Entities since 2018;
- Director of the Madinah Development Commission since 2016;
- Director of the Premium Residency Center since 2019;
- Chairman of the Privatisation Program Committee since 2019; and
- Chairman of the National Center for Privatization & PPP (NCP) since 2019.

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 earned a B.A. in Islamic Shari'a, with a specialty in Islamic Economics from Imam Muhammad bin Saud Islamic University in 1986 and 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, 53, has served as a Director of the Company since 2018. H.E. Al-Tuwaijri has served as a member of the Council of Ministers since 2017, as a member of the Council for Economic and Development Affairs since 2017 and serves as a member of the Finance Committee in the Royal Court. Since March 2020, H.E. Al-Tuwaijri also serves as an advisor at the Royal Court. He has also served as Chairman of the Centre for the National Transformation Program since 2019, National Project Management, Operation and Maintenance Organisation (Mashroat) since 2017 and the General Authority for Statistics since 2017; as the Vice Chairman of the National Development Fund since 2017; as a Director on the Board of the PIF since 2017, and as the Secretary General of the National Center for Performance Measurement (Adaa).

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

- Member of the Board of Directors of the Saudi Authority for Data and Artificial Intelligence since 2019;
- Member of the Board of Directors of the Royal Authority for the City of Riyadh since 2019;
- Member of the Board of Directors of the Royal Commission for Makkah City and Holy Sites since 2018;
- Chairman of the Board of Directors of the National Center for Strategic Development Studies since 2016;
- Member of the Board of Directors of the Saudi Center for International Strategic Partnerships since 2018;
- Member of the Board of Directors of the National Center for Privatization & PPP (NCP) since 2019;
- Member of the Board of Directors of the National Information Center since 2018;
- Supervisor of the National Risk Unit at the Royal Court since 2017;
- Council Member of the National Risk Council at the Royal Court and the Executive Committee of such council since 2018;
- Member of the Board of Directors of Saudi Arabian Airlines since 2017;
- Chairman of the Standing Committee of the Council for Economic Affairs and Development;
- Chairman of the Investment Committee of the PIF Board since 2019;
- Head of the Saudi side of Saudi Committees (Spanish, Portuguese, Brunei, Japanese, Korean, Malaysian, Austrian);
- Chairman of the Supervisory Committee for the Kingdom's participation in Expo 2020 Dubai since 2018;
- Member of the Strategic Committee of the Council for Economic and Development Affairs since 2018;
- Member of the Supreme Committee for Hydrocarbons Affairs since 2018;
- Member of the National Committee for Digital Transformation since 2018;
- Member of the High Committee for Atomic Energy since 2018; and
- Member of the Supervisory Committee of the Kingdom's participation in the World Economic Forum (Davos) 2020 since 2019.

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

- Minister of Economy and Planning of the Kingdom from 2017 to 2020;
- Deputy Chairman Chief Executive Officer of HSBC Middle East, North Africa and Turkey Regional Head of Global Banking & Markets, MENA from 2010 to 2016; and
- Chief Executive Officer of J.P. Morgan Saudi Arabia from 2007 to 2010.

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

H.E. Nabeel M. Al-Amudi

Director

H.E. Nabeel Mohamed Al-Amudi, 46, has served as a Director of the Company since 2019. H.E. Al-Amudi has also served as a member of the Board of the Red Sea Company since 2017 and NEOM since 2018.

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

- 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;
- Member of the Board of Directors of the Saudi Center for the Strategic International Partnerships during 2019;
- President of Saudi Ports Authority from 2015 to 2017;
- Member of the Board of Directors for Hapag-Lloyd AG in 2017;
- Chairman of the Board of Directors of the United Arab Shipping Company until its merger with Hapag-Lloyd AG, from 2015 to 2017;
- Chairman of the Board of Directors 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 Saudi Aramco, joining in 1995, during which he held a series of positions progressing through various areas of the Company.

H.E. Al-Amudi earned 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, 79, has served as an independent Director of the Company since 2007. Sir Mark has served as Chairman of the Global Compact Foundation since 2006, and of Zamyn since 2016. He also has served as an Advisory Board Member of Envision Energy Ltd. since 2012.

Sir Mark currently serves in the following capacities:

- Member of the Board of St. George's House Windsor from 2011; and
- Council Member of the Integrated Reporting Council since 2010.

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;
- Director of Accenture plc from 2001 to 2015;
- Chairman of Hermes Equity Ownership Services from 2007 to 2016;
- 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, 65, has served as an independent Director of the Company since 2018.

Mr. Liveris currently serves in the following capacities:

- Director on the Board of International Business Machines Corporation (IBM) since 2010;
- Director on the Board of Worley Parsons since 2018;
- Director on the Board of Novonix since 2018,
- Director on the Board of Trustees of KAUST since 2017;
- Senior Advisor to Teneo since 2018;
- Senior Advisor to PIF, a sovereign wealth fund since 2018;
- Member of the Advisory Board of Sumitomo Mitsui Banking Corporation (SMBC) since 2018;
- Member of the Advisory Board of NEOM since 2018;
- Member of the Board of Trustees of Saudi Foundation Hevolution since 2019; and
- Member of the Board of Trustees of Australian Foundation Minderoo since 2019.

Mr. Liveris has also served in the following capacities:

- Executive Chairman on the Board of DowDuPont Inc. from 2017 to 2018;
- Chairman, President and CEO of The Dow Chemical Company from 2006 to 2018;
- Chair of the American Manufacturing Council under U.S. President Donald J. Trump in 2017;
- Co-Chair of the Advanced Manufacturing Partnership Steering Committee;
- Member of the President's Export Council under U.S. President Barack H. Obama from 2011 to 2016;
- Member of the Australian government's Industry Growth Centres Advisory Committee; and
- Director on the Board of The Nature Conservancy.

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.

Mr. Andrew F. J. Gould

Director

Mr. Andrew F. J. Gould, 73, has served as an independent Director of the Company since 2013.

Mr. Gould currently serves in the following capacities:

- Chairman of the Board of the International Advisory Board of Boston Consulting Group Centre for Energy Impact since 2016;
- General Partner of CSL Capital Management LP since 2018;
- Director on the Board of BJ Services, Inc., since 2017;
- Director on the Board of Lambert Energy since 2018;
- Member of the Advisory Board at L1 Energy Fund since 2013; and
- Member of the Board of Trustees at KAUST since 2007.

Mr. Gould has also served in the following capacities:

- Chairman and CEO of Schlumberger Limited from 2003 to 2011 and from 2012 to 2016; and
- Non-executive Chairman and non-executive Director of BG Group plc from 2011 to 2016.

Mr. Gould obtained a B.A. in Economic History from Cardiff University in 1969 and an Honorary Doctorate in Engineering from Colorado School of Mines in 2004. Mr. Gould has also been an Honorary Fellow of Cardiff University since 2005. He qualified as a Chartered Accountant with Ernst & Young and The Institute of Chartered Accountants in England and Wales in 1972.

Ms. Lynn Laverty Elsenhans

Director

Ms. Lynn Laverty Elsenhans, 63, has served as an independent Director of the Company since 2018.

Ms. Elsenhans currently serves in the following capacities:

- Director on the Board of Baker Hughes Company since 2019; and
- Director on the Board of GlaxoSmithKline plc since 2012.

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 earned 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, 62, has served as an independent Director of the Company since 2018.

Mr. Cella currently serves in the following capacities:

- Director on the Board of Frontdoor since 2018;
- Director on the Board of Inter Pipeline since 2018;
- Director on the Board of ClockSpring|NRI, since 2019; and
- Member of the Strategic Advisory Committee for Arcadis NV since 2018.

Mr. Cella has also served in the following capacities:

- Director on the Board of ServiceMaster Global Holdings from 2017 to 2018;
- President and CEO and as a Director on the Board of Chevron Phillips Chemical Company from 2011 to 2017;
- Director on the Board of the American Chemistry Council from 2011 to 2017;
- Director on the Board of the 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 earned 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. Amin H. Nasser

Director, President and Chief Executive Officer

Mr. Amin H. Nasser, 61, 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 since 2016;
- the Board of Trustees of KAUST since 2016;
- the World Economic Forum's International Business Council since 2016;
- the Presidential CEO Advisory Board at Massachusetts Institute of Technology since 2016;
- the JP Morgan International Council since 2016; and
- the Board of Dhahran Techno Valley Company since 2010.

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

Mr. Nasser earned 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

Please see the Board of Directors' biographies subsection earlier.

Mr. Mohammed Y. Al-Qahtani

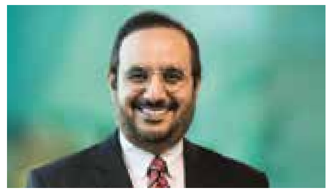
Senior Vice President, Upstream

Mr. Mohammed Y. Al-Qahtani, 54, has served as Senior Vice President of Upstream since 2016. 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. Al-Qahtani also has served in the following capacities:

- Vice President of Corporate Planning from 2014 to 2015;
- Acting Senior Vice President of Operations and Business Services in 2014;
- Vice President of Saudi Aramco Affairs from 2013 to 2014; and
- Vice President of Petroleum Engineering and Development from 2011 to 2012.

Mr. Al-Qahtani earned both a Ph.D. and M.S. in Petroleum Engineering from the University of Southern California in 1996 and 1992 respectively, and a B.S. in Petroleum Engineering from KFUPM in 1988. In addition, he completed the IMD Programme for Executive Development in Lausanne, Switzerland.



Mr. Abdulaziz M. Al-Gudaimi

Senior Vice President, Downstream

Mr. Abdulaziz M. Al-Gudaimi, 57, has served as Senior Vice President of Downstream since 2017.

Mr. Al-Gudaimi also has served in the following capacities:

- Acting Senior Vice President of Downstream from 2016 to 2017;
- Vice President of Power Systems from 2014 to 2017;
- Vice President of Corporate Planning in 2014;
- Vice President of Power Systems from 2013 to 2014;
- Vice President of Chemicals from 2010 to 2013;
- Director of SADARA from 2014 to 2016; and
- Shareholder Representative of Saudi Electricity Company from 2014 to 2015.

Mr. Al-Gudaimi earned an MBA from Massachusetts Institute of Technology's Sloan School of Management in 2001 and a B.S. in Petroleum Engineering from KFUPM in 1983.

Mr. Khalid H. Al-Dabbagh

Senior Vice President of Finance, Strategy and Development

Mr. Khalid Al-Dabbagh, 58, has served as Senior Vice President, Finance, Strategy and Development since 2018. Mr. Al-Dabbagh chairs and serves as a Board Director in various companies.

Mr. Al-Dabbagh also has served in the following capacities:

- Financial Controller from 2012 to 2018;
- Treasurer from 2010 to 2012;
- Corporate Planning Manager from 2008 to 2010;
- Director of Joint Venture Development from 2006 to 2008;
- President & CEO of Saudi Petroleum Inc. in New York from 2003 to 2006; and
- Managing Director of Saudi Petroleum in Tokyo from 2001 to 2003.

Mr. Al-Dabbagh earned a bachelor's degree in industrial engineering from the University of Toledo in 1985. In addition, he has completed a number of executive leadership programs, including the Senior Executive Programme at London Business School.

Mr. Ahmad A. Al-Sa’adi

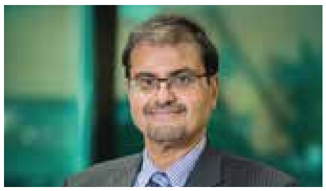
Senior Vice President, Technical Services

Mr. Ahmad A. Al-Sa’adi, 61, has served as Senior Vice President of Technical Services since 2016. In this role, Mr. Al-Sa’adi leads the Company’s technical services with respect to engineering, IT, materials supply and community, infrastructure and public projects.

Mr. Al-Sa’adi also has served in the following capacities:

- Vice President of Technical Services from 2015 to 2016;
- Vice President of Gas Operations from 2010 to 2015;
- Vice President of Pipelines, Distribution & Terminals from 2007 to 2010;
- Chief Engineer of Saudi Aramco from 2004 to 2007; and
- President and Chief Executive Officer of Saudi Aramco Gulf Operations Company (AGOC) from 2001 to 2004.

Mr. Al-Sa’adi earned a B.S. in Chemical Engineering (Applied) from KFUPM in 1981 and completed the Management Development Program at Harvard Business School in 2000.



Mr. Muhammad M. Al-Saggaf[1,2]

Senior Vice President, Operations and Business Services

Mr. Muhammad M. Al-Saggaf, 53, has served as Senior Vice President of Operations and Business Services since 2016. Mr. Al-Saggaf also has served in the following capacities:

- Acting Senior Vice President of Operations and Business Services from 2014 to 2016;
- President of King Abdullah Petroleum Studies and Research Center from 2012 to 2014; and
- General Manager of Strategic Transformation Office from 2011 to 2012.

Mr. Al-Saggaf earned an MBA from KFUPM in 2005, an M.S. and Ph.D. in Geophysics from the Massachusetts Institute of Technology in 1996 and 2000, respectively, and a B.S. in Mathematics from KFUPM in 1989. In addition, he completed the Management Development Program at Harvard Business School in 2005.

Mr. Nabeel A. Al-Mansour

Senior Vice President, General Counsel and Corporate Secretary

Mr. Nabeel A. Al-Mansour, 52, has served as Senior Vice President, General Counsel and Secretary since 2016. Currently, he serves as a member of the Board of the Saudi Centre for Commercial Arbitration.

Mr. Al-Mansour also has served in the following capacities:

- Deputy General Counsel from 2015 to 2016;
- Executive Director and Vice President of Procurement and Supply Chain Management from 2014 to 2015; and
- Associate General Counsel from 2011 to 2014.

Mr. Al-Mansour earned a J.D. from Oklahoma City University in 1999 and a B.S. in Systems Engineering from KFUPM in 1990. In addition, he has completed a number of executive leadership program, including the General Management Program at Harvard Business School in 2008.

1. As of January 2020, Mr. Al-Saggaf accepted a new position as the acting President of KFUPM.
2. As of January 12, 2020 Mr. Nabeel A. Al-Jama’ is the acting Head of Operations and Business Services.

Board structure and composition

The Board comprises 11 Directors convened in accordance with the Company's Bylaws. 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 General Assemblies. 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 in the Hijri calendar, subject to renewal or extension.

The Company's Bylaws, which 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, were approved by virtue of Council of Ministers Resolution No. 180, dated 1/4/1439H (corresponding to December 19, 2017). In 2019, 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 Chairman of the Board and H.E. Nabeel M. Al-Amudi as a Director of the Company.

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

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 power to four committees which report to the Board, consisting of the Audit Committee, the Nomination Committee, the Compensation Committee and the Risk and HSE 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 meeting attendance

In 2019, there were seven Board meetings. There were no meeting attendances by proxy during 2019. Below is a record of attendance at these meetings for each Board member.

2019 Board meeting attendance

Members	Mar 14	May 4	Aug 8	Sep 19	Oct 19	Dec 3	Dec 11-12
H.E. Yasir O. Al-Rumayyan, Chairman[1]	•	•	•	•	•	•	•
H.E. Ibrahim A. Al-Assaf, Deputy Chairman	•	•	•	–	•	•	•
H.E. Mohammed A. Al-Jadaan	•	•	•	•	–	•	•
H.E. Mohammad M. Al-Tuwaijri	•	•	•	•	•	•	•
H.E. Nabeel M. Al-Amudi[2]	n/a	n/a	n/a	•	•	•	•
Sir Mark Moody-Stuart	•	•	•	•	•	•	•
Mr. Andrew N. Liveris	•	•	•	•	•	•	•
Mr. Andrew F. J. Gould	•	•	•	•	•	•	•
Ms. Lynn Laverty Elsenhans	•	•	•	•	•	•	•
Mr. Peter L. Cella	•	•	•	•	•	•	•
Mr. Amin H. Nasser	•	•	•	•	•	•	•
H.E. Khalid A. Al-Falih[3]	•	•	•	n/a	n/a	n/a	n/a

1. H.E. Yasir O. Al-Rumayyan was appointed as Chairman of the Board on September 3, 2019.
2. H.E. Nabeel M. Al-Amudi was appointed as a member of the Board on September 3, 2019.
3. H.E. Khalid A. Al-Falih departed from the Board and its Committees on September 3, 2019.

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 the Board Committee's roles, its powers, and responsibilities. Separate minutes are prepared for each Committee meeting.

Board evaluations

With respect to the means used by the Board to assess its performance and the performance of its Committees and members, the Board's Nomination Committee in 2019 began to implement a process for such an assessment. This process is expected to be implemented in 2020, with results to be provided to the Board prior to year end 2020. The Company has engaged Egon Zehnder, a third-party consultant, to conduct this assessment.

Shareholder engagement

The Company had a sole shareholder until December 11, 2019. Prior to the Company's IPO, the shareholder could approve items via written resolution without a General Assembly. The Company sought written resolutions from the shareholder to approve the following in 2019:

- appointment of PricewaterhouseCoopers (PwC) as the external auditor for 2019; and
- the Compensation, Nomination, Dividend Distribution, and Citizenship policies.

The Company held its General Assembly meeting on November 20, 2019. The Chairman of the Board attended the General Assembly meeting as the representative of the Board and chaired the meeting. The Board received an update on the November 20, 2019 General Assembly meeting at the December 11-12, 2019 Board meeting.

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 now required to attend the Company's General Assembly meetings. At such meetings, shareholders will be able to provide their suggestions and remarks directly to the members of the Board.

Management of the Company

Audit Committee report

2019 Audit Committee meeting attendance

Members	March 13	May 2	August 7	November 1
Mr. Andrew F. J. Gould, Chairman	•	•	•	•
H.E. Mohammed A. Al-Jadaan	•	•	•	–
H.E. Yasir O. Al-Rumayyan[1]	•	•	•	n/a
Ms. Lynn Laverty Elsenhans	•	•	•	•
Mr. Peter L. Cella	•	•	•	•

1. H.E. Yasir O. Al-Rumayyan was appointed as Chairman of the Board on September 3, 2019. The Chairman of the Board may not serve as a member of the Audit Committee. H.E. Nabeel M. Al-Amudi was appointed as a member of the Board on September 3, 2019. The membership of the Audit Committee was reconstituted on December 11, 2019 to include H.E. Nabeel M. Al-Amudi as a member.

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 times in 2019. 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 2019, 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 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 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 reviews, 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 2019 for Board approval, including:

- the 2018 Annual Report;
- the 2018 consolidated financial statements;
- the 2019 condensed consolidated interim financial reports;
- a Tax Risk Management Policy to align the Company and all of its subsidiaries under one focused tax planning arm; and
- the engagement of the Company's external auditor for 2020, subject to shareholder approval for such engagement.

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

- a review of the Company's financial risk management activities;
- the Company's internal auditing activities in 2018, covering areas such as assurance activities, advisory engagements, fraud risk management and certain key initiatives taken during the year;
- the activities of the Company's Conflict of Interest and Business Ethics Committee
- the financial performance of the Company's benefit plans in 2018;
- a report on the Company's corporate borrowing and financial gearing metrics; and
- the Company's 2020 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 2019. 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 2020 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 appropriate estimates and judgments over the recognition, measurement and presentation of the financial results.

At each of the Audit Committee's meetings in 2019 there were extensive reports and discussions with the external auditor and members of management regarding the financial statements and the process to prepare the financial statements for each quarter. At the final meeting of the fiscal year, the external auditor presented to the Committee members the 2019 External Audit Plan reviewing the process they would undertake to complete the audit of the 2019 annual financial statements. Also at this meeting, the Audit Committee reviewed the external auditor's performance and independence for 2019 and did not identify any deficiencies.

In 2018, the Audit Committee authorized management to engage PwC in 2019 to perform certain limited other services, to ensure the external auditor remains 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 2019 related to tax compliance.

The Audit Committee recommended the Board appoint, subject to shareholder approval, PwC as the Company's external auditor for fiscal year 2020 and until the 2021 Annual General Meeting. The Audit Committee approved the engagement letter with PwC, setting out the terms and conditions for their service in 2020. Mr. Darrell McGraw will continue to act as lead audit partner for PwC until the conclusion of the 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

2019 Risk and HSE Committee meeting attendance

Members	March 13	May 2	August 7	December 11
Mr. Peter L. Cella, Chairman	•	•	•	•
H.E. Mohammad M. Al-Tuwaijri	•	•	•	•
H.E. Nabeel M. Al-Amudi[1]	n/a	n/a	n/a	•
Ms. Lynn Laverty Elsenhans	•	•	•	•
Mr. Amin H. Nasser	•	•	•	•
H.E. Khalid A. Al-Falih[2]	•	•	•	n/a

1. H.E. Nabeel. M. Al-Amudi was appointed as a member of the Board on September 3, 2019. The membership of the Risk and HSE Committee was reconstituted on December 11, 2019 to include H.E. Nabeel. M. Al-Amudi as a member of the Risk and HSE Committee.
2. H.E. Khalid. A. Al-Falih departed from the Board and its Committees on September 3, 2019.

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 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;
- with governance and management of strategic and operational risks and sustainability; and
- along with 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 meetings in 2019. 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 2019 the Risk and HSE Committee discussed and evaluated several corporate risks including those relating to market disruption, cyberattacks, land encroachment, compliance and conduct, environment compliance, major non-industrial incidents, and mergers and acquisitions integration.

Further, in 2019, the Risk and HSE Committee reviewed an update to the Company's Enterprise Risk Management (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. In addition, the Risk and HSE Committee reviewed the Company's performance for the previous fiscal year in 2018 with respect to safety incidents and with respect to certain health, safety, and environmental (HSE) metrics and targets. The Risk and HSE Committee also reviewed the Company's quarterly performance for the first three (3) quarters in 2019 with respect to HSE metrics and targets, along with reviewing proposed HSE corporate key performance indicator targets for 2020.

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 and strategic 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 and strategic 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

2019 Nomination Committee meeting attendance

Members	May 2	Dec 11
Mr. Andrew N. Liveris, Chairman	•	•
H.E. Yasir O. Al-Rumayyan[1]	n/a	•
H.E. Dr. Ibrahim A. Al-Assaf	•	•
H.E. Mohammad M. Al-Tuwaijri	•	•
Sir Mark Moody-Stuart	•	•
H.E. Khalid A. Al-Falih[2]	–	n/a

1. The membership of the Nomination Committee was reconstituted on December 11, 2019 to include H.E. Yasir O. Al-Rumayyan as a member.
2. H.E. Khalid A. Al-Falih departed from the Board and its Committees on September 3, 2019.

The primary role of the Nomination Committee is to lead the process of nominating, appointing and evaluating members of the Board of the Company 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 committees of the Board. Further, the Nomination Committee evaluates and recommends to the Board the appointments of individuals (other than Directors) as officers of the Company, 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 May 2019, the Nomination Committee verified (i) the independence of the Board's five (5) independent Directors, and (ii) the absence of any conflicts of interest with respect to any of the Directors that were members of the Board at that time. In December 2019, the Nomination Committee reviewed the Company's establishment of the Digital Transformation Organization. Further, the Nomination Committee reviewed and endorsed the procedures for nominating Directors for the Company. In addition, the Nomination Committee reviewed the workshops that were conducted for the Directors in 2019, including site visits to Saudi Aramco's facilities, panel discussions on subjects relevant to the Company and its operations and workshops in preparation for the Company's December 2019 Tadawul listing. The Nomination Committee then reviewed and endorsed proposed workshops for the Directors in 2020.

With respect to the means used by the Board to assess its performance and the performance of its Committees and members, the Nomination Committee began in 2019 to implement a process for such an assessment. This process is expected to be implemented in 2020, with results to be provided to the Board prior to year end 2020. The Company has engaged Egon Zehnder, a third-party consultant, to conduct this initial assessment. Egon Zehnder also provide executive search services to the Company.

Compensation Committee statement

2019 Compensation Committee meeting attendance

Members	Mar 13	May 2	Aug 7	Sep 19	Oct 19	Dec 11
Sir Mark Moody-Stuart, Chairman	•	•	•	•	•	•
H.E. Mohammed A. Al-Jadaan	•	•	•	–	–	•
H.E. Yasir O. Al-Rumayyan	•	–	–	•	•	•
Mr. Andrew N. Liveris	•	•	•	•	•	•
Mr. Andrew F. J. Gould	•	•	•	•	–	•

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 six meetings in 2019. During the year the Compensation Committee appointed an independent compensation consultant, Pearl Meyer, who attended all Compensation Committee meetings in 2019. The Compensation Committee reviewed and submitted for Shareholder approval the Saudi Arabian Oil Company (Saudi Aramco) Share Plan which regulates the grant of Company shares to Senior Executives and other eligible employees of the Company. The Share Plan was subsequently approved by the Shareholder whereby the Compensation Committee approved sub-plans consisting of two long-term incentive plans (one for executives and one for other members of management), an incentive plan for certain other employees and a celebratory grant plan, pursuant to which eligible employees were awarded a one-time grant of restricted share units following the IPO. The Compensation Committee also established an employee share purchase plan to be implemented in the future. The Compensation Committee also recommended to the Board that, concurrent with the closing of the IPO, the Company purchase from the Government shares with a value of $1.0 billion for use under the Share Plan and all sub-plans.

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 Company-wide compensation plan and associated budget, and approved Director and Senior Executive compensation within the budget approved by the Board. The Compensation Committee reviewed and endorsed the performance targets for use in variable pay plans and determined the overall performance of the Company for compensation purposes.

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: 2019 Board remuneration

All amounts in SAR	Specific amount	In-kind benefits	Total	Expenses allowance
Independent Directors				
Sir Mark Moody-Stuart	1,125,000	6,544	1,131,544	6,000
Mr. Andrew N. Liveris	1,125,000	6,544	1,131,544	9,000
Mr. Andrew F. J. Gould	1,125,000	6,544	1,131,544	10,500
Ms. Lynn Laverty Elsenhans	1,125,000	6,544	1,131,544	15,000
Mr. Peter L. Cella	1,125,000	6,544	1,131,544	13,500
Total	**5,625,000**	**32,720**	**5,657,720**	**54,000**
Non-executive Directors				
H.E. Yasir O. Al-Rumayyan	1,125,000	9,086	1,134,086	6,000
H.E Dr. Ibrahim A. Al-Assaf	1,125,000	6,544	1,131,544	7,500
H.E. Mohammed A. Al-Jadaan	1,125,000	6,544	1,131,544	6,000
H.E. Mohammad M. Al-Tuwaijri	1,125,000	6,544	1,131,544	7,500
H.E. Nabeel M. Al-Amudi	670,553	1,200	671,753	–
H.E. Khalid A. Al-Falih	1,125,000	96,439	1,221,439	6,000
Total	**6,295,553**	**126,357**	**6,421,910**	**33,000**
Executive Directors				
Mr. Amin H. Nasser	–	–	–	–
Total	**–**	**–**	**–**	**–**
Total	**11,920,553**	**159,077**	**12,079,630**	**87,000**

The Directors did not receive any other fixed or variable remuneration during 2019.

In accordance with the Company's Bylaws, the Compensation Committee of the Board of Directors 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.

Directors' & Senior Executives' shareholdings

No Members of the Board of Directors, nor their relatives, held shares in the Company/ affiliates as at December 31, 2019. No Director has any interest in debt instruments issued by the Company and there were no arrangements or agreements by which any Director waived any salary or compensation.

Table 2 illustrates shares held by Senior Executives, their relatives, and changes that occurred during 2019. 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 2: 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/ affiliates' shares or debt instruments.

	Beginning of the year		End of the year		
Name of interest holder	# of shares	Debt instruments	# of shares	Debt instruments	Net change
Mr. Amin H. Nasser	–	–	–	–	–
Mr. Mohammed Y. Al-Qahtani	–	–	17,868	–	17,868
Mr. Abdulaziz M. Al-Gudaimi	–	–	16,248	–	16,248
Mr. Khalid H. Al-Dabbagh	–	–	–	–	–
Mr. Ahmad A. Al-Sa'adi	–	–	15,996	–	15,996
Mr. Muhammad M. Al-Saggaf	–	–	31,005	–	31,005
Mr. Nabeel A. Al-Mansour	–	–	–	–	–

As of December 31, 2019 no Senior Executive or Director has received any Company shares through any compensation program.

Ownership by Senior Executives' spouse and minors

	Beginning of the year		End of the year		
Name of interest holder	# of shares	Debt instruments	# of shares	Debt instruments	Net change
Relatives of Mr. Amin H. Nasser	–	–	–	–	–
Relatives of Mr. Mohammed Y. Al-Qahtani	–	–	1,000	–	1,000
Relatives of Mr. Abdulaziz M. Al-Gudaimi	–	–	–	–	–
Relatives of Mr. Khalid H. Al-Dabbagh	–	–	4,314	–	4,314
Relatives of Mr. Ahmad A. Al-Sa'adi	–	–	–	–	–
Relatives of Mr. Muhammad M. Al-Saggaf	–	–	–	–	–
Relatives of Mr. Nabeel A. Al-Mansour	–	–	6,776	–	6,776

Senior Executives' remuneration

Table 3 sets out the aggregated remuneration paid to the Company's five highest paid Senior Executives, inclusive of the CEO and CFO positions.

Table 3: Remuneration paid to five highest paid executives including CEO and CFO

All amounts in SAR	Fixed remunerations				Variable remunerations				
Senior Executives	Salaries	Allowances	In-kind benefits	Total	Short-term incentive plans	Long-term incentive plans	Total	End of service award	Aggregate amount
Total	12,317,100	6,469,666	2,437,726	21,224,492	18,457,776	5,185,330	23,643,106	23,838,720	68,706,318

Saudi Aramco'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, Saudi Aramco 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, Saudi Aramco 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 (STIP), an annual cash-based plan designed to reward performance in three areas (financial, operational, and safety & sustainability), and (ii) a Long-Term Incentive Plan (LTIP) which for 2019 is cash-based. The LTIP is based on three-year financial and strategic performance of Saudi Aramco. The value reported for 2019 represents vested amounts from previous performance periods.
- 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.

Governance, risk, and compliance

The Company has adopted and implemented certain corporate governance policies and procedures specified in the Corporate Governance Regulations and is working to implement certain 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 Saudi Aramco and its controlled affiliates 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 of Directors 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.

Saudi Aramco 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 68 of the Rules on the Offer of securities and Continuing Obligations.

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

All amounts in millions SAR	**2019**	2018
Pension plans	**(1,600)**	(1,080)
Medical and other post-employment benefit plans	**22,774**	24,289
Net benefit liability	**21,174**	23,209

For details regarding investments made or any reserves set up for the benefit of the employees, refer to Note 20 of the Consolidated Financial Statements contained in Section 7.

Shares and debt instruments issued for each affiliate company

For details regarding shares and debt instruments issued for each affiliate company, see Section 8: Additional Information.

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

On December 11, 2019, the Company acquired 117,187,500 ordinary shares from the Government for cash consideration of SAR 3.75 billion, which continue to be held at December 31, 2019. These shares are held by the Company as treasury shares for the purposes of issuing them to the Company's employees upon the vesting of the grant award and any other employee shares plans that the Company may adopt in the future. For further details, refer to Note 16 and 17 of the Consolidated Financial Statements contained in Section 7.

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.

Redeemable debt instruments

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

Number of Saudi Aramco's requests for shareholders' records in 2019

No.	Request date	Request rationale
1	December 11	Shareholder analysis
2	December 31	Disclosure purposes

Related party transactions

For details of related party transactions, see Section 8: Additional Information.

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. For a discussion of the risks related to the payment of dividends, see Section 5: Risk; risks related to payment of dividends on the shares.

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 2017, 2018 and 2019, the Company's dividend payments to the Government were SAR 187.8 billion ($50.1 billion), SAR 217.5 billion ($58.0 billion) and SAR 274.4 billion ($73.2 billion), respectively.

In December 2019, the Company declared an interim ordinary dividend of SAR 35.5 billion ($9.5 billion), which was prior to the allocation of shares to investors in the Company's IPO and was paid to the Government as the Company's sole shareholder as at such date. On March 12, 2020, the Company declared an ordinary dividend of SAR 14.8 billion ($3.9 billion) with respect to the interim period between the date of allocation of the Company's shares to investors in its IPO and December 31, 2019 and is payable to holders of shares as at the record date for payment of such dividend as declared by the Board of Directors.

The Company's Dividend Distribution Policy was approved by the Shareholder on September 26, 2019. The policy states that it is the intention of the Board, in its discretion, to declare dividends on a regular basis with a view to building long-term shareholder value and providing sustainable dividend growth. In addition, the policy provides 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 share (based on 200,000,000,000 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 shares equal to the amount necessary to enable the Company to first pay the minimum quarterly cash dividend amount described above to holders of shares other than the Government, after which the remaining amount available for distribution with respect to such quarter, as determined by the Board in its discretion, will be paid to the Government.

In addition, (a) dividends forgone will not accrue or otherwise be paid to the Government and (b) the waiver applies to all shares not held by the Government from time to time, including without limitation any shares held by shareholders other than the Government that are offered following the IPO and held from 2020 to 2024.

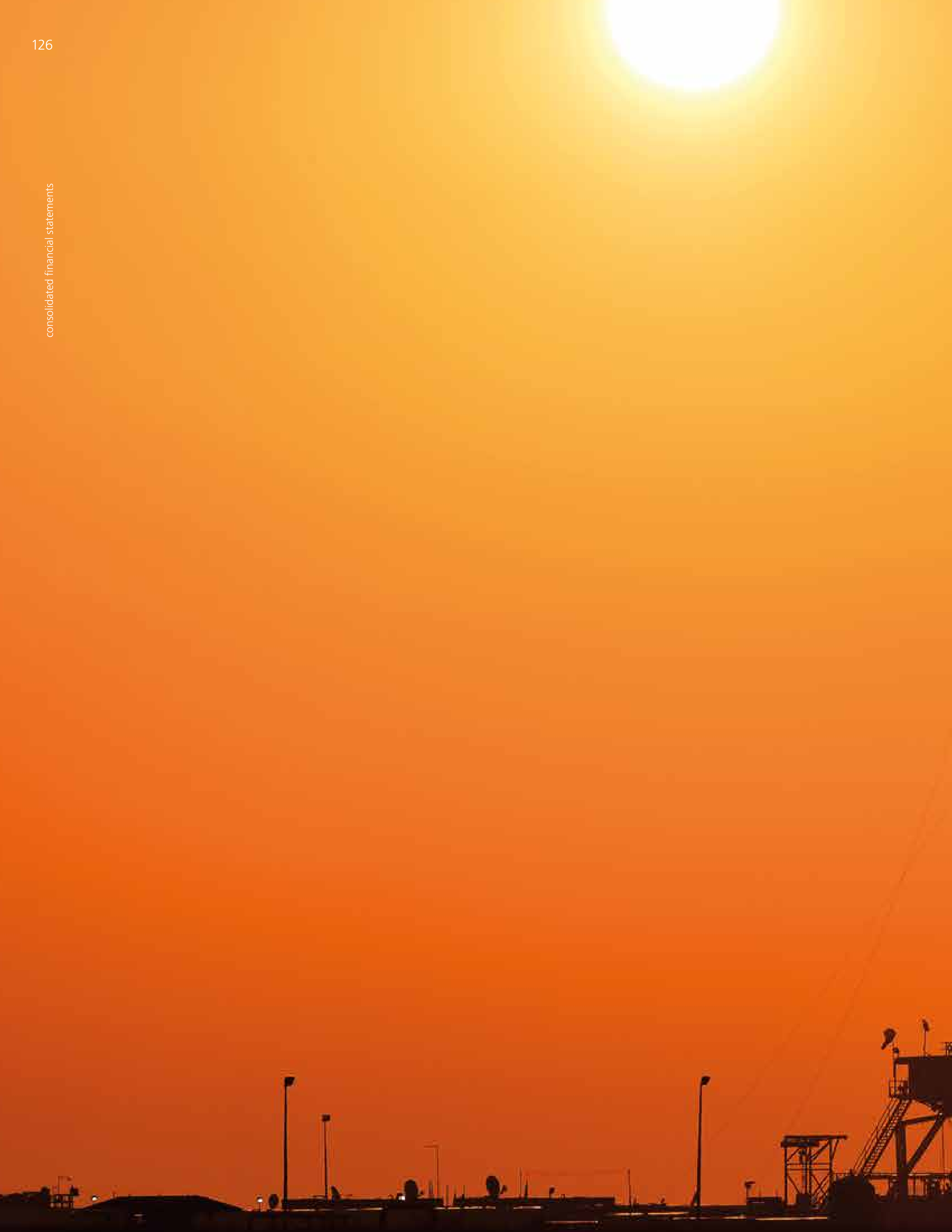
Punishments and penalties

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 2019.

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 of Directors 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.
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 / consolidated financial statements

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, 2019, 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, 2019;
- the consolidated statement of comprehensive income for the year ended December 31, 2019;
- the consolidated balance sheet as at December 31, 2019;
- the consolidated statement of changes in equity for the year ended December 31, 2019;
- the consolidated statement of cash flows for the year ended December 31, 2019; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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

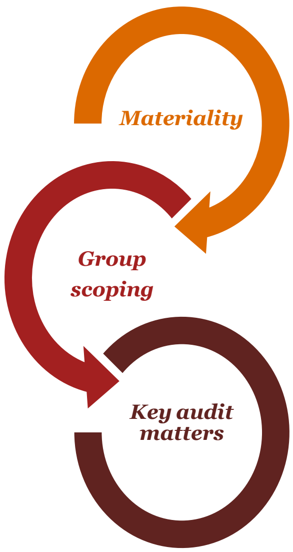
We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 of SAR 666.7 billion, we determined our overall Group materiality at SAR 26.3 billion.
- Our quantitative threshold for reporting misstatements to those charged with governance was set at SAR 2.0 billion.

Based on their size, complexity and risk:

- We considered the Company's standalone operations and three 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:

- Carrying values of property, plant and equipment and investments in joint ventures and associates; and
- Adoption of IFRS 16, Leases.

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 26.3 billion (2018: SAR 37.5 billion)
How we determined it	Approximately 4% (2018: 5%) of income before income taxes
Rationale for the materiality benchmark applied	• Income before income taxes is an important benchmark for the Group's stakeholders and is generally accepted benchmark for profit-oriented groups. • We reduced our benchmark percentage to align with the change in the Group's profile given the initial public offering in the current year.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above SAR 2.0 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 on a full-time basis 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. Certain audit procedures were carried out centrally by the Group engagement team assisted by our internal accounting, valuations, pensions, tax and IT experts and specialists. The Group engagement team also coordinated the Group audit across different locations and performed audit procedures on the consolidation workings and disclosures.

We identified three further significant components, located in the Kingdom of Saudi Arabia, the United States of America and the Republic of Korea, 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 the Kingdom of Saudi Arabia. Component teams in the United States of America and the Republic of Korea performed full scope audits at those locations. We also requested other teams to perform audit procedures on several other components. This was based on qualitative and quantitative considerations, including whether the component accounted for a significant proportion of individual consolidated financial statement line items or represented a recent business combination. These components were located in the Kingdom of Saudi Arabia, Guernsey, Bermuda and the Netherlands.

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 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 underlying work 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.

Independent auditor's report to the shareholders of Saudi Arabian Oil Company (continued)

Key audit matter	***How our audit addressed the key audit matter***
Carrying values of property, plant and equipment and investments in joint ventures and associates	
Management performs a formal assessment at each reporting period-end to consider whether there is any indication that items of property, plant and equipment or investments in joint ventures and associates may be impaired. When such triggers are identified, valuation models are prepared to determine recoverable amounts for the relevant Cash Generating Units ("CGUs"). Based on these models, management ensures that assets are not carried at more than their recoverable amounts. A number of valuation models were prepared by management as part of their 2019 impairment considerations. These represented value-in-use calculations based on discounted cash flows. The key estimates and assumptions underlying these models included: • Forecast prices; • Expected product volumes; • Future operating and development costs; • Terminal values; and • Discount rates. The recoverable amounts computed using valuation models, in all cases, were in excess of the carrying values of the CGUs. As a result, no impairment charges were recorded in the consolidated financial statements. We considered this to be a key audit matter given the judgment involved in identifying impairment triggers and the complexity inherent in valuation modelling. *Refer to Note 2(d), Note 2(h), Note 5 and Note 7 to the consolidated financial statements for further information.*	We assessed the reasonableness of management's considerations relating to impairment triggers considering our knowledge of internal and external factors. With input from our internal valuation experts, we performed the following procedures on management's valuation models, as appropriate: • Considered the appropriateness of the assets and liabilities allocated to CGUs; • Compared a sample of forecast prices to market data points; • Considered the consistency of certain unobservable inputs such as expected product volumes and future operating and development costs with approved business plans; • Evaluated the reasonableness of approved business plans by comparison to historical results; • Assessed the reasonableness of the approach and inputs used to determine terminal values; • Evaluated the reasonableness of discount rates by cross-checking the underlying assumptions against observable market data; and • Sensitized key assumptions to assess the potential impact on recoverable amounts of a range of possible outcomes. We also 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)

Key audit matter	How our audit addressed the key audit matter
Adoption of IFRS 16, Leases	

The Group adopted IFRS 16, Leases from the mandatory adoption date of January 1, 2019. This standard superseded the requirements of IAS 17, Leases. IFRS 16 introduced a single lease accounting model, requiring lessees to recognise, in most cases, a right-of-use asset and a lease liability.

As part of the adoption exercise, management:

- Performed an extensive exercise to identify and assess significant lease arrangements. This was inherently complex given the large number of contracts in place and the diverse nature of the underlying terms and conditions;
- Implemented system changes and set up new processes and controls to deal with the new lease accounting methodology; and
- Determined the appropriate transitional adjustments and the disclosures required to be included in the consolidated financial statements.

The Group adopted IFRS 16 using the modified retrospective approach and did not restate comparative figures. A number of practical expedients were applied and there was no impact on opening retained earnings. Right-of-use assets and corresponding lease liabilities amounting to SAR 26.1 billion were recognised as at January 1, 2019 for arrangements previously classified as operating leases.

We considered this to be a key audit matter as: (a) contracts within the scope of IFRS 16 may not be appropriately identified or included in the transitional impact calculations; and (b) determination of the right-of-use assets and the corresponding lease liabilities involves complex computations and significant management judgment relating to the lease terms.

Refer to Note 2(c)(i), Note 2(i), Note 5 and Note 19 to the consolidated financial statements for further information.

We performed the following procedures:

- Gained an understanding of management's implementation plan and the processes and controls introduced as part of the IFRS 16 adoption;
- Tested completeness of management's lease register by considering the reconciliation of the lease liabilities recognised as at January 1, 2019 to the operating lease commitments as at December 31, 2018, as disclosed in the consolidated financial statements;
- Obtained the detailed lease schedules underlying the transitional adjustments recorded as at January 1, 2019 and the lease balances recognised as at December 31, 2019 and tested their mathematical accuracy; and
- For samples selected from both the above-mentioned schedules, tested the following, as appropriate:

  (a) Management's assessment of whether or not the contracts contained leases;
  (b) Appropriateness of the practical expedients applied;
  (c) Calculations of the right-to-use assets and the corresponding lease liabilities as at January 1, 2019 and December 31, 2019 and the movements during the year;
  (d) Appropriateness of the key judgments underlying the determination of lease terms; and
  (e) Reasonableness of the discount rates used with reference to incremental borrowing rates.

We also considered the appropriateness of the accounting policies and disclosures included in the consolidated financial statements in relation to IFRS 16.

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.

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 12, 2020

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	**2019**	2018	**2019**	2018
Revenue	23	**1,105,696**	1,194,376	**294,852**	318,500
Other income related to sales		**131,089**	152,641	**34,957**	40,704
Revenue and other income related to sales		**1,236,785**	1,347,017	**329,809**	359,204
Royalties and other taxes		**(182,141)**	(208,505)	**(48,571)**	(55,601)
Purchases	29	**(225,170)**	(201,176)	**(60,045)**	(53,647)
Producing and manufacturing		**(58,249)**	(56,202)	**(15,533)**	(14,987)
Selling, administrative and general		**(36,647)**	(31,250)	**(9,773)**	(8,333)
Exploration		**(7,291)**	(7,928)	**(1,944)**	(2,114)
Research and development		**(2,150)**	(2,217)	**(573)**	(591)
Depreciation and amortization	5,6	**(50,266)**	(41,334)	**(13,404)**	(11,023)
Operating costs		**(561,914)**	(548,612)	**(149,843)**	(146,296)
Operating income		**674,871**	798,405	**179,966**	212,908
Share of results of joint ventures and associates	7	**(9,455)**	(1,415)	**(2,521)**	(377)
Finance and other income	24	**7,351**	3,865	**1,960**	1,030
Finance costs	19	**(6,026)**	(2,959)	**(1,607)**	(789)
Income before income taxes		**666,741**	797,896	**177,798**	212,772
Income taxes	8	**(336,048)**	(381,378)	**(89,613)**	(101,701)
Net income		**330,693**	416,518	**88,185**	111,071
Net income (loss) attributable to					
Shareholders' equity		**330,816**	416,196	**88,218**	110,985
Non-controlling interests		**(123)**	322	**(33)**	86
		330,693	416,518	**88,185**	111,071
Earnings per share (basic and diluted)	35	**1.65**	2.08	**0.44**	0.55

* 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

		SAR		USD*	
		Year ended December 31		Year ended December 31	
	Note	**2019**	2018	**2019**	2018
Net income		**330,693**	416,518	**88,185**	111,071
Other comprehensive income (loss), net of tax	18				
Items that will not be reclassified to net income					
Remeasurement of post-employment benefit obligations		**2,628**	6,920	**701**	1,845
Change in post-employment benefit deferred tax due to income tax rate change		**(464)**	(119)	**(123)**	(32)
Share of post-employment benefit obligations remeasurement from joint ventures and associates		**2**	–	**–**	–
Change in equity investment deferred tax due to income tax rate change		**180**	–	**48**	–
Changes in fair value of equity investments classified as fair value through other comprehensive income		**187**	(811)	**50**	(216)
Share-based payment reserve		**31**	–	**8**	–
Items that may be reclassified subsequently to net income					
Cash flow hedges and other		**(353)**	36	**(94)**	10
Changes in fair value of debt securities classified as fair value through other comprehensive income		**59**	(762)	**16**	(203)
Share of other comprehensive loss of joint ventures and associates		**(487)**	(283)	**(130)**	(76)
Currency translation differences		**(1,027)**	(1,110)	**(274)**	(296)
		756	3,871	**202**	1,032
Total comprehensive income		**331,449**	420,389	**88,387**	112,103
Total comprehensive income (loss) attributable to					
Shareholders' equity		**331,896**	420,524	**88,506**	112,139
Non-controlling interests		**(447)**	(135)	**(119)**	(36)
		331,449	420,389	**88,387**	112,103

* 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

		SAR		USD*	
		At December 31		At December 31	
	Note	**2019**	2018	**2019**	2018
Assets					
Non-current assets					
Property, plant and equipment	5	**982,014**	873,827	**261,870**	233,021
Intangible assets	6	**30,122**	26,896	**8,033**	7,172
Investments in joint ventures and associates	7	**19,738**	22,579	**5,263**	6,021
Deferred income tax assets	8	**12,728**	9,866	**3,394**	2,631
Other assets and receivables	9	**21,372**	13,127	**5,699**	3,501
Investments in securities	10	**19,956**	17,214	**5,322**	4,590
		1,085,930	963,509	**289,581**	256,936
Current assets					
Inventories	11	**42,607**	43,580	**11,362**	11,621
Trade receivables	12	**93,526**	93,818	**24,940**	25,018
Due from the Government	13	**36,781**	48,864	**9,808**	13,030
Other assets and receivables	9	**12,109**	13,775	**3,230**	3,673
Short-term investments	14	**45,467**	194	**12,125**	52
Cash and cash equivalents	15	**177,706**	183,152	**47,388**	48,841
		408,196	383,383	**108,853**	102,235
Total assets		**1,494,126**	1,346,892	**398,434**	359,171
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	16	**(3,750)**	–	**(1,000)**	–
Retained earnings:					
Unappropriated		**943,758**	920,625	**251,669**	245,500
Appropriated		**6,000**	6,000	**1,600**	1,600
Other reserves	18	**2,076**	3,176	**553**	847
		1,035,065	1,016,782	**276,017**	271,142
Non-controlling interests		**11,170**	11,653	**2,979**	3,107
		1,046,235	1,028,435	**278,996**	274,249
Non-current liabilities					
Borrowings	19	**150,690**	71,329	**40,184**	19,021
Deferred income tax liabilities	8	**44,471**	23,877	**11,859**	6,367
Post-employment benefit obligations	20	**21,174**	23,209	**5,646**	6,189
Provisions	21	**15,985**	15,606	**4,263**	4,162
		232,320	134,021	**61,952**	35,739
Current liabilities					
Trade and other payables	22	**78,231**	72,286	**20,862**	19,276
Obligations to the Government:					
Income taxes	8	**62,243**	70,299	**16,598**	18,746
Dividend payable	34	**35,475**	–	**9,460**	–
Royalties		**14,727**	11,862	**3,927**	3,164
Borrowings	19	**24,895**	29,989	**6,639**	7,997
		215,571	184,436	**57,486**	49,183
		447,891	318,457	**119,438**	84,922
Total equity and liabilities		**1,494,126**	1,346,892	**398,434**	359,171

* 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 18)	Non-controlling interests	Total	Total
Balance at January 1, 2018	60,000	26,981	–	715,107	6,000	5,670	12,556	826,314	220,350
Net income	–	–	–	416,196	–	–	322	416,518	111,071
Other comprehensive income (loss)	–	–	–	–	–	4,328	(457)	3,871	1,032
Total comprehensive income (loss)	–	–	–	416,196	–	4,328	(135)	420,389	112,103
Transfer of post-employment benefit obligations remeasurement	–	–	–	6,822	–	(6,822)	–	–	–
Dividends (Note 34)	–	–	–	(217,500)	–	–	–	(217,500)	(58,000)
Change in control of an affiliate	–	–	–	–	–	–	134	134	36
Dividends to non-controlling interests	–	–	–	–	–	–	(902)	(902)	(240)
Balance at December 31, 2018	**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 16)	**–**	**–**	**(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 34)	**–**	**–**	**–**	**(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**

1. Appropriated retained earnings represent a legal reserve as originally established under the 1988 Articles of the Saudi Arabian Oil Company which is not available for distribution (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	2019	2018	2019	2018
Income before income taxes		**666,741**	797,896	**177,798**	212,772
Adjustments to reconcile income before income taxes to net cash provided by operating activities					
Depreciation and amortization	5,6	**50,266**	41,334	**13,404**	11,023
Exploration and evaluation costs written off	6	**3,217**	2,951	**858**	787
Gain on remeasurement of existing interest in equity investments	24,33	**(1,278)**	(870)	**(341)**	(232)
Share of results of joint ventures and associates	7	**9,455**	1,415	**2,521**	377
Finance income	24	**(5,534)**	(2,840)	**(1,476)**	(757)
Finance costs	19	**6,026**	2,959	**1,607**	789
Dividends from investments in securities	24	**(509)**	(143)	**(136)**	(38)
Change in fair value of investments through profit or loss		**(620)**	(594)	**(165)**	(158)
Change in joint ventures and associates inventory profit elimination	7	**240**	103	**64**	27
Other		**1,257**	1,417	**335**	377
Change in working capital					
Inventories		**1,869**	(6,455)	**499**	(1,721)
Trade receivables		**727**	(5,696)	**194**	(1,519)
Due from the Government		**12,083**	(7,968)	**3,222**	(2,124)
Other assets and receivables		**3,268**	(7,335)	**872**	(1,956)
Trade and other payables		**3,430**	5,343	**915**	1,425
Royalties payable		**2,865**	(8,548)	**763**	(2,279)
Other changes					
Other assets and receivables		**(9,951)**	(1,117)	**(2,654)**	(298)
Provisions		**330**	(240)	**88**	(65)
Post-employment benefit obligations		**1,119**	(2,606)	**298**	(695)
Settlement of income and other taxes	8	**(328,472)**	(355,305)	**(87,592)**	(94,748)
Net cash provided by operating activities		**416,529**	453,701	**111,074**	120,987
Capital expenditures	4	**(122,882)**	(131,766)	**(32,769)**	(35,138)
Acquisition of affiliates, net of cash acquired	7, 33	**(13,628)**	(8,571)	**(3,634)**	(2,285)
Distributions from joint ventures and associates	7	**778**	1,073	**207**	286
Additional investments in joint ventures and associates	7, 25	**(341)**	(401)	**(91)**	(106)
Dividends from investments in securities	24	**509**	143	**136**	38
Interest received		**4,561**	2,942	**1,216**	784
Net investments in securities		**(868)**	(615)	**(231)**	(164)
Net (purchases) maturities of short-term investments		**(45,273)**	5,990	**(12,073)**	1,597
Net cash used in investing activities		**(177,144)**	(131,205)	**(47,239)**	(34,988)
Dividends	31,34	**(274,388)**	(217,500)	**(73,170)**	(58,000)
Dividends paid to non-controlling interests		**(36)**	(902)	**(10)**	(240)
Interest paid		**(5,715)**	(2,748)	**(1,524)**	(733)
Acquisition of treasury shares	16	**(3,750)**	–	**(1,000)**	–
Proceeds from borrowings		**51,960**	11,660	**13,856**	3,109
Repayments of borrowings		**(12,902)**	(11,096)	**(3,440)**	(2,959)
Net cash used in financing activities		**(244,831)**	(220,586)	**(65,288)**	(58,823)
Net (decrease) increase in cash and cash equivalents		**(5,446)**	101,910	**(1,453)**	27,176
Cash and cash equivalents at beginning of the year		**183,152**	81,242	**48,841**	21,665
Cash and cash equivalents at end of the year		**177,706**	183,152	**47,388**	48,841

* 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 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 16). These shares will be used by the Company for its incentive and employee share purchase plans (Note 17).

The consolidated financial statements of the Company and its subsidiaries (together "Saudi Aramco") were approved by the Board of Directors on March 12, 2020.

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

On September 17, 2019, the following significant changes to the fiscal regime under which the Company operates were announced:

(i) The Company and the Government executed an amendment to the Concession Agreement effective January 1, 2020, 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) Effective January 1, 2020, LPGs and certain other products were added to the price equalization mechanism to compensate the Company for revenue directly foregone as a result of the Company's compliance with the Government mandates related to domestic sales of those products by the Company.

(iii) 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 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 8).

(b) 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, 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.

(c) New or amended standards

(i) Saudi Aramco adopted for the first time the following IASB pronouncement, as endorsed in the Kingdom, effective for annual periods beginning on or after January 1, 2019:

IFRS 16, Leases

IFRS 16, Leases, as issued by the IASB in January 2016, replaced IAS 17, Leases, and relates to the recognition, measurement, presentation and disclosure of leases. Saudi Aramco adopted IFRS 16, using the modified retrospective approach, from the mandatory adoption date of January 1, 2019.

Under IAS 17, leased assets were classified as either finance or operating leases. Payments made under operating leases were charged to net income on a straight-line basis over the period of the lease. On adoption of IFRS 16, right-of-use assets and lease liabilities of SAR 26,051 were recognized for previously classified operating leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate. For leases previously classified as finance leases, Saudi Aramco continued to recognize the same carrying amount of the lease asset and lease liability as immediately before transition. There was no impact of adoption of IFRS 16 on the opening retained earnings at January 1, 2019.

In accordance with the transition provisions in IFRS 16, comparative figures have not been restated and the following practical expedients were applied on transition: a) the use of a single discount rate for a portfolio of leases with reasonably similar characteristics; b) reliance on previous assessments on whether leases are onerous; c) the accounting for operating leases with a remaining lease term of less than 12 months at January 1, 2019 as short-term leases; d) the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; e) the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease and f) not to reassess whether a contract is, or contains a lease at the date of initial application.

All amounts in millions of Saudi Riyals unless otherwise stated

2. Summary of significant accounting policies, judgments and estimates continued

The table below presents the reconciliation between operating lease commitments disclosed in the consolidated financial statements for the year ended December 31, 2018 and the lease liability recognized at January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.1%.

	January 1, 2019
Operating lease commitments disclosed at December 31, 2018	**35,565**
Discounted using Saudi Aramco's incremental borrowing rate at January 1, 2019	**27,814**
Add: finance lease liabilities recognized at December 31, 2018	**13,058**
(Less): short-term leases recognized on a straight-line basis	**(1,647)**
(Less): low value leases recognized on a straight-line basis as expense	**(116)**
Lease liability recognized at January 1, 2019	**39,109**
Current lease liabilities	**6,439**
Non-current lease liabilities	**32,670**
	39,109

For further information on leases, refer to Notes 2(i), 5 and 19.

(ii) There are no standards, amendments and interpretations that are not yet effective and have not been early adopted by Saudi Aramco that are expected to have a material impact in the current or future reporting periods or on foreseeable future transactions.

(iii) In July 2017, the United Kingdom Financial Conduct Authority, which regulates the London Interbank Offered Rate ("LIBOR"), announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates. 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 Interbank Offered Rate ("IBOR") reform. In addition, the amendments require companies to provide additional information about their hedging relationships which are directly affected by these uncertainties. The amendments are effective beginning on January 1, 2020. Additionally, the IASB is considering the potential consequences on financial reporting of replacing an existing benchmark with an alternative. 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 the following hedging instruments (Note 3(d)) which are exposed to the impact of LIBOR:

- Financial Assets: SAR 13
- Financial Liabilities: SAR 338

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 the LIBOR. Saudi Aramco is assessing the impact to ensure a smooth transition from LIBOR to new benchmark rates.

(d) Principles of consolidation 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. Acquisition related costs are expensed as incurred. The cost of the acquisition of a subsidiary is measured as 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 cost of acquisition 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. Non-controlling interests represent the equity in subsidiaries that is not attributable, directly or indirectly, to Saudi Aramco.

2. Summary of significant accounting policies, judgments and estimates continued

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 and 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.

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(d)(ii)(2) above are also applied by Saudi Aramco to its associates.

Significant accounting judgments and estimates
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 7, 36, and 37.

2. Summary of significant accounting policies, judgments and estimates continued

(e) Intangible assets

Intangible assets other than exploration and evaluation costs (Note 2(f)) 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.

The following table sets forth estimated useful lives, in years, of the principal groups of these intangible assets:

Brands and trademarks	10 to 15
Franchise/customer relationships	5 to 10
Computer software	3 to 15

Amortization is recorded in depreciation and amortization in the Consolidated Statement of Income.

(f) 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 not subject to amortization but, at each reporting date, are 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.

(g) 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. 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(u)).

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.

146 Notes to the consolidated financial statements continued 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(i)), 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	5 to 40
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. Property, plant and equipment held under a finance lease is depreciated over the life of the asset or the lease term, if shorter.

(h) 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 goodwill is 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, gas, refining or petrochemical 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

(i) Leases

Saudi Aramco's portfolio of leased assets mainly comprises drilling rigs, marine vessels, industrial facilities, equipment, 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 5).

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 19). Lease payments are allocated between the liability 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.

Accounting policies applied until December 31, 2018

Agreements under which Saudi Aramco made payments to third parties in return for the right to use an asset for a period of time were accounted for as leases. Leases that transferred substantially all the risks and rewards of ownership to Saudi Aramco were recorded at commencement as finance leases. Such leases were capitalized on the Consolidated Balance Sheet at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The interest element of leases was recorded in net income using the effective interest method over the term of the lease. Contingent rentals were recognized as an expense in the periods in which they were incurred. All other leases were recorded as operating leases and the associated costs were recorded in net income on a straight-line basis over the period of the lease.

Where Saudi Aramco was the lessor in a finance lease, the present value of the lease payments was recognized as a receivable. The interest element of the lease receivable was recognized in net income using the effective interest method.

2. Summary of significant accounting policies, judgments and estimates continued

(j) 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.

(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.

2. Summary of significant accounting policies, judgments and estimates continued

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.

(iv) Impairment
Saudi Aramco assesses on a forward-looking basis the expected credit losses associated with debt securities carried at amortized cost and 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.

(k) 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 and comprises currency forward contracts. 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

(l) Income tax

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.

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 8.

(m) Inventories

Inventories are stated at the lower of cost or estimated net realizable value. Cost comprises all expenses to bring the inventory 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.

(n) Due from the Government

The Government compensates the Company through price equalization (Note 2(y)) and for the past due trade receivables of specified Government and semi-Government agencies to whom the Company supplies specified products and services.

Revenue on sales to these specified Government and semi-Government agencies 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, offsetting may extend 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.

(o) 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.

2. Summary of significant accounting policies, judgments and estimates continued

(p) 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.

(q) 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(k)). 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 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.

(r) 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.

(s) 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 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.

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.

2. Summary of significant accounting policies, judgments and estimates continued

(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 20.

(t) 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.

(u) 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.

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 an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognized, but are disclosed where the inflow of economic benefits is probable.

2. Summary of significant accounting policies, judgments and estimates continued

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 21.

(v) Foreign currency translation

The USD is the functional currency of the Company and substantially all 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.

(w) 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 the particular 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, 2019 and 2018, 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.

(x) 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.

2. Summary of significant accounting policies, judgments and estimates continued

(y) Other income related to sales

The Government compensates the Company through price equalization for revenue directly foregone as a result of the Company's compliance with local regulations governing domestic sales and distribution of certain liquid products (Note 2(a)(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.

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(n)) 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.

(z) 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 20% applied to prices up to $70 per barrel, increasing to 40% applied to prices above $70 per barrel and 50% applied to prices above $100 per barrel (Note 2(a)(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.

(aa) 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. All other research and development costs are recognized in net income as incurred.

(bb) 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.

(cc) 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; and
- 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.

(dd) Reclassifications

Certain comparative amounts in the Consolidated Statement of Income and Consolidated Balance Sheet for the year ended December 31, 2018 have been reclassified to conform to the current year presentation. Such reclassifications did not impact the previously reported net income. These include certain sales of crude oil and related purchases of refined products in the amount of SAR 12,239, which are presented in the Consolidated Statement of Income as revenue and purchases reflecting current trading arrangements.

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 of the significant transactions are denominated in its functional currency (Note 2(v)), 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 in 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 28.

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, primarily, 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, 2019 and 2018, 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 412 and SAR 366, respectively.

At December 31, 2019 and 2018, a change in fair value due to a movement of 5% in the unit price of mutual and hedge funds would result in a change in income before income taxes of SAR 240 and SAR 209, 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 28.

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, 2019 and 2018, a change of 1% in market interest rates, with all other variables held constant, would result in a net change of SAR 435 and SAR 1,125, 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 28.

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 classified as FVOCI, 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 counterparty's 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, 2019, all the short-term investments were with financial institutions assigned a long-term credit rating of "BBB" (2018: "BBB+") or above.

Employee home loans (Note 9) and debt securities measured at FVOCI 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. The simplified approach uses the lifetime expected loss provision for all trade receivables. Such credit losses have historically been nominal and the loss allowance for trade receivables (Note 12) 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 19). 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 19 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.

(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.

(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 2,490 per loss event (2018: SAR 2,118) and various insurance limits apply, of which the risk retention forms a part. Should a credible loss event occur, the maximum insurance limit above retention is SAR 4,875 (2018: SAR 4,875) per event dependent on the circumstances.

All amounts in millions of Saudi Riyals unless otherwise stated

3. Financial risk management continued

(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 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

The following table presents Saudi Aramco's assets and liabilities measured and recognized at fair value at the years ended December 31, 2019 and 2018, 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, 2019 and 2018.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
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**
2018				
Investments in securities:				
Equity securities at FVOCI	7,324	–	1,293	8,617
Debt securities at FVOCI	19	3,908	–	3,927
Equity securities at FVPL	–	991	4,237	5,228
Trade receivables related to contracts with provisional pricing arrangements	–	–	73,509	73,509
	7,343	4,899	79,039	91,281
Other assets and receivables:				
Interest rate swaps	–	191	–	191
Commodity swaps	184	2,393	–	2,577
Currency forward contracts	–	33	–	33
	184	2,617	–	2,801
Total assets	7,527	7,516	79,039	94,082

All amounts in millions of Saudi Riyals unless otherwise stated

3. Financial risk management continued

Liabilities	**Level 1**	**Level 2**	**Level 3**	Total
2019				
Trade and other payables:				
Interest rate swaps	**–**	**338**	**–**	**338**
Commodity swaps	**–**	**521**	**–**	**521**
Currency forward contracts	**–**	**109**	**–**	**109**
	–	**968**	**–**	**968**
2018				
Trade and other payables:				
Interest rate swaps	–	71	–	71
Commodity swaps	–	1,069	–	1,069
Currency forward contracts	–	180	–	180
	–	1,320	–	1,320

The valuation techniques for Saudi Aramco's investments in securities are described in Note 10. The changes in Level 3 investments in securities and other current assets for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
January 1	**5,530**	5,283
Net additions	**286**	389
Net movement in unrealized fair value gain/(loss)	**346**	(161)
Acquisition	**–**	11
Realized gain	**–**	8
December 31	**6,162**	5,530

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 12). Unrealized fair value movements on these trade receivables are not significant.

4. 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, 2019, 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 include the refining, logistics, power generation, and marketing of crude oil, petroleum and petrochemical products 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

4. 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.

Information by segments is as follows:

	Upstream	Downstream	Corporate	Eliminations	Consolidated
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 and income taxes	**689,894**	**(3,478)**	**(13,098)**	**(6,085)**	**667,233**
Finance income					**5,534**
Finance costs					**(6,026)**
Income before income taxes					**666,741**
Capital expenditures – cash basis	**93,927**	**26,696**	**2,259**	**–**	**122,882**
2018					
External revenue	788,472	404,575	1,329	–	1,194,376
Other income related to sales	37,189	115,452	–	–	152,641
Inter-segment revenue	276,500	32,798	256	(309,554)	–
Share of results of joint ventures and associates	(1)	(1,274)	(140)	–	(1,415)
Depreciation and amortization	(27,495)	(11,941)	(1,898)	–	(41,334)
Dividends and other income	–	1,024	1	–	1,025
Earnings (losses) before interest and income taxes	796,321	12,638	(12,927)	1,983	798,015
Finance income					2,840
Finance costs					(2,959)
Income before income taxes					797,896
Capital expenditures – cash basis	96,768	32,677	2,321	–	131,766

Information by geographical area is as follows:

	In-Kingdom	Out of Kingdom	Total
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**
2018			
External revenue	991,769	202,607	1,194,376
Property, plant and equipment, intangible assets, investments in joint ventures and associates	814,997	108,305	923,302

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 119,325 originating from the United States of America ("USA") (2018: SAR 118,762).

Property, plant and equipment, intangible assets and investment 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

5. 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, 2019	**503,281**	**205,233**	**361,141**	**88,482**	**257,607**	**1,415,744**
Adjustment for change in accounting policy (Note 2(c)(i))	**6,337**	**8,005**	**254**	**11,455**	**–**	**26,051**
Additions	**4,929**	**3,545**	**164**	**2,559**	**110,995**	**122,192**
Acquisitions (Note 33)	**–**	**10,395**	**–**	**–**	**1,329**	**11,724**
Derecognition on acquisition of joint operation (Note 33(a)(ii))	**–**	**(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)**
Additions	**(18,729)**	**(10,213)**	**(13,828)**	**(6,370)**	**–**	**(49,140)**
Derecognition on acquisition of joint operation (Note 33(a)(ii))	**–**	**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**
Cost						
January 1, 2018	468,598	172,065	329,480	78,951	206,248	1,255,342
Additions	2,107	3,006	264	9,124	119,402	133,903
Acquisitions (Note 33)	–	9,019	–	–	18,878	27,897
Construction completed	29,829	23,669	31,470	4,177	(89,145)	–
Currency translation differences	–	(1,820)	–	(1)	(469)	(2,290)
Transfers and adjustments	3,454	(586)	24	(3,114)	529	307
Transfer of exploration and evaluation assets	–	–	–	–	2,164	2,164
Retirements and sales	(707)	(120)	(97)	(655)	–	(1,579)
December 31, 2018	503,281	205,233	361,141	88,482	257,607	1,415,744
Accumulated depreciation						
January 1, 2018	(237,729)	(67,323)	(147,357)	(51,799)	–	(504,208)
Additions	(16,208)	(8,269)	(12,929)	(2,935)	–	(40,341)
Currency translation differences	–	848	–	–	–	848
Transfers and adjustments	(164)	202	–	404	–	442
Retirements and sales	557	104	66	615	–	1,342
December 31, 2018	(253,544)	(74,438)	(160,220)	(53,715)	–	(541,917)
Property, plant and equipment – net, December 31, 2018	249,737	130,795	200,921	34,767	257,607	873,827

Additions to right-of-use assets during the year ended December 31, 2019 were SAR 9,670.

All amounts in millions of Saudi Riyals unless otherwise stated

5. Property, plant and equipment continued

The following table presents depreciation charges and net carrying amounts of right-of-use assets by class of assets.

	Depreciation expense for the year ended December 31, 2019	Carrying amount at December 31, 2019
Crude oil facilities	2,591	8,202
Refinery and petrochemical facilities	1,276	10,045
Gas and NGL facilities	178	190
General service plant	3,634	22,222
	7,679	40,659

At December 31, 2018, finance lease assets with net book values of SAR 11,912 and SAR 705 were included in General service plant and Refinery and petrochemical facilities, respectively.

6. Intangible assets

	Exploration and evaluation	Brands and trademarks	Franchise/ customer relationships	Computer software	Other	Total
Cost						
January 1, 2019	18,916	4,827	1,263	4,310	2,157	31,473
Additions	8,333	–	–	303	65	8,701
Acquisitions (Note 33)	–	–	544	57	527	1,128
Derecognition on acquisition of joint operation (Note 33(a)(ii))	–	–	–	(84)	–	(84)
Currency translation differences	–	(84)	(43)	–	(72)	(199)
Transfers and adjustments	–	48	–	(114)	80	14
Transfer of exploration and evaluation assets	(2,119)	–	–	–	–	(2,119)
Retirements	(3,217)	–	–	(44)	–	(3,261)
December 31, 2019	21,913	4,791	1,764	4,428	2,757	35,653
Accumulated amortization						
January 1, 2019	–	(1,046)	(715)	(2,541)	(275)	(4,577)
Additions	–	(424)	(174)	(368)	(160)	(1,126)
Derecognition on acquisition of joint operation (Note 33(a)(ii))	–	–	–	45	–	45
Currency translation differences	–	22	23	–	53	98
Transfers and adjustments	–	–	–	(15)	–	(15)
Retirements	–	–	–	44	–	44
December 31, 2019	–	(1,448)	(866)	(2,835)	(382)	(5,531)
Intangible assets – net, December 31, 2019	21,913	3,343	898	1,593	2,375	30,122

All amounts in millions of Saudi Riyals unless otherwise stated

6. Intangible assets continued

	Exploration and evaluation	Brands and trademarks	Franchise/ customer relationships	Computer software	Other	Total
Cost						
January 1, 2018	16,008	4,931	1,318	4,101	1,589	27,947
Additions	8,023	–	–	252	80	8,355
Acquisitions (Note 33(a)(iv))	–	–	–	189	270	459
Currency translation differences	–	(104)	(55)	–	(7)	(166)
Transfers and adjustments	–	–	–	(232)	225	(7)
Transfer of exploration and evaluation assets	(2,164)	–	–	–	–	(2,164)
Retirements	(2,951)	–	–	–	–	(2,951)
December 31, 2018	18,916	4,827	1,263	4,310	2,157	31,473
Accumulated amortization						
January 1, 2018	–	(660)	(557)	(2,351)	(33)	(3,601)
Additions	–	(408)	(184)	(261)	(140)	(993)
Currency translation differences	–	24	26	–	–	50
Transfers and adjustments	–	(2)	–	71	(102)	(33)
December 31, 2018	–	(1,046)	(715)	(2,541)	(275)	(4,577)
Intangible assets – net, December 31, 2018	18,916	3,781	548	1,769	1,882	26,896

Other intangible assets include licenses and usage rights of SAR 762 (2018: SAR 882), patents and intellectual property of SAR 535 (2018: SAR 420) and goodwill of SAR 1,078 (2018: SAR 580).

Cash used for exploration and evaluation operating activities in 2019 was SAR 4,074 (2018: SAR 4,977) and expenditures for investing activities were SAR 8,333 (2018: SAR 8,023).

All amounts in millions of Saudi Riyals unless otherwise stated

7. Investments in joint ventures and associates

Company	Equity ownership 2019/2018	Principal place of business	Nature of activities	**Carrying amount at December 31, 2019**	Carrying amount at December 31, 2018
Sadara Chemical Company ("Sadara")[1, 2, 5]	65%	Saudi Arabia	Petrochemical	**4,483**	11,660
Hyundai Oilbank Co.,Ltd. ("Hyundai Oilbank")	17%/Nil	South Korea	Refining/marketing/ petrochemical	**4,372**	–
Rabigh Refining and Petrochemical Company ("Petro Rabigh")[2, 3]	37.5%	Saudi Arabia	Refining/petrochemical	**2,458**	2,763
Fujian Refining and Petrochemical Company Limited ("FREP")	25%	People's Republic of China	Refining/petrochemical	**2,070**	2,419
National Shipping Company of Saudi Arabia ("Bahri")[3]	20%	Saudi Arabia	Global logistics services	**2,063**	2,129
Power & Water Utility Company for Jubail and Yanbu ("Marafiq") (formerly: Jubail and Yanbu Electricity and Water Utility Company)	24.8%	Saudi Arabia	Utilities	**1,877**	1,831
Tas'helat Marketing Company ("TMC")	50%/Nil	Saudi Arabia	Marketing	**433**	–
The International Maritime Industries Company ("IMIC")[1, 4]	50.1%	Saudi Arabia	Maritime	**371**	425
Sinopec SenMei (Fujian) Petroleum Company Limited ("SSPC")	22.5%	People's Republic of China	Marketing/petrochemical	**392**	401
Saudi Arabian Industrial Investment Company ("Dussur")	25%	Saudi Arabia	Investment	**374**	116
Juniper Ventures of Texas LLC ("JVTX")[1]	60%	USA	Marketing	**326**	331
First Coast Energy LLP ("FCE")	50%	USA	Marketing	**257**	263
S-Oil TOTAL Lubricants Co., Ltd.	50%	South Korea	Lubricants production/sale	**138**	147
GCC Electrical Equipment Testing Lab ("GCC Lab")	20%	Saudi Arabia	Inspection	**57**	63
Star Enterprises LLC ("Star-Ent")	50%	USA	Pension administration	**36**	27
Saudi Silk Road Industrial Services Company ("SSRIS")	20%/Nil	Saudi Arabia	Investment services	**23**	–
Arabian Rig Manufacturing Company ("ARM")	30%/Nil	Saudi Arabia	Rig manufacturing	**6**	–
Jasara Program Management Company ("Jasara")[6] (formerly: Pan Arabian Program Management Company)	20%/50%	Saudi Arabia	Engineering services	**2**	4
				19,738	22,579

1. 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.
2. Saudi Aramco has provided guarantees as described in Note 27.
3. Listed company.
4. On August 27, 2019, Saudi Aramco agreed to sell 10% of its shareholding in IMIC to Korea Shipbuilding and Offshore Engineering (formerly: Hyundai Heavy Industries) subject to certain conditions to be met within one year of the agreement.
5. During the year ended December 31, 2019, the management of Sadara 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 is SAR 5,996.
6. On July 2, 2019, Saudi Aramco sold 30% of its ownership interest to the Saudi Public Investment Fund for SAR 14 (Note 32(a)).

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**	
	2019	2018	**2019**	2018
January 1	**12,425**	12,216	**10,154**	15,057
Share of results of joint ventures and associates	**(9,435)**	(2,608)	**(20)**	1,193
Additional investment	**2,860**	2,531	**285**	368
Investments in joint ventures and associates (Note 33)	**385**	331	**4,414**	–
Derecognition of investment in ARLANXEO (Note 33(a)(iv))	**–**	–	**–**	(4,943)
Distributions	**(89)**	(75)	**(689)**	(998)
Change in elimination of profit in inventory	**27**	(23)	**(267)**	(80)
Share of other comprehensive (loss) income	**(479)**	53	**(8)**	(443)
Other	**4**	–	**171**	–
December 31	**5,698**	12,425	**14,040**	10,154

All amounts in millions of Saudi Riyals unless otherwise stated

7. 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, 2019 are set out below:

Summarized balance sheet
At December 31, 2019

	Sadara	Hyundai Oilbank	Petro Rabigh	FREP	Bahri	Other	Total
Current assets:							
Cash and cash equivalents	1,611	1,556	316	3,012	164	3,887	10,546
Other	6,780	13,245	11,147	6,429	2,878	3,501	43,980
Total current assets	8,391	14,801	11,463	9,441	3,042	7,388	54,526
Non-current assets	57,559	35,670	62,509	9,506	17,206	27,373	209,823
Current liabilities:							
Financial liabilities (excluding trade and other payables)	5,080	4,226	17,372	688	733	1,294	29,393
Other	2,102	9,030	10,517	3,811	1,249	4,891	31,600
Total current liabilities	7,182	13,256	27,889	4,499	1,982	6,185	60,993
Non-current liabilities:							
Financial liabilities (excluding trade and other payables)	50,771	10,133	35,389	6,019	8,739	13,888	124,939
Other	746	660	654	149	107	1,396	3,712
Total non-current liabilities	51,517	10,793	36,043	6,168	8,846	15,284	128,651
Net assets	7,251	26,422	10,040	8,280	9,420	13,292	74,705
Saudi Aramco interest	65%	17%	37.5%	25%	20%	17%-60%	
Saudi Aramco share	4,713	4,492	3,765	2,070	1,884	3,815	20,739
Elimination of profit in inventory	35	–	(655)	–	–	1	(619)
Fair value and other adjustments	(265)	(120)	(652)	–	179	476	(382)
Investment balance, December 31	4,483	4,372	2,458	2,070	2,063	4,292	19,738

Summarized statement of comprehensive income
Year ended December 31, 2019

	Sadara	Hyundai Oilbank	Petro Rabigh	FREP	Bahri	Other	Total
Revenue	10,108	2,814	42,420	31,017	6,409	29,534	122,302
Depreciation and amortization	3,850	6	2,973	1,381	933	1,581	10,724
Conventional interest income	–	8	384	67	–	85	544
Interest expense	2,448	29	1,225	325	566	534	5,127
Income tax expense	76	12	225	107	91	166	677
Net (loss) income	(14,653)	42	(650)	271	477	613	(13,900)
Other comprehensive loss	(741)	–	(59)	(104)	(23)	(36)	(963)
Total comprehensive (loss) income	(15,394)	42	(709)	167	454	577	(14,863)

All amounts in millions of Saudi Riyals unless otherwise stated

7. Investments in joint ventures and associates continued

Conventional financial assets, financial liabilities and interest income (100%) of entities not listed on the Tadawul and included above, are as follows:

	Conventional financial assets as of December 31, 2019	Conventional financial liabilities as of December 31, 2019	Interest income from conventional financial assets for the year ended December 31, 2019
Sadara	**5,648**	**42,991**	**–**
Hyundai Oilbank	**8,910**	**14,359**	**8**
FREP	**5,576**	**6,707**	**67**
Marafiq	**2,887**	**5,462**	**25**
TMC	**241**	**261**	**–**
IMIC	**175**	**9**	**–**
SSPC	**1,244**	**2,149**	**23**
Dussur	**1,409**	**7**	**34**
JVTX	**17**	**–**	**–**
FCE	**–**	**436**	**–**
S-Oil TOTAL Lubricants Co., Ltd.	**282**	**202**	**–**
GCC Lab	**58**	**2**	**2**
Star-Ent	**8**	**–**	**–**
SSRIS	**113**	**–**	**–**
ARM	**4**	**34**	**–**
Jasara	**195**	**110**	**–**

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, 2018 are set out below:

Summarized balance sheet
At December 31, 2018

	Sadara	Petro Rabigh	FREP	Bahri	Other	Total
Current assets:						
Cash and cash equivalents	1,384	3,184	4,035	638	3,551	12,792
Other	7,931	15,904	5,104	3,210	3,293	35,442
Total current assets	9,315	19,088	9,139	3,848	6,844	48,234
Non-current assets	72,422	52,178	10,851	18,000	24,019	177,470
Current liabilities:						
Financial liabilities (excluding trade and other payables)	3,525	13,898	656	1,478	1,413	20,970
Other	6,105	14,273	2,700	1,136	4,714	28,928
Total current liabilities	9,630	28,171	3,356	2,614	6,127	49,898
Non-current liabilities:						
Financial liabilities (excluding trade and other payables)	48,634	33,641	6,806	9,401	11,674	110,156
Other	5,280	488	154	65	1,251	7,238
Total non-current liabilities	53,914	34,129	6,960	9,466	12,925	117,394
Net assets	18,193	8,966	9,674	9,768	11,811	58,412
Saudi Aramco interest	65%	37.5%	25%	20%	20%-50.1%	
Saudi Aramco share	11,825	3,362	2,419	1,954	3,409	22,969
Elimination of profit in inventory	11	(388)	–	–	(2)	(379)
Fair value and other adjustments	(176)	(211)	–	175	201	(11)
Investment balance, December 31	11,660	2,763	2,419	2,129	3,608	22,579

All amounts in millions of Saudi Riyals unless otherwise stated

7. Investments in joint ventures and associates continued

Summarized statement of comprehensive income
Year ended December 31, 2018

	Sadara	Petro Rabigh	FREP	Bahri	Other	Total
Revenue	13,114	42,165	29,760	5,783	43,230	134,052
Depreciation and amortization	3,848	2,445	1,373	833	2,850	11,349
Conventional interest income	–	296	90	–	60	446
Interest expense	2,258	728	368	270	502	4,126
Income tax expense	49	128	638	101	319	1,235
Net (loss) income	(4,009)	1,301	1,609	611	319	(169)
Other comprehensive income (loss)	94	(15)	(495)	–	(664)	(1,080)
Total comprehensive (loss) income	(3,915)	1,286	1,114	611	(345)	(1,249)

Conventional financial assets, financial liabilities and interest income (100%) of entities not listed on the Tadawul and included above, are as follows:

	Conventional financial assets as of December 31, 2018	Conventional financial liabilities as of December 31, 2018	Interest income from conventional financial assets for the year ended December 31, 2018
Sadara	6,765	52,159	–
FREP	4,778	7,463	90
Marafiq	2,906	5,213	26
IMIC	859	124	–
SSPC	1,155	–	30
Dussur	544	8	–
JVTX	8	23	–
FCE	–	585	–
S-Oil TOTAL Lubricants Co., Ltd.	251	143	–
GCC LAB	109	–	4
Star-Ent	–	–	–
Jasara	38	–	–

Saudi Aramco's share of the fair value of the associates listed on the Tadawul at December 31 together with their carrying value at those dates is as follows:

	Fair value		Carrying value	
	2019	2018	**2019**	2018
Petro Rabigh	**7,115**	6,268	**2,458**	2,763
Bahri	**3,150**	2,630	**2,063**	2,129

All amounts in millions of Saudi Riyals unless otherwise stated

8. Income taxes

(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 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 2(a)(iii)).

Income tax expense is primarily based on income arising in Saudi Arabia.

The reconciliation of tax charge at the Kingdom statutory rates to consolidated tax charge is as follows:

	2019	2018
Income before income taxes	**666,741**	797,896
Income taxes at the Kingdom's statutory tax rates	**328,721**	387,937
Tax effect of:		
Impact of change in income tax rates on deferred tax	**2,655**	(3,904)
Impact of change from zakat to income tax on investments in shares of resident capital companies	**–**	1,282
Income not subject to tax at statutory rates and other	**4,672**	(3,937)
	336,048	381,378

(b) Income tax expense

	2019	2018
Current income tax – Kingdom	**319,979**	365,415
Current income tax – Foreign	**353**	349
Deferred income tax – Kingdom:		
Impact of change in income tax rates	**2,655**	(3,904)
Charge for the period	**12,610**	19,830
Deferred income tax – Foreign	**451**	(312)
	336,048	381,378

Saudi Aramco paid foreign taxes of SAR 437 and SAR 605 for the years ended December 31, 2019 and 2018, respectively.

Income tax expense recorded through other comprehensive income was SAR 1,542 for the year ended December 31, 2019 (2018: SAR 5,863).

(c) Income tax obligation to the Government

	2019	2018
January 1	**70,299**	59,584
Provided during the period	**319,979**	365,415
Payments during the period by the Company (Note 31)	**(149,780)**	(180,225)
Payments during the period by subsidiaries and joint operations	**(1,023)**	(1,075)
Settlements of due from the Government	**(172,301)**	(167,752)
Other settlements	**(4,931)**	(5,648)
December 31	**62,243**	70,299

All amounts in millions of Saudi Riyals unless otherwise stated

8. Income taxes continued

(d) Deferred income tax

	2019	2018
Deferred income tax assets:		
Kingdom	**12,386**	8,946
U.S. Federal and State	**31**	14
Other foreign	**311**	906
	12,728	9,866
Deferred income tax liabilities:		
Kingdom	**37,943**	18,637
U.S. Federal and State	**3,312**	2,234
Other foreign	**3,216**	3,006
	44,471	23,877
Net deferred income tax liabilities	**(31,743)**	(14,011)

The gross movement of the net deferred income tax position is as follows:

	2019	2018
January 1	**(14,011)**	7,297
Impact of change in income tax rate – (charge)/credit to income	**(2,655)**	3,904
Impact of change in income tax rate – Other reserves	**(284)**	(119)
Current period charge to income	**(13,061)**	(19,518)
Adjustments to equity – Other reserves	**(1,258)**	(5,744)
Other adjustments	**(474)**	169
December 31	**(31,743)**	(14,011)

	2019	2018
Deferred income tax to be settled after more than 12 months	**(31,743)**	(14,011)
Deferred income tax to be recovered within 12 months	**–**	–
Net deferred income tax liabilities	**(31,743)**	(14,011)

All amounts in millions of Saudi Riyals unless otherwise stated

8. Income taxes 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, 2018								
Deferred tax assets	19,411	–	–	12,554	4,960	(20,797)	(2,522)	13,606
Deferred tax liabilities	–	(6,726)	(885)	(1,079)	2,381	–	–	(6,309)
	19,411	(6,726)	(885)	11,475	7,341	(20,797)	(2,522)	7,297
Recognized during the year								
Impact of change in income tax rate	(119)	–	–	(538)	–	4,442	–	3,785
Current period (charges)/ credits to income	(1,404)	3,094	105	(2,267)	433	(19,479)	–	(19,518)
Other reserves (charges)/ credits	(6,636)	–	–	–	–	–	892	(5,744)
Other adjustments	–	–	–	169	–	–	–	169
	(8,159)	3,094	105	(2,636)	433	(15,037)	892	(21,308)
December 31, 2018								
Deferred tax assets	1,873	–	–	1,256	6,737	–	–	9,866
Deferred tax liabilities	9,379	(3,632)	(780)	7,583	1,037	(35,834)	(1,630)	(23,877)
	11,252	(3,632)	(780)	8,839	7,774	(35,834)	(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**	**3,285**	**2,043**	**(17,431)**	**–**	**(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**	**10,260**	**2,043**	**(27,535)**	**(552)**	**(17,732)**
December 31, 2019								
Deferred tax assets	**3,328**	**–**	**–**	**685**	**8,715**	**–**	**–**	**12,728**
Deferred tax liabilities	**7,128**	**(4,828)**	**(736)**	**18,414**	**1,102**	**(63,369)**	**(2,182)**	**(44,471)**
	10,456	**(4,828)**	**(736)**	**19,099**	**9,817**	**(63,369)**	**(2,182)**	**(31,743)**

To reflect the change in income tax rate effective January 1, 2020 for Downstream activities, 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 32,674 and SAR 31,922 at December 31, 2019 and 2018, respectively, and the unrecognized deferred income tax liability is SAR 3,215 and SAR 3,547 at December 31, 2019 and 2018, respectively.

(e) Tax assessments

The Company and its subsidiaries and affiliates are subject to tax review and audit in tax jurisdictions where they operate. In October 2019, 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, 2018 were accepted as filed.

For the Company's other domestic and international affiliates, examinations of tax returns for certain prior tax years had not been completed as of December 31, 2019; however, the Company is not aware of any significant claims. Therefore, no material provision for any additional income tax liability has been recorded in the consolidated financial statements.

All amounts in millions of Saudi Riyals unless otherwise stated

9. Other assets and receivables

	2019	2018
Non-current:		
Contractor advances	**6,768**	305
Home loans	**5,999**	5,023
Loans to joint ventures and associates (Note 32(b))	**4,480**	2,777
Home ownership construction	**3,160**	4,088
Lease receivable from associates (Note 32(b))	**440**	452
Derivative assets	**–**	191
Other	**525**	291
	21,372	13,127
Current:		
Employee and other receivables	**4,999**	3,557
Tax receivables	**2,569**	2,347
Interest receivable	**1,144**	171
Prepaid expenses	**1,400**	2,984
Home loans	**848**	750
Derivative assets	**331**	2,610
Investments in securities (Note 10)	**281**	558
Rig mobilization fees	**242**	398
Assets held for sale	**81**	81
Receivables from joint ventures and associates (Note 32(b))	**15**	71
Other	**199**	248
	12,109	13,775

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:

	2019	2018
Gross amounts receivable	**9,317**	8,470
Less:		
Discount	**(1,610)**	(1,868)
Allowance for doubtful home loans	**(536)**	(480)
Subsidies	**(324)**	(349)
Net amounts receivable	**6,847**	5,773
Current	**(848)**	(750)
Non-current	**5,999**	5,023

10. Investments in securities

	2019	2018
January 1	**17,772**	19,142
Acquisitions	**–**	11
Net additions	**889**	490
Net unrealized fair value gain/(loss)	**1,598**	(1,871)
Net unrealized foreign currency loss	**(22)**	–
December 31	**20,237**	17,772
Current (Note 9)	**(281)**	(558)
Non-current	**19,956**	17,214

Net additions include unsettled transactions of SAR 21 at December 31, 2019 (2018: SAR (125)). Investments in securities are carried at fair value.

All amounts in millions of Saudi Riyals unless otherwise stated

10. Investments in securities continued

The components of Investments in securities are as follows:

	2019	
	Percentage ownership	Carrying amount as of December 31
Equity investments classified as 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 classified as 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 classified as FVPL:		
Listed securities – mutual and hedge funds		**4,796**
Unlisted securities		**1,387**
		20,237
Current portion (Note 9)		**(281)**
Non-current		**19,956**

	2018	
	Percentage ownership	Carrying amount as of December 31
Equity investments classified as FVOCI:		
Equity investments – listed securities:		
Saudi Electricity Company ("SEC")	6.9%	4,369
Showa Shell Sekiyu K.K. ("Showa Shell")	15.1%	2,955
Equity investments – unlisted securities:		
Arab Petroleum Pipeline Company ("Sumed")	15.0%	824
Industrialization & Energy Services Company ("TAQA")	4.6%	315
Daehan Oil Pipeline Corporation ("Daehan")	8.9%	154
Investments in debt securities classified as FVOCI:		
USD debt securities with fixed interest rates ranging from 0.7% to 8.8% and maturity dates between January 2019 and February 2051		3,338
USD debt securities with variable interest rates and maturity dates between January 2019 and October 2068		589
		12,544
Equity investments classified as FVPL:		
Listed securities – mutual and hedge funds		4,189
Unlisted securities		1,039
		17,772
Current portion (Note 9)		(558)
Non-current		17,214

All amounts in millions of Saudi Riyals unless otherwise stated

10. Investments in securities continued

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 7.7% of Idemitsu's total common shares, which does not meet the requirement for significant influence. The investment in Idemitsu in the amount of SAR 2,411 at December 31, 2019 is accounted for at fair value through other comprehensive income.

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 8.0% and 10.6% at December 31, 2019 and 2018, 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.

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, 2019 range from AAA to BB (2018: AAA to BB) as set out by internationally recognized credit rating agencies.

11. Inventories

	2019	2018
Crude oil, refined products and chemicals	**35,839**	37,241
Materials and supplies – net	**6,595**	6,130
Natural gas liquids and other	**173**	209
	42,607	43,580

The carrying amount of materials and supplies are shown net of an allowance for obsolete and surplus materials with movement as follows:

	2019	2018
Balance, January 1	**2,088**	1,911
Net movement in allowance	**(91)**	177
Balance, December 31	**1,997**	2,088

12. 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:

	2019	2018
Arising from export and local sales at international prices	**86,058**	81,662
Arising from local sales at Kingdom regulated prices	**8,322**	12,995
	94,380	94,657
Less: Loss allowance	**(854)**	(839)
	93,526	93,818

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(n), the Government through the Ministry of Finance provided a guarantee to the Company in the event that certain Government and semi-Government agencies are unable to settle within the terms agreed with the Company.

All amounts in millions of Saudi Riyals unless otherwise stated

12. Trade receivables continued

The movement of the allowance for trade receivables related to past due sales is as follows:

	2019	2018
January 1	**839**	856
Net movement in allowance	**15**	(17)
December 31	**854**	839

13. Due from the Government

	2019	2018
Other income related to sales (Note 2(y))	**28,670**	35,267
Government guarantee (Note 2(n))	**7,189**	12,872
Other	**922**	725
Note 32(b)	**36,781**	48,864

14. Short-term investments

	2019	2018
USD time deposits	**42,585**	–
USD Murabaha time deposits (Shari'a compliant)	**1,875**	–
South Korean Won time deposits	**875**	154
SAR time deposits	**132**	40
	45,467	194

15. Cash and cash equivalents

	2019	2018
Cash at bank and in hand	**45,063**	31,015
USD time deposits	**119,031**	146,886
USD Murabaha time deposits (Shari'a compliant)	**2,570**	1,440
SAR time deposits	**4,959**	1,277
SAR repurchase agreements	**2,800**	328
SAR Murabaha time deposits (Shari'a compliant)	**2,369**	–
South Korean Won time deposits	**914**	2,206
	177,706	183,152

16. Treasury shares

On December 11, 2019, the Company acquired 117.2 million ordinary shares from the Government for cash consideration of SAR 3,750, which continue to be held at December 31, 2019 (2018: nil). These shares are held by the Company as treasury shares for the purposes of issuing them to the Company's employees upon the vesting of the grant award (Note 17) and any other employee share plans that the Company may adopt in the future.

17. Share-based compensation

The Company recognized the following share-based compensation expense in the Consolidated Statement of Income, as an employee benefit expense, for the year ended December 31, 2019.

	2019	2018
Equity-settled	**32**	–
Cash-settled	**1**	–
	33	–

This share-based compensation relates to a grant of ordinary shares awarded in December 2019 to the Company's eligible employees under the plan terms of the grant.

The grant is subject to a 12-month vesting period from its grant date and is subject to a service condition during the vesting period, except for certain qualifying leavers. The grant will be settled with the employees in shares on vesting, except for certain qualifying employees who will receive cash settlement.

The fair value of the grant 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. The participants in the grant are entitled to dividend equivalents, if dividends are declared to ordinary shareholders, during the vesting period. Such dividend equivalents will be paid in cash on vesting of the grant or upon separation for qualifying leavers. Accordingly, no adjustment for expected dividends during the vesting period was made in determining the fair value of the grant.

The number of shares and weighted average fair value per share ("WAFV"), under the grant, granted during the year were:

	2019	
	Number of shares (in millions)	**WAFV (SAR)**
Grant	**16**	**35.20**

At December 31, 2019, the total carrying amount of the liabilities in respect of the cash settlement elements of the grant was SAR 2 (2018: nil). There were no outstanding vested awards at December 31, 2019 (2018: nil).

18. 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 payment reserve**	**Cash flow hedges and other**	**Post-employment benefit obligations and other**	**Foreign currency translation gains (losses)**	**Total**
January 1, 2018	798	4,492	–	–	(105)	(153)	638	5,670
Current period change	(1,110)	(2,547)	–	–	36	157	(440)	(3,904)
Remeasurement gain	–	82	13,556	–	–	–	–	13,638
Transfer to retained earnings	–	–	(6,822)	–	–	–	–	(6,822)
Tax effect	–	892	(6,755)	–	–	–	–	(5,863)
Less: amounts related to non-controlling interests	441	–	21	–	(5)	–	–	457
December 31, 2018	**129**	**2,919**	**–**	**–**	**(74)**	**4**	**198**	**3,176**
Current period change	**(1,027)**	**1,517**	**–**	**31**	**(353)**	**(480)**	**(7)**	**(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)**	**(476)**	**191**	**2,076**

All amounts in millions of Saudi Riyals unless otherwise stated

19. Borrowings

	2019	2018
Non-current:		
Borrowings	**39,957**	25,934
Debentures	**60,957**	17,014
Sukuk (Shari'a compliant)	**12,649**	12,821
Lease liabilities (Note 2(c)(i))	**33,831**	12,329
Other[1]	**3,296**	3,231
	150,690	71,329
Current:		
Short-term bank financing	**12,660**	23,174
Borrowings	**4,957**	5,906
Sukuk (Shari'a compliant)	**175**	180
Lease liabilities (Note 2(c)(i))	**7,103**	729
	24,895	29,989

	2019	2018
Finance costs:		
Conventional borrowing	**3,144**	1,576
Lease liabilities	**1,790**	480
Shari'a compliant financial instruments	**652**	593
Unwinding of discount (Note 21)	**440**	310
	6,026	2,959

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 38,074 (2018: SAR 39,699). 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.

Details of financing facilities at December 31 are as follows:

		Total facility		Total undrawn	
	Note	2019	2018	2019	2018
Conventional facilities:					
Revolving credit facilities	a	**49,350**	47,677	**46,489**	47,677
Commercial and other	b	**41,576**	25,218	**4,249**	3,263
Short-term borrowings	c	**25,500**	33,840	**15,698**	10,928
Export credit agencies	d	**6,354**	13,854	**–**	7,500
Public Investment Fund	e	**4,594**	4,594	**–**	–
Shari'a compliant facilities:					
Sukuk	a	**39,844**	39,844	**26,250**	26,250
Murabaha	b	**3,750**	3,750	**–**	–
Saudi Industrial Development Fund	c	**3,248**	3,248	**–**	–
Ijarah/Procurement	d	**1,811**	2,528	**–**	–
Wakala	e	**345**	821	**–**	–
		176,372	175,374	**92,686**	95,618

19. Borrowings continued

Conventional facilities

(a) Revolving credit facilities

At December 31, 2019, Saudi Aramco held facilities that total SAR 49,350 (2018: SAR 47,677) consisting of:

(i) The Company maintains USD denominated facilities comprising a conventional five-year facility equivalent to SAR 22,500 ($6,000) and a 364-day 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 and were extended for two years in 2019 and 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 subsidiaries maintain facilities of SAR 11,850 (2018: SAR 10,177), consisting of revolving credit facilities of SAR 9,056 ($2,415), and a letter of credit facility of SAR 2,794 ($745) for working capital requirements and to support trading activities. The facilities are expected to be renewed in 2020 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

Saudi Aramco has commercial and other facility agreements with a number of banks. The facilities are primarily repayable in twelve to twenty-seven installments on a semi-annual basis from June 15, 2014 to December 21, 2034. Commission is payable on amounts drawn that are primarily calculated at a market rate plus a margin.

In 2019, Saudi Aramco refinanced an existing commercial facility having a balance of SAR 2,818 repayable to December 20, 2025. Under the refinancing agreement, the facility of SAR 3,105 is repayable in seven installments 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.

(c) Short-term borrowings

(i) On December 18, 2019, Saudi Aramco refinanced certain short-term bank financing through long-term project financing with 21 commercial banks and 6 export credit agencies. These long-term facilities were established in the amount of SAR 17,438 and payable in twenty-seven 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 margin.

(ii) 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

(i) UK Export Finance facility

On October 11, 2017, Saudi Aramco entered into a USD denominated facility equivalent to SAR 7,500 ($2,000) with five commercial banks which is guaranteed by UK Export Finance. The facility expired during 2019 and no portion was drawn down as of the expiration date.

(ii) Other Export Credit Agencies

Saudi Aramco has facility agreements with six export credit agencies. The facilities are repayable in twenty-three installments on a semi-annual basis from December 20, 2014 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 fourteen to twenty-three installments on a semi-annual basis from December 20, 2014 to December 20, 2025. Commission is payable on amounts drawn and is calculated at a market rate plus a margin.

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 Ijara for post-construction of the project.

All amounts in millions of Saudi Riyals unless otherwise stated

19. Borrowings continued

(b) Murabaha

Saudi Aramco has a Murabaha Shari'a compliant Islamic facility. The facility is repayable in ten equal installments of 7% on a semi-annual basis from April 20, 2018 to October 20, 2022, and a 30% balloon payment on April 20, 2023. 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 fourteen to twenty-two unequal installments on a semi-annual basis according to the Hijri calendar commencing from 15 Sha'aban 1437 H (May 22, 2016) to 15 Safar 1452 (June 30, 2030).

(d) Ijarah/Procurement

Saudi Aramco had Procurement Shari'a compliant Islamic facility agreements with a number of banks. The facilities were repayable in twenty-three unequal installments on a semi-annual basis commencing December 20, 2014 to December 20, 2025. In 2019, Saudi Aramco refinanced the balance of the procurement facility with an Ijarah Shari'a compliant facility 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.

(e) Wakala

Saudi Aramco has Shari'a compliant Islamic facility agreements with two lenders. The facilities utilize a Wakala financing structure which is an agency arrangement.

In 2019, Saudi Aramco refinanced the Wakala Shari'a compliant Islamic facilities. The facilities were repayable in twenty-three 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 non-current borrowings approximate their fair values.

The carrying amounts of non-current borrowings, excluding lease liabilities, at December 31 are as follows:

	2019	2018
Conventional facilities:		
Commercial and other	**32,996**	16,972
Export credit agencies	**3,743**	4,230
Public Investment Fund (Note 32(b))	**2,880**	3,341
Other	**3,300**	3,231
Shari'a compliant facilities:		
Sukuk	**12,825**	13,009
Saudi Industrial Development Fund (Note 32(b))	**2,486**	2,778
Ijarah/Procurement	**1,811**	1,901
Murabaha	**1,084**	2,456
Wakala	**345**	615
	61,470	48,533
Less: unamortized transaction costs	**(436)**	(461)
	61,034	48,072
Debentures denominated in USD	**52,283**	8,479
Debentures denominated in Korean Won	**9,206**	8,535
Less: unamortized transaction costs	**(532)**	–
	121,991	65,086
Less: current portion	**(5,132)**	(6,086)
Non-current portion	**116,859**	59,000

All amounts in millions of Saudi Riyals unless otherwise stated

19. Borrowings continued

Movements in unamortized transaction costs are as follows:

	2019	2018
January 1	**461**	364
Additional transaction costs incurred	**769**	157
Less: amortization	**(262)**	(60)
December 31	**968**	461

Debentures

(i) Certain debentures denominated in USD are issued in capital markets. Interest rates are fixed and variable with maturities that range between 2027 and 2049.

(ii) Debentures denominated in Korean Won are issued in capital markets. Interest rates range from 1.65% to 3.53% with maturities beginning in 2020 through 2029.

(iii) 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%, ten-year maturities for SAR 11,250 ($3,000) with a coupon rate of 3.5%, twenty-year maturities for SAR 11,250 ($3,000) with a coupon rate of 4.25%, and thirty-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. Discounts and transaction costs are amortized using the effective interest method and are reflected as finance costs in the Consolidated Statement of Income.

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, 2019 was SAR 7,751. Expenses relating to short-term and low value leases were recognized in the Consolidated Statement of Income for the year ended December 31, 2019 and amounted to SAR 2,558 and SAR 540, respectively.

Maturities of long-term 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**
2019					
Borrowings	**8,165**	**51,383**	**104,202**	**163,750**	**122,959**
Leases	**8,405**	**21,867**	**30,067**	**60,339**	**40,934**
	16,570	**73,250**	**134,269**	**224,089**	**163,893**
2018					
Borrowings	6,946	28,931	41,163	77,040	65,547
Leases	1,655	5,601	15,711	22,967	13,058
	8,601	34,532	56,874	100,007	78,605

All amounts in millions of Saudi Riyals unless otherwise stated

19. Borrowings continued

The movement of borrowings is as follows:

	Long-term borrowings	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
January 1, 2018	67,787	4,857	4,954	77,598
Cash flows	(3,083)	3,986	(339)	564
Non-cash changes:				
Acquisitions (Note 33)	–	14,331	248	14,579
Finance lease additions (Note 25)	–	–	8,195	8,195
Foreign exchange adjustment	(540)	–	–	(540)
Others	922	–	–	922
December 31, 2018	65,086	23,174	13,058	101,318
Cash flows	**14,011**	**(11,662)**	**(7,751)**	**(5,402)**
Debentures	**44,460**	**–**	**–**	**44,460**
Non-cash changes:				
Acquisitions (Note 33)	**–**	**–**	**94**	**94**
Lease liabilities on adoption of IFRS 16 (Note 2(c)(i))	**–**	**–**	**26,051**	**26,051**
Lease additions (Note 25)	**–**	**–**	**9,670**	**9,670**
Foreign exchange adjustment	**(454)**	**27**	**8**	**(419)**
Others	**(1,112)**	**1,121**	**(196)**	**(187)**
December 31, 2019	**121,991**	**12,660**	**40,934**	**175,585**

20. Post-employment benefit obligations

Saudi Aramco sponsors 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. Majority of the defined benefit plans for Saudi Arabia based employees are governed under the Kingdom of Saudi Arabia employment law, Pension Protection Act ("PPA") rules of the USA, and 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:

	2019	2018
Pension plans	**(1,600)**	(1,080)
Medical and other post-employment benefit plans	**22,774**	24,289
Net benefit liability	**21,174**	23,209

All amounts in millions of Saudi Riyals unless otherwise stated

20. 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	
	2019	2018	**2019**	2018
Net benefit obligation by funding:				
Present value of funded obligations	**59,824**	52,023	**87,090**	78,548
Fair value of plan assets	**(67,156)**	(58,376)	**(73,136)**	(60,758)
Benefit (surplus)/deficit	**(7,332)**	(6,353)	**13,954**	17,790
Present value of unfunded obligations	**5,732**	5,273	**8,820**	6,499
Net benefit (asset)/liability	**(1,600)**	(1,080)	**22,774**	24,289
Change in benefit obligations:				
Benefit obligations, January 1	**57,296**	54,837	**85,047**	98,741
Current service cost	**3,004**	3,270	**1,924**	2,303
Interest cost	**2,453**	2,010	**3,720**	3,698
Past service credit	**(8)**	(4)	**–**	(1,016)
Remeasurement	**6,481**	(3,280)	**6,754**	(17,431)
Plan participants' contribution	**105**	113	**–**	–
Benefits paid	**(3,563)**	(3,330)	**(1,804)**	(1,725)
Settlements	**(274)**	–	**–**	–
Acquisitions (Note 33)	**131**	3,668	**94**	109
Foreign currency translation and other	**(69)**	12	**175**	368
Benefit obligations, December 31	**65,556**	57,296	**95,910**	85,047
Change in plan assets:				
Fair value of plan assets January 1	**(58,376)**	(53,726)	**(60,758)**	(61,661)
Interest income	**(2,475)**	(1,905)	**(2,696)**	(2,378)
Remeasurement	**(6,604)**	195	**(9,785)**	6,960
Employer contributions	**(3,480)**	(3,330)	**(1,699)**	(5,404)
Benefits paid	**3,563**	3,330	**1,804**	1,725
Settlements	**274**	–	**–**	–
Acquisitions (Note 33)	**(56)**	(3,023)	**–**	–
Foreign currency translation and other	**(2)**	83	**(2)**	–
Fair value of plan assets, December 31	**(67,156)**	(58,376)	**(73,136)**	(60,758)
Net benefit (asset)/liability at December 31	**(1,600)**	(1,080)	**22,774**	24,289

The weighted average duration of the pension benefit obligations is 13 years at December 31, 2019 and 11 years at December 31, 2018. The weighted average duration of the other benefit obligations is 21 years at December 31, 2019 and 19 years at December 31, 2018.

All amounts in millions of Saudi Riyals unless otherwise stated

20. 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	
	2019	2018	**2019**	2018
Amounts recognized in net income:				
Current service cost	**3,004**	3,270	**1,924**	2,303
Past service credit	**(8)**	(4)	**–**	(1,016)
Net interest (income)/cost	**(22)**	105	**1,024**	1,320
Other	**19**	(11)	**98**	360
	2,993	3,360	**3,046**	2,967
Amounts recognized in other comprehensive income:				
Losses (gains) from changes in demographic assumptions	**35**	83	**154**	(19)
Losses (gains) from changes in financial assumptions	**6,544**	(4,316)	**14,633**	(12,578)
(Gains) losses from changes in experience adjustments	**(98)**	953	**(8,033)**	(4,834)
(Returns) losses on plan assets (excluding interest income)	**(6,604)**	195	**(9,785)**	6,960
	(123)	(3,085)	**(3,031)**	(10,471)
Net defined benefit loss (gain) before income taxes	**2,870**	275	**15**	(7,504)

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	
	2019	2018	**2019**	2018
Discount rate	**3.2%**	4.3%	**3.6%**	4.4%
Salary growth rate	**5.5%**	5.5%	**–**	–
Annual average medical claim cost, in whole SAR			**22,110**	22,350
Health care participation rate			**90.0%**	90.0%
Assumed health care trend rates:				
Cost-trend rate			**6.0%**	7.0%
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		U.S. Plans	
Life expectancy at age:	Male	Female	Male	Female
50	31.6	34.7	33.9	35.9
60	23.0	25.7	24.9	26.7
60 (currently aged 40)	23.0	25.7	26.7	28.4

182 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

20. 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	2019	2018
Ultimate health care cost-trend rates	Increase by 0.5%	Increase by	**9,926**	8,066
	Decrease by 0.5%	Decrease by	**(8,659)**	(7,095)
Discount rate other benefits	Increase by 0.5%	Decrease by	**(9,195)**	(7,463)
	Decrease by 0.5%	Increase by	**10,669**	8,569
Discount rate pension benefits	Increase by 0.5%	Decrease by	**(3,889)**	(3,011)
	Decrease by 0.5%	Increase by	**4,331**	3,315
Salary growth rate	Increase by 0.5%	Increase by	**1,890**	1,433
	Decrease by 0.5%	Decrease by	**(2,201)**	(1,646)
Annual average medical claim cost	Increase by 5%	Increase by	**4,463**	3,904
	Decrease by 5%	Decrease by	**(4,463)**	(3,896)
Life expectancy	Increase by 1 year	Increase by	**4,245**	3,371
	Decrease by 1 year	Decrease by	**(4,234)**	(3,383)
Health care participation rate	Increase by 5%	Increase by	**1,706**	1,560
	Decrease by 5%	Decrease by	**(1,751)**	(1,635)

Plan assets consisted of the following:

	2019	2018
Cash	**2,670**	3,008
Time deposits	**–**	68
Equity instruments	**39,199**	34,433
Investment funds	**48,845**	42,045
Bonds	**48,202**	38,520
Sukuk (Shari'a compliant)	**1,376**	1,060
	140,292	119,134

Plan assets are administered under the oversight of the Company and are held 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 Company is responsible for the implementation of Board approved investment policy and making investment recommendations to the legal entities holding the plan assets. The investment objective is to maximize investment returns consistent with prudent risk over a long-term investment horizon in order to secure retiree benefits and minimize corporate funding. 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 Plans defined benefit obligations and solely to Plan's with defined benefit obligations exceeding the value of assets held.

All amounts in millions of Saudi Riyals unless otherwise stated

20. Post-employment benefit obligations continued

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, 38% (2018: 36%) equity instruments, 32% (2018: 32%) debt instruments, and 30% (2018: 32%) alternative assets. Inflation risk is partially offset by equities inflation and life expectancy risk is borne by Saudi Aramco.

Employer contributions to defined benefit plans are estimated to be SAR 5,997 in 2020. 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 is recommended by the actuary in order to meet Saudi Aramco's funding strategy to meet benefit plan expenses using PPA rules. Other plans follow local regulation or contractual obligations to meet minimum funding requirements.

In addition to the above plans, Saudi Aramco maintains 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 1,028 and SAR 926 for the years ended December 31, 2019 and 2018, respectively (Note 30).

21. Provisions

	Asset retirement	**Environmental**	**Other**	**Total**
January 1, 2018	12,134	796	1,067	13,997
Revision to estimate	886	–	(234)	652
Additional provisions	418	177	308	903
Unwinding of discount (Note 19)	320	(10)	–	310
Amounts charged against provisions	(51)	(114)	(91)	(256)
December 31, 2018	13,707	849	1,050	15,606
Revision to estimate	**(748)**	**45**	**(154)**	**(857)**
Additional provisions	**392**	**106**	**467**	**965**
Unwinding of discount (Note 19)	**412**	**28**	**–**	**440**
Amounts charged against provisions	**(47)**	**(91)**	**(31)**	**(169)**
December 31, 2019	**13,716**	**937**	**1,332**	**15,985**

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.

22. Trade and other payables

	2019	2018
Trade payables	**38,629**	32,897
Accrued materials and services	**24,544**	26,393
Amounts due to related parties (Note 32(b))	**7,587**	6,761
Other accruals	**7,471**	6,235
	78,231	72,286

All amounts in millions of Saudi Riyals unless otherwise stated

23. Revenue

	2019	2018
Revenue from contracts with customers	**1,096,444**	1,192,965
Movement between provisional and final prices	**5,650**	(2,270)
Other revenue	**3,602**	3,681
	1,105,696	1,194,376
Other revenue:		
Services provided to:		
Government agencies (Note 32(a))	**1,058**	731
Third parties	**510**	626
Joint ventures and associates (Note 32(a))	**266**	311
Freight	**161**	101
Other	**1,607**	1,912
	3,602	3,681

Revenue from contracts with customers is measured at a transaction price agreed under the contract and the payment is due within 10 to 90 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:

	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**

	2018			
	Upstream	Downstream	Corporate	Total
Crude oil	720,010	8,268	–	728,278
Refined and chemical products	–	392,882	–	392,882
Natural gas and NGLs	69,649	2,156	–	71,805
Revenue from contracts with customers	789,659	403,306	–	1,192,965
Movement between provisional and final prices	(1,756)	(514)	–	(2,270)
Other revenue	569	1,783	1,329	3,681
External revenue	788,472	404,575	1,329	1,194,376

Revenue from contracts with customers includes local sales at Kingdom regulated prices as follows:

	2019	2018
Crude oil	**2,745**	1,847
Refined and chemical products	**56,777**	55,790
Natural gas and NGLs	**15,341**	16,037
	74,863	73,674

All amounts in millions of Saudi Riyals unless otherwise stated

24. Finance and other income

	2019	2018
Interest income on time deposits and loans receivable	**5,359**	2,777
Gain on remeasurement of existing interest in equity investments (Note 33)	**1,278**	870
Dividend income from investments in securities	**509**	143
Investment income	**175**	63
Gain on derivative transactions	**6**	4
Other	**24**	8
	7,351	3,865

25. Non-cash transactions in the Consolidated Statement of Cash Flows

Investing activities during 2019 include additions to right-of-use assets of SAR 9,670 (2018: finance lease assets of SAR 8,195), subordinated shareholder loans and trade receivables with a joint venture that were converted to equity of SAR 1,706 and SAR 1,098 (2018: SAR 1,915 and SAR 583), respectively, and asset retirement provisions of SAR 50 (2018: SAR 1,533).

26. Commitments

(a) Capital commitments

Capital expenditures contracted for but not yet incurred were SAR 154,181 and SAR 90,034 at December 31, 2019 and 2018, respectively. In addition, leases contracted for but not yet commenced were SAR 7,467 at December 31, 2019.

(b) Operating leases

Prior to the adoption of IFRS 16, Leases, effective January 1, 2019, non-cancellable operating leases on drilling rigs, tankers, real estate, transportation equipment, light industrial equipment and office equipment were classified as operating leases. The leases have varying terms, escalation clauses and renewal rights. Rates are generally fixed at the contract date. The approximate minimum payments on the non-cancellable operating leases at December 31, 2018 were as follows:

	2019	2018
No later than one year	**–**	8,078
Later than one year and no later than five years	**–**	15,625
Later than five years	**–**	11,862
	–	35,565

From January 1, 2019, Saudi Aramco has recognized right-of-use assets for these leases, except for short-term and low-value leases. Refer to Note 2(c)(i) and Note 5 for further information.

(c) IMIC

In 2017, Saudi Aramco Development Company ("SADCO"), a wholly owned subsidiary of the Company, and Lamprell plc ("Lamprell"), Bahri and Korea Shipbuilding and 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 1,316 through equity contributions. At December 31, 2019, SAR 555 (2018: 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 36), 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 2,494 through equity and shareholder loans, of which SAR 2,453 (2018: SAR 2,453) has been drawn down at December 31, 2019. In addition, Saudi Aramco has committed to lease 20 offshore rigs over a ten-year period beginning in 2021 for an estimated value of SAR 52,489.

26. Commitments continued

(e) Saudi Aramco Nabors Drilling Company ("SANAD")

In 2017, SADCO and Nabors International Netherlands BV formed a company, SANAD (Note 36), to provide onshore drilling services to the Company. In 2018, MOFSL was incorporated as a subsidiary of SADCO and all the investment and related commitments of SANAD 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.

(f) Arabian Rig Manufacturing Company (''ARM'')

In June 2018, SADCO and NOV Downhole Eurasia Limited formed a company, ARM (Note 7), 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 9 is invested at December 31, 2019 (2018: nil). In addition, SADCO has guaranteed the purchase of 50 onshore rigs over a ten-year period beginning in 2021 for an estimated value of SAR 6,754, 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 37) 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 27(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 ten year period ending December 31, 2025 on social responsibility programs. At December 31, 2019, SAR 461 (2018: SAR 641) remains to be spent.

(iii) Saudi Aramco has commitments of SAR 384 (2018: SAR 370) 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 58 (2018: SAR 56) 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.

27. 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 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, 2019, SAR 28,362 (2018: SAR 25,125) 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 of which approximately SAR 34,009 (2018: SAR 36,566) was outstanding at December 31, 2019. Saudi Aramco provided guarantees for 65% of such facilities, which will be released upon declaration of project completion on or before December 31, 2020. In December 2018, Sadara successfully satisfied all requirements of the Creditor's Reliability Test ("CRT") in its initial attempt. Completion of the CRT is, among other conditions, a key condition to achieve project completion.

In 2013, Sadara conducted a project Sukuk issuance in Saudi Arabia for approximately SAR 7,500 with a final maturity in December 2028. Saudi Aramco provided a guarantee for 65% of the Sukuk on a limited recourse basis, which may be called at any time, upon the occurrence of certain trigger events prior to the project completion date. The Sukuk proceeds were utilized for funding the Project of which approximately SAR 6,478 (2018: SAR 7,178) was outstanding at December 31, 2019.

With respect to Sadara's fuel and feed-stock allocation, the Company has provided two letters of credit to the Ministry of Energy for SAR 169 (2018: SAR 169) and SAR 225 (2018: SAR 225) to construct epoxy plants and for the development of projects to support conversion industries in the Kingdom, respectively.

All amounts in millions of Saudi Riyals unless otherwise stated

27. Contingencies continued

(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 with lenders on behalf of Petro Rabigh for the Rabigh II Project ("the Project") in the amount of SAR 19,380 for which the two shareholders provided guarantees for their equal share of the debt financing until project completion expected in 2020. As of December 31, 2019, SAR 17,909 (2018: SAR 19,380) is outstanding. The external debt financing is expected to provide approximately 50% of total capital requirements of SAR 38,689 (2018: SAR 36,086) for the Project with the remaining financing to be provided by a rights offering of additional shares by Petro Rabigh and other sources.

The founding shareholders also arranged an equity bridge loan of SAR 11,250 with equal share guarantees provided to meet the equity financing requirements until the equity rights offering. The guarantees will continue until July 1, 2020. Petro Rabigh has drawn down SAR 11,250 (2018: SAR 8,888) of this loan as of December 31, 2019.

28. 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:

	2019	2018
Interest rate swaps	**12,911**	14,404
Commodity swap contracts	**17,370**	24,146
Currency forward contracts	**8,452**	15,821
	38,733	54,371

29. Purchases

	2019	2018
Refined products and chemicals	**157,438**	160,045
Crude oil	**67,732**	41,131
	225,170	201,176

Purchases primarily consist of refined products, chemicals and crude oil 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.

30. Employee benefit expense

	2019	2018
Salaries and wages	**32,528**	29,849
Social security costs	**1,967**	1,804
Post-retirement benefits (Note 20):		
Defined benefit plans	**6,039**	6,327
Defined contribution plans	**1,028**	926
Share-based compensation (Note 17)	**33**	–
	41,595	38,906

All amounts in millions of Saudi Riyals unless otherwise stated

31. Payments to the Government by Saudi Arabian Oil Company

	2019	2018
Income taxes (Note 8(c))	**149,780**	180,225
Royalties	**170,256**	213,514
Dividends (Note 34)	**274,388**	217,500

32. Related party transactions

(a) Transactions

	2019	2018
Joint ventures:		
Revenue from sales	**7,485**	4,159
Other revenue (Note 23)	**83**	30
Interest income	**30**	49
Purchases	**544**	–
Service expenses	**19**	26
Associates:		
Revenue from sales	**36,866**	39,356
Other revenue (Note 23)	**183**	281
Interest income	**165**	113
Purchases	**36,960**	39,480
Service expenses	**188**	195
Government and semi-Government agencies:		
Revenue from sales	**45,079**	50,111
Other income related to sales	**131,089**	152,641
Other revenue (Note 23)	**1,058**	731
Purchases	**11,606**	3,394
Service expenses	**409**	323
Acquisition of treasury shares (Note 16)	**3,750**	–
Sale of partial interest in joint venture (Note 7)	**14**	–

Goods are purchased and sold according to supply agreements in force. Note 27 includes additional information on loans to a joint venture and an associate.

All amounts in millions of Saudi Riyals unless otherwise stated 189

32. Related party transactions continued

(b) Balances

	2019	2018
Joint ventures:		
Other assets and receivables (Note 9)	**1,609**	4
Trade receivables	**836**	176
Interest receivable	**30**	–
Trade and other payable (Note 22)	**15**	–
Associates:		
Other assets and receivables (Note 9)	**3,326**	3,296
Trade receivables	**8,715**	10,388
Trade and other payables (Note 22)	**4,553**	4,492
Government and semi-Government agencies:		
Trade receivables	**5,985**	8,764
Due from the Government (Note 13)	**36,781**	48,864
Trade and other payables (Note 22)	**3,019**	2,269
Borrowings (Note 19)	**5,366**	6,119

Sales to and receivables from Government and semi-Government agencies are made on specific terms within the relevant regulatory framework in the Kingdom.

(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:

	2019	2018
Short-term employee benefits	**63**	57
Post-employment benefits	**31**	27
Other long-term benefits	**7**	10
Termination benefits	**–**	17
	101	111

(d) Other transactions with key management personnel

Other than as set out in Note 32(c), there were no reportable transactions between Saudi Aramco and members of the key management personnel and their close family members during the year ended December 31, 2019 (2018: nil).

All amounts in millions of Saudi Riyals unless otherwise stated

33. Investments in affiliates

(a) Investments in subsidiaries

(i) Saudi Basic Industries Corporation ("SABIC")

On March 27, 2019, the Company announced that it had entered into a Share Purchase Agreement with the Public Investment Fund ("PIF") to acquire the PIF's 70% equity interest in SABIC for total consideration of SAR 259,125 ($69,100), which is equivalent to SAR 123.39 per share. In February 2020, the Company received final unconditional approval from all remaining jurisdictions in which pre-notification antitrust filings are required. The closing of the proposed transaction remains subject to the remaining customary closing conditions contained in the Share Purchase Agreement. SABIC is headquartered in Riyadh, Saudi Arabia and operates in over 50 countries with approximately 34,000 employees. SABIC produces ethylene, ethylene glycol, methanol, methyl tertiary butyl ether ("MTBE"), polyethylene and engineering plastics and their derivatives, among other products. The Company believes that purchasing a majority interest in SABIC will advance its strategy to increase the proportion of petrochemicals production in its Downstream portfolio, capture additional value and support the Company's Downstream growth ambitions. The acquisition will result in the Company obtaining control of SABIC. The Share 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. On October 6, 2019, the Company 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) will be paid in the form of cash and 64% of the purchase price will be paid in the form of a seller loan. In addition, SAR 9,375 ($2,500) in loan charges will be paid by Saudi Aramco, including a SAR 1,875 ($500) loan charge paid in cash on the closing date. The seller loan will be secured by four separate promissory notes issued by Saudi Aramco in favor of the PIF and the balance of the loan charges will be secured by five additional promissory notes. These amounts will be payable over a period from September 30, 2020 to September 30, 2025 and are currently intended to be paid in a phased manner through cash from operations, external debt financing or a combination thereof.

(ii) 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.

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. 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 preliminary 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, which has not been concluded.

The following table summarizes the estimated 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 SAR 2 for the year ended December 31, 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.

All amounts in millions of Saudi Riyals unless otherwise stated

33. Investments in affiliates continued

(iii) 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.

Saudi Aramco has engaged an independent valuer in order to determine the fair value of the assets and liabilities of Motiva Chemicals as part of the purchase price allocation, which had not been concluded as at December 31, 2019. The preliminary fair values of the identifiable assets and liabilities of Motiva Chemicals as at 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 SAR 13 were expensed as selling, administrative and general in the Consolidated Statement of Income for the year ended December 31, 2019. The post-acquisition revenue of SAR 372 and net loss of SAR 151 is included in the Consolidated Statement of Comprehensive Income.

(iv) ARLANXEO Holding B.V. ("ARLANXEO")

On December 31, 2018, ARLANXEO, previously a joint venture between Saudi Aramco and LANXESS Deutschland GmbH ("LANXESS"), became a wholly owned subsidiary as a result of Saudi Aramco acquiring the remaining 50% equity interest in ARLANXEO. The initial 50% share acquisition was made on April 1, 2016. The transaction comprised the exchange of the ownership shares of LANXESS, including all the rights and obligations attached to the shares, and cash payments to LANXESS in the amount of SAR 6,106. As a result of this transaction, Saudi Aramco obtained the sole ownership of ARLANXEO, which consists of all the 15 subsidiaries (the full ownership of 14 subsidiaries and a 50% non-wholly owned interest in ARLANXEO-TSRC) that have 20 manufacturing sites in nine countries. This acquisition is in line with Saudi Aramco's strategy of enabling further diversification of the downstream portfolio, and strengthening its capabilities across the energy and chemicals value chain.

As part of this transaction, Saudi Aramco's equity investment in ARLANXEO of SAR 4,943, previously classified as Investment in joint ventures and associates in the Consolidated Balance Sheet, was remeasured to fair value which resulted in a gain of SAR 870 recognized in finance and other income for the year ended December 31, 2018.

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, 2018, the consolidated revenue of Saudi Aramco would have been an additional SAR 14,288 and net income would have been reduced by share of net loss of SAR 98. 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 first day of 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, which has been concluded.

192 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

33. Investments in affiliates continued

The following table summarizes the goodwill and the fair values of ARLANXEO's assets and liabilities acquired on December 31, 2018:

Cash and cash equivalents	528
Accounts receivable and other assets	2,983
Inventories	3,112
Property, plant and equipment	9,725
Intangible assets	268
Trade and other payables	(2,396)
Borrowings	(511)
Post-employment benefit obligations and provisions	(1,038)
Other liabilities	(1,055)
Total identifiable net assets at fair value	**11,616**
Non-controlling interest	(53)
Acquisition date fair value of previously held interest	(5,813)
Fair value of additional interest acquired on December 31, 2018	**5,750**
Goodwill	191
Other adjustments	165
Net purchase consideration	**6,106**

Acquisition and transaction costs of nil and SAR 10 were expensed as selling, administrative and general in the Consolidated Statement of Income for the years ended December 31, 2019 and 2018, respectively.

(b) Investment in joint operation

On March 28, 2018, Aramco Overseas Holdings Coöperatief U.A. (“AOHC”), a wholly owned subsidiary of The Company, acquired from Petronas Refinery and Petrochemical Corporation Sdn. Bhd. (“PETRONAS”) a 50% voting interest in Pengerang Refining Company Sdn. Bhd. (“PRefChem Refining”), and also acquired from Petronas Chemicals Group Berhad, a PETRONAS publicly traded affiliate, a 50% participation in Pengerang Petrochemical Company Sdn. Bhd. (“PRefChem Petrochemical”). The total cash consideration of the transactions amounted to SAR 3,534. In addition, Saudi Aramco had acquired 50% of the subordinated shareholder loan of SAR 791 from PRefChem Petrochemical. PRefChem Refining and PRefChem Petrochemical own certain refinery and steam cracker assets under construction which will be dedicated to the production of refining and petrochemicals products and are scheduled to commence commercial operations in 2020. Saudi Aramco has performed an assessment of the accounting treatment for these investments under IFRS 11, Joint Arrangements, and determined that the two investments are joint operations.

Saudi Aramco had engaged an independent valuer in order to determine the fair values of the assets and liabilities of PRefChem Refining and PRefChem Petrochemical as part of the purchase price allocation. Based on the valuation, the fair values of the assets and liabilities acquired on March 28, 2018 were as follows:

Construction-in-progress (Note 5)	36,345
Cash and cash equivalents	1,744
Other non-current assets and liabilities, net	(1,541)
Net working capital	(1,212)
Short-term bank financing	(28,136)
Total identifiable net assets at fair value	**7,200**
Saudi Aramco’s 50% share	3,600
Other adjustments	(66)
Purchase consideration	**3,534**

Acquisition and transaction costs of nil and SAR 128 were expensed as selling, administrative and general in the Consolidated Statement of Income for the years ended December 31, 2019 and 2018, respectively.

All amounts in millions of Saudi Riyals unless otherwise stated

33. Investments in affiliates continued

(c) 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 Tas'helat Marketing Company ("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 have 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, which had not been concluded as at December 31, 2019.

The preliminary 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 SAR 4 were expensed as selling, administrative, and general in the Consolidated Statement of Income for the year ended December 31, 2019.

(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% within five years of the closing date. 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 7). Saudi Aramco has engaged an independent valuer in order to determine the fair values of the assets and liabilities of Hyundai Oilbank as part of the purchase price allocation, which has not yet been concluded. Based on a preliminary purchase price allocation, the fair values of the identifiable assets and liabilities of Hyundai Oilbank as at the date of acquisition are as follows:

Cash and cash equivalents	1,556
Trade and other receivables	5,157
Inventories	8,089
Other assets	649
Investments in affiliates	1,913
Property, plant and equipment	25,781
Trade and other payables	(9,611)
Borrowings	(12,758)
Other liabilities	(1,684)
Total identifiable net assets at fair value	**19,092**
Non-controlling interest	(1,688)
Total identifiable net assets attributable to equity owners	**17,404**
Saudi Aramco's 17% share	2,960
Call option	206
Intangibles and goodwill	1,248
Purchase consideration	**4,414**

33. Investments in affiliates continued

(iii) Saudi Engines Manufacturing Company ("SEMC")

On May 19, 2019, Saudi Aramco Development Company ("SADCO"), a wholly owned subsidiary of the Company, Korea Shipbuilding and Offshore Engineering ("KSOE"), and the Saudi Arabian Industrial Investment Company ("Dussur") concluded an agreement to establish an affiliate to form an engine manufacturing and aftersales facility in the Kingdom. SADCO will own 55% of the affiliate, expected to be named Saudi Engines Manufacturing Company ("SEMC"), while KSOE and Dussur will own 30% and 15%, respectively. SADCO is a 25% shareholder of Dussur. Total investment in SEMC will be up to SAR 646 of which SADCO's share will be up to SAR 355. Additionally, under the agreement, KSOE will have the option to sell up to 20% of the total investment in the affiliate for up to SAR 129, representing KSOE's cost, back to SADCO. The option expires on November 19, 2020.

(iv) Investment in Juniper Ventures of Texas LLC ("Juniper")

On December 6, 2018, Motiva acquired a fuel retail business for the amount of SAR 331 which was immediately contributed to the formation of the joint venture, Juniper. Upon completion of the transaction, Motiva owns 60% interest in Juniper which operates certain retail gas stations and convenience stores in the state of Texas, USA. The fair values of the net identifiable assets and liabilities acquired were determined to be equal to the purchase consideration and no goodwill was recorded from the transaction. The carrying value of Juniper is recorded as an investment in joint ventures (Note 7).

34. Dividends

Dividends declared and paid on ordinary shares are as follows:

			SAR per share	
	2019	2018	**2019**	2018
Quarter:				
March[1]	**123,750**	71,250	**0.62**	0.37
June	**50,213**	48,750	**0.25**	0.24
September	**50,212**	48,750	**0.25**	0.24
December	**50,213**	48,750	**0.25**	0.24
Total paid (Note 31)	**274,388**	217,500	**1.37**	1.09
Dividend declared in December, paid in January 2020	**35,475**	–	**0.18**	–
Total declared	**309,863**	217,500	**1.55**	1.09
Dividend declared March 12, 2020	**14,760**	–	**0.07**	–

1. Out of SAR 123,750 declared in March 2019, SAR 37,500 was paid in April 2019.

The consolidated financial statements do not reflect a dividend to shareholders of SAR 14,760, which was approved in March 2020. This dividend will be deducted from unappropriated retained earnings in the year ending December 31, 2020. A total of SAR 200,873 in dividends were declared in 2019 and 2020 that relate to 2019 results.

35. Earnings per share

The following table reflects the net income and number of shares used in the earnings per share calculations:

	2019	2018
Net income attributable to the ordinary shareholders of the Company	**330,816**	416,196
Weighted average number of ordinary shares (in millions) (Note 2(cc))	**199,993**	200,000
Earnings per share for net income attributable to the ordinary shareholders of the Company (in Saudi Riyal)	**1.65**	2.08

Potential ordinary shares during the year ended December 31, 2019 related to employees' share-based compensation in respect of a grant that was awarded to the Company's eligible employees under the plan terms of the grant (Note 17). The grant did not have a significant dilution effect on basic earnings per share for the year ended December 31, 2019. There were no issuances involving potential ordinary shares for the year ended December 31, 2018.

All amounts in millions of Saudi Riyals unless otherwise stated

36. Subsidiaries of Saudi Arabian Oil Company

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2019[1,2]	Conventional financial liabilities as of December 31, 2019[2]	Interest income from conventional financial assets for the year ended December 31, 2019[2]
A. Wholly owned:					
Aramco Affiliated Services Company	Support services	USA	**2**	**–**	**–**
Aramco Asia India Private Limited	Purchasing and other services	India	**7**	**24**	**–**
Aramco Asia Japan K.K.	Purchasing and other services	Japan	**20**	**76**	**2**
Aramco Asia Korea Ltd.	Purchasing and other services	South Korea	**36**	**9**	**–**
Aramco Asia Singapore Pte. Ltd.	Purchasing and other services	Singapore	**21**	**59**	**–**
Aramco Associated Company	Aircraft operations	USA	**140**	**538**	**24**
Aramco (Beijing) Venture Management Consultant Co. Ltd	Investment	People's Republic of China	**–**	**–**	**–**
Aramco Capital Company, LLC	Aircraft leasing	USA	**219**	**1**	**4**
Aramco Chemicals Company	Chemicals	Saudi Arabia	**244**	**946**	**4**
Aramco Far East (Beijing) Business Services Co., Ltd.	Petrochemical purchasing/ sales and other services	People's Republic of China	**409**	**146**	**5**
Aramco Financial Services Company	Financing	USA	**7**	**–**	**–**
Aramco Gulf Operations Company Ltd.	Production and sale of crude oil	Saudi Arabia	**100**	**1,301**	**3**
Aramco Innovations LLC	Research and commercialization	Russia	**13**	**–**	**–**
Aramco International Company Limited	Support services	British Virgin Islands	**–**	**–**	**–**
Aramco Overseas Company Azerbaijan	Support services	Azerbaijan	**3**	**1**	**–**
Aramco Overseas Company B.V.	Purchasing and other services	Netherlands	**11,966**	**1,252**	**240**
Aramco Overseas Company Spain, S.L.	Personnel and other support services	Spain	**–**	**–**	**–**
Aramco Overseas Company UK, Limited	Personnel and other support services	United Kingdom	**–**	**18**	**–**
Aramco Overseas Egypt LLC	Personnel and other support services	Egypt	**–**	**–**	**–**
Aramco Overseas Malaysia Sdn. Bhd	Personnel and other support services	Malaysia	**13**	**18**	**–**
Aramco Partnerships Company	Support services	USA	**–**	**–**	**–**
Aramco Performance Materials LLC	Petrochemical manufacture and sales	USA	**6**	**7**	**–**

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.

All amounts in millions of Saudi Riyals unless otherwise stated

36. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2019[1,2]	Conventional financial liabilities as of December 31, 2019[2]	Interest income from conventional financial assets for the year ended December 31, 2019[2]
Aramco Services Company	Purchasing, engineering and other services	USA	**286**	**484**	**6**
Aramco Shared Benefits Company	Benefit administration	USA	**–**	**–**	**–**
Aramco Trading Company (formerly, Saudi Aramco Products Trading Company)	Importing, exporting and trading of crude oil, refined and chemical products	Saudi Arabia	**7,000**	**5,826**	**133**
Aramco Trading Fujairah FZE	Importing/exporting refined products	UAE	**3**	**1,453**	**1**
Aramco Trading Limited	Importing/exporting refined products	United Kingdom	**107**	**10**	**–**
Aramco Trading Singapore PTE-LTD	Marketing and sales support	Singapore	**168**	**1,819**	**5**
Aramco Ventures Holdings Limited	Investment	Guernsey	**28**	**–**	**–**
Aramco Ventures Investments Limited	Investment	Guernsey	**–**	**–**	**–**
ARLANXEO Holding B.V.	Development, manufacture, and marketing of high-performance rubber	Netherlands	**338**	**33**	**7**
ARLANXEO Belgium N.V.		Belgium	**–**	**172**	**–**
ARLANXEO Branch Offices B.V		Netherlands	**4**	**1**	**–**
ARLANXEO Brasil S.A.		Brazil	**170**	**179**	**6**
ARLANXEO Canada Inc.		Canada	**6**	**284**	**–**
ARLANXEO Deutschland GmbH		Germany	**–**	**236**	**–**
ARLANXEO Elastomères Frances S.A.S.		France	**–**	**128**	**–**
ARLANXEO Emulsion Rubber France S.A.S.		France	**–**	**154**	**–**
ARLANXEO High Performance Elastomers (Changzhou) Co., Ltd.		People's Republic of China	**1**	**335**	**–**
ARLANXEO Netherlands B.V.		Netherlands	**14**	**278**	**–**
ARLANXEO Singapore Pte. Ltd.		Singapore	**3**	**484**	**–**
ARLANXEO Switzerland S.A.		Switzerland	**4**	**73**	**–**
ARLANXEO USA Holdings Corp.		USA	**–**	**–**	**–**
ARLANXEO USA LLC		USA	**24**	**196**	**–**
Petroflex Trading S.A.		Uruguay	**–**	**–**	**–**
Aurora Capital Holdings LLC	Real estate holdings	USA	**–**	**–**	**–**
Bolanter Corporation N.V.	Crude oil storage	Curaçao	**12**	**–**	**1**
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**	**–**	**29**
4 Rivers Energy LLC	Retail fuel operations	USA	**–**	**–**	**–**
Motiva Chemicals LLC	Petrochemical manufacture	USA	**221**	**173**	**–**
Motiva Enterprises LLC	Refining and marketing	USA	**1,903**	**21,481**	**129**
Motiva Pipeline LLC	Refining	USA	**–**	**–**	**–**
Motiva Trading LLC	Purchasing and sale of petroleum goods and other services	USA	**292**	**244**	**–**
Mukamala Oil Field Services Limited Company	Oil field services	Saudi Arabia	**449**	**–**	**8**

All amounts in millions of Saudi Riyals unless otherwise stated

36. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2019[1,2]	Conventional financial liabilities as of December 31, 2019[2]	Interest income from conventional financial assets for the year ended December 31, 2019[2]
Pandlewood Corporation N.V.	Financing	Curaçao	**6,305**	5	158
Pedernales Ventures LLC	Retail fuel operations	USA	**–**	–	–
SAEV Europe Ltd.	Investment	United Kingdom	**1**	5	–
SAEV Guernsey 1 Ltd.	Investment	Guernsey	**130**	–	–
SAEV Guernsey Holdings Ltd.	Investment	Guernsey	**1,072**	–	–
Saudi Aramco Asia Company Ltd.	Investment	Saudi Arabia	**1,952**	–	39
Saudi Aramco Capital Company Limited	Investment	Guernsey	**–**	–	–
Saudi Aramco Development Company	Investment	Saudi Arabia	**422**	–	11
Saudi Aramco Energy Ventures LLC	Investment	Saudi Arabia	**68**	–	–
Saudi Aramco Energy Ventures – U.S. LLC	Investment	USA	**2**	2	–
Saudi Aramco Entrepreneurship Center Company Ltd.	Financing	Saudi Arabia	**162**	5	7
Saudi Aramco Entrepreneurship Venture Company, Ltd.	Investment	Saudi Arabia	**144**	–	–
Saudi Aramco Investment Management Company	Investment management of post-employment benefit plans	Saudi Arabia	**3**	–	–
Saudi Aramco Jubail Refinery Company	Refining	Saudi Arabia	**–**	2,800	15
Saudi Aramco Power Company	Power generation	Saudi Arabia	**25**	–	–
Saudi Aramco Retail Company	Retail fuel marketing	Saudi Arabia	**20**	–	–
Saudi Aramco Sukuk Company	Investment	Saudi Arabia	**–**	65	–
Saudi Aramco Technologies	Research and commercialization	Saudi Arabia	**99**	75	–
Saudi Aramco Upstream Technology Company	Research and commercialization	Saudi Arabia	**8**	–	–
Saudi Petroleum International, Inc.	Marketing support services	USA	**39**	44	1
Saudi Petroleum, Ltd.	Marketing support and tanker services	British Virgin Islands	**38**	–	–
Saudi Petroleum Overseas, Ltd.	Marketing support and tanker services	United Kingdom	**45**	36	1
Saudi Refining, Inc.	Refining and marketing	USA	**357**	83	9
Stellar Insurance, Ltd.	Insurance	Bermuda	**9,161**	661	162
Vela International Marine Ltd.	Marine management and transportation	Liberia	**21,259**	–	566
Wisayah Global Investment Company (formerly: Wisayah Alkhaleej Investment Company)	Financial support	Saudi Arabia	**139**	30	2
B. Unconsolidated structured entity					
Energy City Development Company ("SPARK")	Industrial development	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.

198 Notes to the consolidated financial statements continued All amounts in millions of Saudi Riyals unless otherwise stated

36. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2019[1,2]	Conventional financial liabilities as of December 31, 2019[2]	Interest income from conventional financial assets for the year ended December 31, 2019[2]
C. Non-wholly owned					
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	**3**	**85**	**–**
80% ownership of Johns Hopkins Aramco Healthcare Company	Healthcare	Saudi Arabia	**527**	**669**	**6**
61.6% ownership of North East Chemicals Company, Ltd	Liquid chemicals storage	South Korea	**–**	**–**	**–**
70% ownership of Saudi Aramco Base Oil Company – LUBEREF	Production and sale of petroleum based lubricants	Saudi Arabia	**–**	**1,531**	**17**
50% ownership of Saudi Aramco Nabors Drilling Company[3]	Drilling	Saudi Arabia	**1,085**	**1,984**	**23**
50% ownership of Saudi Aramco Rowan Offshore Drilling Company[3]	Drilling	Saudi Arabia	**889**	**2,629**	**26**
61.6% ownership of S-Oil Corporation	Refining	South Korea	**1,987**	**26,464**	**45**
61.6% ownership of S-International Ltd.	Purchasing and sale of petroleum goods	The Independent State of Samoa	**–**	**–**	**–**

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.

All amounts in millions of Saudi Riyals unless otherwise stated

37. Joint operations of Saudi Arabian Oil Company

	Principal business activity	Percent ownership	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2019[1,2]	Conventional financial liabilities as of December 31, 2019[2]	Interest income from conventional financial assets for the year ended December 31, 2019[2]
Al-Khafji Joint Operations	Oil and gas exploration and production	50%	Saudi-Kuwaiti Partitioned Zone	–	–	–
Fadhili Plant Cogeneration Company	Power generation	30%	Saudi Arabia	17	1,211	–
Maasvlakte Olie Terminal C.V.	Tank storage	9.61%	Netherlands	–	644	–
Maasvlakte Olie Terminal N.V.	Tank storage	16.67%	Netherlands	–	2	–
Pengerang Refining Company Sdn. Bhd.	Refining	50%	Malaysia	936	20,439	6
Pengerang Petrochemical Company Sdn. Bhd.	Petrochemical	50%	Malaysia	189	2,637	2
Power Cogeneration Plant Company, LLC	Power generation	50%	Saudi Arabia	40	961	56
Saudi Aramco Mobil Refinery Company Ltd.	Refining	50%	Saudi Arabia	839	1,088	20
Saudi Aramco Total Refining and Petrochemical Company[3]	Refining and petrochemical	62.50%	Saudi Arabia	261	9,444	39
Yanbu Aramco Sinopec Refining Company Limited[3]	Refining	62.50%	Saudi Arabia	241	7,037	–

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.

8 / additional financial and legal information

Additional financial information

Historical financial highlights

Summarized consolidated statement of income

		Year ended December 31		
All amounts in millions SAR unless otherwise stated	**2019**	2018[1]	2017[1]	2016[1]
Revenue[2]	**1,105,696**	1,194,376	840,483	504,596
Other income related to sales[3]	**131,089**	152,641	150,176	–
Revenue and other income related to sales	**1,236,785**	1,347,017	990,659	504,596
Operating costs[2,4,5]	**(561,914)**[4]	(548,612)	(407,744)	(198,896)[5]
Operating income	**674,871**	798,405	582,915	305,700
Income before income taxes	**666,741**[4]	797,896	581,438	304,976
Income taxes[6]	**(336,048)**	(381,378)	(296,819)	(255,255)
Net income	**330,693**	416,518	284,619	49,721

1. In the preparation of each of its 2017, 2018 and the current year 2019 Financial Statements, Saudi Aramco reclassified certain prior year results that appear in the comparative column of the Financial Statements. The financial information above presents the reclassified results: (i) the financial information in this section for the year ended December 31, 2016 has been extracted from the comparative column of the 2017 financial statements; (ii) the financial information for the year ended December 31, 2017 has been extracted from the comparative column of the 2018 financial statements; and (iii) the financial information for the year ended December 31, 2018 has been extracted from the comparative column of the current year 2019 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 NGLs are accounted for as an expense, rather than a deduction from revenue.
3. Saudi 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 Saudi Aramco for revenues directly foregone as a result of Saudi Aramco's compliance with the Government mandates related to crude oil and certain refined products.
4. Saudi Aramco adopted IFRS 16 on January 1, 2019 using a modified retrospective approach. As a result, in the preparation of the 2019 financial statements, Saudi Aramco applied prospectively, starting January 1, 2019, the new classification and measurement models for lease contracts and consequently 2018 comparative information was not restated.
5. Saudi Aramco recognized an impairment of SAR 13,646 million for the year ended December 31, 2016 primarily related to the Jazan integrated petrochemical refinery under construction and two existing domestic refineries.
6. As at January 1, 2017, the income tax rate applicable to Saudi Aramco was reduced from 85% to 50%, except that effective from January 1, 2018, a 20% tax rate applies to Saudi Aramco's taxable income related to certain natural gas activities.

Summarized consolidated balance sheet

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

1. In the preparation of the current year 2019 Financial Statements, Saudi Aramco reclassified certain 2018 results that appear in the comparative column of the Financial Statements. The financial information above presents the reclassified results: the financial information for the year ended December 31, 2018 has been extracted from the comparative column of the current year 2019 financial statements.
2. Saudi Aramco adopted IFRS 16 on January 1, 2019 using a modified retrospective approach. As a result, in the preparation of the 2019 financial statements, Saudi Aramco applied prospectively, starting January 1, 2019, the new classification and measurement models for lease contracts and consequently 2018 comparative information was not restated.

Summarized consolidated statement of cash flows

		Year ended December 31		
All amounts in millions SAR unless otherwise stated	**2019**	2018	2017	2016
Net cash provided by operating activities[1]	**416,529**	453,701	333,607	109,411
Net cash used in investing activities	**(177,144)**	(131,205)	(118,629)	(116,900)
Net cash (used in)/provided by financing activities[1]	**(244,831)**	(220,586)	(181,811)	2,021

1. Saudi Aramco adopted IFRS 16 on January 1, 2019 using a modified retrospective approach. As a result, in the preparation of the 2019 financial statements, Saudi Aramco applied prospectively, starting January 1, 2019, the new classification and measurement models for lease contracts and consequently 2018 comparative information was not restated.

Statutory amounts paid and payable

Statutory amounts paid

All amounts in millions SAR unless otherwise stated	Reasons for amounts paid	Year ended December 31, 2019
Income taxes	Income tax calculated in accordance with Saudi Income Tax Regulations. See Note 8 of the Consolidated Financial Statements	150,803
Royalties	Production Royalty determined in accordance with Government agreements	170,256
Total		**321,059**

Statutory amounts payable

All amounts in millions SAR unless otherwise stated	Reasons for amounts payable	As at December 31, 2019
Income taxes	Government obligation, paid or payable on a monthly basis	62,243
Royalties	Government obligation, paid or payable on a monthly basis	14,727
Total		**76,970**

Geographical analysis of Saudi Aramco's external revenue

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 119,325 million originating from the United States (2018: SAR 118,762 million). For more details, refer to Section 7: Consolidated Financial Statements – Note 4 – Information by geographical area.

2019

Billions SAR

Out of Kingdom 234.2
Kingdom 871.5

2018

Billions SAR

Out of Kingdom 202.6
Kingdom 991.8

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	
	2019 mbpd	2018 mbpd
Region:		
Asia	**5,436**	5,211
North America	**563**	1,013
Europe	**802**	864
Others	**248**	240
Total international deliveries	**7,049**	7,328
Deliveries to in-Kingdom refineries	**2,460**	2,567
In-Kingdom deliveries at regulated prices	**425**	410
Total in-Kingdom deliveries	**2,886**	2,977
Total deliveries	**9,935**	10,305

Related party transactions

Saudi Aramco has entered into various related party contracts and transactions. The Directors declare that all such contracts and transactions have been entered into on an arm's length basis.

Saudi Aramco sells crude oil, gas and refined products and provides services to certain Government entities, including branches of the Government, and commercial entities in which the Government has share ownership or control. Other than with respect to compensation arrangements, as at the date of this Annual Report there are no transactions in which any of Saudi Aramco's Directors or Senior Executives or an immediate family member thereof had or will have a direct or indirect personal interest or were not entered into on an arm's length basis. For more information on Saudi Aramco's related party transactions, see Section 7: Consolidated Financial Statements – Note 32.

The following table sets forth related party transactions entered into by Saudi Aramco during the year ended December 31, 2019.

All amounts in millions SAR unless otherwise stated	Year ended December 31, 2019
Joint ventures:	
Revenue from sales	**7,485**
Other revenue	**83**
Interest income	**30**
Purchases	**544**
Service expenses	**19**
Associates:	
Revenue from sales	**36,866**
Other revenue	**183**
Interest income	**165**
Purchases	**36,960**
Service expenses	**188**
Government and semi-Government agencies:	
Revenue from sales	**45,079**
Other income related to sales	**131,089**
Other revenue	**1,058**
Purchases	**11,606**
Service expenses	**409**
Acquisition of treasury shares	**3,750**
Sale of partial interest in joint venture	**14**

The following table sets forth Saudi Aramco's related party transaction balances as at December 31, 2019.

All amounts in millions SAR unless otherwise stated	As at December 31, 2019
Joint ventures:	
Other assets and receivables	**1,609**
Trade receivables	**836**
Interest receivable	**30**
Trade and other payable	**15**
Associates:	
Other assets and receivables	**3,326**
Trade receivables	**8,715**
Trade and other payables	**4,553**
Government and semi-Government agencies:	
Trade receivables	**5,985**
Due from the Government	**36,781**
Trade and other payables	**3,019**
Borrowings	**5,366**

Sales to and receivables from Government and semi-Government agencies are made on specific terms within the relevant regulatory framework in the Kingdom.

The following are details of material related parties:

- **Rabigh Refining & Petrochemical Company (Petro Rabigh)** Revenues from sales: SAR 34,706 million and Purchases: SAR 33,548 million.

Total indebtedness of Saudi Aramco

Saudi Aramco has a number of debt instruments that are payable at a future date or repayable over a period of time, including debentures denominated in U.S. dollars and Korean Won.

Information on the total indebtedness as at December 31, 2019 is as follows.

Borrowing category All amounts in millions SAR unless otherwise stated	**Total facility**	**Loan duration**	**Repaid during the year**	**Balance as at December 31, 2019**	**Maturity date**
Commercial	41,576	10 to 20 years	(3,286)	32,996	2021-2039
Sukuk (Shari'a compliant)	39,844	7 to 12 years	(180)	12,825	2024-2025
Export credit agencies	6,354	12 years	(488)	3,743	2025
Public Investment Fund	4,594	7 to 12 years	(458)	2,880	2023-2025
Saudi Industrial Development Fund (Shari’a compliant)	3,248	6 to 7 years	(296)	2,486	2022-2030
IJARA/Procurement (Shari'a compliant)	1,811	10 years	(90)	1,811	2029
Marabaha (Shari'a compliant)	3,750	10 years	–	1,084	2023
Wakala (Shari’a compliant) and other Islamic financing	345	10 years	(270)	345	2029
Revolving Credit Facility	49,350	1 to 3 year	–	2,861	2020-2022
Short-term bank financing	25,500	1 year	–	9,803	2020
Debentures	–	10 to 30 years	(71)	61,489	2027-2049
Other	–	–	(13)	2,329	Not defined
Finance leases	–	1 to 13 years	(7,751)	40,934	2021-2043
	176,372		**(12,902)**	**175,585**	

Reserves information

Reserves as at December 31, 2019

As at December 31, 2019, the Kingdom's reserves in the fields Saudi Aramco operates consisted of 336.7 billion boe (2018: 336.2 billion boe), including 261.5 billion barrels (2018: 261.5 billion barrels) of crude oil and condensate, 36.0 billion barrels (2018: 36.1 billion barrels) of NGLs and 237.4 tscf (2018: 233.8 tscf) of natural gas, including 146.8 tscf (2018: 143.2 tscf) of non-associated gas.

Under the Original Concession, which was in effect until December 24, 2017, Saudi 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 Saudi Aramco operated were the same as Saudi Aramco's reserves. Effective December 24, 2017, the Concession limited Saudi 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 Saudi 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 Saudi Aramco and the Government agreeing on the terms of the extension (see Section 8: Additional financial and legal information – Material Agreements – The Concession). The provision of a specified term in the Concession impacts the calculation of Saudi Aramco's reserves as compared to the Kingdom's reserves in the fields Saudi Aramco operates. The Concession also requires Saudi Aramco to meet domestic demand for certain hydrocarbons, petroleum products and LPG through domestic production or imports.

Based on the initial 40-year period and 20-year extension of the Concession, as at December 31, 2019, Saudi Aramco's reserves were 258.6 billion boe (2018: 256.9 billion boe). Saudi Aramco's oil equivalent reserves consisted of 201.9 billion barrels (2018: 201.4 billion barrels) of crude oil and condensate, 25.7 billion barrels (2018: 25.4 billion barrels) of NGLs and 190.6 tscf (2018: 185.7 tscf) of natural gas. As at December 31, 2019, Saudi Aramco's portfolio included 510 (2018: 498) reservoirs within 138 (2018: 136) fields distributed throughout the Kingdom and its territorial waters. Based on Saudi Aramco's reserve data, as at December 31, 2019, Saudi Aramco's oil equivalent reserves were sufficient for proved reserves life of 52 years.

The increase in the 2019 Concession reserves compared to 2018 is partly attributable to Saudi Aramco conducting 44 simulation studies, which resulted in reserves additions in some of the existing and producing fields. In addition, portfolio production optimization and latest advanced technology implementation led to a further increase in reserves.

Saudi 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 Saudi Aramco's hydrocarbon operations promote long-term productivity of the Kingdom's reservoirs and support the prudent stewardship of its hydrocarbon resources. Saudi 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 Saudi Aramco have increased since the time of original production.

The following table sets forth Saudi Aramco's estimates of its proved reserves of crude oil, condensate, natural gas and NGLs based on the term of the Concession as at December 31, 2019 and 2018.

	Crude oil (mmbbl)	Condensate (mmbbl)	Natural gas (bscf)	Natural gas (mmboe)	NGLs (mmbbl)	Combined (mmboe)
Reserves as at December 31, 2019	198,569	3,338	190,575	30,933	25,723	258,563
Reserves as at December 31, 2018	198,194	3,191	185,726	30,120	25,385	256,890

The following table sets forth the Kingdom's estimates of its proved reserves of crude oil, condensate, natural gas and NGLs in the fields Saudi Aramco operates as at December 31, 2019 and 2018.

	Crude oil (mmbbl)	Condensate (mmbbl)	Natural gas (bscf)	Natural gas (mmboe)	NGLs (mmbbl)	Combined (mmboe)
Reserves as at December 31, 2019[1]	257,125	4,410	237,368	39,119	36,043	336,697
Reserves as at December 31, 2018	257,270	4,257	233,766	38,519	36,144	336,190

1. Total "raw" natural gas reserves additions of 9.2 tscf in 2019, comprising 7.6 tscf of non-associated gas and 1.6 tscf of associated gas.

Saudi 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 Saudi 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. Saudi Aramco annually updates its estimates as it acquires and interprets new data. For reservoirs that have been producing and have established certain performance trends, Saudi Aramco is typically able to reliably forecast the reservoir's future production. For reservoirs that have little to no production history and new discoveries, Saudi 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 Saudi 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.

Saudi Aramco as aggregators and tariffs

Under the GSPR, Saudi 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, Saudi Aramco performs all domestic marketing and sales of natural gas and NGLs from the MGS with certain exceptions. Saudi Aramco also undertakes the export of NGLs 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 Hydrocarbon 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 NGLs

The necessary allocation to users of Regulated Hydrocarbons is effected by the Ministry 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 NGLs 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), NGLs (propane, butane and natural gasoline) and certain refined products (kerosene, diesel, heavy fuel oil and gasoline).

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 Saudi Aramco sells crude oil and certain refined products (each a Relevant Product) domestically at a price below the corresponding equalization prices (described below), Saudi Aramco is entitled to compensation from the Government in an amount equal to the cost of the revenues directly forgone as a result of Saudi Aramco's compliance with the Kingdom's current pricing mandates (the 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, superseded 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 Saudi Aramco to the Government.

The Ministry of Energy is responsible for administering the 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 Product using a combination of either internationally recognized indices or, where relevant, Saudi Aramco's official selling price and, depending on the Relevant Product, on the basis of export parity, import parity or a combination of both. Saudi Aramco 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). Saudi Aramco must provide the Ministry of Energy with a statement detailing the total amount due to Saudi Aramco in a monthly period no later than 30 days after the relevant monthly period end. Saudi Aramco may then offset this compensation against any taxes payable, and in the event taxes are insufficient, any other amounts due and payable by Saudi Aramco 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 such 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 Saudi Aramco 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. Saudi Aramco 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). Saudi Aramco must provide the Ministry of Energy with a statement detailing the total amount due to Saudi Aramco in a monthly period no later than 30 days after the relevant monthly period end. Saudi Aramco may then offset this compensation against any taxes payable, and in the event taxes are insufficient, any other amounts due and payable by Saudi Aramco to the Government, such as royalties.

Government guarantee
Saudi 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 guaranteed amounts due to Saudi Aramco from these entities, subject to a limit on the amount of the guarantee for each entity. The aggregate amount guaranteed in 2017, 2018 and 2019 was SAR 22.4 billion, SAR 32.7 billion and 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 Saudi 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 Saudi Aramco on a timely basis for five years. Saudi 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. Saudi Aramco may set off any guaranteed amounts that are past due against taxes due to the Government, or if the amount of taxes are inadequate, any other amounts Saudi Aramco owes to the Government.

Other relevant laws and regulations

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

Under the General Environmental Law, enacted by Royal Decree No. M/34, dated 28/7/1422H (corresponding to October 16, 2001), and its implementing regulations issued by the Ministry of Defense Resolution No. 1/1/4/5/1/924 dated 3/8/1424H (corresponding to September 30, 2003) as amended by the Ministry of Defense Resolution No. 1/1/4/5/2391 dated 8/5/1426H (corresponding to June 15, 2005), the General Authority of Meteorology and Environmental Protection (GAMEP) as well as the MEWA are charged with the general supervision of environmental affairs in the Kingdom. This law sets out wide-ranging prohibitions of pollution and contamination of air, land and water, with particular reference to all parties involved in services, industry or other economic activities. Owners of "projects", which are defined as utilities and facilities that may have an effect on the environment, are required to comply with existing and future environmental specifications, standards, measurements and guidelines as promulgated by GAMEP or the MEWA and set out in the appendices of the corresponding implementing regulations. Prior to the initiation of a project, an environmental evaluation study, identifying: (i) potential environmental impacts; (ii) appropriate actions and means to prevent or reduce negative impacts; or (iii) appropriate actions to increase the project's positive returns to the environment, must be completed in accordance with the relevant environmental specifications and standards.

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). Saudi Aramco separately requires compliance with environmental standards in certain circumstances. For example, Saudi 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 Saudis. The Nitaqat Saudization Program (the Nitaqat Program) was approved pursuant to the Ministry of Labor 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. Saudi Aramco has been classified under the "High Green" category, which means that Saudi 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

Saudi 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. It became a Saudi joint stock company as at 14/4/1439H (corresponding to January 1, 2018) pursuant to Council of Ministers Resolution No. 180 dated 1/4/1439H (corresponding to December 19, 2017). Saudi Aramco's 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. Saudi Aramco's principal activities consist of two primary operating segments, Upstream and Downstream, which are supported by its 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 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. These shares are held by the Company as treasury shares for the purposes of issuing them to the Company's employees upon the vesting of the grant award and any other employee share plans that the Company may adopt in the future.

Subsidiaries

Saudi Aramco holds direct and indirect ownership interests in 141 domestic and foreign subsidiaries.

Material subsidiaries

The Company holds, directly or indirectly, ownership interests in the following subsidiaries, which (i) accounted for 1% or more of Saudi Aramco's assets, liabilities, contingent liabilities, revenues or profits calculated based on the 2019 Financial Statements, or otherwise (ii) Saudi Aramco believes is of material or strategic importance to its operations as a result of the nature of its commercial activities or the amount of cash it holds, and (iii) any subsidiary controlling any of the entities meeting the aforementioned criteria (each a material subsidiary). The following table sets out the details of each material subsidiary:

Name of entity	Place of business/ country of incorporation	Interest (%)	Main activity	Share capital
Aramco Gulf Operations Company Ltd.	Saudi Arabia	100%	Production and sale of crude oil	US$ 267,380
Aramco Overseas Company B.V.	Netherlands	100%	Purchasing and other services	€ 34,487,280
Aramco Services Company	USA	100%	Purchasing, engineering and other services	US$ 1,000
Aramco Trading Company	Saudi Arabia	100%	Importing/exporting refined products	SAR 131,250,000
Aramco Trading Singapore Pte. Ltd.	Singapore	100%	Marketing and sales support	US$ 4,500,000
ARLANXEO Holding B.V.	Netherlands	100%	Development, manufacture, and marketing of high-performance rubber	US$ 34
Bolanter Corporation N.V.	Curaçao	100%	Crude oil storage	US$ 30,000
Excellent Performance Chemicals Co LLC	Saudi Arabia	100%	Petrochemical manufacture and sales	SAR 1,000,000
Motiva Enterprises LLC	USA	100%	Refining and marketing	US$ 8,008,682,420
Pandlewood Corporation N.V.	Curaçao	100%	Financing	US$ 6,000
Pengerang Refining Company Sdn. Bhd	Malaysia	50%	Refining	MYR 6,457,182,000
Rabigh Refining and Petrochemical Company	Saudi Arabia	37.5%	Refining and petrochemical	SAR 8,760,000,000
Sadara Chemical Company	Saudi Arabia	65%	Petrochemical	US$ 9,500,000,000
Saudi Aramco Asia Company, Ltd.	Saudi Arabia	100%	Investments	SAR 500,000
Saudi Aramco Capital Company Limited	Guernsey	100%	Investment	SAR 500,000
Saudi Aramco Sukuk Company	Saudi Arabia	100%	Investment	SAR 500,000
Saudi Aramco Total Refining and Petrochemical Company	Saudi Arabia	62.5%	Refining and petrochemical	US$ 2,200,000,000
Saudi Refining, Inc.	USA	100%	Refining and marketing	US$ 1,000
S-Oil Corporation	South Korea	61.6%[1]	Refining	Won 291,512,000
Vela International Marine Limited	Liberia	100%	Marine management and transportation	US$ 1,000
Yanbu Aramco Sinopec Refining Company Ltd.	Saudi Arabia	62.5%	Refining	SAR 5,851,215,600

1. Economic interest in S-Oil on a fully diluted basis. On a non-diluted basis, the Company's shareholding in S-Oil is 63.4%.

For more information on Saudi Aramco's subsidiaries, see Section 7: Consolidated Financial Statements – Note 36.

Details of shares and debt instruments issued for each material subsidiary

Material subsidiaries with tradeable shares or debt instruments as at December 31, 2019 are as follows.

Material subsidiaries with tradeable shares

	Country of incorporation	Total no. of authorized shares	Total no. of ordinary shares	Total no. of preference shares	No. of issued ordinary shares	Par Value
Rabigh Refining and Petrochemical Company	Saudi Arabia	876,000,000	876,000,000	–	876,000,000	SAR 10
S-Oil Corporation	South Korea	240,000,000	180,000,000	60,000,000	112,582,792	Won 2,500

Material subsidiaries with tradeable debt instruments

All amounts in millions SAR unless otherwise stated	Country of incorporation	Debt instruments	Balance as at December 31, 2019[1]
Motiva Enterprises LLC	USA	Debentures	7,680
S-Oil Corporation	South Korea	Debentures	10,206
Sadara Chemical Company (through its subsidiary Sadara Basic Services Company)	Saudi Arabia	Sukuk	6,478
Saudi Aramco Sukuk Company	Saudi Arabia	Sukuk	11,250
Saudi Aramco Total Refining and Petrochemical Company (through its wholly owned subsidiary Arabian Aramco Total Services)	Saudi Arabia	Sukuk	2,530

1. Represents 100% of the balance as reported in the respective subsidiaries' balance sheet.

Government consents, licenses and certificates

Saudi Aramco holds several operational and regulatory licenses and certificates from the relevant competent authorities that are periodically renewed. The following table lists the licenses and certificates currently held by Saudi Aramco that Saudi Aramco considers material in the context of its business.

Details of material regulatory and operational licenses and certificates obtained by Saudi Aramco

Company	Issuing authority	License	Effective date	Expiry date
Saudi Arabian Oil Company	The Government	The Concession	December 24, 2017	Initial period of 40 years, with expiry date of December 24, 2057, which will be extended by the Government for 20 years provided Saudi 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 Saudi Aramco and the Government agreeing on the terms of the extension.
SATORP	The Government	SATORP Feedstock Allocation letters	Various	Ministerial Letters in connection with the supply of gas products to SATORP.

Material agreements

Saudi Aramco has entered into a number of agreements for the purposes of its business. The following is a summary of those agreements that Saudi Aramco considers material to its business. Saudi 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. In addition, please see also below for details regarding Saudi Aramco's financing agreements (Financing Agreements and Guarantees).

The Concession

Background

The Arabian American Oil Company Concession Agreement was ratified on 4/2/1352H (corresponding to May 29, 1933) and granted Saudi Aramco's predecessor certain exclusive rights, including the right to explore, drill, recover and treat crude oil and other hydrogen and carbon compounds in liquid or gaseous state 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 Saudi Aramco's original articles, Saudi 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 Energy, and Saudi 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 Saudi Aramco entered into an amendment to the Concession, with effect from January 1, 2020) (the "Concession Amendment").

Grant of rights

The Government grants Saudi Aramco the following rights to be exercised at Saudi 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 Saudi 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 Saudi Aramco's operations within the Reserved Areas;
- certain rights to acquire and use land, water and other natural products in connection with Saudi Aramco's operations;
- the right to purchase, lease, import or otherwise obtain all materials, equipment and any other supplies required for Saudi 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 Saudi Aramco's operations.

Under the Concession, Saudi 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 Saudi Aramco, title to such Hydrocarbons shall automatically pass to Saudi Aramco at the ownership transfer point. Saudi 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 Saudi 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. Saudi 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 Saudi Aramco has fulfilled the following conditions: (a) Saudi 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) Saudi 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) Saudi 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 Saudi 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 Saudi 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, Saudi 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 Saudi 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

Through 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, Saudi Aramco 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 Saudi Aramco's operations are calculated as follows:

- With respect to Saudi Aramco's production of crude oil and condensates, including those used by Saudi Aramco in its operations, royalties are calculated based on a progressive scheme applied to crude oil and condensate production value. Production will be valued based on Saudi Aramco's official selling prices. An effective royalty rate will be applied to production value and will be 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 will be 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 Saudi Aramco's production of natural gas, ethane and NGLs, excluding those volumes used by Saudi Aramco for upstream operations and related operations (including transportation, pipelines and storage and export facilities, fractionation plants, gas and NGLs 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, 2019, the factor to which this royalty is applied is $0.035 per mmBTU for NGLs (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 Saudi Aramco.

Commencing January 1, 2020, the Concession Amendment amended the royalties payable to the Government with respect to Saudi Aramco's production of crude oil and condensates, including those used by Saudi Aramco in its operations, so that the effective royalty rate will be 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, NGLs (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 Saudi Aramco 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. Saudi Aramco is subject to the Kingdom's Income Tax Law. Income tax is due for payment monthly.

Purchase agreement in connection with the proposed acquisition of the PIF's 70% equity interest in SABIC

On March 27, 2019, the Company entered into a purchase agreement with PIF to acquire PIF's 70% equity interest in SABIC for total consideration of $69.1 billion 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. On October 6, 2019, Saudi 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) will be paid in cash and 64% will be paid in the form of a seller loan. The seller loan will be secured by four separate promissory notes issued by the Company in favor of the PIF. In accordance with the terms of the purchase agreement, the Company will pay a loan charge to the PIF on the closing date in the form of a cash payment equal to SAR 1,875 million ($500 million) and the issuance of five additional promissory notes in an aggregate principal amount of $2.5 billion.

The seller loan and the balance of the loan charge secured by the promissory notes will become due and payable as follows:

i. on or before 30 September 2020, a loan charge of $250 million;
ii. on or before 30 September 2021, an amount equal to 16% of the purchase price plus a loan charge of $250 million;
iii. on or before 30 September 2022, an amount equal to 16% of the purchase price;
iv. on or before 30 September 2023, an amount equal to 16% of the purchase price plus a loan charge of $750 million;
v. on or before 30 September 2024, an amount equal to 16% of the purchase price plus a loan charge of $750 million; and
vi. on or before 30 September 2025, a loan charge of $500 million.

Each promissory note will be fully 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 a promissory note, Saudi 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 Saudi Aramco does not elect to purchase the promissory notes to be transferred, the PIF may transfer such promissory notes during the subsequent 120 day period. Saudi Aramco currently intends to repay the promissory notes in a phased manner through cash from operations, external debt financing or a combination thereof.

The acquisition is currently expected to close in the first half of 2020.

Agreements with key customers
Other than one customer in 2016 which accounted for approximately 6% of Saudi Aramco's revenue and other income related to sales, there was no single customer that constituted 5% or more of Saudi Aramco's revenue and other income related to sales in the years ended December 31, 2016, 2017, 2018 or 2019.

Agreements with key suppliers
Saudi Aramco purchases materials and services from local and international suppliers. There was no single supplier that constituted 5% or more of the Saudi Aramco's total purchases in the years ended December 31, 2016, 2017, 2018 or 2019.

Financing agreements and guarantees

The following table sets out the material financing agreements and guarantees entered into by Saudi Aramco for the purposes of its business.

Details of material financing agreements and guarantees

Type of Financing	Termination Date	Key Legal Terms
GMTN Program:		
$1 billion senior unsecured notes	April 16, 2022	Customary covenants and events of default
$2 billion senior unsecured notes	April 16, 2024	Customary covenants and events of default
$3 billion senior unsecured notes	April 16, 2029	Customary covenants and events of default
$3 billion senior unsecured notes	April 16, 2039	Customary covenants and events of default
$3 billion senior unsecured notes	April 16, 2049	Customary covenants and events of default
Sukuk Program:		
SAR 11.25 billion sukuk	April 10, 2024	Customary covenants and events of default
Revolving credit facilities:		
5-year U.S. Dollar conventional facility (for an amount of $6 billion)	March 26, 2022	Customary covenants and events of default
5-year SAR Murabaha facility (for an amount of SAR 7.5 billion ($2 billion))	March 26, 2022	Customary covenants and events of default
364-day U.S. Dollar conventional facility (for an amount of $1 billion)	March 26, 2022	Customary covenants and events of default
364-day SAR Murabaha facility (for an amount of SAR 3.75 billion ($1 billion))	March 26, 2022	Customary covenants and events of default
Others:		
Sadara completion guarantee	December 31, 2020	n/a
Petro Rabigh completion guarantee	July 1, 2020	n/a

Refer to Section 7: Financial Statements – Note 19 Borrowings, and Section 8: Additional financial and legal information – Total indebtedness of Saudi Aramco, for further details in relation to the material financing arrangements. Refer to Section 7: Financial Statements – Note 27 Contingencies for further details in relation to the material guarantees.

Intellectual property

Saudi Aramco assesses, develops and incorporates new technology in a manner tailored to Saudi Aramco's operations to ensure the long-term sustainability of its business, enhance its operational efficiency, increase profitability and reduce the environmental impact of its operations. The scale of Saudi Aramco's hydrocarbon reserves and operational capabilities enable it to realize significant benefits and value from otherwise marginal technological benefits.

Saudi Aramco focuses its technology initiatives in three areas: upstream, downstream and sustainability. 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. Sustainability technology development is aimed at growing non-fuel applications for crude oil, sustaining low carbon intensity crude oil, advancing sustainable transport and driving high-impact low carbon intensity solutions.

Litigation

From time to time, Saudi 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 Saudi Aramco, claims for title to land and environmental claims. Additionally, Saudi Aramco in the past has been subject to antitrust claims in the United States.

Furthermore, exports of crude oil, refined products and petrochemicals by Saudi Aramco or its affiliates to foreign countries may be affected by litigation, 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. 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.

The outcome of litigation and other legal matters is inherently uncertain. Saudi Aramco believes it has valid defenses to the legal matters currently pending against it. Actual outcomes of these legal and regulatory proceedings may materially differ from current estimates. To date, none of these types of litigation matters has had a material impact on Saudi Aramco's operations or financial position. As at December 31, 2019, there is no litigation or claim (including any pending or threatened litigation) or any ongoing investigations which may have a material effect on Saudi Aramco's or any of its subsidiaries' business or financial position.

Forecasts and forward-looking statements

This Annual Report may contain certain forward-looking statements with respect to Saudi Aramco's financial position, results of operations and business and certain of Saudi Aramco's plans, intentions, expectations, assumptions, goals and beliefs. 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 Saudi 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 Saudi 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 Saudi Aramco's expectations are contained in cautionary statements in this Annual Report and include, among other things, the following:

- oil and gas supply, demand and price fluctuations;
- global economic market conditions;
- competition in the industries in which Saudi 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 Saudi Aramco's growth;
- risks in connection with projects under development and recent and future acquisitions and joint ventures, including with respect to SABIC;
- managing Saudi Aramco's subsidiaries, joint operations, joint ventures, associates and entities in which it holds a minority interest;
- Saudi 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 Saudi 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 Saudi 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.

Terms and abbreviations

Currencies

SAR/Riyal
Saudi Arabian riyal

$/USD/US$/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

MW
Megawatt

per day
Volumes are converted into a daily basis using a calendar year (Gregorian)

scf
Standard cubic feet

tscf
Trillion standard cubic feet

Miscellaneous abbreviations

CISC
Climate Initiatives Steering Committee

CMA
Capital Market Authority

CO_2
Carbon dioxide

CO_2e
Carbon dioxide equivalent

ERM
Enterprise Risk Management

ESG
Environmental, Social and Governance

FSIA
U.S. Foreign Sovereign Immunity Act

GDP
Gross Domestic Product

GHG
Greenhouse Gas Emissions

H
Hijri calendar

HEM
Human Energy Management

HGP
Hawiyah gas plant

HSE
Health, Safety and Environment

IAS
International Accounting Standard(s)

IASB
International Accounting Standards Board

IFRS
International Financial Reporting Standard(s)

IGCC
Integrated Gasification Combined Cycle

iktva
In-Kingdom Total Value Add

IOCs
International oil companies

IPIECA
International Petroleum Industry Environmental Conservation Association

KAPSARC
King Abdullah Petroleum Studies and Research Center

KFUPM
King Fahad University of Petroleum and Minerals

KPIs
Key Performance Indicators

LNA
Leading National Academy

LNG
Liquefied natural gas

LTI
Lost time injuries

MENA
Middle East and North Africa

MEWA
Ministry of Environment, Water and Agriculture of the Kingdom

MTBE
Methyl tertiary butyl ether

NGL/NGLs
Natural Gas Liquids

NOCs
National oil companies

NSPA
National Specialized Partnership Academies

OECD
Organisation for Economic Co-operation and Development

OGCI
Oil and Gas Climate Initiative

OPEC
Organization of the Petroleum Exporting Countries

PIF
Public Investment Fund of Saudi Arabia

PTP
Petro-Technical Professional

R&D
Research and development

SMS
Safety Management System

SOCPA
Saudi Organization for Certified Public Accountants

SPE-PRMS
Society of Petroleum Engineers – Petroleum Resources Management System

STEM
Science, Technology, Engineering and Math

TRC
Total Recordable Case

VAT
Value added tax

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%.

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.

Gross refining capacity
The total combined refining capacity of Saudi Aramco and the joint ventures and other entities in which it owns an equity interest.

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 NGLs.

LPG/LPGs
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.

Net production capacity
Saudi Aramco's equity share of its gross production capacity, calculated by multiplying the gross production capacity of each facility in which Saudi Aramco has an interest by Saudi Aramco's percentage equity ownership in the entity that owns the facility.

Net refining capacity
Saudi Aramco's equity share of its gross refining capacity, calculated by multiplying the gross refining capacity of each refinery in which Saudi Aramco has an interest by Saudi Aramco's percentage equity ownership in the entity that owns the refinery.

NGLs
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 NGLs. For purposes of production, ethane is reported separately and excluded from NGLs.

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.

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.

Throughput
The volume of crude oil processed by a refinery and converted into intermediate and finished products.

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.

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
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.

Auditor
PricewaterhouseCoopers Public Accountants, the independent external auditor of Saudi 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.

Carbon intensity
A measure of greenhouse gas emissions – carbon dioxide (CO_2) equivalent per barrel of oil equivalent.

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 8: Additional Information – Material Agreements – The Concession.

Concession Amendment
As defined in Section 8: Additional 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 8: Additional 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 members of the governing body; "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
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.

D&M
DeGolyer & MacNaughton, Saudi 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.

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.

Equalization prices
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, Saudi Aramco's official selling price and, depending on the relevant liquid product, on the basis of export parity, import parity or a combination of both.

Exchange or Tadawul
The Saudi Stock Exchange, the sole entity authorized in the Kingdom to act as a securities exchange.

Excluded Areas
The limited area excluded from Saudi 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.

Flaring intensity
Quantity of gas flared per barrel of oil equivalent (scf/Production boe) within our facilities.

Foreign Investors
- Non-Saudi nationals who are not residents in the Kingdom; and
- Institutions other than Qualified Foreign Investors incorporated outside the Kingdom, in accordance with the QFI Rules and the FSI Instructions.

Foreign Strategic Investor
A foreign legal entity aiming to acquire a strategic interest in listed companies in accordance with the FSI Instructions. "Strategic interest" means the direct ownership percentage in the listed company's shares, through which the owner aims to contribute to enhancing the financial or operating performance of the listed company.

FREP
Fujian Refining & Petrochemical Company Ltd., a joint venture established among Saudi Aramco Sino Company Ltd., Fujian Petrochemical Company Ltd. (itself a joint venture between Sinopec and the Fujian, China provincial government) and ExxonMobil China Petroleum & Petrochemical Company Ltd.

FSI Instructions
Instructions for foreign strategic investors to acquire strategic stakes in listed companies issued by the Board of the CMA pursuant to Resolution No. 3-65-2019 dated 17/10/1440H (corresponding to June 17, 2019), as amended.

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 Assemblies
Any Ordinary General Assembly or Extraordinary General Assembly.

GMTN Program
On April 1, 2019, Saudi Aramco 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). In the context of acting as a Shareholder of Saudi Aramco, the Government is the State.

Greenhouse Gas Emissions
Consists of CO_2, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride.

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.

HSE Committee
Health, Safety, and Environmental Committee.

HSSE Committee
Health, Safety, Security, and Environmental Committee.

Hydrocarbons
Crude oil and other hydrogen and carbon compounds in liquid or gaseous state.

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.

IFRS
International Financial Reporting Standards that are endorsed in the Kingdom and other standards and pronouncements endorsed by SOCPA.

Income 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.

IPO
The initial public offering of the Company.

Joint arrangement
Term refers to either a joint operation or a joint venture.

Joint operation
Arises where the investors have rights to the assets and obligations for the liabilities of a joint arrangement.

Joint venture
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.

LANXESS
LANXESS Deutschland GmbH.

Listing
Admission of all the shares to listing and to trading on the Exchange in accordance with the Listing Rules.

Listing Rules
The Listing Rules approved by the Board of the CMA pursuant to its Resolution No. 3-123-2017, dated 9/4/1439H (corresponding to December 27, 2017), as amended by the CMA Board Resolution No. 1-04-2019 dated 1/2/1441H (corresponding to September 30, 2019).

Luberef
Saudi Aramco Base Oil Company, a joint venture between Saudi Aramco and Jadwa Industrial Investment Company, which acquired its share from Mobil in 2007.

Material subsidiaries
As defined in Section 8: Additional Information – Material Subsidiaries.

Methane Intensity
Estimated methane emissions per volume of marketed natural gas expressed in percentage terms.

MGS
Master Gas System, an extensive network of pipelines that connects Saudi Aramco's key gas production and processing sites throughout the Kingdom.

Ministry of Energy
Ministry of Energy of the Kingdom.

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.

Motiva
Motiva Enterprises LLC.

Natural gas
Dry gas produced at Saudi Aramco gas plants and sold within the Kingdom.

Original Concession
As defined in Section 8: Additional Information – Material Agreements – The Concession.

OSCO Rules
The Rules on the Offer of Securities and Continuing Obligations 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).

Paris Agreement
An agreement within the United Nations Framework Convention on Climate Change.

Petro Rabigh
Rabigh Refining and Petrochemical Company, a venture established by Saudi Aramco and Sumitomo Chemical Co., Ltd. in 2005, which is a publicly traded company listed on Tadawul.

PRefChem
PRefChem Petrochemical and PRefChem Refining.

PRefChem Petrochemical
Pengerang Petrochemical Company Sdn. Bhd.

PRefChem Refining
Pengerang Refining Company Sdn. Bhd.

QFI Rules
The Rules for Qualified Foreign Financial Institutions Investment in Listed shares issued pursuant to CMA Board Resolution No. 1-42-2015, dated 15/7/1436H (corresponding to 4 May 2018G), as most recently amended by CMA Board Resolution No. 3-65-2019, dated 14/10/1440H (corresponding to 17 June 2019G).

Regulated Gas Products
Gas hydrocarbons which are subject to the Kingdom's gas pricing regime, including natural gas, ethane and NGLs (propane, butane and natural gasoline).

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 our control (e.g., terminal, pipeline, stabilization, or production) negatively affect the score, whereas delays caused by conditions that are beyond our control, such as adverse weather, are not considered. A score of less than 100 percent indicates there were issues that negatively impacted reliability.

Reserved Areas
The areas reserved for Saudi Aramco's operations within the Concession Area.

SABIC
Saudi Basic Industries Corporation.

SADA
Saudi Arabian Drilling Academy.

Sadara
Sadara Chemical Company, a joint venture established by Saudi Aramco and Dow Saudi Arabia B.V. in 2011.

SAMREF
Saudi Aramco Mobil Refinery Company Limited, a joint venture established by the Saudi Arabian Marketing and Refining Company and Mobil Yanbu' Refining Company Inc. in 1982.

SASREF
Saudi Aramco Jubail Refinery Company, previously Saudi Aramco Shell Refinery Company.

SATORP
Saudi Aramco Total Refining and Petrochemical Company, a joint venture established by Saudi Aramco and Total Refining Saudi Arabia SAS in 2008.

Saudi 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 Saudi Aramco except where otherwise stated.

Scope 1
Direct emissions, which include (a) fuels combusted in stationary sources on-site, (b) flaring, (c) equipment blowdown, (d) process vents, such as storage tanks and dehydration units and (e) fugitive emissions from leaking components.

Scope 2
Indirect emissions, which account for GHG emissions from the generation of electricity that is purchased or otherwise brought into the organizational boundary of the Company and steam that is consumed by the Company.

Senior Executives/ Management Committee
The members of the senior management of Saudi Aramco holding the title of President (CEO) or Senior Vice President.

Senior Management
The Senior Executives and other officers of Saudi Aramco who, while subordinate to the Senior Executives, are still involved in the management of Saudi Aramco and participate in driving its strategies, decisions or operations.

Senior Unsecured Notes
On April 16, 2019, Saudi Aramco issued $12.0 billion in aggregate principal amount of senior unsecured notes under the GMTN Program comprising five tranches, all of which are payable semi-annually in arrear: $1.0 billion 2.750% senior notes due 2022; $2.0 billion 2.875% senior notes due 2024; $3.0 billion 3.500% senior notes due 2029; $3.0 billion 4.250% senior notes due 2039 and $3.0 billion 4.375% senior notes due 2049.

Shareholder
Any holder of shares.

Shell
Royal Dutch Shell plc.

Sinopec
China Petroleum & Chemical Corporation.

SO_2 emissions
Amount of sulfur dioxide released from the combustion of fuels containing sulfur and emitted from process combustion stacks.

S-Oil
S-Oil Corporation.

Stellar
Stellar Insurance, Ltd.

Subsidiaries
Except with respect to financial information, the term subsidiaries means the companies that Saudi 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 members of the governing body of a company.

With respect to financial information, the term subsidiaries is defined by IFRS, meaning entities over which the Company has control.

Substantial Shareholder
A Shareholder that owns 5% or more of Saudi Aramco's shares.

Sukuk Program
A Saudi domestic sukuk program established by Saudi Aramco on 22/6/1438H (corresponding to March 21, 2017) for the issuance of up to $10 billion (SAR 37.5 billion) in aggregate nominal amount of Sukuk.

Sumed Company
The Arab Petroleum Pipeline Company.

Sumitomo
Sumitomo Chemical Co., Ltd.

Total
Total S.A.

Total Recordable Case 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.

YASREF
Yanbu' Aramco Sinopec Refinery Company Limited, a joint venture established by Saudi Aramco and Sinopec Century Bright Capital Investment (Amsterdam) B.V. in 2010.

This report is printed on paper certified in accordance with the
FSC® (Forest Stewardship Council®) and is recyclable and acid-free.

saudiaramco.com