Saudi Arabian Oil Company

Consolidated financial statements for the year ended December 31, 2020

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

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saudi Arabian Oil Company (the "Company") and its subsidiaries (together the "Group") as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of income for the year ended December 31, 2020;
- the consolidated statement of comprehensive income for the year ended December 31, 2020;
- the consolidated balance sheet as at December 31, 2020;
- the consolidated statement of changes in equity for the year ended December 31, 2020;
- the consolidated statement of cash flows for the year ended December 31, 2020; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

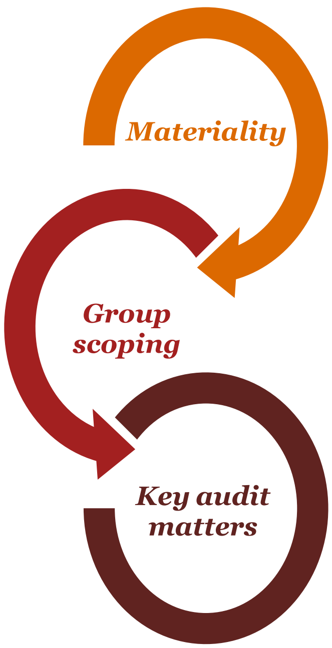
Independence

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

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

Our audit approach

Overview



- We determined overall Group materiality taking into account the profit-oriented nature of the Group.
- Based on income before income taxes and zakat of SAR 372.4 billion, we determined our overall Group materiality at SAR 14.2 billion.
- Our quantitative threshold for reporting misstatements to those charged with governance was set at SAR 1.1 billion.

Based on their size, complexity and risk:

- We considered the Company's standalone operations and four other components located in the Kingdom of Saudi Arabia, the United States of America and the Republic of Korea as significant to the Group audit; and
- We also determined a number of other components to be in scope for the Group audit, in respect of which appropriate audit procedures were performed.

Our key audit matters comprise the following:

- Accounting for the acquisition of Saudi Basic Industries Corporation ("SABIC"); and
- Assessment of recoverability of the goodwill and brand recognised as part of the SABIC acquisition.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of Directors made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

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

Overall Group materiality	SAR 14.2 billion (2019: SAR 26.3 billion)
How we determined it	Approximately 4% of income before income taxes and zakat
Rationale for the materiality benchmark applied	Income before income taxes and zakat is an important benchmark for the Group's stakeholders and is a generally accepted benchmark for profit-oriented groups.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above SAR 1.1 billion.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group's operations are conducted through many components in several parts of the world. The most significant component within the Group is the Company itself and most of the audit effort was spent by the Group engagement team based in Dhahran, Kingdom of Saudi Arabia. The Group engagement team tested IT general controls, application and manual controls over systems and processes related to the Company's financial information supplemented by tests of detail and analytical procedures. Certain audit procedures were carried out by the Group engagement team with assistance from internal accounting, valuation, pension, tax and IT experts and specialists. The Group engagement team also coordinated the work done by the various component teams across different locations and performed audit procedures on the consolidation workings and disclosures.

We identified four additional significant components where a full scope audit on the respective components' financial information was performed under our instructions. Members of the Group engagement team performed the full scope audit of the significant component located in Dhahran, Kingdom of Saudi Arabia. Component teams in Riyadh, Kingdom of Saudi Arabia, the United States of America and the Republic of Korea performed full scope audits of the components at those locations. We also requested certain other component teams to perform appropriate audit procedures. The selection of these components was based on qualitative and quantitative considerations, including whether the component accounted for a significant proportion of individual consolidated financial statement line items.

The Group engagement team's involvement in the audit work performed by component teams considered the relative significance and complexity of the individual component. This included allocating overall Group materiality to the different components, sending formal instructions, obtaining regular updates on progress and results of procedures as well as review of deliverables and the relevant underlying working papers.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Accounting for the acquisition of SABIC</td></tr>
<tr><td>
The Company acquired a 70% equity interest in SABIC in June 2020.
The total purchase consideration was SAR 259.1 billion for acquisition of identifiable net assets with preliminary fair values of SAR 260.7 billion. Non-controlling interests of SAR 100.7 billion and goodwill of SAR 99.1 billion were recognised as part of the transaction.
The acquisition was accounted for in accordance with IFRS 3 'Business Combinations', that is endorsed in the Kingdom of Saudi Arabia, and required management to make significant estimates as part of determining the preliminary fair values of the identifiable assets acquired and liabilities assumed.
The Group engaged an independent valuer in order to determine the fair value of the purchase consideration and the preliminary fair values that formed part of the purchase price allocation.
We considered this to be a key audit matter given the significant estimates involved in determining the preliminary fair values of the identifiable assets acquired and liabilities assumed.
Refer to Note 2(e) and Note 4 to the consolidated financial statements for further information.
</td><td>
Our procedures included the following:

We read the share purchase agreement and tested the appropriateness of the fair value of the purchase consideration.
We assessed the competency, objectivity and independence of the independent valuer engaged by the Group.
With input from internal valuation experts (where considered necessary), we performed the following procedures, in relation to the preliminary fair values of the identifiable net assets that formed part of the purchase price allocation, as deemed appropriate:

Considered the appropriateness of the methodology and assumptions used in determining the preliminary fair values based on the applicable financial reporting requirements and established market practice;
Compared certain key unobservable inputs underlying the preliminary fair values to supporting documentation such as approved financial plans; and
Evaluated the reasonableness of certain observable inputs and/or the resulting preliminary fair values based on comparable market data.

We considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.

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

Key audit matter

Assessment of recoverability of the goodwill and brand recognised as part of the SABIC acquisition

IAS 36 'Impairment of Assets', that is endorsed in the Kingdom of Saudi Arabia, requires goodwill and indefinite-lived intangible assets to be tested annually, irrespective of whether there is any indication of impairment.

Management performed an assessment of recoverability of the goodwill and brand recognised as part of the SABIC acquisition. The carrying amounts of these assets were SAR 99.1 billion and SAR 18.2 billion, respectively, at December 31, 2020.

Goodwill has been provisionally allocated to the Downstream operating segment. Therefore, the goodwill impairment test was performed at the Downstream operating segment level. The brand test was performed based on an aggregation of the relevant cash-generating units.

The recoverable amounts were determined based on value-in-use calculations derived using discounted cash flow models. The models were based on the most recent financial plans and included 10-year projection periods with terminal values assumed thereafter.

The exercise performed supported the goodwill and brand carrying values and did not identify the need for any impairment charges to be recognised.

We considered this to be a key audit matter given the significant estimates involved in determining recoverable amounts and the uncertainty inherent in the underlying forecasts and assumptions. The key inputs to the recoverable amounts included the:

- Cash flows during the 10-year periods including the underlying assumptions;
- Terminal values; and
- Pre-tax discount rates.

Refer to Note 2(f) and Note 7 to the consolidated financial statements for further information.

How our audit addressed the key audit matter

Our procedures included the following:

- We reviewed the appropriateness of management's provisional allocation of goodwill to the Downstream operating segment and brand to the aggregation of the relevant cash-generating units, based on the requirements of IAS 36 'Impairment of assets', that is endorsed in the Kingdom of Saudi Arabia.
- We assessed the appropriateness of the assets and liabilities considered as part of the impairment tests for the goodwill and brand.
- With input from internal valuation experts (where considered necessary), we performed the following procedures on management's valuation models, as deemed appropriate:
  - Considered the consistency of certain unobservable inputs underlying the 10-year cash flows such as expected product volumes and future operating and development costs with approved financial plans;
  - Compared a sample of forecast commodity prices underlying the 10-year cash flows to market data points;
  - Evaluated the reasonableness of approved financial plans by comparison to historical results;
  - Assessed the reasonableness of the approach and inputs used to determine the terminal values;
  - Evaluated the reasonableness of the pre-tax discount rates used by cross-checking the underlying assumptions against observable market data;
  - Tested the mathematical accuracy and logical integrity of the models; and
  - Tested management's sensitivity analyses that considered the impact of changes in assumptions on the outcome of the impairment assessments.
- We considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.

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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 18, 2021

All amounts in millions of Saudi Riyals unless otherwise stated

Consolidated statement of income

	Note	SAR Year ended December 31 2020	SAR Year ended December 31 2019	USD* Year ended December 31 2020	USD* Year ended December 31 2019
Revenue	25	**768,109**	1,105,696	**204,829**	294,852
Other income related to sales		**93,982**	131,089	**25,062**	34,957
Revenue and other income related to sales		**862,091**	1,236,785	**229,891**	329,809
Royalties and other taxes		**(89,964)**	(182,141)	**(23,991)**	(48,571)
Purchases	26	**(181,116)**	(225,170)	**(48,297)**	(60,045)
Producing and manufacturing		**(74,350)**	(58,249)	**(19,827)**	(15,533)
Selling, administrative and general		**(46,970)**	(36,647)	**(12,525)**	(9,773)
Exploration		**(7,293)**	(7,291)	**(1,945)**	(1,944)
Research and development		**(2,830)**	(2,150)	**(755)**	(573)
Depreciation and amortization	6,7	**(76,208)**	(50,266)	**(20,322)**	(13,404)
Operating costs		**(478,731)**	(561,914)	**(127,662)**	(149,843)
Operating income		**383,360**	674,871	**102,229**	179,966
Share of results of joint ventures and associates	8	**(3,554)**	(9,455)	**(948)**	(2,521)
Finance and other income	28	**3,182**	7,351	**849**	1,960
Finance costs	21	**(10,564)**	(6,026)	**(2,817)**	(1,607)
Income before income taxes and zakat		**372,424**	666,741	**99,313**	177,798
Income taxes and zakat	9	**(188,661)**	(336,048)	**(50,310)**	(89,613)
Net income		**183,763**	330,693	**49,003**	88,185
Net income (loss) attributable to					
Shareholders' equity		**184,926**	330,816	**49,313**	88,218
Non-controlling interests		**(1,163)**	(123)	**(310)**	(33)
		183,763	330,693	**49,003**	88,185
Earnings per share (basic and diluted)	37	**0.93**	1.65	**0.25**	0.44

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

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

Amin H. Nasser
President & Chief Executive Officer

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

All amounts in millions of Saudi Riyals unless otherwise stated

Consolidated statement of comprehensive income

		SAR		USD*	
		Year ended December 31		Year ended December 31	
	Note	**2020**	2019	**2020**	2019
Net income		**183,763**	330,693	**49,003**	88,185
Other comprehensive (loss) income, net of tax	19				
Items that will not be reclassified to net income					
Remeasurement of post-employment benefit obligations		**(8,966)**	2,628	**(2,391)**	701
Change in post-employment benefit deferred tax asset due to new income tax rate		**–**	(464)	**–**	(123)
Share of post-employment benefit obligations remeasurement from joint ventures and associates		**–**	2	**–**	–
Changes in fair value of equity investments classified as fair value through other comprehensive income		**1,795**	187	**479**	50
Change in equity investment deferred tax liability due to new income tax rate		**–**	180	**–**	48
Items that may be reclassified subsequently to net income					
Cash flow hedges and other		**(300)**	(322)	**(80)**	(86)
Changes in fair value of debt securities classified as fair value through other comprehensive income		**297**	59	**79**	16
Share of other comprehensive income (loss) of joint ventures and associates		**550**	(487)	**147**	(130)
Currency translation differences		**2,768**	(1,027)	**738**	(274)
		(3,856)	756	**(1,028)**	202
Total comprehensive income		**179,907**	331,449	**47,975**	88,387
Total comprehensive income (loss) attributable to					
Shareholders' equity		**180,960**	331,896	**48,256**	88,506
Non-controlling interests		**(1,053)**	(447)	**(281)**	(119)
		179,907	331,449	**47,975**	88,387

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Consolidated balance sheet

		SAR		USD*	
		At December 31		At December 31	
	Note	**2020**	2019	**2020**	2019
Assets					
Non-current assets					
Property, plant and equipment	6	**1,209,460**	982,014	**322,523**	261,870
Intangible assets	7	**164,547**	30,122	**43,879**	8,033
Investments in joint ventures and associates	8	**65,976**	19,738	**17,594**	5,263
Deferred income tax assets	9	**15,280**	12,728	**4,075**	3,394
Other assets and receivables	10	**37,258**	21,372	**9,935**	5,699
Investments in securities	11	**22,861**	19,956	**6,096**	5,322
		1,515,382	1,085,930	**404,102**	289,581
Current assets					
Inventories	12	**51,999**	42,607	**13,867**	11,362
Trade receivables	13	**85,183**	93,526	**22,715**	24,940
Due from the Government	14	**28,895**	36,781	**7,705**	9,808
Other assets and receivables	10	**18,769**	12,109	**5,005**	3,230
Short-term investments	15	**6,801**	45,467	**1,814**	12,125
Cash and cash equivalents	16	**207,232**	177,706	**55,262**	47,388
		398,879	408,196	**106,368**	108,853
Total assets		**1,914,261**	1,494,126	**510,470**	398,434
Equity and liabilities					
Shareholders' equity					
Share capital		**60,000**	60,000	**16,000**	16,000
Additional paid-in capital		**26,981**	26,981	**7,195**	7,195
Treasury shares	17	**(3,264)**	(3,750)	**(870)**	(1,000)
Retained earnings:					
Unappropriated		**895,273**	943,758	**238,739**	251,669
Appropriated		**6,000**	6,000	**1,600**	1,600
Other reserves	19	**5,858**	2,076	**1,562**	553
		990,848	1,035,065	**264,226**	276,017
Non-controlling interests	20	**110,246**	11,170	**29,399**	2,979
		1,101,094	1,046,235	**293,625**	278,996
Non-current liabilities					
Borrowings	21	**436,920**	150,690	**116,512**	40,184
Deferred income tax liabilities	9	**53,621**	44,471	**14,299**	11,859
Post-employment benefit obligations	22	**54,207**	21,174	**14,455**	5,646
Provisions and other liabilities	23	**25,208**	15,985	**6,722**	4,263
		569,956	232,320	**151,988**	61,952
Current liabilities					
Trade and other payables	24	**93,740**	78,231	**24,998**	20,862
Obligations to the Government:					
Income taxes and zakat	9	**42,059**	62,243	**11,216**	16,598
Dividend payable	36	**–**	35,475	**–**	9,460
Royalties		**8,255**	14,727	**2,201**	3,927
Borrowings	21	**99,157**	24,895	**26,442**	6,639
		243,211	215,571	**64,857**	57,486
		813,167	447,891	**216,845**	119,438
Total equity and liabilities		**1,914,261**	1,494,126	**510,470**	398,434

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All amounts in millions of Saudi Riyals unless otherwise stated

Consolidated statement of changes in equity

	SAR								USD*
	Shareholders' equity								
				Retained earnings					
	Share capital	Additional paid-in capital	Treasury shares	Unappropriated	Appropriated[1]	Other reserves (Note 19)	Non-controlling interests	Total	Total
Balance at January 1, 2019	60,000	26,981	–	920,625	6,000	3,176	11,653	1,028,435	274,249
Net income (loss)	–	–	–	330,816	–	–	(123)	330,693	88,185
Other comprehensive income (loss)	–	–	–	–	–	1,080	(324)	756	202
Total comprehensive income (loss)	–	–	–	330,816	–	1,080	(447)	331,449	88,387
Acquisition of treasury shares (Note 17)	–	–	(3,750)	–	–	–	–	(3,750)	(1,000)
Transfer of post-employment benefit obligations remeasurement	–	–	–	2,178	–	(2,178)	–	–	–
Transfer of share of post-employment benefit obligation remeasurement from joint ventures and associates	–	–	–	2	–	(2)	–	–	–
Dividends (Note 36)	–	–	–	(309,863)	–	–	–	(309,863)	(82,630)
Dividends to non-controlling interests	–	–	–	–	–	–	(36)	(36)	(10)
Balance at December 31, 2019	**60,000**	**26,981**	**(3,750)**	**943,758**	**6,000**	**2,076**	**11,170**	**1,046,235**	**278,996**
Net income (loss)	**–**	**–**	**–**	**184,926**	**–**	**–**	**(1,163)**	**183,763**	**49,003**
Other comprehensive (loss) income	**–**	**–**	**–**	**–**	**–**	**(3,966)**	**110**	**(3,856)**	**(1,028)**
Total comprehensive income (loss)	**–**	**–**	**–**	**184,926**	**–**	**(3,966)**	**(1,053)**	**179,907**	**47,975**
Acquisition of subsidiary (Note 4)	**–**	**–**	**–**	**–**	**–**	**–**	**100,739**	**100,739**	**26,864**
Transfer of post-employment benefit obligations remeasurement	**–**	**–**	**–**	**(7,722)**	**–**	**7,722**	**–**	**–**	**–**
Treasury shares issued to employees (Note 17)	**–**	**–**	**486**	**44**	**–**	**(530)**	**–**	**–**	**–**
Share-based compensation	**–**	**–**	**–**	**(24)**	**–**	**556**	**–**	**532**	**142**
Dividends (Note 36)	**–**	**–**	**–**	**(225,709)**	**–**	**–**	**–**	**(225,709)**	**(60,189)**
Dividends to non-controlling interests and other	**–**	**–**	**–**	**–**	**–**	**–**	**(610)**	**(610)**	**(163)**
Balance at December 31, 2020	**60,000**	**26,981**	**(3,264)**	**895,273**	**6,000**	**5,858**	**110,246**	**1,101,094**	**293,625**

1. Appropriated retained earnings, originally established under the 1988 Articles of the Saudi Arabian Oil Company, represent a legal reserve which is not available for distribution. This amount is maintained pursuant to the Bylaws adopted on January 1, 2018 (Note 1).

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All amounts in millions of Saudi Riyals unless otherwise stated

Consolidated statement of cash flows

		SAR		USD*	
		Year ended December 31		Year ended December 31	
	Note	**2020**	2019	**2020**	2019
Income before income taxes and zakat		**372,424**	666,741	**99,313**	177,798
Adjustments to reconcile income before income taxes and zakat to net cash provided by operating activities					
Depreciation and amortization	6,7	**76,208**	50,266	**20,322**	13,404
Exploration and evaluation costs written off	7	**3,544**	3,217	**945**	858
Loss on disposal of property, plant and equipment		**2,020**	–	**539**	–
Inventory movement		**4,181**	(91)	**1,115**	(24)
Gain on remeasurement of existing interest in equity investments	28,35	**–**	(1,278)	**–**	(341)
Share of results of joint ventures and associates	8	**3,554**	9,455	**948**	2,521
Finance income	28	**(2,771)**	(5,534)	**(739)**	(1,476)
Finance costs	21	**10,564**	6,026	**2,817**	1,607
Dividends from investments in securities	28	**(382)**	(509)	**(102)**	(136)
Change in fair value of investments through profit or loss		**28**	(620)	**7**	(165)
Change in joint ventures and associates inventory profit elimination	8	**21**	240	**6**	64
Other		**794**	1,257	**211**	335
Change in working capital					
Inventories		**15,890**	1,960	**4,237**	523
Trade receivables		**22,172**	727	**5,913**	194
Due from the Government		**7,886**	12,083	**2,103**	3,222
Other assets and receivables		**(2,784)**	3,268	**(742)**	872
Trade and other payables		**(16,250)**	3,430	**(4,333)**	915
Royalties payable		**(6,472)**	2,865	**(1,726)**	763
Other changes					
Other assets and receivables		**(8,593)**	(9,951)	**(2,291)**	(2,654)
Provisions and other liabilities		**1,344**	330	**358**	88
Post-employment benefit obligations		**123**	1,119	**33**	298
Settlement of income, zakat and other taxes	9	**(198,204)**	(328,472)	**(52,855)**	(87,592)
Net cash provided by operating activities		**285,297**	416,529	**76,079**	111,074
Capital expenditures	5	**(101,030)**	(122,882)	**(26,942)**	(32,769)
Cash acquired on acquisition of subsidiary	4	**27,515**	–	**7,337**	–
Acquisition of affiliates, net of cash acquired	8,35	**–**	(13,628)	**–**	(3,634)
Distributions from joint ventures and associates	8	**2,601**	778	**694**	207
Additional investments in joint ventures and associates	8,32	**(537)**	(341)	**(143)**	(91)
Dividends from investments in securities	28	**382**	509	**102**	136
Interest received		**3,698**	4,561	**987**	1,216
Net investments in securities		**(599)**	(868)	**(160)**	(231)
Net maturities (purchases) of short-term investments		**47,071**	(45,273)	**12,552**	(12,073)
Net cash used in investing activities		**(20,899)**	(177,144)	**(5,573)**	(47,239)
Dividends paid to shareholders of the Company	36	**(261,184)**	(274,388)	**(69,649)**	(73,170)
Dividends paid to non-controlling interests in subsidiaries		**(718)**	(36)	**(191)**	(10)
Acquisition of treasury shares	17	**–**	(3,750)	**–**	(1,000)
Proceeds from borrowings		**87,520**	51,960	**23,339**	13,856
Repayments of borrowings		**(42,125)**	(5,162)	**(11,233)**	(1,376)
Principal portion of lease payments		**(10,868)**	(7,740)	**(2,898)**	(2,064)
Interest paid		**(7,497)**	(5,715)	**(2,000)**	(1,524)
Net cash used in financing activities		**(234,872)**	(244,831)	**(62,632)**	(65,288)
Net increase (decrease) in cash and cash equivalents		**29,526**	(5,446)	**7,874**	(1,453)
Cash and cash equivalents at beginning of the year		**177,706**	183,152	**47,388**	48,841
Cash and cash equivalents at end of the year		**207,232**	177,706	**55,262**	47,388

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

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

Amin H. Nasser
President & Chief Executive Officer

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

Notes to the consolidated financial statements

1. General information

The Saudi Arabian Oil Company (the "Company"), with headquarters located in Dhahran, Kingdom of Saudi Arabia (the "Kingdom"), is engaged in prospecting, exploring, drilling and extracting hydrocarbon substances ("Upstream") and processing, manufacturing, refining and marketing these hydrocarbon substances ("Downstream"). The Company was formed on November 13, 1988 by Royal Decree No. M/8; however, its history dates back to May 29, 1933 when the Saudi Arabian Government (the "Government") granted a concession to the Company's predecessor the right to, among other things, explore the Kingdom for hydrocarbons.

On December 20, 2017, Royal Decree No. M/37 dated 2/4/1439H was issued approving the Hydrocarbons Law which applies to the Kingdom's hydrocarbons and hydrocarbon operations. Under the Hydrocarbons Law, all hydrocarbon deposits, hydrocarbons and hydrocarbon resources are the property of the Kingdom until ownership is transferred at the well head or when extracted. Further, the Hydrocarbons Law codifies the Government's sole authority to set the maximum amount of hydrocarbons production by the Company and the maximum sustainable capacity that the Company must maintain.

All natural resources within the Kingdom, including hydrocarbons, are owned by the Kingdom. Through a concession in 1933, the Government granted the Company the exclusive right to explore, develop and produce the Kingdom's hydrocarbon resources, except in certain areas. As of December 24, 2017, the Company's original concession agreement was replaced and superseded by an amended concession agreement (the "Concession Agreement") which provides the Company the exclusive right to explore, drill, prospect, appraise, develop, extract, recover, and produce hydrocarbons in the concession area. The Company is also provided the exclusive right to market and distribute hydrocarbons, petroleum products and liquid petroleum gas ("LPG") in the Kingdom along with the non-exclusive right to manufacture, refine, and treat production and to market, sell, transport and export such production.

The initial term of the Concession Agreement is for 40 years which shall be extended by the Government for 20 years unless the Company does not satisfy certain conditions commensurate with its then current operating practices. In addition, the Concession Agreement may be amended and extended for an additional 40 years beyond the original 60-year period subject to the Company and the Government agreeing on the terms of such extension.

Effective January 1, 2018, Council of Minister's Resolution No. 180, dated 1/4/1439H (December 19, 2017) converted the Company to a Saudi Joint Stock Company with new Bylaws. The Company's 1988 Articles were cancelled as of January 1, 2018 pursuant to Royal Decree No. M/36, dated 2/4/1439H (December 20, 2017). The Company's share capital has been set at Saudi Riyal ("SAR") 60,000, is fully paid and is divided into 200 billion ordinary shares with equal voting rights without par value. The Company's Commercial Registration Number is 2052101150.

On December 11, 2019, the Company completed its Initial Public Offering ("IPO") and its ordinary shares were listed on the Saudi Stock Exchange ("Tadawul"). In connection with the IPO, the Government, being the sole owner of the Company's shares at such time, sold an aggregate of 3.45 billion ordinary shares, or 1.73% of the Company's share capital. In addition, concurrent with the IPO, the Company acquired 117.2 million of its ordinary shares from the Government for a cash payment of SAR 3,750, which are being classified as treasury shares (Note 17). These shares are for use by the Company for its employee share plans (Note 18).

The consolidated financial statements of the Company and its subsidiaries (together "Saudi Aramco") were approved by the Board of Directors on March 18, 2021.

2. Summary of significant accounting policies, judgments and estimates

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The consolidated financial statements provide comparative information in respect of the previous period.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The consolidated financial statements are also in compliance with IFRS as issued by the International Accounting Standards Board ("IASB"). Amounts and balances relating to Shari'a compliant financial instruments of the Company, its subsidiaries and investments are disclosed separately. All other relevant amounts and balances relate to conventional financial instruments.

The consolidated financial statements have been prepared under the historical cost convention except for certain items measured at fair value which are, primarily, investments in securities, derivatives and certain trade receivables. The accounting policies that follow have been consistently applied to all years presented, unless otherwise stated.

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

In response to novel Coronavirus ("COVID-19"), which has caused global economic disruption, Saudi Aramco has implemented active prevention programs at its sites and contingency plans in order to minimize the risks related to COVID-19 and to safeguard the continuity of business operations. Crude oil sales account for a substantial portion of the Company's revenue. Crude oil is also a fundamental feedstock to the Company's Downstream operations. The COVID-19 pandemic has had an adverse impact on oil demand, which has led to an oversupply in global markets mostly during the second quarter of 2020, resulting in a reduction in crude oil prices. The markets showed signs of recovery during the second half of 2020 as governments began to ease restrictions and the improved economic activity translated into increased crude oil demand and higher prices. The increased prices have positively impacted Saudi Aramco's financial performance during the second half of 2020. Management has taken measures to optimize spending, which resulted in reduced operational and capital expenditures during the year. Additionally, the Company entered into new financing arrangements (Note 21) to ensure sufficient funding to meet forecasted cash flow requirements and limit any potential financial exposure. Management continues to monitor the situation, including the impact on both results of operations and cash flows and will take further actions as necessary.

(b) Fiscal regime changes

On September 17, 2019, the following significant changes to the fiscal regime under which the Company operates were announced and are all effective January 1, 2020:

(i) The Company and the Government executed an amendment to the Concession Agreement, which changed the effective royalty rate applied to crude oil production based on the Company's official selling prices. The effective royalty rate is determined based on a baseline marginal rate of 15% (from 20%) applied to prices up to $70 per barrel, increasing to 45% (from 40%) applied to prices above $70 per barrel and 80% (from 50%) applied to prices above $100 per barrel.

(ii) LPGs and certain other products were added to the price equalization mechanism to compensate the Company for revenue directly forgone as a result of the Company's compliance with the Government mandates related to domestic sales of those products by the Company.

(iii) The tax rate applicable to the Company's Downstream activities was reduced from the 50% rate applicable to qualified domestic oil and hydrocarbon production companies to the general corporate tax rate of 20% applicable to similar domestic downstream companies under the Saudi Arabian Income Tax Law of 2004 and its amendments (the "Tax Law"). The new rate is conditioned on the Company separating its Downstream activities under the control of one or more separate wholly owned subsidiaries before December 31, 2024, otherwise, the Company's Downstream activities will be retroactively taxed at 50%. The Company expects to transfer all its Downstream activities into a separate legal entity or entities within the period specified (Note 9).

(iv) During 2020, the Tax Law was amended whereby shares held directly or indirectly in listed companies on the Tadawul by taxpayers engaged in oil and hydrocarbon activities are exempt from the application of corporate income tax. As a result, the Company's ownership interests in Saudi Basic Industries Corporation ("SABIC"), Rabigh Refining and Petrochemical Company ("Petro Rabigh"), National Shipping Company of Saudi Arabia ("Bahri") and Saudi Electricity Company ("SEC") are now subject to zakat (Note 9).

(c) Significant accounting judgments and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to exercise judgment in applying Saudi Aramco's accounting policies and in the use of certain critical accounting estimates and assumptions concerning the future. Management has made various judgments that may significantly impact the valuation and presentation of assets and liabilities. In addition, management also applies judgment when undertaking the estimation procedures necessary to calculate assets, liabilities, revenue and expenses. Accounting estimates, by definition, may not equal the related actual results and are subject to change based on experience and new information. The areas requiring the most significant judgments, estimates and assumptions in the preparation of the consolidated financial statements are: accounting for interests in subsidiaries, joint arrangements and associates, fair values of assets acquired and liabilities assumed on acquisition, recoverability of asset carrying amounts, determining the lease term, taxation, provisions, post-retirement obligations and determination of functional currency and are set out in the individual accounting policies below.

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

(d) New or amended standards

(i) Saudi Aramco adopted the following IASB pronouncements, as endorsed in the Kingdom, effective for annual periods beginning on or after January 1, 2020:

Interbank Offered Rate ("IBOR") reform – Phase 1

In September 2019, the IASB amended IAS 39, Financial Instruments: Recognition and Measurement, IFRS 7, Financial Instruments: Disclosures, and IFRS 9, Financial Instruments, which modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform in which the London Interbank Offered Rate ("LIBOR") interest benchmark will cease after 2021. The amendments, part of Phase 1 of a two-phase project for IBOR reform, also require companies to provide additional information about their hedging relationships that are directly affected by these uncertainties. IBOR reforms and expectation of cessation of LIBOR will impact Saudi Aramco's current risk management strategy and possibly accounting for certain financial instruments used for hedging. Saudi Aramco has recognized the following hedging instruments at fair value (Note 3(d)) which are exposed to the impact of LIBOR with a nominal value of SAR 12,075:

- Financial Liabilities: SAR 874

Saudi Aramco uses financial instruments as part of its risk management strategy to manage exposures arising from variation of interest rates that could affect net income or other comprehensive income and applies hedge accounting to these instruments. Saudi Aramco has certain borrowings where the reference rate is linked to LIBOR. Saudi Aramco is establishing a transition plan that follows a risk management approach to ensure a smooth transition to alternative reference rates. There is no material impact on Saudi Aramco's consolidated financial statements from adopting the Phase 1 amendments to IAS 39, IFRS 7, and IFRS 9.

Amendments to IFRS 3, Business Combinations

In October 2018, the IASB issued amendments to clarify the definition of a business in IFRS 3. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include clarification that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. Additional guidance was also provided that helps to determine whether a substantive process has been acquired. These amendments have been applied prospectively to all transactions for which the acquisition date is on or after January 1, 2020. There is no material impact on Saudi Aramco's consolidated financial statements from adopting these amendments to IFRS 3.

Amendments to IAS 1 and IAS 8 – Definition of Material

In October 2018, the IASB issued amendments to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, effective January 1, 2020, to use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. There is no material impact on Saudi Aramco's consolidated financial statements from adopting these amendments to IAS 1 and IAS 8.

(ii) The following IASB pronouncement that is endorsed in the Kingdom will become effective for annual periods beginning on or after January 1, 2021 has not been early adopted by Saudi Aramco:

IBOR reform – Phase 2

On August 27, 2020, the IASB issued amendments to IAS 39, Financial Instruments: Recognition and Measurement, IFRS 4, Insurance Contracts, IFRS 7, Financial Instruments: Disclosures, IFRS 9, Financial Instruments, and IFRS 16, Leases as part of Phase 2 of a two-phase project for IBOR reform, which address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. These amendments, effective January 1, 2021, include: (1) providing practical expedients in relation to accounting for instruments to which the amortized cost measurement applies by updating the effective interest rate to account for a change in the basis for determining the contractual cash flows without adjusting the carrying amount; (2) additional temporary exceptions from applying specific hedge accounting requirements, including permitted changes to hedge designation without the hedging relationship being discontinued when Phase 1 reliefs cease; and (3) additional disclosures related to IBOR reform, including managing the transition to alternative benchmark rates, its progress and the risks arising from the transition, quantitative information about financial instruments that have yet to transition to new benchmarks and changes in the entity's risk management strategy where this arises. Saudi Aramco is currently assessing the impact of these Phase 2 amendments.

There are no other standards, amendments and interpretations that are not yet effective that are expected to have a material impact in the current or future reporting periods or on foreseeable future transactions.

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

(e) Principles of consolidation, acquisition and equity accounting

(i) Subsidiaries

The consolidated financial statements reflect the assets, liabilities and operations of the Company and its subsidiaries. Subsidiaries are entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

Intercompany balances and transactions, including unrealized profits and losses arising from intragroup transactions, have been eliminated. Where necessary, adjustments are made to the financial statements of subsidiaries to align the accounting policies with those used by the Company.

The acquisition method of accounting is used to account for business combinations, including those acquisitions of businesses under common control that have commercial substance. Acquisition related costs are expensed as incurred. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, liabilities incurred to the former owners of the acquired business, equity interests issued by the group, the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date the assets and liabilities are exchanged, irrespective of the extent of any non-controlling interests. The excess of the consideration transferred and the amount of any non-controlling interest in the acquired entity over the fair value of the acquired identifiable net assets is recorded as goodwill. Where settlement of any part of the cash consideration is deferred, the amounts payable in the future are discounted to their present value as of the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained under comparable terms and conditions. At the acquisition date, any goodwill arising is allocated to each of the cash-generating units, or groups of cash-generating units, expected to benefit from the business combination's synergies. Non-controlling interests represent the equity in subsidiaries that is not attributable, directly or indirectly, to Saudi Aramco.

Saudi Aramco recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statements of Income, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, and the Consolidated Balance Sheet, respectively.

If the business combination is achieved in stages, the acquisition date carrying value of the previously held equity interest is remeasured to fair value at the acquisition date with any gains or losses arising from such remeasurement recognized in net income.

(ii) Joint arrangements

Under IFRS 11, Joint Arrangements, an arrangement in which two or more parties have joint control is a joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Saudi Aramco has both joint operations and joint ventures.

1) Joint operations

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of a joint arrangement. In relation to its interests in joint operations, Saudi Aramco recognizes its:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation; and
- Expenses, including its share of any expenses incurred jointly.

2) Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Investments in joint ventures are accounted for using the equity method of accounting and are initially recognized at cost.

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

Saudi Aramco's share of results of its joint ventures is recognized within net income, while its share of post-acquisition movements in other comprehensive income is recognized within other comprehensive income. The cumulative effect of these changes is adjusted against the carrying amount of Saudi Aramco's investments in joint ventures, which is presented separately in the Consolidated Balance Sheet. When Saudi Aramco's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured non-current receivables, Saudi Aramco does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Gains and losses on transactions between Saudi Aramco and joint ventures not realized through a sale to a third party are eliminated to the extent of Saudi Aramco's interest in the joint ventures. Where necessary, adjustments are made to the financial statements of joint ventures to align their accounting policies with those used by Saudi Aramco.

Saudi Aramco's investments in joint ventures includes, when applicable, goodwill identified on acquisition, net of any accumulated impairment loss. Goodwill represents the excess of the cost of an acquisition over the fair value of Saudi Aramco's share of the net identifiable assets of the acquired joint venture at the date of acquisition. Dilution gains and losses arising from investments in joint ventures are recognized in net income.

Dividends received or receivable from joint ventures are recognized as a reduction in the carrying amount of the investment.

(iii) Associates

Associates are entities over which Saudi Aramco has significant influence. Significant influence is the power to participate in financial and operating policy decisions but with no control or joint control over those policies and is generally reflected by a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The accounting policies for joint ventures detailed in Note 2(e)(ii)(2) above are also applied by Saudi Aramco to its associates.

Significant accounting judgments and estimates

Significant estimates relate to the acquisition of subsidiaries and require management to estimate the fair values of the assets acquired and liabilities assumed (Notes 4 and 35). In addition, judgments are applied in the determination of whether control, joint control or significant influence is present with respect to investments in non-wholly owned subsidiaries, joint arrangements or associates, respectively. For control, judgment is applied when determining if an entity is controlled by voting rights, potential voting rights or other rights granted through contractual arrangements and includes considering an entity's purpose and design. For joint control, judgment is applied when assessing whether the arrangement is jointly controlled by all of its parties or by a group of the parties by taking decisions about relevant activities through unanimous consent of the parties sharing control. For joint control, judgment is also applied as to whether the joint arrangement is classified as a joint venture or joint operation taking into account specific facts and circumstances, such as the purpose and design of the arrangement, including with respect to its output, its relationship to the parties and its source of cash flows. For significant influence, judgment is applied in its determination by assessing factors such as representation on the board of directors, participation in policy-making processes, material transactions with the entity, interchange of managerial personnel and provision of essential technical information. Refer to Notes 8, 38, and 39.

(f) Intangible assets

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

Intangible assets other than exploration and evaluation costs (Note 2(g)) and those with indefinite useful lives such as goodwill and brand acquired on acquisition of SABIC (Note 4), consist primarily of brands and trademarks, franchise/customer relationships and computer software. If acquired in a business combination, these intangible assets are recognized at their fair value at the date of acquisition and, if acquired separately, these intangible assets are recognized at cost. All these intangible assets are subsequently amortized on a straight-line basis over their estimated useful lives.

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

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

Brands and trademarks	10 to 22
Franchise/customer relationships	5 to 25
Computer software	3 to 15

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

(g) Exploration and evaluation

Exploration and evaluation costs are recorded under the successful efforts method. Under the successful efforts method, geological and geophysical costs are recognized as an expense when incurred and exploration costs associated with exploratory wells are initially capitalized on the Consolidated Balance Sheet as an intangible asset until the drilling of the well is complete and the results have been evaluated. If potential commercial quantities of hydrocarbons are found, these costs continue to be capitalized subject to further appraisal activities that would determine the commercial viability and technical feasibility of the reserves. If potentially commercial quantities of hydrocarbons have not been found, and no alternative use of the well is determined, the previously capitalized costs are written off to exploration in the Consolidated Statement of Income.

Exploratory wells remain capitalized while additional appraisal drilling on the potential oil and/or gas field is performed or while optimum development plans are established. All such capitalized costs are not subject to amortization, but at each reporting date are subject to regular technical and management review to confirm the continued intent to develop, or otherwise extract value from the well. Where such intent no longer exists, the costs are immediately written off to exploration in the Consolidated Statement of Income. Capitalized exploratory expenditures are, at each reporting date, subject to review for impairment indicators.

When proved reserves of hydrocarbons are determined and there is a firm plan for development approved by management, the relevant capitalized costs are transferred to property, plant and equipment.

(h) Property, plant and equipment

Property, plant and equipment is stated on the Consolidated Balance Sheet at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the construction and/or acquisition of the asset (Note 2(s)). Land and construction-in-progress are not depreciated. When a construction-in-progress asset is deemed ready for use as intended by management, depreciation commences.

Subsequent expenditures including major renovations are included in an asset’s carrying amount, or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to Saudi Aramco and the cost of the item can be measured reliably. The carrying amount of the replaced item is derecognized. All other repair and maintenance expenditures are expensed as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met (Note 2(v)).

Where the life of expected hydrocarbon reserves substantially exceeds the economic or technical lives of the underlying assets, the straight-line method of depreciation is used on a field-by-field basis. The unit of production method is used for fields where the expected reserve life is approximately equal to or less than the estimated useful lives of the underlying assets. Depletion rates are calculated on the basis of a group of wells or fields with similar characteristics based on proved developed reserves. The estimation of expected reserve lives reflects management’s assessment of proved developed reserves and the related depletion strategy on a field-by-field basis. Depreciation expense on all other assets is calculated using the straight-line method to allocate the cost less residual values over the estimated useful lives. Depreciation expense is recorded in the Consolidated Statement of Income.

Depreciation expense is calculated after determining an estimate of an asset’s expected useful life and the expected residual value at the end of its useful life. The useful lives and residual values are determined by management at the time the asset is initially recognized and reviewed annually for appropriateness or when events or conditions occur that impact capitalized costs, hydrocarbon reserves or estimated useful lives.

All amounts in millions of Saudi Riyals unless otherwise stated

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

The following table sets forth estimated useful lives or, the lease term, if shorter, for right-of-use assets (Note 2(j)), in years of the principal groups of depreciable assets:

Crude oil facilities:	
Pipelines and storage tanks	12 to 23
Drilling and construction equipment	5 to 25
Oil and gas properties	15 to 30
Marine equipment	13 to 30
Refinery and petrochemical facilities	2 to 50
Gas and Natural Gas Liquids ("NGL") facilities	2 to 30
General service plant:	
Permanent buildings	20 to 40
Roads and walkways	10 to 20
Aircraft	8 to 17
Autos and trucks	3 to 20
Office furniture and equipment	6 to 8
Computer equipment	3 to 5

Net gains and losses on disposals of depreciable assets are recognized in net income. Right of use assets are depreciated over the life of the asset or the lease term, if shorter (Note 2(j)).

(i) Impairment of non-financial assets

Saudi Aramco assesses, at each reporting date, whether there is an indication that a non-financial asset may be impaired except that assets with indefinite useful lives such as goodwill and brand acquired on acquisition of SABIC (Note 4) are reviewed for impairment on an annual basis. If an indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal or value in use ("VIU"). The fair value less costs of disposal calculation is based on either, post-tax discounted cash flow models or available data from binding arm's length sales transactions for similar assets, or observable market prices less incremental costs for disposing of the asset. The VIU calculation is based on a post-tax risk adjusted discounted cash flow model. The use of post-tax discount rates in determining value in use does not result in a materially different determination of the need for, or the amount of, impairment that would be required if pre-tax discount rates had been used.

Impairment losses are recognized as a component of net income. If, in a subsequent period, the amount of a non-goodwill impairment loss decreases, a reversal of the previously recognized impairment loss is recognized in net income.

Significant accounting judgments and estimates

Impairment tests are undertaken on the basis of the smallest identifiable group of assets (cash-generating unit), or individual assets, for which there are largely independent cash inflows. The key assumptions used to determine the different cash-generating units involves significant judgment from management.

For the purposes of determining whether impairment of oil, refining and petrochemical, gas and NGL, general service plant or construction-in-progress assets has occurred, and the extent of any impairment or its reversal, the key assumptions management uses in estimating future cash flows for its VIU calculations are forecasted future oil and gas and chemical prices, expected production volumes, future operating and development costs, refining and petrochemical margins and changes to the discount rate used for the discounted cash flow model. There is an inherent uncertainty over forecasted information and assumptions. Changes in these assumptions and forecasts could impact the recoverable amounts of assets and any calculated impairment and reversals thereof.

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

(j) Leases

Saudi Aramco's portfolio of leased assets mainly comprises land and buildings, drilling rigs, marine vessels, industrial facilities, equipment, storage and tanks, aircraft and vehicles. The determination of whether the contract is, or contains, a lease is based on the substance of the contract at the inception of the lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Saudi Aramco recognizes right-of-use assets and lease liabilities at the lease commencement date. Right-of-use assets are initially measured at cost, which comprises lease liabilities at initial measurement, any initial direct costs incurred, any lease payments made at or before the commencement date, and restoration costs less any lease incentives received. Subsequent to initial recognition the right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis unless the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the asset reflects the exercise of the purchase option, in which case right of use assets are depreciated over the useful life of the underlying asset. Depreciation expense is recorded in the Consolidated Statement of Income. Right-of-use assets are included under property, plant and equipment (Note 6).

Lease liabilities are initially measured at the present value of lease payments. Lease payments include fixed lease payments, variable lease payments that depend on an index or rate, amounts payable for guaranteed residual values and payments to be made under extension or purchase or termination options, where applicable. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Subsequent to initial recognition, the lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and adjusted for remeasurement to reflect any reassessments or lease modifications. Lease liabilities are included under borrowings (Note 21). Lease payments are allocated between the principal and finance costs. Finance costs are recorded as an expense in the Consolidated Statement of Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Saudi Aramco has elected not to recognize right-of-use assets and lease liabilities for short-term and low-value leases. Lease payments under short-term and low-value leases are recorded as an expense in the Consolidated Statement of Income on a straight-line basis over the lease term.

Significant accounting judgments and estimates

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to not be terminated or to be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the lessee.

(k) Investments and other financial assets

(i) Classification

Management determines the classification of its financial assets based on the business model for managing the financial assets and the contractual terms of the cash flows. Saudi Aramco's financial assets are classified in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortized cost.

For financial assets measured at fair value, gains and losses are recorded either in net income or other comprehensive income. For investments in debt securities, this depends on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this depends on whether Saudi Aramco has made an irrevocable election at the time of initial recognition, due to the strategic nature of these investments, to account for such equity investments at fair value through other comprehensive income. Saudi Aramco reclassifies debt securities when and only when its business model for managing those assets changes. Certain revenue contracts provide for provisional pricing at the time of shipment with the final pricing based on an average market price for a particular future period. Such trade receivables are measured at fair value because the contractual cash flows are not solely payments of principal and interest. All other trade receivables meet the criteria for amortized cost measurement under IFRS 9.

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

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognized on the trade-date, which is the date on which Saudi Aramco commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and Saudi Aramco has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, Saudi Aramco measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed as a component of net income. Saudi Aramco subsequently measures all equity investments at fair value.

Equity investments:

Where Saudi Aramco has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to net income following the derecognition of the investment. Dividends from such investments continue to be recognized as a component of net income when Saudi Aramco's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognized as a component of net income.

Debt securities:

Subsequent measurement of debt securities depends on Saudi Aramco's business model for managing the asset and the cash flow characteristics of the asset. Debt securities are classified into the following three measurement categories:

1. Amortized cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost using the effective interest method. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized as a component of net income when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

2. Fair value through other comprehensive income ("FVOCI"):

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for impairment gains or losses, interest income and foreign exchange gains and losses which are recognized as a component of net income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to net income. Interest income from these financial assets is included in finance income using the effective interest rate method.

3. Fair value through profit or loss ("FVPL"):

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognized as a component of net income in the period in which it arises. Financial assets at FVPL are included in non-current assets unless management intends to dispose of the asset within 12 months from the end of the reporting period, in which case the asset is included in current assets.

Other financial assets:

Other financial assets are classified into the following categories:

1. Amortized cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a financial asset that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized as a component of net income when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate.

Financial assets at amortized cost comprise cash and cash equivalents, short-term investments, other assets and receivables, due from the Government and trade receivables other than those subsequently measured at fair value through profit or loss.

2. Fair value through profit or loss:

Trade receivables related to contracts with provisional pricing arrangements are subsequently measured at FVPL.

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

(iv) Impairment
Saudi Aramco assesses on a forward-looking basis the expected credit losses associated with debt securities carried at either amortized cost or FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, Saudi Aramco applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

(l) Derivative instruments and hedging activities

Saudi Aramco's use of derivative instruments does not have a material effect on its financial position or results of operations.

(i) Derivative instruments classified as held for trading
Saudi Aramco uses commodity swap derivative financial instruments to manage exposure to price fluctuations which arise on purchase and sale transactions for physical deliveries of various refined products. The swaps are initially recognized, and subsequently remeasured at fair value and recorded as an asset, when the fair value is positive, or liability, when the fair value is negative, under trade receivables or trade and other payables in the Consolidated Balance Sheet, respectively.

The fair value of the swap is determined in accordance with Saudi Aramco's derivative valuation policy by reference to the traded price of that instrument on the relevant exchange or over-the-counter markets at the Consolidated Balance Sheet date. The gain or loss from the changes in the fair value of the swap from its value at inception is recognized in net income.

(ii) Derivative instruments designated as hedges
Saudi Aramco uses interest rate swaps and currency forward contracts to manage its exposure to fluctuations in interest rates and foreign exchange rates. These derivative financial instruments, designated as either fair value or cash flow hedges, are purchased from counterparties of high credit standing and are initially recognized, and subsequently remeasured, at fair value.

At the inception of the hedging transaction, Saudi Aramco documents the economic relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategy for undertaking the hedge transaction.

The fair value of a derivative financial instrument used for hedging purposes is classified as a current asset or liability when the remaining maturity of the derivative is less than 12 months; otherwise, it is classified as a non-current asset or liability.

1) Fair value hedges
A fair value hedge is a hedge of the fair value of a recognized asset or liability or firm commitment. Saudi Aramco designates certain currency forward contracts as fair value hedges. The gain or loss from the changes in the fair value of the currency forward contracts is recognized in net income, together with changes in the fair value of the hedged item.

2) Cash flow hedges
A cash flow hedge is a hedge of a particular risk associated with all or a component of a recognized asset or liability or a highly probable forecast transaction, and could affect profit or loss. Any gain or loss relating to the effective portion of changes in the fair value of interest rate swap contracts is recognized in other comprehensive income, with the ineffective portion recognized immediately in net income.

Gains and losses deferred through other comprehensive income are reclassified to net income at the time the hedged item affects net income. However, when a hedged item is a forecast transaction resulting in the recognition of a non-financial asset or non-financial liability, the gains and losses deferred through other comprehensive income, if any, are included in the initial cost or other carrying amount of the asset or liability. When a hedging instrument expires, any cumulative gain or loss deferred through other comprehensive income will remain until the forecast transaction is recognized. When a forecast transaction is no longer expected to occur, the cumulative gain or loss deferred through other comprehensive income is immediately reclassified to net income.

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

(m) Income tax and zakat

Income tax expense for the period comprises current and deferred tax expense. Income tax expense is recognized in net income, except to the extent that it relates to items recognized in other comprehensive income. In this case, the related income tax is also recognized in other comprehensive income.

Current income tax expense is calculated primarily on the basis of the Tax Law. In addition, income tax expense results from taxable income generated by foreign affiliates.

Deferred income tax is provided in full, using the liability method at tax rates enacted or substantively enacted at the end of the reporting period and expected to apply when the related deferred income tax is realized or settled on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. In estimating such tax consequences, consideration is given to expected future events. Deferred income tax is not provided on initial recognition of an asset or liability in a transaction, other than a business combination that, at the time of the transaction, does not affect either the accounting profit or the taxable profit.

Deferred income tax assets are recognized where future recovery is probable. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred income tax is not provided for taxes on possible future distributions of retained earnings of subsidiaries where the timing of the distribution can be controlled and it is probable that the retained earnings will be substantially reinvested by the entities.

Zakat is levied at the higher of adjusted income subject to zakat or the zakat base in accordance with the Regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom. Zakat is computed using the zakat base. The zakat provision is charged to the Consolidated Statement of Income.

Significant accounting judgments and estimates

Saudi Aramco establishes provisions, based on reasonable estimates, for potential claims by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as different interpretations of tax regulations by the taxable entity and the responsible tax authority and the outcome of previous negotiations. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in net income in the period in which the change occurs. Deferred income tax assets are recognized only to the extent it is considered probable that those assets are recoverable. This includes an assessment of when those assets are likely to reverse, and a judgment as to whether or not there will be sufficient taxable income available to offset the assets when they do reverse. This requires assumptions regarding future profitability. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred income tax assets as well as in the amounts recognized in net income in the period in which the change occurs.

Detailed taxation information, including current expense and deferred income tax assets and liabilities, is presented in Note 9.

(n) Inventories

Inventories are stated at the lower of cost or estimated net realizable value. Cost comprises all expenses to bring inventories to their present location and condition and, for hydrocarbon inventories, is determined using the first-in, first-out ("FIFO") method. For materials and supplies inventories, cost is determined using the weighted average method less an allowance for disposal of obsolete and/or surplus materials and supplies. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(o) Due from the Government

The Government compensates the Company through price equalization (Note 2(z)) and for past due trade receivables of specified Government, semi-Government and other entities with Government ownership or control to whom the Company supplies specified products and services.

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

Revenue on sales to these specified Government, semi-Government and other entities with Government ownership or control is recognized upon the satisfaction of performance obligations, which occurs when control transfers to these customers. Control of the products is determined to be transferred when the title of products passes, which typically takes place when product is physically transferred to these customers. Once receivables from these customers are past due, these trade receivables are reclassified as a due from the Government current receivable.

Implementing regulations issued by the Government allow the Company to offset any amounts due from the Government against payment of taxes, and in the event of insufficiency of tax balances, offset against any other amounts due and payable by the Company to the Government. Balances due from the Government at December 31 represent amounts to be settled through offset against tax payments.

(p) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks together with all highly liquid investments purchased with original maturities of three months or less.

(q) Treasury shares

Treasury shares are recognized as a deduction from equity at the amount of consideration paid by the Company for their acquisition, including any directly attributable transaction costs incurred.

(r) Financial liabilities

Financial liabilities are classified as financial liabilities at FVPL or as financial liabilities measured at amortized cost, as appropriate. Management determines the classification of its financial liabilities at initial recognition.

Saudi Aramco's financial liabilities are:

(i) Financial liabilities at FVPL
Derivative financial liabilities are categorized as held for trading unless they are designated as hedges (Note 2(l)). Derivative financial liabilities held for trading are included in current liabilities under trade and other payables with gains or losses recognized in net income.

(ii) Financial liabilities at amortized cost
Financial liabilities other than financial liabilities at FVPL are classified as financial liabilities measured at amortized cost net of transaction costs. Such financial liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Discounting is omitted when the effect is immaterial. Financial liabilities measured at amortized cost are included in current liabilities, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current liabilities.

Financial liabilities at amortized cost include trade and other payables and borrowings. Financial liabilities are disclosed separately from financial assets in the Consolidated Balance Sheet unless there is a right to offset.

(s) Borrowing costs

Any difference between borrowing proceeds and the redemption value is recognized as finance costs in the Consolidated Statement of Income over the term of the borrowing using the effective interest method.

Borrowing costs are expensed as incurred except for those costs directly attributable to the acquisition, construction or production of a qualifying asset which are capitalized as part of the cost of that asset until the asset is complete for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for intended use or sale.

(t) Post-employment benefit plans

(i) Pension plans
Funded pension plans are non-contributory plans for the majority of employees and are generally funded by payments by Saudi Aramco and where applicable by group companies to independent trusts or other separate entities. Assets held by the independent trusts and other separate entities are held at their fair value. Valuations of both funded and unfunded plans are performed annually by independent actuaries using the projected unit credit method. The valuations take into account employees' years of service, average or final pensionable remuneration, and are discounted to their present value using interest rates of high-quality corporate bonds that have terms to maturity approximating the terms of the related defined benefit obligation.

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

The amount recognized in the Consolidated Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The periodic pension cost included in operating costs in the Consolidated Statement of Income in respect of defined benefit pension plans primarily represents the increase in the actuarially assessed present value of the obligation for pension benefits based on employee service during the year and the net interest on the net defined benefit liability or asset. Net interest is calculated by multiplying the defined benefit liability and plan assets by the discount rate applied to each plan at the beginning of each year, amended for changes to the defined benefit liability and plan assets as a result of benefit payments or contributions.

Past service costs, representing plan amendments, are recognized immediately as pension costs in the Consolidated Statement of Income, regardless of the remaining vesting period.

Remeasurements representing actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, and the actual returns on plan assets excluding interest on plan assets, are credited or charged to equity, net of tax, through other comprehensive income.

For defined contribution plans where benefits depend solely on the amount contributed to or due to the employee's account and the returns earned from the investment of those contributions, plan cost is the amount contributed by or due from Saudi Aramco and is recognized as an expense in the Consolidated Statement of Income.

(ii) Other post-employment benefits

Saudi Aramco provides certain post-employment healthcare, life insurance and other benefits to retirees and certain former employees. The entitlement is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. To the extent these plans are not fully funded, a liability is recognized in the Consolidated Balance Sheet. Valuations of benefits are performed by independent actuaries.

Such plans follow the same accounting methodology as used for defined benefit pension plans.

Significant accounting judgments and estimates

The costs of defined benefit pension plans and post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions, which are reviewed annually. Key assumptions include discount rates, future salary increases, future healthcare costs, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. Information about amounts reported in respect of defined benefit plans, assumptions applicable to the plans and their sensitivity to changes are presented in Note 22.

(u) Share-based compensation

The cost of an equity-settled award granted to employees is measured by reference to the fair value of the equity instrument on the date the award is granted. This cost is recognized as an employee benefit expense in the income statement with a corresponding increase in equity.

The cost of a cash-settled award granted to employees is measured by reference to the fair value of the liability at each balance sheet date until settlement. This cost is recognized as an employee benefit expense in the income statement with the corresponding recognition of a liability on the balance sheet.

The cost of both the equity-settled and cash-settled awards is recognized over the vesting period, which is the period over which the employees render the required service for the award and any non-market performance condition attached to the award is required to be met. Additionally, for a cash-settled award, any changes in the fair value of the liability between the vesting date and the date of its settlement are also recognized in the income statement within employee benefit expense.

In determining the fair value of an equity-settled or cash-settled award, an appropriate valuation method is applied. Service and non-market performance conditions are not taken into account in determining the fair value of the award, but during the vesting period the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of awards that are expected to vest. Any market performance conditions and non-vesting conditions are taken into account in determining the award's fair value.

(v) Provisions and contingencies

Provisions are liabilities where the timing or amount of future expenditures is uncertain. Provisions are recognized when Saudi Aramco has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated.

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

Provisions are recorded at the best estimate of the present value of the expenditure required to settle the obligation at the end of the reporting period. Amounts are discounted, unless the effect of discounting is immaterial, using an appropriate discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense within finance costs in the Consolidated Statement of Income.

Saudi Aramco records a provision and a corresponding asset for decommissioning activities in Upstream operations for well plugging and abandonment activities. The obligation for a well is recognized when it is drilled. Decommissioning provisions associated with Downstream facilities are generally not recognized, as the potential obligations cannot be measured, given their indeterminate settlement dates. The liability for decommissioning obligations will be recognized in the period when sufficient information becomes available to estimate a range of potential settlement dates. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows. The value of the obligation is added to the carrying amount of the related asset and amortized over the useful life of the asset. The increase in the provision due to the passage of time is recognized as finance costs in the Consolidated Statement of Income. Changes in future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows are recognized as a change in provision and related asset.

A contingent liability is disclosed where the existence of a possible obligation will only be confirmed by future events or where the amount of a present obligation cannot be measured with reasonable reliability or it is not probable that there will be an outflow of resources to settle that obligation. Contingent assets are not recognized, but are disclosed where the inflow of economic benefits is probable.

Significant accounting judgments and estimates

Most of Saudi Aramco's well plugging and abandonment activities are many years into the future with technology and costs constantly changing. Estimates of the amounts of a provision are recognized based on current legal and constructive requirements and costs associated to abandon using existing technologies. Actual costs are uncertain and estimates can vary as a result of changes in the scope of the project and/or relevant laws and regulation. The estimated timing of decommissioning may change due to certain factors, such as reserve life, a decision to terminate operations, or changes in legislation. Changes to estimates related to future expected costs, discount rates and timing may have a material impact on the amounts presented. As a result, significant judgment is applied in the initial recognition and subsequent adjustment of the provision and the capitalized cost associated with decommissioning, plugging and abandonment obligations. Any subsequent adjustments to the provision are made prospectively. Detail on the particular assumptions applied when making certain non-current provisions is included in Note 23.

(w) Foreign currency translation

The USD is the functional currency of the Company and most of its subsidiaries. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign currency monetary assets or liabilities are translated at each reporting date using the prevailing reporting date exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized as a component of net income. Non-monetary assets and liabilities, other than those measured at fair value, are translated using the exchange rate at the date of the transactions.

Significant accounting judgments and estimates

The Company has determined that USD is the functional currency as a substantial amount of its products are traded in USD in international markets. However, a substantial amount of costs of the Company are denominated in SAR which has been exchanged at a fixed rate to USD since 1986. A change in the fixed exchange rate could impact the recorded revenue, expenses, assets and liabilities of the Company.

(x) Presentation currency

The consolidated financial statements are presented in SAR. The financial position and results of the operations of the Company, subsidiaries, joint arrangements and associates that have a functional currency which is different from the presentation currency are translated at reporting date exchange rates and the average exchange rates that approximate the cumulative effect of rates prevailing at the transaction dates, respectively. All resulting exchange differences are recognized through other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that foreign operation is recognized in net income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Translations from SAR to USD presented as supplementary information in the Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows at December 31, 2020 and 2019, are for convenience and were calculated at the rate of USD 1.00 = SAR 3.75 representing the exchange rate at the balance sheet dates.

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

(y) Revenue recognition and sales prices

Revenue from sales of crude oil and related products is recognized upon the satisfaction of performance obligations, which occurs when control transfers to the customer. Control of the products is determined to be transferred to the customer when the title of crude oil and related products passes to the customer, which typically takes place when product is physically transferred into a vessel, pipe or other delivery mechanism.

Revenue contracts for crude and certain related products provide for provisional pricing at the time of shipment, with final pricing based on the average market price for a particular future period. Revenue on these contracts is recorded based on the estimate of the final price at the time control is transferred to the customer. Any difference between the estimate and the final price is recorded as a change in fair value of the related receivable, as part of revenue, in the Consolidated Statement of Income. Where applicable the transaction price is allocated to the individual performance obligations of a contract based on their relative stand-alone selling prices.

(z) Other income related to sales

The Government compensates the Company through price equalization for revenue directly forgone as a result of the Company's compliance with local regulations governing domestic sales and distribution of certain liquid products, LPG and other products (Note 2(b)(ii)). This compensation reflected in these consolidated financial statements, is calculated by the Company as the difference between the product's equalization price and the corresponding domestic regulated price, net of Government fees, in accordance with the implementing regulations issued by the Government in 2017 and 2019.

This compensation is recorded as other income related to sales, that is taxable, when the Company has satisfied its performance obligations through transfer of the title to the buyer, which occurs when product is physically transferred. The compensation due from the Government is characterized as a due from the Government (Note 2(o)) current receivable and is recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method less impairment losses, if any.

The implementing regulations allow the Company to offset any amounts due from the Government against payment of taxes, and in the event of insufficiency of tax balances, offsetting may extend against any other amounts due and payable by the Company to the Government.

(aa) Production royalties

Royalties to the Government are calculated based on a progressive scheme applied to crude oil and condensate production. An effective royalty rate is applied to production based on the Company's official selling prices. The effective royalty rate is determined based on a baseline marginal rate of 15% applied to prices up to $70 per barrel, increasing to 45% applied to prices above $70 per barrel and 80% applied to prices above $100 per barrel (Note 2(b)(i)). All such royalties are accounted for as an expense in the Consolidated Statement of Income and are deductible costs for Government income tax calculations.

(bb) Research and development

Development costs that are expected to generate probable future economic benefits are capitalized as intangible assets and amortized over their estimated useful life. During the period of development, the asset is tested for impairment annually. All other research and development costs are recognized in net income as incurred.

(cc) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

(dd) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the net income attributable to the ordinary shareholder of the Company;
- by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3. Financial risk management

Saudi Aramco operates internationally but has limited exposure to financial risks. Financial risks include market risk (including foreign currency exchange risk, price risk, and interest rate risk), credit risk, and liquidity risk. Financial risk management is carried out primarily by a central treasury department. The adequacy of financial risk management policies is regularly reviewed with consideration of current activities and market conditions on a consolidated basis. Saudi Aramco uses derivative financial instruments with limited complexity to manage certain risk exposures and does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(a) Financial risk factors

(i) Market risk

1) Foreign currency exchange risk – The risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign currency exchange rates.

Saudi Aramco operates internationally but has limited exposure to financial risk due to changes in foreign currency exchange rates as most significant transactions are denominated in its functional currency (Note 2(w)), are linked to its functional currency or are hedged. Saudi Aramco's limited foreign currency exchange risk arises from future commercial transactions or recognized assets or liabilities denominated in a currency that is not Saudi Aramco's functional currency. In addition, a substantial amount of costs of Saudi Aramco are denominated in SAR which has been at a fixed rate to USD since 1986. A change in the fixed exchange rate would result in foreign exchange differences being recognized in the consolidated financial statements.

Saudi Aramco engages foreign currency hedging activities through the use of currency forward contracts to manage its exchange exposure from significant transactions denominated in a foreign currency. The hedge ratio considers variability in potential outcomes, spot rates, as well as interest rates, and on a transaction by transaction basis, can cover up to 100% of the exposure at inception.

The notional amounts of outstanding currency forward contracts designated as hedging instruments are included in Note 31.

2) Price risk – The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Price risk primarily stems from investments in securities and commodity trading.

a) Investments in securities

Saudi Aramco has limited exposure to price risk with such risk arising from investments in securities carried at fair value.

Saudi Aramco regularly reviews its positions in investments in securities considering current and expected future economic trends.

At December 31, 2020 and 2019, a change in fair value due to a movement of 5% in the price of listed equity securities would result in a change in other comprehensive income before income taxes of SAR 403 and SAR 412, respectively.

At December 31, 2020 and 2019, a change in fair value due to a movement of 5% in the unit price of equities and mutual and hedge funds would result in a change in income before income taxes of SAR 124 and SAR 173, respectively.

b) Commodity swaps

Saudi Aramco trades refined, natural gas liquid, and bulk petrochemical products and uses commodity swaps as a means of managing price and timing of risks arising from this trading. In effecting these transactions, Saudi Aramco operates within policies and procedures designed to ensure that risks, including those related to the default of counterparties, are managed within authorized limits. The notional amounts of outstanding commodity swap contracts are included in Note 31.

3) Interest rate risk – The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Saudi Aramco is exposed to interest rate risk from changes in interest rates that affect the fair value or future cash flows of financial instruments, principally borrowings, issued at variable and fixed rates. Borrowings issued at variable rates expose Saudi Aramco to cash flow interest rate risk which is partially offset by short-term time deposits and debt securities held at variable rates. Borrowings issued at fixed rates expose Saudi Aramco to fair value interest rate risk. Saudi Aramco may enter into interest rate swap agreements as part of its overall strategy to manage the interest rate risk on its debt.

At December 31, 2020 and 2019, a change of 1% in market interest rates, with all other variables held constant, would result in a net change of SAR 696 and SAR 435, respectively, in Saudi Aramco's income before income taxes as a result of the effect of higher or lower market interest rates.

The notional amounts of interest rate swap contracts are included in Note 31.

3. Financial risk management continued

(ii) Credit risk

Credit risk is the risk that counterparties might not fulfill their contractual payment obligations towards an entity.

Saudi Aramco is exposed to credit risk related to its counterparties not performing or honoring their obligations which would result in financial loss. Credit risk arises from credit exposures on trade receivables as well as from cash and cash equivalents, short-term investments, debt securities, and derivatives with financial institutions. The maximum exposure to credit risk is the carrying value of these assets.

Saudi Aramco's trade receivables arise from a global customer base which limits geographic concentrations of credit risk. Moreover, a credit risk policy is in place to ensure credit limits are extended to creditworthy counterparties and risk mitigation measures are defined and implemented accordingly. Saudi Aramco performs ongoing evaluations of its counterparties' financial standing and takes additional measures to mitigate credit risk when considered appropriate by means of letter of credits, bank guarantees or parent company guarantees.

In addition, the credit policy limits the amount of credit exposure to any individual counterparty based on their credit rating as well as other factors. Moreover, Saudi Aramco's investment policy limits exposure to credit risk arising from investment activities. The policy requires that cash and cash equivalents and short-term investments be invested with a diversified group of financial institutions with acceptable credit ratings. Saudi Aramco ensures that each counterparty is of an acceptable credit quality by relying on quantitative and qualitative measures compiled from internal and third party rating models. At December 31, 2020, all the short-term investments were with financial institutions assigned a long-term credit rating of "BBB" (2019: "BBB") or above.

Employee home loans (Note 10) and debt securities are generally considered to have low credit risk based on history of default and thus the impairment provision recognized during the year based on the general approach allowed by IFRS 9, where applicable, was substantially limited to 12-month expected losses.

Saudi Aramco applies the simplified approach allowed by IFRS 9 in providing for expected credit losses for trade receivables which uses the lifetime expected credit loss provision for all trade receivables. Such credit losses have historically been nominal and the loss allowance for trade receivables (Note 13) is not material.

(iii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Saudi Aramco's liquidity risk management includes maintaining sufficient cash and cash equivalents and ensuring the availability of incremental funding through credit facilities (Note 21). Management also monitors and forecasts Saudi Aramco's liquidity requirements based on current and non-current expected cash flows.

Saudi Aramco invests surplus cash in current accounts, time deposits, money market deposits, government repurchase agreements, and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to meet forecasted cash flow requirements. Saudi Aramco prioritizes security and liquidity over yield.

Note 21 analyzes Saudi Aramco's borrowings into relevant maturity groupings based on the balances associated with each contractual maturity date at the end of the reporting period.

All amounts in millions of Saudi Riyals unless otherwise stated

3. Financial risk management continued

(b) Capital structure management

Saudi Aramco seeks to maintain a prudent capital structure, comprised of borrowings and shareholders' equity, to support its capital investment plans and maintain a sustainable, growing dividend profile. Maintaining sufficient financial flexibility is considered strategically important to mitigate industry cyclicality while also enabling the pursuit of organic and inorganic investment opportunities. Borrowings or dividends will result in an adjustment to Saudi Aramco's capital structure. Saudi Aramco's debt to equity ratio at the end of the reporting year was as follows:

	2020	2019
Total liabilities	**813,167**	447,891
Less: cash and cash equivalents	**(207,232)**	(177,706)
Net debt	**605,935**	270,185
Total equity	**1,101,094**	1,046,235
Net debt to equity ratio	**55%**	26%

(c) Casualty loss risk retention

Saudi Aramco's casualty loss risk strategy includes a risk retention and insurance program, including providing coverage to certain joint arrangements and associates limited to Saudi Aramco's percentage interest in the relevant entity. Current maximum risk retention is SAR 3,138 per loss event (2019: SAR 2,490) and various insurance limits apply, of which the risk retention forms a part. Should a credible loss event occur, the maximum insurance limit above beyond retention is SAR 4,550 (2019: SAR 4,875) per event dependent on the circumstances.

(d) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. Management believes that the fair values of Saudi Aramco's financial assets and liabilities that are measured and recognized at amortized cost are not materially different from their carrying amounts at the end of the reporting period.

Saudi Aramco measures financial instruments such as derivatives, equity investments and debt securities classified as FVPL, and equity investments and debt securities classified as FVOCI, at fair value at each balance sheet date. Saudi Aramco uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

All amounts in millions of Saudi Riyals unless otherwise stated

3. Financial risk management continued

The following table presents Saudi Aramco's assets and liabilities measured and recognized at fair value at the years ended December 31, 2020 and 2019, based on the prescribed fair value measurement hierarchy on a recurring basis. Saudi Aramco did not measure any financial assets or financial liabilities at fair value on a non-recurring basis at December 31, 2020 and 2019.

Assets	Level 1	Level 2	Level 3	Total
2020				
Investments in securities:				
Equity securities at FVOCI	**8,051**	**174**	**1,475**	**9,700**
Debt securities at FVOCI	**21**	**6,948**	**–**	**6,969**
Equity securities at FVPL	**870**	**1,219**	**3,495**	**5,584**
Debt securities at FVPL	**53**	**–**	**–**	**53**
Trade receivables related to contracts with provisional pricing arrangements	**–**	**–**	**54,402**	**54,402**
	8,995	**8,341**	**59,372**	**76,708**
Other assets and receivables:				
Commodity swaps	**–**	**291**	**17**	**308**
Currency forward contracts	**–**	**275**	**–**	**275**
Financial assets against options	**–**	**1,863**	**–**	**1,863**
	–	**2,429**	**17**	**2,446**
Total assets	**8,995**	**10,770**	**59,389**	**79,154**
2019				
Investments in securities:				
Equity securities at FVOCI	8,246	–	1,244	9,490
Debt securities at FVOCI	1	4,563	–	4,564
Equity securities at FVPL	–	1,265	4,918	6,183
Trade receivables related to contracts with provisional pricing arrangements	–	–	75,723	75,723
	8,247	5,828	81,885	95,960
Other assets and receivables:				
Interest rate swaps	–	13	–	13
Commodity swaps	–	288	–	288
Currency forward contracts	–	30	–	30
	–	331	–	331
Total assets	8,247	6,159	81,885	96,291

Liabilities	Level 1	Level 2	Level 3	Total
2020				
Trade and other payables:				
Interest rate swaps	**–**	**874**	**–**	**874**
Commodity swaps	**78**	**159**	**28**	**265**
Currency forward contracts	**–**	**212**	**–**	**212**
Provisions and other liabilities:				
Financial liability against options	**–**	**1,995**	**–**	**1,995**
Total liabilities	**78**	**3,240**	**28**	**3,346**
2019				
Trade and other payables:				
Interest rate swaps	–	338	–	338
Commodity swaps	–	521	–	521
Currency forward contracts	–	109	–	109
Total liabilities	–	968	–	968

All amounts in millions of Saudi Riyals unless otherwise stated

3. Financial risk management continued

The valuation techniques for Saudi Aramco's investments in securities are described in Note 11. The changes in Level 3 investments in securities for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
January 1	**6,162**	5,530
Acquisition	**262**	–
Net (disposals) additions	**(1,681)**	286
Net movement in unrealized fair value	**(299)**	296
Realized gain	**526**	50
December 31	**4,970**	6,162

The movement in trade receivables related to contracts with provisional pricing arrangements mainly relates to sales transactions, net of settlements, made during the period, resulting from contracts with customers (Note 13). Unrealized fair value movements on these trade receivables are not significant.

The change in commodity swaps primarily relate to purchase and sales derivative contracts including recognition of a gain or loss that results from adjusting a derivative to fair value. Fair value movements on these commodity swaps are not significant.

4. Acquisition of SABIC

On June 16, 2020, the Company acquired a 70% equity interest in SABIC from the Public Investment Fund ("PIF"), for SAR 259,125 ($69,100). This equates to SAR 123.39 ($32.90) per share.

SABIC is a global diversified chemicals company headquartered in Riyadh, Saudi Arabia. SABIC manufactures on a global scale in the Americas, Europe, Middle East, and Asia Pacific, making different products, including chemicals, commodity and high-performance plastics, specialties, agri-nutrients and metals. The acquisition of the equity interest in SABIC is consistent with Saudi Aramco's long-term Downstream strategy to grow its integrated refining and petrochemicals capacity and create value from integration across the hydrocarbon value chain.

The transaction resulted in the Company obtaining control of SABIC. The Company accounts for acquisitions of subsidiaries using the acquisition method of accounting, including those acquisitions under common control and having commercial substance. This requires recognition of the assets acquired and liabilities assumed at fair value as of the acquisition date.

Saudi Aramco has engaged an independent valuer in order to determine the fair values of the assets and liabilities of SABIC as part of the purchase price allocation. The preliminary fair values of the identifiable assets and liabilities are as follows:

Cash and cash equivalents	**27,515**
Trade receivables	**13,829**
Inventories	**24,919**
Other current assets and receivables	**4,803**
Short-term investments	**8,405**
Property, plant and equipment (Note 6)	**179,313**
Intangible assets (Note 7)	**37,079**
Investments in joint ventures and associates	**51,864**
Other non-current assets	**11,598**
Trade and other payables	**(23,460)**
Income tax and zakat payable	**(4,178)**
Current borrowings	**(8,149)**
Non-current borrowings	**(37,174)**
Post-employment benefit obligations	**(16,549)**
Other non-current liabilities	**(9,067)**
Total identified net assets at fair value	**260,748**
Non-controlling interests	**(100,739)**
Goodwill (Note 7)	**99,116**
Purchase consideration in the form of promissory notes	**259,125**

Non-controlling interests which result from both the Company's partial ownership of SABIC, as well as SABIC's partial ownership of a number of its subsidiaries, were measured at their proportionate share of recognized net assets.

All amounts in millions of Saudi Riyals unless otherwise stated

4. Acquisition of SABIC continued

The purchase price amount is to be paid over several installments pursuant to a seller loan provided by PIF. Loan payments, which are represented by promissory notes denominated in US Dollars, are as follows:

	Principal loan amount	Loan charge
On or before August 2, 2020	**26,250**	**–**
On or before April 7, 2021	**18,750**	**–**
On or before April 7, 2022	**31,875**	**1,875**
On or before April 7, 2023	**39,375**	**1,875**
On or before April 7, 2024	**39,375**	**2,250**
On or before April 7, 2025	**39,375**	**3,000**
On or before April 7, 2026	**64,125**	**5,625**
On or before April 7, 2027	**–**	**3,750**
On or before April 7, 2028	**–**	**3,750**
Total purchase price and loan charges	**259,125**	**22,125**
Payments during the period	**(26,250)**	**–**
Total amount of outstanding installments	**232,875**	**22,125**

The combined fair value of the principal loan amounts and loan charges on the date of acquisition amounted to SAR 259,125 ($69,100). This is subsequently measured at amortized cost using the effective interest method and is presented on a combined basis as 'Deferred consideration' within 'Borrowings' (Note 21).

Saudi Aramco has also agreed to make an accelerated payment of SAR 11,250 ($3,000) in April 2022 based on the occurrence of certain market conditions in 2021. If the accelerated payment is made, it will reduce the principal amount that would otherwise be payable on or before April 2026 by SAR 11,250 ($3,000) and the loan charge in April 2022 will be reduced from SAR 1,875 ($500) to SAR 750 ($200).

The provisional goodwill of SAR 99,116 arising from the transaction includes synergies expected from the transaction, representing value chain capture through downstream integration, procurement, supply chain, manufacturing, marketing and sales, future customer relationships and intangibles such as acquired work force. Goodwill has been provisionally allocated to the Downstream operating segment, which is expected to benefit from the synergies of the acquisition.

Acquisition and transaction costs of SAR 343 were expensed as selling, administrative and general expenses in the Consolidated Statement of Income.

SABIC contributed revenues of SAR 64,659 and net loss of SAR 2,426 to Saudi Aramco for the period from June 16, 2020 to December 31, 2020. If the acquisition had occurred on January 1, 2020, management estimates that consolidated pro-forma revenue and net income for the year ended December 31, 2020 would have been SAR 809,204 and SAR 179,168, respectively. These amounts have been calculated using SABIC's results and adjusting them mainly for depreciation, amortization and unwinding adjustments that would have been recorded assuming the acquisition-date fair value adjustments had applied from January 1, 2020.

5. Operating segments

Saudi Aramco is engaged in prospecting, exploring, drilling, extracting, processing, manufacturing, refining and marketing hydrocarbon substances within the Kingdom and has interests in refining, petrochemical, distribution, marketing and storage facilities outside the Kingdom.

Saudi Aramco's operating segments are established on the basis of those components that are evaluated regularly by the CEO, considered to be the Chief Operating Decision Maker. The Chief Operating Decision Maker monitors the operating results of Saudi Aramco's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenues, costs and a broad range of key performance indicators in addition to segment profitability.

For management purposes, Saudi Aramco is organized into business units based on the main types of activities. At December 31, 2020, Saudi Aramco had two reportable segments, Upstream and Downstream, with all other supporting functions aggregated into a Corporate segment. Upstream activities include crude oil, natural gas and natural gas liquids exploration, field development and production. Downstream activities, which now include SABIC's operations from the date of acquisition, consist primarily of refining and petrochemical manufacturing, supply and trading, distribution and power generation, logistics, and marketing of crude oil and related services to international and domestic customers. Corporate activities include primarily supporting services including Human Resources, Finance and IT not allocated to Upstream and Downstream. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

All amounts in millions of Saudi Riyals unless otherwise stated

5. Operating segments continued

The accounting policies used by Saudi Aramco in reporting segments internally are the same as those contained in Note 2 of the consolidated financial statements. There are no differences from the 2019 consolidated financial statements in the basis of segmentation or in the basis of measurement of segment earnings before interest, income taxes and zakat, except for some limited changes in the pricing basis of certain inter-segment transactions between Upstream and Downstream.

Information by segments is as follows:

	Upstream	Downstream	Corporate	Eliminations	Consolidated
2020					
External revenue	**410,956**	**355,787**	**1,366**	**–**	**768,109**
Other income related to sales	**38,878**	**55,104**	**–**	**–**	**93,982**
Inter-segment revenue	**155,636**	**30,330**	**304**	**(186,270)**	**–**
Share of results of joint ventures and associates	**(4)**	**(3,401)**	**(149)**	**–**	**(3,554)**
Depreciation and amortization	**(39,702)**	**(30,888)**	**(5,618)**	**–**	**(76,208)**
Dividends and other income	**–**	**408**	**3**	**–**	**411**
Earnings (losses) before interest, income taxes and zakat	**413,214**	**(20,170)**	**(17,041)**	**4,214**	**380,217**
Finance income					**2,771**
Finance costs					**(10,564)**
Income before income taxes and zakat					**372,424**
Capital expenditures – cash basis	**73,651**	**26,097**	**1,282**	**–**	**101,030**
2019					
External revenue	709,250	395,099	1,347	–	1,105,696
Other income related to sales	34,446	96,643	–	–	131,089
Inter-segment revenue	226,699	35,677	292	(262,668)	–
Share of results of joint ventures and associates	(3)	(9,371)	(81)	–	(9,455)
Depreciation and amortization	(30,855)	(14,350)	(5,061)	–	(50,266)
Dividends and other income	–	1,800	17	–	1,817
Earnings (losses) before interest, income taxes and zakat	689,894	(3,478)	(13,098)	(6,085)	667,233
Finance income					5,534
Finance costs					(6,026)
Income before income taxes and zakat					666,741
Capital expenditures – cash basis	93,927	26,696	2,259	–	122,882

Information by geographical area is as follows:

	In-Kingdom	Out-of-Kingdom	Total
2020			
External revenue	**538,360**	**229,749**	**768,109**
Property, plant and equipment, intangible assets, investments in joint ventures and associates	**1,245,524**	**194,459**	**1,439,983**
2019			
External revenue	871,451	234,245	1,105,696
Property, plant and equipment, intangible assets, investments in joint ventures and associates	900,938	130,936	1,031,874

Sales to external customers by region are based on the location of the Saudi Aramco entity, which made the sale. Out-of-Kingdom revenue includes sales of SAR 110,652 originating from the United States of America ("USA") (2019: SAR 119,325).

Property, plant and equipment, intangible assets and investments in joint ventures and associates by region are based on the location of the Saudi Aramco entity holding the assets.

All amounts in millions of Saudi Riyals unless otherwise stated

6. Property, plant and equipment

	Crude oil facilities	Refinery and petrochemical facilities	Gas and NGL facilities	General service plant	Construction-in-progress	Total
Cost						
January 1, 2020	**537,299**	**231,049**	**396,400**	**108,582**	**291,482**	**1,564,812**
Additions[1]	**8,965**	**4,881**	**484**	**6,144**	**102,024**	**122,498**
Acquisition (Note 4)	**–**	**150,889**	**–**	**–**	**28,424**	**179,313**
Construction completed	**67,333**	**24,853**	**58,232**	**28,937**	**(179,355)**	**–**
Currency translation differences	**–**	**7,158**	**–**	**(2)**	**816**	**7,972**
Transfers and adjustments[2]	**(17)**	**9**	**40**	**(724)**	**(1,922)**	**(2,614)**
Transfer of exploration and evaluation assets	**–**	**–**	**–**	**–**	**1,102**	**1,102**
Retirements and sales	**(1,717)**	**(4,900)**	**(362)**	**(3,509)**	**(121)**	**(10,609)**
December 31, 2020	**611,863**	**413,939**	**454,794**	**139,428**	**242,450**	**1,862,474**
Accumulated depreciation						
January 1, 2020	**(271,105)**	**(78,033)**	**(174,300)**	**(59,360)**	**–**	**(582,798)**
Charge for the year	**(23,910)**	**(23,189)**	**(17,476)**	**(8,135)**	**–**	**(72,710)**
Currency translation differences	**–**	**(4,568)**	**–**	**–**	**–**	**(4,568)**
Transfers and adjustments	**9**	**(215)**	**32**	**(47)**	**–**	**(221)**
Retirements and sales	**699**	**4,572**	**345**	**1,667**	**–**	**7,283**
December 31, 2020	**(294,307)**	**(101,433)**	**(191,399)**	**(65,875)**	**–**	**(653,014)**
Property, plant and equipment – net, December 31, 2020	**317,556**	**312,506**	**263,395**	**73,553**	**242,450**	**1,209,460**
Cost						
January 1, 2019	503,281	205,233	361,141	88,482	257,607	1,415,744
Adjustment for change in accounting policy	6,337	8,005	254	11,455	–	26,051
Additions[1]	4,929	3,545	164	2,559	110,995	122,192
Acquisitions (Note 35)	–	10,395	–	–	1,329	11,724
Derecognition on acquisition of joint operation (Note 35(a)(i))	–	(5,240)	–	–	(977)	(6,217)
Construction completed	25,517	12,764	34,647	6,865	(79,793)	–
Currency translation differences	–	(1,892)	–	–	(98)	(1,990)
Transfers and adjustments	(646)	513	307	(23)	300	451
Transfer of exploration and evaluation assets	–	–	–	–	2,119	2,119
Retirements and sales	(2,119)	(2,274)	(113)	(756)	–	(5,262)
December 31, 2019	537,299	231,049	396,400	108,582	291,482	1,564,812
Accumulated depreciation						
January 1, 2019	(253,544)	(74,438)	(160,220)	(53,715)	–	(541,917)
Charge for the year	(18,729)	(10,213)	(13,828)	(6,370)	–	(49,140)
Derecognition on acquisition of joint operation (Note 35(a)(i))	–	4,231	–	–	–	4,231
Currency translation differences	–	659	–	–	–	659
Transfers and adjustments	(25)	(510)	(354)	18	–	(871)
Retirements and sales	1,193	2,238	102	707	–	4,240
December 31, 2019	(271,105)	(78,033)	(174,300)	(59,360)	–	(582,798)
Property, plant and equipment – net, December 31, 2019	266,194	153,016	222,100	49,222	291,482	982,014

1. Borrowing cost capitalized during the year ended December 31, 2020, amounted to SAR 1,316 (2019: SAR 1,443).
2. Saudi Aramco recognized write-down of SAR 2,631 on certain downstream facilities, including a facility under construction of SAR 1,741.

All amounts in millions of Saudi Riyals unless otherwise stated

6. Property, plant and equipment continued

Additions to right-of-use assets during the year ended December 31, 2020 were SAR 16,278 (2019: SAR 9,670). Acquisition of right-of-use assets during the year ended December 31, 2020 were SAR 7,003 (2019: SAR 207). The following table presents depreciation charges and carrying amounts of right-of-use assets by class of assets.

	Depreciation expense for the year ended December 31, 2020	**Net carrying amount at December 31, 2020**	Depreciation expense for the year ended December 31, 2019	Net carrying amount at December 31, 2019
Crude oil facilities	**3,624**	**11,163**	2,591	8,202
Refinery and petrochemical facilities	**2,597**	**17,336**	1,276	10,045
Gas and NGL facilities	**163**	**395**	178	190
General service plant	**4,118**	**24,844**	3,634	22,222
	10,502	**53,738**	7,679	40,659

7. Intangible assets

	Goodwill	**Exploration and evaluation[1]**	**Brands and trademarks**	**Franchise/ customer relationships**	**Computer software**	**Other[2]**	**Total**
Cost							
January 1, 2020	**1,077**	**21,913**	**4,791**	**1,764**	**4,428**	**1,680**	**35,653**
Additions	**–**	**3,894**	**–**	**–**	**226**	**197**	**4,317**
Acquisition (Note 4)	**99,116**	**–**	**18,215**	**17,985**	**260**	**619**	**136,195**
Currency translation differences	**11**	**–**	**20**	**23**	**42**	**143**	**239**
Transfers and adjustments	**–**	**(1)**	**51**	**55**	**142**	**259**	**506**
Transfer of exploration and evaluation assets	**–**	**(1,102)**	**–**	**–**	**–**	**–**	**(1,102)**
Retirements and write offs	**–**	**(3,544)**	**–**	**–**	**(33)**	**(49)**	**(3,626)**
December 31, 2020	**100,204**	**21,160**	**23,077**	**19,827**	**5,065**	**2,849**	**172,182**
Accumulated amortization							
January 1, 2020	**–**	**–**	**(1,448)**	**(866)**	**(2,835)**	**(382)**	**(5,531)**
Charge for the year	**–**	**–**	**(405)**	**(572)**	**(437)**	**(343)**	**(1,757)**
Currency translation differences	**–**	**–**	**(11)**	**(8)**	**(30)**	**(89)**	**(138)**
Transfers and adjustments	**–**	**–**	**(51)**	**(55)**	**(1)**	**(161)**	**(268)**
Retirements and write offs	**–**	**–**	**–**	**–**	**33**	**26**	**59**
December 31, 2020	**–**	**–**	**(1,915)**	**(1,501)**	**(3,270)**	**(949)**	**(7,635)**
Intangible assets – net, December 31, 2020	**100,204**	**21,160**	**21,162**	**18,326**	**1,795**	**1,900**	**164,547**

1. Cash used for exploration and evaluation operating activities in 2020 was SAR 3,749 (2019: SAR 4,074) and expenditures for investing activities were SAR 3,894 (2019: SAR 8,333).
2. Other intangible assets include licenses and usage rights of SAR 652 (2019: SAR 762), patents and intellectual property of SAR 629 (2019: SAR 536) and new intangible assets recognized as a result of the acquisition of SABIC consisting of technology and licenses of SAR 619.

All amounts in millions of Saudi Riyals unless otherwise stated

7. Intangible assets continued

	Goodwill	Exploration and evaluation[1]	Brands and trademarks	Franchise/ customer relationships	Computer software	Other[2]	Total
Cost							
January 1, 2019	580	18,916	4,827	1,263	4,310	1,577	31,473
Additions	–	8,333	–	–	303	65	8,701
Acquisitions (Note 35)	527	–	–	544	57	–	1,128
Derecognition on acquisition of joint operation (Note 35(a)(i))	–	–	–	–	(84)	–	(84)
Currency translation differences	(9)	–	(84)	(43)	–	(63)	(199)
Transfers and adjustments	(21)	–	48	–	(114)	101	14
Transfer of exploration and evaluation assets	–	(2,119)	–	–	–	–	(2,119)
Retirements and write offs	–	(3,217)	–	–	(44)	–	(3,261)
December 31, 2019	1,077	21,913	4,791	1,764	4,428	1,680	35,653
Accumulated amortization							
January 1, 2019	–	–	(1,046)	(715)	(2,541)	(275)	(4,577)
Charge for the year	–	–	(424)	(174)	(368)	(160)	(1,126)
Derecognition on acquisition of joint operation (Note 35(a)(i))	–	–	–	–	45	–	45
Currency translation differences	–	–	22	23	–	53	98
Transfers and adjustments	–	–	–	–	(15)	–	(15)
Retirements and write offs	–	–	–	–	44	–	44
December 31, 2019	–	–	(1,448)	(866)	(2,835)	(382)	(5,531)
Intangible assets – net, December 31, 2019	1,077	21,913	3,343	898	1,593	1,298	30,122

1. Cash used for exploration and evaluation operating activities in 2020 was SAR 3,749 (2019: SAR 4,074) and expenditures for investing activities were SAR 3,894 (2019: SAR 8,333).
2. Other intangible assets include licenses and usage rights of SAR 652 (2019: SAR 762), patents and intellectual property of SAR 629 (2019: SAR 536) and new intangible assets recognized as a result of the acquisition of SABIC consisting of technology and licenses of SAR 619.

As a result of the acquisition of SABIC (Note 4) certain new intangible assets have been recognized. These are being amortized on a straight-line basis over their estimated useful lives, with the exception of the goodwill arising from the transaction, which has an indefinite useful life, and the SABIC brand, which has been determined to have an indefinite useful life and are not subject to amortization.

Saudi Aramco performed an annual impairment test for the goodwill acquired as part of the SABIC acquisition, which is provisionally allocated to the Downstream operating segment. The recoverable amount of the Downstream operating segment was determined based on VIU calculations which require use of certain assumptions. The calculations used cash flow projections for a period of 10 years based on financial plans approved by management. Cash flows were discounted and aggregated with a terminal value. Management estimate for the cash flows is based on past performance and management's expectation of the future. This includes management's forecast for prices and margins for the downstream operations. Growth rate used in the terminal value calculation represents long-term inflation forecast. Pre-tax discount rate of 7.8% was applied to the cash flows. As a result of the analysis, management did not identify any impairment of goodwill related to the SABIC acquisition.

Saudi Aramco also performed an annual impairment test for the brand acquired as part of the SABIC acquisition. The impairment test was performed by aggregating the relevant cash-generating units. Cash flows were calculated in the same way as for the goodwill impairment test. The cash flows were discounted using the pre-tax discount rate of 7.8%. As a result of the analysis, management did not identify any impairment.

Management believes a reasonable range of increase or decrease in any of the assumptions within the projected cash flows would not change the outcome of the impairment analysis for the goodwill or the brand.

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8. Investments in joint ventures and associates

Company	Equity ownership 2020/2019	Principal place of business	Nature of activities	**Carrying amount at December 31, 2020**	Carrying amount at December 31, 2019
Saudi Yanbu Petrochemical Company ("Yanpet")[1]	50%/Nil	Saudi Arabia	Petrochemical	**11,311**	–
Clariant AG ("Clariant")[1,5]	31.5%/Nil	Switzerland	Specialty chemical	**8,913**	–
Sinopec SABIC Tianjin Petrochemical Company ("SSTPC")[1]	50%/Nil	People's Republic of China	Petrochemical	**7,621**	–
Eastern Petrochemical Company ("Sharq")[1]	50%/Nil	Saudi Arabia	Petrochemical	**6,783**	–
Al-Jubail Petrochemical Co ("Kemya")[1]	50%/Nil	Saudi Arabia	Petrochemical	**5,696**	–
Hyundai Oilbank Co.,Ltd. ("Hyundai Oilbank")[3]	17%	South Korea	Refining/marketing/ petrochemical	**3,853**	4,372
Power & Water Utility Company for Jubail and Yanbu ("Marafiq")[7]	49.7%/ 24.8%	Saudi Arabia	Utilities	**3,630**	1,877
National Shipping Company of Saudi Arabia ("Bahri")[5]	20%	Saudi Arabia	Global logistics services	**2,263**	2,063
Fujian Refining and Petrochemical Company Limited ("FREP")	25%	People's Republic of China	Refining/petrochemical	**2,172**	2,070
Sadara Chemical Company ("Sadara")[2,4,6]	65%	Saudi Arabia	Petrochemical	**1,746**	4,483
Aluminium Bahrain BSC ("ALBA")[1,5]	20.6%/Nil	Bahrain	Aluminum	**1,660**	–
Ma'aden Phosphate Company ("MPC")[1]	30%/Nil	Saudi Arabia	Agri-Nutrients	**1,632**	–
Ma'aden Wa'ad Al Shamal Phosphate Company ("MWSPC")[1,3]	15%/Nil	Saudi Arabia	Agri-Nutrients	**1,426**	–
Rabigh Refining and Petrochemical Company ("Petro Rabigh")[4,5]	37.5%	Saudi Arabia	Refining/petrochemical	**1,096**	2,458
Other				**6,174**	2,415
				65,976	19,738

1. On June 16, 2020, SABIC became a subsidiary of the Company and as a result, Saudi Aramco acquired interest in its joint ventures/associates (Note 4). Equity ownership represents SABIC's shareholding in these investments.
2. Agreements and constitutive documents do not give a single shareholder control; therefore, the joint venture/associate does not qualify as a subsidiary and has not been consolidated.
3. Agreements and constitutive documents provide Saudi Aramco significant influence over this entity.
4. Saudi Aramco has provided guarantees as described in Note 34.
5. Listed company.
6. During the year ended December 31, 2019, Sadara's management identified certain indicators of impairment, which required a detailed impairment assessment of Sadara's long-lived assets. As a result of the assessment, Sadara recognized an impairment loss of SAR 9,225 for the year ended December 31, 2019 of which Saudi Aramco's share was SAR 5,996.
7. Saudi Aramco's existing interest increased due to the acquisition of SABIC, which also has an interest in Marafiq.

The components of the change in the investments in joint ventures and associates for the years ended December 31 are as follows:

	Joint ventures		**Associates**	
	2020	2019	**2020**	2019
January 1	**5,698**	12,425	**14,040**	10,154
Acquisitions (Notes 4, 35)	**33,269**	385	**18,595**	4,414
Share of results of joint ventures and associates	**(1,749)**	(9,435)	**(1,805)**	(20)
Additional investment	**263**	2,860	**274**	285
Distributions	**(867)**	(89)	**(1,734)**	(689)
Change in elimination of profit in inventory	**(230)**	27	**209**	(267)
Share of other comprehensive (loss) income	**(303)**	(479)	**853**	(8)
Reclassification between joint venture and associate	**374**	–	**(374)**	171
Other	**(257)**	4	**(280)**	–
December 31	**36,198**	5,698	**29,778**	14,040

All amounts in millions of Saudi Riyals unless otherwise stated

8. Investments in joint ventures and associates continued

Summarized financial information (100%) for joint ventures and associates and reconciliation with the carrying amount of the investments in the consolidated financial statements at December 31, 2020, are set out below. Statement of comprehensive income is presented for the full year including for entities acquired during the year:

Summarized Balance Sheet
At December 31, 2020

	Yanpet[1]	Clariant[1]	SSTPC[1]	Sharq[1]	Kemya[1]	Hyundai Oilbank	Marafiq[2]	Bahri	FREP
Current assets:									
Cash and cash equivalents	543	3,126	3,024	454	204	738	372	543	4,281
Other	3,706	10,894	1,533	4,850	3,224	9,949	2,463	3,538	4,329
Total current assets	4,249	14,020	4,557	5,304	3,428	10,687	2,835	4,081	8,610
Non-current assets	4,406	24,930	11,323	12,865	12,244	33,720	19,672	16,865	8,899
Current liabilities:									
Financial liabilities (excluding trade and other payables)	964	1,688	1,371	776	1,713	3,234	1,076	885	691
Other	481	7,083	958	680	491	7,294	949	1,485	2,959
Total current liabilities	1,445	8,771	2,329	1,456	2,204	10,528	2,025	2,370	3,650
Non-current liabilities	1,424	14,760	4,113	2,816	3,126	17,220	12,796	8,154	5,170
Net assets	5,786	15,419	9,438	13,897	10,342	16,659	7,686	10,422	8,689
Saudi Aramco interest	50%	31.5%	50%	50%	50%	17%	49.7%	20%	25%
Saudi Aramco share	2,893	4,857	4,719	6,949	5,171	2,832	3,814	2,084	2,172
Fair value and other adjustments at Saudi Aramco level	8,418	4,056	2,902	(166)	525	1,021	(184)	179	–
Investment balance at December 31	11,311	8,913	7,621	6,783	5,696	3,853	3,630	2,263	2,172

1. Saudi Aramco interest represents SABIC's shareholding in these investments.
2. Saudi Aramco's existing interest increased due to the acquisition of SABIC, which also has an interest in Marafiq.

Summarized Statement of Comprehensive Income
Year ended December 31, 2020

	Yanpet	Clariant	SSTPC	Sharq	Kemya	Hyundai Oilbank	Marafiq	Bahri	FREP
Revenue	5,139	15,713	6,652	6,944	6,679	32,720	3,854	9,064	21,029
Depreciation and amortization	562	1,141	622	1,363	909	1,388	1,192	876	1,379
Conventional interest income	5	64	105	4	2	327	11	–	64
Interest expense	45	428	76	33	135	536	219	294	291
Income tax expense	27	407	135	90	38	(662)	71	94	47
Net income (loss)	998	(721)	410	298	672	(1,364)	319	1,787	172
Dividends received from JVs/associates	348	1,247	–	350	105	105	56	149	79

All amounts in millions of Saudi Riyals unless otherwise stated

8. Investments in joint ventures and associates continued

Summarized financial information (100%) for individually immaterial joint ventures and associates are set out below:

	Joint ventures	Associates
Net loss	**(3,257)**	**(3,628)**

Summarized financial information (100%) for joint ventures and associates and reconciliation with the carrying amount of the investments in the consolidated financial statements at December 31, 2019 are set out below:

Summarized Balance Sheet
At December 31, 2019

	Hyundai Oilbank	Bahri	FREP	Sadara	Petro Rabigh
Current assets:					
Cash and cash equivalents	1,556	164	3,012	1,611	316
Other	13,245	2,878	6,429	6,780	11,147
Total current assets	14,801	3,042	9,441	8,391	11,463
Non-current assets	35,670	17,206	9,506	57,559	62,509
Current liabilities:					
Financial liabilities (excluding trade and other payables)	4,226	733	688	5,080	17,372
Other	9,030	1,249	3,811	2,102	10,517
Total current liabilities	13,256	1,982	4,499	7,182	27,889
Non-current liabilities	10,793	8,846	6,168	51,517	36,043
Net assets	26,422	9,420	8,280	7,251	10,040
Saudi Aramco interest	17%	20%	25%	65%	37.5%
Saudi Aramco share	4,492	1,884	2,070	4,713	3,765
Fair value and other adjustments at Saudi Aramco level	(120)	179	–	(230)	(1,307)
Investment balance at December 31	4,372	2,063	2,070	4,483	2,458

All amounts in millions of Saudi Riyals unless otherwise stated

8. Investments in joint ventures and associates continued

Summarized Statement of Comprehensive Income
Year ended December 31, 2019

	Hyundai Oilbank	Bahri	FREP	Sadara	Petro Rabigh
Revenue	2,814	6,409	31,017	10,108	42,420
Depreciation and amortization	6	933	1,381	3,850	2,973
Conventional interest income	8	–	67	–	384
Interest expense	29	566	325	2,448	1,225
Income tax expense	12	91	107	76	225
Net income (loss)	42	477	271	(14,653)	(650)
Dividends received from JVs/associates	–	158	390	–	–

Summarized financial information (100%) for individually immaterial joint ventures and associates are set out below:

	Joint ventures	Associates
Net income	174	439

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

	Fair value		Carrying value	
	2020	2019	**2020**	2019
Clariant	**8,380**	–	**8,913**	–
Petro Rabigh	**4,540**	7,115	**1,096**	2,458
Bahri	**3,193**	3,150	**2,263**	2,063
ALBA	**1,450**	–	**1,660**	–

9. Income taxes and zakat

(a) Kingdom income tax rates

The Company is subject to an income tax rate of 20% on the activities of exploration and production of non-associated natural gas, including gas condensates, as well as the collection, treatment, processing, fractionation and transportation of associated and non-associated natural gas and their liquids, gas condensates and other associated elements, and an income tax rate of 50% on all other activities, in accordance with the Tax Law.

Effective January 1, 2020, the tax rate applicable to the Company's Downstream activities was reduced from the 50% rate applicable to qualified domestic oil and hydrocarbon production companies to the general corporate tax rate of 20% applicable to similar domestic downstream companies under the Tax Law. The new rate is conditional on the Company separating its Downstream activities under the control of one or more separate wholly owned subsidiaries before December 31, 2024, otherwise the Company's Downstream activities will be retroactively taxed at 50%. The Company expects to transfer all its Downstream activities into a separate legal entity or entities within the period specified (Note 2(b)(iii)).

All amounts in millions of Saudi Riyals unless otherwise stated

9. Income taxes and zakat continued

During 2020, the Tax Law was amended, effective January 1, 2020, whereby shares held directly or indirectly in listed companies on the Tadawul by taxpayers engaged in oil and hydrocarbon activities are exempt from the application of corporate income tax. As a result, the Company's ownership interests in SABIC, Petro Rabigh, Bahri and SEC are now subject to zakat (Note 2(b)(iv)).

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

	2020	2019
Income before income taxes and zakat	**372,424**	666,741
Less: Income subject to zakat	**(3,754)**	–
Income subject to income tax	**368,670**	666,741
Income taxes at the Kingdom's statutory tax rates	**178,808**	328,721
Tax effect of:		
Impact of change in income tax rates on deferred tax	**–**	2,655
Income not subject to tax at statutory rates and other	**9,082**	4,672
Income tax expense	**187,890**	336,048
Zakat expense	**771**	–
Total income tax and zakat expense	**188,661**	336,048

(b) Income tax and zakat expense

	2020	2019
Current income tax – Kingdom	**173,534**	319,979
Current income tax – Foreign	**614**	353
Deferred income tax – Kingdom:		
Impact of change in income tax rates	**–**	2,655
Charge for the period	**16,932**	12,610
Deferred income tax – Foreign	**(3,190)**	451
Zakat – Kingdom	**771**	–
	188,661	336,048

Saudi Aramco paid foreign taxes of SAR 427 and SAR 437 for the years ended December 31, 2020 and 2019, respectively.

Income tax credit recorded through other comprehensive income was SAR 9,331 for the year ended December 31, 2020 (2019: income tax expense of SAR 1,542).

(c) Income tax and zakat obligation to the Government

	2020	2019
January 1	**62,243**	70,299
Acquisition	**3,288**	–
Provided during the period	**174,305**	319,979
Payments during the period by the Company (Note 29)	**(72,582)**	(149,780)
Payments during the period by subsidiaries and joint operations	**(2,806)**	(1,023)
Settlements of due from the Government	**(116,872)**	(172,301)
Other settlements	**(5,517)**	(4,931)
December 31	**42,059**	62,243

All amounts in millions of Saudi Riyals unless otherwise stated

9. Income taxes and zakat continued

(d) Deferred income tax

	2020	2019
Deferred income tax assets:		
Kingdom	**13,749**	12,386
U.S. Federal and State	**84**	31
Other foreign	**1,447**	311
	15,280	12,728
Deferred income tax liabilities:		
Kingdom	**48,019**	37,943
U.S. Federal and State	**2,469**	3,312
Other foreign	**3,133**	3,216
	53,621	44,471
Net deferred income tax liabilities	**(38,341)**	(31,743)

The gross movement of the net deferred income tax position is as follows:

	2020	2019
January 1	**(31,743)**	(14,011)
Acquisition	**(2,176)**	–
Impact of change in income tax rate – charge to income	**–**	(2,655)
Impact of change in income tax rate – Other reserves	**–**	(284)
Current period charge to income	**(13,742)**	(13,061)
Adjustments to equity – Other reserves	**9,331**	(1,258)
Other adjustments	**(11)**	(474)
December 31	**(38,341)**	(31,743)

	2020	2019
Deferred income tax to be settled after more than 12 months	**(38,341)**	(31,743)
Deferred income tax to be recovered within 12 months	**–**	–
Net deferred income tax liabilities	**(38,341)**	(31,743)

All amounts in millions of Saudi Riyals unless otherwise stated

9. Income taxes and zakat continued

The movement in deferred income tax assets (liabilities) for the years ended December 31 is as follows:

	Post-employment benefit obligations	Investment in subsidiary	Undistributed earnings	Provisions and other	Loss carry-forward	Property plant and equipment and intangibles	Investments in securities at FVOCI	Total
January 1, 2019								
Deferred tax assets	1,873	–	–	1,192	7,088	(287)	–	9,866
Deferred tax liabilities	9,379	(3,632)	(780)	9,060	3,357	(39,631)	(1,630)	(23,877)
	11,252	(3,632)	(780)	10,252	10,445	(39,918)	(1,630)	(14,011)
Recognized during the year								
Impact of change in income tax rate	(464)	–	–	(457)	–	(2,198)	180	(2,939)
Current period credits (charges) to income	194	(1,196)	44	2,095	3,637	(17,835)	–	(13,061)
Impact of adoption of IFRS 16	–	–	–	7,906	–	(7,906)	–	–
Other reserves charges	(526)	–	–	–	–	–	(732)	(1,258)
Other adjustments	–	–	–	(474)	–	–	–	(474)
	(796)	(1,196)	44	9,070	3,637	(27,939)	(552)	(17,732)
December 31, 2019								
Deferred tax assets	3,328	–	–	653	9,263	(516)	–	12,728
Deferred tax liabilities	7,128	(4,828)	(736)	18,669	4,819	(67,341)	(2,182)	(44,471)
	10,456	(4,828)	(736)	19,322	14,082	(67,857)	(2,182)	(31,743)
Recognized during the year								
Acquisition	**631**	**–**	**(86)**	**(2,721)**	**–**	**–**	**–**	**(2,176)**
Current period (charges) credits to income	**(524)**	**309**	**35**	**2,869**	**7,595**	**(24,026)**	**–**	**(13,742)**
Other reserves credits	**7,395**	**–**	**–**	**–**	**–**	**–**	**1,936**	**9,331**
Other adjustments	**–**	**–**	**–**	**(11)**	**–**	**–**	**–**	**(11)**
	7,502	**309**	**(51)**	**137**	**7,595**	**(24,026)**	**1,936**	**(6,598)**
December 31, 2020								
Deferred tax assets	**4,301**	**–**	**–**	**1,650**	**9,983**	**(654)**	**–**	**15,280**
Deferred tax liabilities	**13,657**	**(4,519)**	**(787)**	**17,809**	**11,694**	**(91,229)**	**(246)**	**(53,621)**
	17,958	**(4,519)**	**(787)**	**19,459**	**21,677**	**(91,883)**	**(246)**	**(38,341)**

To reflect the change in income tax rate effective January 1, 2020 for Downstream activities, in 2019, deferred tax liabilities, net of deferred tax assets, were increased by SAR 2,939, of which SAR 2,655 was recognized as an increase of income taxes in the Consolidated Statement of Income, and SAR 284 was recognized as an increase of income taxes in the Consolidated Statement of Comprehensive Income.

A deferred income tax liability has not been recognized with regard to the undistributed earnings of certain subsidiaries, which are considered to be permanently reinvested in their respective businesses. Such earnings would be taxed only upon distribution. The cumulative amount of the undistributed earnings of such subsidiaries is SAR 29,080 and SAR 32,674 at December 31, 2020 and 2019, respectively, and the unrecognized deferred income tax liability is SAR 1,969 and SAR 3,215 at December 31, 2020 and 2019, respectively. Also, a deferred income tax asset has not been recognized with regard to cumulative unused tax losses of certain subsidiaries with carry-forward periods from 2022 to indefinite. Such losses are available for offsetting against future taxable profits of the subsidiaries in which the losses arose. The cumulative amount of the unused tax losses is SAR 32,336 and SAR 443 at December 31, 2020 and 2019, respectively, and the unrecognized deferred tax asset is SAR 7,924 and SAR 109 at December 31, 2020 and 2019, respectively.

All amounts in millions of Saudi Riyals unless otherwise stated

9. Income taxes and zakat continued

(e) Income tax and zakat assessments

The Company and majority of its subsidiaries and affiliates are subject to tax review and audit in tax jurisdictions where they operate. In June 2020, the Company and its wholly owned domestic affiliates were notified that the Saudi Arabian income tax submissions for all years up to and including the year ended December 31, 2019 were accepted as filed.

For the Company's other domestic and international affiliates, examinations of tax and zakat returns for certain prior years had not been completed as of December 31, 2020; however, the Company is not aware of any significant claims. Therefore, no material provision for any additional income tax and zakat liability has been recorded in the consolidated financial statements.

10. Other assets and receivables

	2020	2019
Non-current:		
Loans to joint ventures and associates (Note 30(b))	**13,252**	4,480
Home loans	**10,155**	5,999
Contractor advances	**9,050**	6,768
Home ownership construction	**2,558**	3,160
Receivable from Government, semi-Government and other entities with Government ownership or control (Note 30(b))	**540**	–
Lease receivable from associates (Note 30(b))	**426**	440
Other	**1,277**	525
	37,258	21,372
Current:		
Employee and other receivables	**6,831**	4,999
Tax receivables	**4,963**	2,569
Prepaid expenses	**3,355**	1,400
Home loans	**1,084**	848
Investments in securities (Note 11)	**826**	281
Derivative assets	**583**	331
Interest receivable	**217**	1,144
Rig mobilization fees	**199**	242
Receivables from joint ventures and associates (Note 30(b))	**85**	15
Assets held for sale	**85**	81
Other	**541**	199
	18,769	12,109

Home loans

The home ownership programs provide subsidized non-interest-bearing loans to Saudi Arabian employees. Loans are repayable through payroll deductions and are net of associated subsidies. Any balance remaining upon the death, permanent disability or termination of an employee under the Chronic Medical Condition Program is forgiven. An analysis of the home loans balance is as follows:

	2020	2019
Gross amounts receivable[1]	**13,237**	9,317
Less:		
Discount	**(1,250)**	(1,610)
Allowance for doubtful home loans	**(466)**	(536)
Subsidies	**(282)**	(324)
Net amounts receivable	**11,239**	6,847
Current	**(1,084)**	(848)
Non-current	**10,155**	5,999

1. Includes home loans of SAR 3,560 acquired as part of the acquisition of SABIC (Note 4).

All amounts in millions of Saudi Riyals unless otherwise stated

11. Investments in securities

	2020	2019
January 1	**20,237**	17,772
Acquisitions	**2,470**	–
Net additions	**789**	889
Net unrealized fair value gain	**128**	1,598
Net unrealized foreign currency gain (loss)	**63**	(22)
December 31	**23,687**	20,237
Current (Note 10)	**(826)**	(281)
Non-current	**22,861**	19,956

Net additions include unsettled transactions of SAR 190 at December 31, 2020 (2019: SAR 21). Investments in securities are carried at fair value.

The components of Investments in securities are as follows:

	2020	
	Percentage ownership	**Carrying amount as of December 31**
Equity investments at FVOCI:		
Equity investments – listed securities:		
Saudi Electricity Company ("SEC")	**6.9%**	**6,146**
Idemitsu Kosan Co., Ltd. ("Idemitsu")	**7.8%**	**1,905**
Equity investments – unlisted securities:		
Arab Petroleum Pipeline Company ("Sumed")	**15.0%**	**870**
Industrialization & Energy Services Company ("TAQA")	**4.6%**	**195**
Daehan Oil Pipeline Corporation ("Daehan")	**8.9%**	**154**
Other		**430**
Investments in debt securities at FVOCI:		
USD debt securities with fixed interest rates ranging from 0.1% to 13.9% and maturity dates between January 2021 and May 2069		**6,239**
USD debt securities with variable interest rates and maturity dates between May 2021 and May 2069		**730**
		16,669
Equity and debt investments at FVPL:		
Listed securities – mutual and hedge funds		**1,614**
Listed securities – equities		**870**
Listed securities – debt		**53**
Unlisted securities		**3,100**
		5,637
Investments in debt securities at amortized cost:		
Debt securities with fixed interest rates ranging from 2.5% to 5.1% and maturity dates between 2021 and 2043		**747**
Debt securities with variable interest rates and maturity dates between 2021 and 2028		**634**
		1,381
		23,687
Current portion (Note 10)		**(826)**
Non-current		**22,861**

All amounts in millions of Saudi Riyals unless otherwise stated

11. Investments in securities continued

	2019	
	Percentage ownership	Carrying amount as of December 31
Equity investments at FVOCI:		
Equity investments – listed securities:		
Saudi Electricity Company ("SEC")	6.9%	5,835
Idemitsu Kosan Co., Ltd. ("Idemitsu")	7.7%	2,411
Equity investments – unlisted securities:		
Arab Petroleum Pipeline Company ("Sumed")	15.0%	817
Industrialization & Energy Services Company ("TAQA")	4.6%	270
Daehan Oil Pipeline Corporation ("Daehan")	8.9%	157
Investments in debt securities at FVOCI:		
USD debt securities with fixed interest rates ranging from 0.7% to 8.8% and maturity dates between January 2020 and September 2057		3,840
USD debt securities with variable interest rates and maturity dates between January 2020 and October 2069		724
		14,054
Equity investments at FVPL:		
Listed securities – mutual and hedge funds		3,450
Unlisted securities		2,733
		6,183
		20,237
Current portion (Note 10)		(281)
Non-current		19,956

Equity investments designated at FVOCI are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, management has elected to designate these equity investments at FVOCI as recognizing short-term fluctuations in these investments' fair value in net income would not be consistent with Saudi Aramco's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

The fair value of Sumed is based on expected cash flows discounted using a rate based on market interest rates and a risk premium specific to the unlisted security which was 7.7% and 8.0% at December 31, 2020 and 2019, respectively. The fair value of TAQA is based on an earnings growth factor for unlisted equity securities from market information for similar types of companies. The fair value of Daehan is determined using discounted cash flow analysis based on the risk-adjusted yield.

On April 1, 2019, Saudi Aramco received 23.1 million common shares of Idemitsu in exchange for its shareholding of 56.4 million common shares of Showa Shell Sekiyu, K.K. ("Showa Shell"). As a result of this transaction, Saudi Aramco's interest in Idemitsu is 7.8% of Idemitsu's total common shares, which does not meet the requirement for significant influence. The investment in Idemitsu in the amount of SAR 1,905 at December 31, 2020 (2019: SAR 2,411) is accounted for at fair value through other comprehensive income.

The maximum exposure to credit risk at the reporting date of the investments in debt securities is the fair value. To limit credit risk, Saudi Aramco's investment policy requires that these securities be diversified. Credit ratings for debt securities held at December 31, 2020 range from AAA to BB (2019: AAA to BB) as set out by internationally recognized credit rating agencies.

All amounts in millions of Saudi Riyals unless otherwise stated

12. Inventories

	2020	2019
Crude oil, refined products and chemicals	**36,964**	35,839
Materials and supplies – net	**14,731**	6,595
Natural gas liquids and other	**304**	173
	51,999	42,607

The carrying amount of materials and supplies are shown net of an allowance for obsolete and surplus materials with movement as follows:

	2020	2019
Balance, January 1	**1,997**	2,088
Net movement in allowance	**998**	(91)
Balance, December 31	**2,995**	1,997

During 2020, a portion of the inventory purchased from third parties by certain subsidiaries was written-down to its net realizable value.

13. Trade receivables

Trade receivables from export and local sales are denominated primarily in USD and SAR, respectively.

The components of trade receivables are as follows:

	2020	2019
Arising from export and local sales at international prices	**81,066**	86,058
Arising from local sales at Kingdom regulated prices	**5,186**	8,322
	86,252	94,380
Less: Loss allowance	**(1,069)**	(854)
	85,183	93,526

Trade receivables relating to certain contracts with provisional pricing arrangements are measured at fair value. The fair value was calculated using forward curves and future prices. These trade receivables are classified as level 3 in the fair value hierarchy (Note 3(d)) due to the inclusion of unobservable inputs, including counterparty credit risk in the fair value calculation.

As described in Note 2(o), the Government, through the Ministry of Finance, provided a guarantee to the Company in the event that certain Government, semi-Government and other entities with Government ownership or control are unable to settle within the terms agreed with the Company.

The movement of the allowance for trade receivables related to past due sales is as follows:

	2020	2019
January 1	**854**	839
Net movement in allowance	**215**	15
December 31	**1,069**	854

14. Due from the Government

	2020	2019
Other income related to sales (Note 2(z))	**24,604**	28,670
Government guarantee (Note 2(o))	**3,605**	7,189
Other	**686**	922
Note 30(b)	**28,895**	36,781

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15. Short-term investments

	2020	2019
USD time deposits	**90**	42,585
USD Murabaha time deposits (Shari'a compliant)	**615**	1,875
SAR time deposits	**91**	132
SAR Murabaha time deposits (Shari'a compliant)	**4,792**	–
South Korean Won time deposits	**1,213**	875
	6,801	45,467

16. Cash and cash equivalents

	2020	2019
Cash at bank and in hand	**65,689**	45,063
USD time deposits	**112,115**	119,031
USD Murabaha time deposits (Shari'a compliant)	**14,816**	2,570
SAR time deposits	**5,096**	4,959
SAR repurchase agreements	**1,260**	2,800
SAR Murabaha time deposits (Shari'a compliant)	**5,726**	2,369
South Korean Won time deposits	**2,530**	914
	207,232	177,706

17. Treasury shares

On December 11, 2019, the Company acquired 117.2 million ordinary shares from the Government for cash consideration of SAR 3,750. These shares are held by the Company as treasury shares for the purposes of issuing them to the Company's employees upon vesting of the shares in employee share plans, including those that the Company may adopt in the future. The number of treasury shares issued to employees during the year was 15 million (2019: nil) in relation to the Celebratory Grant awarded in 2019 (Note 18).

18. Share-based compensation

Share-based compensation relates to grants of ordinary shares awarded to the Company's eligible employees under the respective plan terms. Awards are generally equity-settled; however, in limited circumstances awards may be settled in cash. The Company recognized the following share-based compensation expense in the Consolidated Statement of Income, as an employee benefit expense, for the years ended December 31, 2020 and 2019:

	Equity-settled	**Cash-settled**	**Total**
2020			
Share-based compensation expense	**578**	**9**	**587**
2019			
Share-based compensation expense	32	1	33

At December 31, 2020, the total carrying amount of the liabilities in respect of the cash settlement elements and dividend equivalents of the respective awards was SAR 4 (2019: SAR 2) and the intrinsic value of such liabilities, which had vested during the year, was SAR 22.

Awards granted during the year relate to the Long-Term Incentive Plan for Executives ("ELTIP") and the Long-Term Incentive Plan for Management ("MLTIP").

18. Share-based compensation continued

Awards for all plans were granted for nil consideration. The fair value of grants was determined by reference to the market value of the Company's ordinary shares on the date of grant for equity-settled awards and at the balance sheet date for cash-settled awards. Where applicable, the fair value of the awards subject to market-based performance measure was estimated using a Monte Carlo Simulation model.

	Number of shares granted (in millions)	Weighted average fair value per share (SAR)
2020		
ELTIP	**2**	**33.77**
MLTIP	**3**	**33.35**
2019		
Celebratory Grant	16	35.20

The number of awards settled in shares during the year was 15 million (2019: nil) in relation to the Celebratory Grant awarded in 2019.

Participants in the plans are entitled to dividend equivalents, if dividends are paid to ordinary shareholders, during the vesting period. Such dividend equivalents will be paid in cash on vesting of the awards. Accordingly, no adjustment for expected dividends during the vesting period was made in determining the fair value of the awards.

The vesting of ELTIP is dependent on the achievement of (a) specified non-market and market-based performance measures over a three-year performance period, and (b) required service, except for certain qualifying leavers. Upon vesting, 50% of the vested awards are required to be held by the participants for an additional two years, except for certain qualifying leavers. The awards will be settled with the participants in shares on vesting.

The vesting of MLTIP is dependent on the participants achieving (a) specified individual performance targets over a one-year performance period, and (b) required service, except for certain qualifying leavers. The awards are subject to graded vesting. 25% of the awards will vest after the end of the performance period, and the remaining 75% of the awards will vest in equal installments over three years from thereon, provided that the participants continue to meet the required service condition. The awards will be settled with the participants in shares on vesting, except for certain qualifying participants who will receive cash-settlement.

19. Other reserves

						Share of other comprehensive income (loss) of joint ventures and associates		
	Currency translation differences	Investments in securities at FVOCI	Post-employment benefit obligations	Share-based compensation reserve	Cash flow hedges and other	Foreign currency translation gains (losses)	Cash flow hedges and other	Total
January 1, 2019	129	2,919	–	–	(74)	198	4	3,176
Current period change	(1,027)	1,517	–	31	(353)	(7)	(480)	(319)
Remeasurement (loss) gain	–	(539)	3,154	–	–	–	2	2,617
Transfer to retained earnings	–	–	(2,178)	–	–	–	(2)	(2,180)
Tax effect	–	(552)	(990)	–	–	–	–	(1,542)
Less: amounts related to non-controlling interests	313	(3)	14	–	–	–	–	324
December 31, 2019	(585)	3,342	–	31	(427)	191	(476)	2,076
Current period change	**2,768**	**156**	**–**	**556**	**(300)**	**1,116**	**(566)**	**3,730**
Remeasurement loss	**–**	**–**	**(16,361)**	**–**	**–**	**–**	**–**	**(16,361)**
Transfer to retained earnings	**–**	**–**	**7,722**	**(530)**	**–**	**–**	**–**	**7,192**
Tax effect	**–**	**1,936**	**7,395**	**–**	**–**	**–**	**–**	**9,331**
Less: amounts related to non-controlling interests	**(991)**	**(78)**	**1,244**	**–**	**–**	**(285)**	**–**	**(110)**
December 31, 2020	**1,192**	**5,356**	**–**	**57**	**(727)**	**1,022**	**(1,042)**	**5,858**

All amounts in millions of Saudi Riyals unless otherwise stated

20. Non-controlling interests

Summarized consolidated financial information (100%) for each subsidiary that has non-controlling interests that are material to Saudi Aramco are set out below. The amounts disclosed for each subsidiary are before inter-company eliminations:

Summarized Balance Sheet

At December 31

	2020		2019
	SABIC	S-Oil Corporation	S-Oil Corporation
Current assets	81,032	17,244	18,204
Non-current assets	278,939	41,372	39,841
Total assets	359,971	58,616	58,045
Current liabilities	37,709	22,696	18,617
Non-current liabilities	67,891	12,880	14,718
Total liabilities	105,600	35,576	33,335
Net assets	254,371	23,040	24,710
Accumulated non-controlling interest	99,603	8,842	9,484

Summarized Statement of Comprehensive Income

Year ended December 31

	2020		2019
	SABIC[1]	S-Oil Corporation	S-Oil Corporation
Revenue	66,678	53,482	78,478
Net loss	(2,426)	(2,940)	(491)
Other comprehensive (loss) income	(197)	1,336	(809)
Total comprehensive loss	(2,623)	(1,604)	(1,300)
Net loss attributable to non-controlling interests	(150)	(1,128)	(188)
Dividends paid to non-controlling interests	(704)	(14)	(36)

1. Amounts included are for the period from the date of acquisition of SABIC.

Summarized Statement of Cash Flows

Year ended December 31

	2020		2019
	SABIC[1]	S-Oil Corporation	S-Oil Corporation
Cash flows from operating activities	12,079	5,852	3,071
Cash flows from investing activities	(2,827)	(1,974)	(3,414)
Cash flows from financing activities	(3,611)	(2,279)	(953)
Net increase (decrease) in cash and cash equivalents	5,641	1,599	(1,296)

1. Amounts included are for the period from the date of acquisition of SABIC.

All amounts in millions of Saudi Riyals unless otherwise stated

21. Borrowings

	2020	2019
Non-current:		
Deferred consideration (Note 4)	**217,231**	–
Borrowings	**55,954**	39,957
Debentures	**104,425**	60,957
Sukuk	**12,420**	12,649
Lease liabilities	**43,567**	33,831
Other[1]	**3,323**	3,296
	436,920	150,690
Current:		
Deferred consideration (Note 4)	**18,636**	–
Short-term bank financing	**60,085**	12,660
Borrowings	**10,197**	4,957
Sukuk	**231**	175
Lease liabilities	**10,008**	7,103
	99,157	24,895

	2020	2019
Finance costs:		
Conventional borrowings	**7,391**	3,144
Lease liabilities	**2,089**	1,790
Shari’a compliant financial instruments	**645**	652
Unwinding of discount (Note 23)	**439**	440
	10,564	6,026

1. Other borrowings comprise loans from non-financial institutions under commercial terms.

Borrowing facilities

Saudi Aramco has entered into long-term financing arrangements with various lenders. These financing arrangements limit the creation of additional liens and/or financing obligations and certain of these arrangements are secured over certain property, plant and equipment of Saudi Aramco with a carrying value of SAR 10,015 (2019: SAR 38,074). Additionally, certain financing arrangements require compliance by Saudi Aramco with covenants to maintain certain financial and other conditions. Saudi Aramco has complied with these covenants throughout the reporting period.

All amounts in millions of Saudi Riyals unless otherwise stated

21. Borrowings continued

Details of financing facilities at December 31 are as follows:

		Total facility		Total undrawn	
	Note	**2020**	2019	**2020**	2019
Conventional facilities:					
Deferred consideration (Note 4)		**259,125**	–	**–**	–
Revolving credit facilities	a	**50,460**	49,350	**43,628**	46,489
Commercial and other	b	**41,561**	41,576	**881**	4,249
Short-term borrowings	c	**74,213**	25,500	**24,203**	15,698
Export credit agencies	d	**7,691**	6,354	**–**	–
Public Investment Fund	e	**5,591**	4,594	**–**	–
Debentures	f	**106,313**	62,903	**–**	–
Shari'a compliant facilities:					
Sukuk	a	**39,844**	39,844	**26,250**	26,250
Murabaha	b	**18,814**	3,750	**–**	–
Saudi Industrial Development Fund	c	**5,036**	3,248	**–**	–
Ijarah/Procurement	d	**3,934**	1,811	**–**	–
Wakala	e	**1,721**	345	**–**	–
		614,303	239,275	**94,962**	92,686

Conventional facilities

(a) Revolving credit facilities

At December 31, 2020, Saudi Aramco held facilities that total SAR 50,460 (2019: SAR 49,350) consisting of:

(i) On June 9, 2020, the Company amended and restated certain agreements with respect to its USD denominated conventional five-year revolving credit facility equivalent to SAR 22,500 ($6,000) to incorporate a SAR 7,500 ($2,000) swing line sublimit-facility in support of the Company's establishment of a U.S. commercial paper program. The swing line makes up part of the revolving credit facility and has not been utilized as of December 31, 2020. In addition, the Company maintains a 365-day USD denominated facility equivalent to SAR 3,750 ($1,000) along with SAR denominated Islamic Murabaha facilities comprising a five-year facility of SAR 7,500 and a 364-day facility of SAR 3,750. The facilities were established in March 2015 will mature in March 2022. The credit facility documentation provides for certain limits on the creation of liens on or other security interests in the assets of the Company, and on the sale, lease or transfer, of its assets to third parties.

(ii) Saudi Aramco maintain facilities of SAR 12,960 (2019: SAR 11,850), consisting of revolving credit facilities of SAR 12,802 ($3,414), and a letter of credit facility of SAR 158 ($42) for working capital requirements and to support trading activities. The facilities are expected to be renewed in 2021 and 2022. The remaining revolving credit facilities are executed with a group of foreign and domestic banks for general corporate purposes and working capital requirements.

(b) Commercial and other

(i) Saudi Aramco has commercial and other facility agreements with a number of banks. The facilities are primarily repayable in 12 to 36 installments on a semi-annual basis from November 18, 2008 to November 30, 2039. Commission is payable on amounts drawn that are primarily calculated at a market rate plus a margin.

(ii) In 2020, Saudi Aramco refinanced an existing commercial facility having a balance of SAR 345 ($92). Under the refinancing agreement, the facility of SAR 375 ($100) is repayable semi-annually in 34 installments, starting March 2020 to November 2036. Commission is payable on amounts drawn at a market rate, starting March 2020.

(iii) On December 18, 2019, Saudi Aramco refinanced certain short-term bank financing through long-term project financing with 21 commercial banks and six export credit agencies. These long-term facilities were established in the amount of SAR 17,438 and payable in 27 installments on a semi-annual basis commencing on December 2021 to December 2034. Commission is payable on amounts drawn and calculated at market rate plus a margin.

21. Borrowings continued

(c) Short-term borrowings

(i) On May 7, 2020, the Company entered into a SAR 37,500 ($10,000) one-year term loan facility with various financial institutions for general corporate purposes. The one-year term loan facility currently terminates on May 6, 2021 but the Company has the option to extend the facility date by up to 364 days from May 6, 2021. As of December 31, 2020, the facility was fully utilized with the outstanding loan balance of SAR 37,500 ($10,000). The facility bears interest at LIBOR plus a margin commencing May 7, 2020.

(ii) In 2020, Saudi Aramco entered into debt factoring arrangements in relation to certain intercompany receivables, repayable over a four-month period and on market terms. A total of SAR 3,285 was outstanding at December 31, 2020 (2019: nil).

(iii) Saudi Aramco has facilities with a number of banks for short-term borrowing, with each borrowing less than one year and which incur interest at market rates plus a margin.

(d) Export credit agencies

Saudi Aramco has facility agreements with a number of export credit agencies. The facilities are repayable in 23 to 28 installments on a semi-annual basis from November 18, 2008 to December 20, 2025. Commission is payable on amounts drawn and is calculated at a market rate plus a margin.

(e) Public Investment Fund

Saudi Aramco has facility agreements with the Saudi Public Investment Fund. The facilities are repayable in 14 to 28 installments on a semi-annual basis from November 18, 2008 to December 20, 2025. Commission is payable on amounts drawn and is calculated at a market rate plus a margin.

(f) Debentures

(i) On April 16, 2019, the Company issued five tranches of USD denominated unsecured notes aggregating equivalent to SAR 45,000 ($12,000) and consisting of three-year maturities for SAR 3,750 ($1,000) with a coupon rate of 2.75%, five-year maturities for SAR 7,500 ($2,000) with a coupon rate of 2.875%, 10-year maturities for SAR 11,250 ($3,000) with a coupon rate of 3.5%, 20-year maturities for SAR 11,250 ($3,000) with a coupon rate of 4.25%, and 30-year maturities for SAR 11,250 ($3,000) with a coupon rate of 4.375%. The notes were issued and sold in accordance with Rule 144A/Regulation S under the U.S. Securities Act of 1933, as amended. Interest is payable semi-annually in arrears on April 16 and October 16. The notes are listed on the London Stock Exchange's Regulated Market and the proceeds were for general corporate purposes. At initial recognition, the Company recorded an amount of SAR 44,460 ($11,856) for the issuance proceeds, net of discounts and estimated transaction costs.

On November 24, 2020, the Company issued a series of USD Senior Unsecured Notes under the same program, aggregating SAR 30,000 ($8,000) consisting of maturity dates of three years to 50 years paid at the end of the maturity date with coupon rate ranging from 1.25% to 3.50%. At initial recognition, the Company recorded an amount of SAR 29,625 ($7,900) for the issuance proceeds, net of discounts. Discounts and transaction costs are amortized using the effective interest method and are reflected as finance costs in the Consolidated Statement of Income.

(ii) Certain debentures denominated in USD are issued in capital markets. Interest rates are fixed and variable with maturities that range between 2027 and 2040.

(iii) Debentures denominated in Korean Won are issued in capital markets. Interest rates range from 1.65% to 3.53% with maturities beginning in 2021 through 2030.

(iv) In November 2020, SABIC issued a 10-year and 30-year USD denominated $500 bond each, equivalent to a total of SAR 3,750 ($1,000). These bonds are unsecured and carry coupon rates of 2.15% and 3.00% for those maturing in 10 and 30 years, respectively. Both bonds are issued in accordance with Regulation S offering requirements under the U.S. Securities Act of 1933, as amended. These bonds are listed on the Irish Stock Exchange (Euronext Dublin) and the 30-year bond is dual listed in Taipei Exchange in Taiwan. The proceeds were used for general propose and refinancing maturing debt.

(v) In October 2018, SABIC issued a five-year and a 10-year USD denominated $1,000 bond equivalent to a total of SAR 7,500 ($2,000). These bonds are unsecured and carry coupon rates of 4% and 4.5%, respectively. The bonds are issued in accordance with the Rule 144A/Reg S offering requirements under the U.S. Securities Act of 1933, as amended. The bonds are listed on the Irish Stock Exchange (Euronext Dublin) and the proceeds were used for refinancing maturing debt.

21. Borrowings continued

Shari'a compliant facilities

(a) Sukuk

A Sukuk is a financial instrument similar to a bond that complies with Islamic financing principles.

(i) On April 10, 2017, Saudi Aramco issued a Sukuk for SAR 11,250 at par value as part of a SAR 37,500 program. The Sukuk issuance provides a return based on Saudi Arabian Interbank Offered Rate ("SAIBOR") plus a pre-determined margin payable semi-annually on April 10 and October 10. The Sukuk matures on April 10, 2024. In accordance with the terms of the Sukuk, 51% of the proceeds from issuance are invested in Mudaraba assets and the remaining 49% are used in a Murabaha arrangement.

(ii) On October 9, 2011, Saudi Aramco issued a Sukuk for SAR 2,344 at par value with semi-annual payments from December 20, 2014 to December 20, 2025 that provides a rate of return above SAIBOR. The Sukuk was structured as Istisnah for pre-construction and Ijarah for post-construction of the project.

(b) Murabaha

Saudi Aramco has a Murabaha Shari'a compliant Islamic facilities. The facilities are repayable in 10 to 44 installments on a semi-annual basis payments between 2008 and 2030. Commission is payable on amounts drawn and is calculated at a market rate plus a margin.

(c) Saudi Industrial Development Fund

Saudi Aramco has facility agreements with the Saudi Industrial Development Fund. The facilities bear no periodic financial charges and borrowings are repayable in 14 to 34 installments on a semi-annual basis, commencing from 2008 to 2030.

(d) Ijarah/Procurement

Saudi Aramco had Procurement and Ijarah Shari'a compliant Islamic facility agreements with a number of banks. The facilities were repayable in seven to 28 installments on a semi-annual basis, commencing November 18, 2008 to June 20, 2029. In 2019, Saudi Aramco refinanced the balance of the procurement facility with an Ijarah Shari'a compliant facility to be repayable on a semi-annual basis starting June 20, 2026. Commission is payable on amounts drawn that are primarily calculated at a market rate plus a margin.

(e) Wakala

Saudi Aramco has Shari'a compliant Islamic facility agreements with three lenders. The facilities utilize a Wakala financing structure which is an agency arrangement.

In 2020, Saudi Aramco entered into a new Wakala facility with semi-annual payment terms commencing from 2020 to 2036. Commission is payable on amounts drawn that are primarily calculated at a market rate.

In 2019, Saudi Aramco refinanced the Wakala Shari'a compliant Islamic facilities. The facilities were repayable in 23 unequal installments on a semi-annual basis commencing December 20, 2014 to December 20, 2025. In 2019, Saudi Aramco refinanced the balance of the facility to be repayable in seven unequal installments on a semi-annual basis starting June 20, 2026 to June 20, 2029. Commission is payable on amounts drawn that are primarily calculated at a market rate plus a margin starting June 20, 2020.

At the Consolidated Balance Sheet date, the carrying values of Saudi Aramco's borrowings approximate their fair values.

All amounts in millions of Saudi Riyals unless otherwise stated

21. Borrowings continued

The carrying amounts of borrowings, excluding lease liabilities and deferred consideration, at December 31 are as follows:

	2020	2019
Conventional facilities:		
Revolving credit facilities	**6,830**	2,861
Commercial and other	**34,478**	32,564
Short-term borrowings	**53,255**	9,799
Export credit agencies	**4,560**	3,743
Public Investment Fund (Note 30(b))	**3,656**	2,880
Debentures	**104,425**	60,957
Other	**3,323**	3,296
Shari'a compliant facilities:		
Sukuk	**12,651**	12,824
Murabaha	**15,379**	1,085
Saudi Industrial Development Fund (Note 30(b))	**3,855**	2,486
Ijarah/Procurement	**3,360**	1,811
Wakala	**863**	345
	246,635	134,651

Movements in unamortized transaction costs are as follows:

	2020	2019
January 1	**968**	461
Additional transaction costs incurred	**1,170**	769
Less: amortization	**(353)**	(262)
December 31	**1,785**	968

Lease liabilities

Covenants of certain long-term financing facilities require Saudi Aramco to maintain defined financial and other conditions. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. The lessor has ownership of the assets during the term of the contract and is responsible for the operation, insurance and maintenance of the assets until termination of the underlying agreements. For certain leases, the lessor shall transfer its rights, title and interest in the assets to the lessee on the last day of the agreements; for others, there are no further obligations on completion of agreements. Performance guarantees are provided by the lessor under the terms of the agreements.

The total cash outflow for leases for the year ended December 31, 2020 was SAR 10,868 (2019: SAR 7,740). Expenses relating to short-term and low value leases were recognized in the Consolidated Statement of Income for the year ended December 31, 2020 and amounted to SAR 378 (2019: SAR 2,558) and SAR 278 (2019: SAR 540), respectively.

Maturities of borrowings and leases are as follows:

	No later than one year	**Later than one year and no later than five years**	**Later than five years**	**Total contractual amount**	**Total carrying amount**
2020					
Borrowings	**101,505**	**244,553**	**242,929**	**588,987**	**482,502**
Leases	**11,228**	**26,051**	**23,854**	**61,133**	**53,575**
	112,733	**270,604**	**266,783**	**650,120**	**536,077**
2019					
Borrowings	8,165	51,383	104,202	163,750	134,651
Leases	8,405	21,867	30,067	60,339	40,934
	16,570	73,250	134,269	224,089	175,585

All amounts in millions of Saudi Riyals unless otherwise stated

21. Borrowings continued

The movement of borrowings is as follows:

	Long-term borrowings	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
January 1, 2019	65,086	23,174	13,058	101,318
Cash flows	13,998	(11,660)	(7,740)	(5,402)
Debentures	44,460	–	–	44,460
Non-cash changes:				
Acquisitions (Note 35)	–	–	94	94
Lease liabilities on adoption of IFRS 16	–	–	26,051	26,051
Lease additions	–	–	9,670	9,670
Foreign exchange adjustment	(454)	27	8	(419)
Accretion of liabilities and others	(1,099)	1,119	(207)	(187)
December 31, 2019	121,991	12,660	40,934	175,585
Cash flows	**(37,504)**	**46,084**	**(10,868)**	**(2,288)**
Debentures	**36,815**	**–**	**–**	**36,815**
Non-cash changes:				
Deferred Consideration	**259,125**	**–**	**–**	**259,125**
Acquisition (Note 4)	**37,592**	**1,179**	**6,552**	**45,323**
Lease additions	**–**	**–**	**16,705**	**16,705**
Foreign exchange adjustment	**1,023**	**60**	**193**	**1,276**
Accretion of liabilities and others	**3,375**	**102**	**59**	**3,536**
December 31, 2020	**422,417**	**60,085**	**53,575**	**536,077**

22. Post-employment benefit obligations

Saudi Aramco sponsors or participates in several funded and unfunded defined benefit pension plans and other post-employment benefit plans that provide pension, severance, death, medical and/or other benefits to substantially all of its employees primarily in Saudi Arabia. The majority of the defined benefit plans for Saudi Arabia based employees are governed under the Kingdom of Saudi Arabia labor law, applicable benefit plan laws of the USA, and/or Company policies. Benefits to employees of group companies are provided based on local regulations and practices of the respective jurisdiction.

Retirement benefits for defined benefit pension plans are paid, primarily, in the form of lump sum payments upon retirement based on final salary and length of service. Other post-employment benefits such as medical are used to cover retired employees and eligible dependents of retirees for medical services in line with the plan policy documents.

At December 31, the net liability recognized for employee defined benefit plans in the Consolidated Balance Sheet is as follows:

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

All amounts in millions of Saudi Riyals unless otherwise stated

22. Post-employment benefit obligations continued

The status of Saudi Aramco's pension and other post-employment defined benefit plans is as follows:

	Pension benefits		Other benefits	
	2020	2019	**2020**	2019
Net benefit obligation by funding:				
Present value of funded obligations	**84,998**	59,824	**114,289**	87,090
Fair value of plan assets	**(78,328)**	(67,156)	**(82,629)**	(73,136)
Benefit deficit (surplus)	**6,670**	(7,332)	**31,660**	13,954
Present value of unfunded obligations	**5,497**	5,732	**10,380**	8,820
Net benefit liability (asset)	**12,167**	(1,600)	**42,040**	22,774
Change in benefit obligations:				
Benefit obligations, January 1	**65,556**	57,296	**95,910**	85,047
Current service cost	**3,799**	3,004	**2,576**	1,924
Interest cost	**2,254**	2,453	**3,458**	3,720
Past service (credit) cost	**(465)**	(8)	**2,340**	–
Remeasurement	**8,243**	6,481	**21,480**	6,754
Plan participants' contribution	**75**	105	**–**	–
Benefits paid	**(8,134)**	(3,563)	**(1,886)**	(1,804)
Settlements	**(386)**	(274)	**–**	–
Acquisitions (Notes 4, 35)	**19,651**	131	**975**	94
Foreign currency translation and other	**(98)**	(69)	**(184)**	175
Benefit obligations, December 31	**90,495**	65,556	**124,669**	95,910
Change in plan assets:				
Fair value of plan assets January 1	**(67,156)**	(58,376)	**(73,136)**	(60,758)
Interest income	**(2,018)**	(2,475)	**(2,438)**	(2,696)
Remeasurement	**(6,214)**	(6,604)	**(7,148)**	(9,785)
Employer contributions	**(7,406)**	(3,480)	**(1,793)**	(1,699)
Benefits paid	**8,134**	3,563	**1,886**	1,804
Settlements	**386**	274	**–**	–
Acquisitions (Notes 4, 35)	**(4,077)**	(56)	**–**	–
Foreign currency translation and other	**23**	(2)	**–**	(2)
Fair value of plan assets, December 31	**(78,328)**	(67,156)	**(82,629)**	(73,136)
Net benefit liability (asset) at December 31	**12,167**	(1,600)	**42,040**	22,774

The weighted average duration of the pension benefit obligations is 13 years at December 31, 2020 and December 31, 2019.
The weighted average duration of the other benefit obligations is 21 years at December 31, 2020 and December 31, 2019.

All amounts in millions of Saudi Riyals unless otherwise stated

22. Post-employment benefit obligations continued

The components of net defined benefit cost, before tax, are primarily recognized in producing and manufacturing, and selling, administrative and general expenses in the Consolidated Statement of Income. Remeasurements are included in the Consolidated Statement of Comprehensive Income. Net defined benefit cost and remeasurements for the years ended December 31 are as follows:

	Pension benefits		Other benefits	
	2020	2019	**2020**	2019
Amounts recognized in net income:				
Current service cost	**3,799**	3,004	**2,576**	1,924
Past service (credit) cost	**(465)**	(8)	**2,340**	–
Net interest cost (income)	**236**	(22)	**1,020**	1,024
Other	**(8)**	19	**(15)**	98
	3,562	2,993	**5,921**	3,046
Amounts recognized in other comprehensive income:				
Losses from changes in demographic assumptions	**729**	35	**496**	154
Losses from changes in financial assumptions	**7,728**	6,544	**13,203**	14,633
(Gains) losses from changes in experience adjustments	**(214)**	(98)	**7,781**	(8,033)
Returns on plan assets (excluding interest income)	**(6,214)**	(6,604)	**(7,148)**	(9,785)
	2,029	(123)	**14,332**	(3,031)
Net defined benefit loss before income taxes	**5,591**	2,870	**20,253**	15

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions, based in part on market conditions. Any changes in these assumptions will impact the carrying amount of the defined benefit obligations.

The significant assumptions used to determine the present value of the defined benefit obligations for the years ended December 31 are as follows:

	Pension benefits		Other benefits	
	2020	2019	**2020**	2019
Discount rate	**2.6%**	3.2%	**3.0%**	3.6%
Salary growth rate	**4.8%**	5.5%	**–**	–
Annual average medical claim cost, in whole SAR			**26,003**	22,110
Health care participation rate			**90.0%**	90.0%
Assumed health care trend rates:				
Cost-trend rate			**5.0%**	6.0%
Rate to which cost-trend is to decline			**5.0%**	5.0%
Year that the rate reaches the ultimate rate			**2021**	2021

All the above assumptions are reviewed and updated as necessary as part of the periodic actuarial valuation of the defined benefit obligations.

Saudi Aramco determines the discount rate used to calculate the present value of estimated future cash outflows expected to be required to settle the post-employment benefit plan obligations. In determining the appropriate discount rate, Saudi Aramco considers the interest rates of high-quality corporate bonds in the USA that have terms to maturity approximating the terms of the related defined benefit obligation.

Mortality assumptions are reviewed regularly and set based on actuarial advice in accordance with best practice and statistics, adjusted to reflect the experience and improvements to longevity. Relevant life expectancies are as follows:

	Saudi Plans		US Plans	
Life expectancy at age:	**Male**	Female	**Male**	Female
50	**31.6**	34.7	**33.8**	35.7
60	**23.0**	25.7	**24.7**	26.5
60 (currently aged 40)	**23.0**	25.7	**26.4**	28.1

All amounts in millions of Saudi Riyals unless otherwise stated

22. Post-employment benefit obligations continued

The salary growth rate assumption is based on a study of recent years' salary experience and reflects management's outlook for future increases. The annual average medical claim cost assumption is based on medical costs incurred in external medical providers, on behalf of the Company's employees and retirees. The health care participation rate considers the historical participation rate, amongst others, derived from the best available historical data. The assumed health care cost-trend rates reflect Saudi Aramco's historical experience and management's expectations regarding future trends.

The sensitivity of the overall defined benefit obligations to changes in the principal assumptions, keeping all other assumptions constant, is presented below. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation from one another.

	Change in assumption	Impact on obligation	**2020**	2019
Ultimate health care cost-trend rates	Increase by 0.5%	Increase by	**13,485**	9,926
	Decrease by 0.5%	Decrease by	**(11,726)**	(8,659)
Discount rate - other benefits	Increase by 0.5%	Decrease by	**(12,311)**	(9,195)
	Decrease by 0.5%	Increase by	**14,359**	10,669
Discount rate - pension benefits	Increase by 0.5%	Decrease by	**(6,146)**	(3,889)
	Decrease by 0.5%	Increase by	**6,818**	4,331
Salary growth rate	Increase by 0.5%	Increase by	**2,974**	1,890
	Decrease by 0.5%	Decrease by	**(3,364)**	(2,201)
Annual average medical claim cost	Increase by 5%	Increase by	**5,903**	4,463
	Decrease by 5%	Decrease by	**(5,903)**	(4,463)
Life expectancy	Increase by 1 year	Increase by	**5,880**	4,245
	Decrease by 1 year	Decrease by	**(5,914)**	(4,234)
Health care participation rate	Increase by 5%	Increase by	**1,823**	1,706
	Decrease by 5%	Decrease by	**(1,875)**	(1,751)

Plan assets consisted of the following:

	2020	2019
Cash	**5,816**	2,670
Time deposits	**8**	–
Equity instruments	**41,710**	39,199
Investment funds	**61,947**	48,845
Bonds	**50,516**	48,202
Sukuk (Shari'a compliant)	**960**	1,376
	160,957	140,292

Plan assets are administered under the oversight of the Company or one of its subsidiaries and managed by independent trustees or separate entities, in a manner consistent with fiduciary obligations and principles, acting in the best interest of plan participants. The objectives of the plans are to maximize investment returns consistent with prudent risk over a long-term investment horizon in order to secure retiree benefits and minimize corporate funding. All plan assets are held separately, solely to pay retiree benefits. Saudi Aramco has no rights to plan assets. Funded Saudi Plans have the right to transfer assets held in excess of the plan's defined benefit obligation to another funded Saudi plan. The right to transfer such assets is solely in respect of amounts held in excess of the plan's defined benefit obligations and solely to Plans with defined benefit obligations exceeding the value of assets held.

Through its post-employment benefit plans, Saudi Aramco is exposed to a number of risks including asset volatility, changes in bond yields, inflation and life expectancy. Investment risk is minimized through diversification of investments among fixed income, equity, and alternative asset classes. Asset allocation is determined by an asset liability modeling study. The target asset allocation is, approximately, 36% (2019: 38%) equity instruments, 31% (2019: 32%) debt instruments, and 33% (2019: 30%) alternative assets. Inflation risk is partially offset by equities inflation and life expectancy risk is borne by Saudi Aramco.

All amounts in millions of Saudi Riyals unless otherwise stated

22. Post-employment benefit obligations continued

Plan assets include transferrable securities with a fair value of SAR 1,307 (2019: SAR 806) in the Company and its affiliated entities.

Employer contributions to defined benefit plans are estimated to be SAR 6,583 in 2021. While the Saudi plans are generally not governed by regulatory minimum funding requirements, the funding objective is to reach full funding of the larger plans only. Saudi Aramco pays annual contributions equal to the cost of accrual on a Board approved cash funding basis. Asset outperformance is expected to meet the shortfall between assets and the assessed liabilities within a reasonable period. Funding for the U.S. plans sponsored by Aramco Shared Benefit Company, (a wholly owned subsidiary of the Company) is recommended by the actuary in order to meet Saudi Aramco's funding strategy to meet benefit plan expenses using applicable U.S. plan funding rules. Other plans follow local regulation or contractual obligations to meet minimum funding requirements.

In addition to the above plans, Saudi Aramco maintains or participates in defined contribution plans for which Saudi Aramco's legal or constructive obligation for these plans is limited to the contributions. The costs of the defined contribution plans, which are included principally within producing and manufacturing, and selling, administrative and general expenses in the Consolidated Statement of Income, are SAR 1,372 and SAR 1,028 for the years ended December 31, 2020 and 2019, respectively (Note 27).

23. Provisions and other liabilities

	Asset retirement	Environmental	Other	Total
January 1, 2019	13,707	849	1,050	15,606
Revision to estimate	(748)	45	(154)	(857)
Additional provisions	392	106	467	965
Unwinding of discounting (Note 21)	412	28	–	440
Amounts charged against provisions	(47)	(91)	(31)	(169)
December 31, 2019	13,716	937	1,332	15,985
Acquisition	**–**	**–**	**5,093**	**5,093**
Revision to estimate	**2,485**	**45**	**194**	**2,724**
Additional provisions	**744**	**83**	**544**	**1,371**
Unwinding of discounting (Note 21)	**411**	**23**	**5**	**439**
Amounts charged against provisions	**(17)**	**(148)**	**(239)**	**(404)**
December 31, 2020	**17,339**	**940**	**6,929**	**25,208**

These provisions consist primarily of asset retirement provisions for the future plugging and abandonment of oil and natural gas wells and the decommissioning of certain Downstream assets. The environmental provision is for the remediation of ground water and soil contamination. Payments to settle these provisions will occur on an ongoing basis and will continue over the lives of the operating assets, which can exceed 50 years for the time when it is necessary to abandon oil and natural gas wells. The amount and timing of settlement in respect of these provisions are uncertain and dependent on various factors that are not always within management's control. Other includes non-current payables, financial liability against options, provisions and other obligations.

24. Trade and other payables

	2020	2019
Trade payables	**36,595**	38,629
Accrued materials and services	**36,726**	24,544
Amounts due to related parties (Note 30(b))	**9,540**	7,587
Other accruals	**10,879**	7,471
	93,740	78,231

All amounts in millions of Saudi Riyals unless otherwise stated

25. Revenue

	2020	2019
Revenue from contracts with customers	**771,246**	1,096,444
Movement between provisional and final prices	**(7,344)**	5,650
Other revenue	**4,207**	3,602
	768,109	1,105,696
Other revenue:		
Services provided to:		
Government, semi-Government and other entities with Government ownership or control (Note 30(a))	**953**	1,058
Third parties	**675**	510
Joint ventures and associates (Note 30(a))	**825**	266
Freight	**431**	161
Other	**1,323**	1,607
	4,207	3,602

Revenue from contracts with customers is measured at a transaction price agreed under the contract and the payment is due within 10 to 120 days from the invoice date depending on specific terms of the contract.

Transaction prices are not adjusted for the time value of money, as Saudi Aramco does not have any contracts where the period between the transfer of product to the customer and payment by the customer exceeds one year.

Disaggregation of revenue from contracts with customers
Saudi Aramco's revenue from contracts with customers according to product type and source is as follows:

	2020			
	Upstream	**Downstream**	**Corporate**	**Total**
Crude oil	**377,094**	**31,400**	**–**	**408,494**
Refined and chemical products	**–**	**314,066**	**–**	**314,066**
Natural gas and NGLs	**40,684**	**2,287**	**–**	**42,971**
Metal products	**–**	**5,715**	**–**	**5,715**
Revenue from contracts with customers	**417,778**	**353,468**	**–**	**771,246**
Movement between provisional and final prices	**(7,286)**	**(58)**	**–**	**(7,344)**
Other revenue	**464**	**2,377**	**1,366**	**4,207**
External revenue	**410,956**	**355,787**	**1,366**	**768,109**

	2019			
	Upstream	Downstream	Corporate	Total
Crude oil	645,499	22,049	–	667,548
Refined and chemical products	–	369,478	–	369,478
Natural gas and NGLs	57,649	1,769	–	59,418
Revenue from contracts with customers	703,148	393,296	–	1,096,444
Movement between provisional and final prices	5,405	245	–	5,650
Other revenue	697	1,558	1,347	3,602
External revenue	709,250	395,099	1,347	1,105,696

Revenue from contracts with customers includes local sales at Kingdom regulated prices as follows:

	2020	2019
Crude oil	**2,749**	2,745
Refined and chemical products	**44,620**	56,777
Natural gas and NGLs	**11,810**	15,341
	59,179	74,863

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26. Purchases

	2020	2019
Refined and chemical products	**122,011**	151,115
Crude oil	**47,911**	67,732
NGL and other products	**11,194**	6,323
	181,116	225,170

Purchases primarily consist of refined products, chemicals, crude oil and NGL purchased from third parties for use in Downstream operations and to meet demand for products in the Kingdom when it exceeds Saudi Aramco's production of the relevant product. Saudi Aramco also purchases products from third parties in certain markets where it is more cost effective compared to procuring them from other business units.

27. Employee benefit expense

	2020	2019
Salaries and wages	**37,396**	32,528
Social security costs	**2,426**	1,967
Post-retirement benefits (Note 22):		
Defined benefit plans	**9,483**	6,039
Defined contribution plans	**1,372**	1,028
Share-based compensation (Note 18)	**587**	33
	51,264	41,595

28. Finance and other income

	2020	2019
Interest income on time deposits and loans receivable	**1,817**	5,359
Investment income	**954**	175
Gain on remeasurement of existing interest in equity investments (Note 35)	**–**	1,278
Dividend income from investments in securities	**382**	509
Gain on derivative transactions and others	**29**	30
	3,182	7,351

29. Payments to the Government by Saudi Arabian Oil Company

	2020	2019
Income taxes (Note 9(c))	**72,582**	149,780
Royalties	**82,958**	170,256
Dividends	**257,246**	274,388

All amounts in millions of Saudi Riyals unless otherwise stated

30. Related party transactions

(a) Transactions

	2020	2019
Joint ventures:		
Revenue from sales	**14,393**	7,485
Other revenue (Note 25)	**72**	83
Interest income	**98**	30
Purchases	**8,719**	544
Service expenses	**11**	19
Associates:		
Revenue from sales	**32,580**	36,866
Other revenue (Note 25)	**753**	183
Interest income	**120**	165
Purchases	**28,451**	36,960
Service expenses	**199**	188
Government, semi-Government and other entities with Government ownership or control:		
Revenue from sales	**24,866**	45,079
Other income related to sales	**93,982**	131,089
Other revenue (Note 25)	**953**	1,058
Purchases	**10,384**	11,606
Service expenses	**454**	409
Acquisition of treasury shares (Note 17)	**–**	3,750
Sale of partial interest in joint venture	**–**	14

Goods are purchased and sold according to supply agreements in force. Note 34 includes additional information on loans to joint ventures and associates.

(b) Balances

	2020	2019
Joint ventures:		
Other assets and receivables (Note 10)	**6,368**	1,609
Trade receivables	**3,210**	836
Interest receivable	**128**	30
Trade and other payables (Note 24)	**3,986**	15
Associates:		
Other assets and receivables (Note 10)	**7,395**	3,326
Trade receivables	**8,415**	8,715
Trade and other payables (Note 24)	**3,784**	4,553
Government, semi-Government and other entities with Government ownership or control:		
Other assets and receivables (Note 10)	**540**	–
Trade receivables	**1,429**	5,985
Due from the Government (Note 14)	**28,895**	36,781
Trade and other payables (Note 24)	**1,770**	3,019
Borrowings (Note 21)	**243,378**	5,366

Sales to and receivables from Government, semi-Government and other entities with Government ownership or control are made on specific terms within the relevant regulatory framework in the Kingdom.

All amounts in millions of Saudi Riyals unless otherwise stated

30. Related party transactions continued

(c) Compensation of key management personnel

Key management personnel of Saudi Aramco included directors and senior executive management. The compensation paid or payable to key management for services is shown below:

	2020	2019
Short-term employee benefits	**59**	63
Post-employment benefits	**29**	31
Other long-term benefits	**23**	7
Termination benefits	**17**	–
	128	101

(d) Other transactions with key management personnel

Other than as set out in Note 30(c), there were no reportable transactions between Saudi Aramco and members of key management personnel and their close family members during the year ended December 31, 2020 (2019: nil).

31. Derivative instruments and hedging activities

Saudi Aramco uses interest rate swap contracts to manage exposure to interest rate risk resulting from borrowings. These hedges are designated as cash flow hedges. Saudi Aramco also engages in hedging activities through the use of currency forward contracts in relation to firm commitments under procurement contracts and transactions for foreign currency payrolls. These hedges are designated as fair value hedges. Further, Saudi Aramco uses short-term commodity swap contracts to manage exposure to price fluctuations.

The notional amounts of currency forward contracts and interest rate swap contracts designated as hedging instruments and outstanding commodity swap contracts are as follows:

	2020	2019
Interest rate swaps	**12,075**	12,911
Commodity swap contracts	**19,894**	17,370
Currency forward contracts	**9,780**	8,452
	41,749	38,733

32. Non-cash investing and financing activities

Investing and financing activities during 2020 include the acquisition of SABIC for deferred consideration of SAR 259,125 (Note 4), additions to right-of-use assets of SAR 16,278 (2019: SAR 9,670), subordinated shareholder loans and trade receivables with a joint venture that were converted to equity of nil and nil (2019: SAR 1,706 and SAR 1,098), respectively, asset retirement provisions of SAR 2,786 (2019: SAR 50) and equity awards issued to employees for no consideration (Note 18) (2019: nil).

33. Commitments

(a) Capital commitments

Capital expenditures contracted for but not yet incurred were SAR 153,326 and SAR 154,181 at December 31, 2020 and 2019, respectively. In addition, leases contracted for but not yet commenced were SAR 7,990 and SAR 7,467 at December 31, 2020 and 2019, respectively.

(b) Sadara

In March 2020, Saudi Aramco and Dow Chemical Company equally committed to comply with the Ministry of Energy feedstock agreement to support the development of Chemical Value Parks in the Kingdom with an amount of SAR 375. The first payment of SAR 38 will be deposited within one month from the date of supplying Sadara with additional ethane. The remaining funds will be deposited over nine years at SAR 38 annually. Saudi Aramco's commitment of SAR 188 is outstanding at December 31, 2020.

33. Commitments continued

(c) IMIC

In 2017, Saudi Aramco Development Company ("SADCO"), a wholly owned subsidiary of the Company, and Lamprell plc ("Lamprell"), Bahri and Korea Shipbuilding Offshore Engineering ("KSOE"), formerly known as Hyundai Heavy Industries, formed a company, IMIC, in which SADCO owns 50.1%, Lamprell owns 20%, Bahri owns 19.9% and KSOE owns 10%. The principal activities of IMIC are the development, operation, and maintenance of a maritime yard under construction by the Government, as well as, the design, manufacture, maintenance and repair of ships and rigs. The maritime yard will be divided into four main zones and completion of the construction of the individual zones will vary but is expected to be partially completed and operational by 2021. SADCO has committed to fund IMIC up to SAR 1,315 through equity contributions. At December 31, 2020, SAR 638 (2019: SAR 555) has been drawn down by IMIC.

(d) Saudi Aramco Rowan Offshore Drilling Company ("ARO Drilling")

In 2017, SADCO and Rowan Rex Limited formed a company, ARO Drilling (Note 38), to provide offshore drilling services to the Company. In 2018, Mukamala Oil Field Services Limited ("MOFSL") was incorporated as a subsidiary of SADCO and all the investment and related commitments of ARO Drilling were transferred to MOFSL by way of a Novation Agreement. MOFSL has committed to invest SAR 2,719 through equity and shareholder loans, of which SAR 2,453 (2019: SAR 2,453) has been drawn down at December 31, 2020.

(e) Saudi Aramco Nabors Drilling Company ("SANAD")

In 2017, SADCO and Nabors International Netherlands BV formed a company, SANAD (Note 38), to provide onshore drilling services to the Company. In 2018, MOFSL was incorporated as a subsidiary of SADCO and all of SADCO's investments and related commitments in and to ARO Drilling were transferred to MOFSL by way of a Novation Agreement. Saudi Aramco has committed to lease 50 onshore rigs over a ten-year period beginning in 2021 for an estimated value of SAR 24,263. In addition, Saudi Aramco has committed to award drilling contracts for an estimated value of SAR 52,489 for up to 20 new build offshore rigs to be purchased by ARO Drilling over a 10-year period.

(f) Arabian Rig Manufacturing Company (''ARM'')

In June 2018, SADCO and NOV Downhole Eurasia Limited formed a company, ARM, to provide onshore land drilling manufacturing, equipment and services to SANAD and the Middle East and North Africa region. Saudi Aramco committed to invest SAR 225, of which, SAR 53 is invested at December 31, 2020 (2019: SAR 9). In addition, SADCO has guaranteed the purchase of 50 onshore rigs over a 12-year period beginning in 2021 for an estimated value of SAR 6,741, and has the option to cancel the onshore rig orders for a maximum financial exposure of SAR 1,358.

(g) Other

(i) In order to comply with past Government directives, the Company expects to sell portions of its equity in Saudi Aramco Total Refining and Petrochemical Company and Yanbu Aramco Sinopec Refining Company Ltd. (Note 39) through a public offering of shares in Saudi Arabia. Also in order to comply with a past Government directive, Excellent Performance Chemical Company ("EPCC"), a wholly owned subsidiary of the Company, expects to sell portions of its equity in Sadara (Note 34(a)) through a public offering of shares in Saudi Arabia.

(ii) Saudi Aramco is committed to comply with the Government directive to guarantee that Saudi Aramco Total Refining and Petrochemical Company and Yanbu Aramco Sinopec Refining Company Ltd. shall spend a total of SAR 750 over a 10-year period ending December 31, 2025 on social responsibility programs. At December 31, 2020, SAR 446 (2019: SAR 461) remains to be spent.

(iii) Saudi Aramco has commitments of SAR 328 (2019: SAR 384) to invest in private equity investments both inside and outside the Kingdom. Such commitments can be called on demand.

(iv) Saudi Aramco has commitments of SAR 55 (2019: SAR 58) to fund additional loans and acquire additional unlisted equity investments of certain small to mid-sized enterprises in the Kingdom. The commitments can be called by the enterprises upon meeting certain conditions.

34. Contingencies

Saudi Aramco has contingent assets and liabilities with respect to certain disputed matters, including claims by and against contractors and lawsuits and arbitrations involving a variety of issues. These contingencies arise in the ordinary course of business. It is not anticipated that any material adjustments will result from these contingencies.

Saudi Aramco also has bank guarantees with respect to the acquisition of a subsidiary (Note 4) amounting to SAR 2,867 as of December 31, 2020 arising in the ordinary course of business.

Saudi Aramco also has contingent liabilities with respect to the following:

(a) Sadara

In 2011, EPCC and Dow Saudi Arabia Holding B.V. (together to be referred to as the "Founding Shareholders") signed a shareholder agreement with a term of 99 years to construct and operate a fully-integrated chemicals complex at Jubail II Industrial City in Saudi Arabia ("the Project"). Shortly thereafter, the Founding Shareholders formed Sadara to execute the Project. In May 2019, Saudi Aramco committed to increase the total financing facility provided to Sadara from SAR 25,125 to SAR 32,035. As of December 31, 2020, SAR 30,678 (2019: SAR 28,362) has been drawn down.

In 2013, Sadara entered into definitive agreements with certain export credit agencies and commercial banks for approximately SAR 39,505 of project financing. In 2013, Sadara also conducted a project Sukuk issuance in Saudi Arabia for approximately SAR 7,500 with a final maturity in December 2028. Saudi Aramco previously provided guarantees of 65% of the senior debt (including Sukuk) amounts owed by Sadara to its senior creditors. Sadara achieved project completion on November 23, 2020, which triggered the automatic termination of these guarantees. As part of project completion, Saudi Aramco, on a several basis, provided a guarantee for the funding of 65% of the debt service reserve account (DSRA) balance required by the senior creditors to cover Sadara's semi-annual scheduled senior debt principal and interest payments. Saudi Aramco's guarantee amounts to approximately SAR 1,410 on a semi-annual basis. The DSRA guarantee terminates on the earliest of the final repayment date, a payment made under the DSRA guarantee, and a written release from the senior creditors' security agent.

With respect to Sadara's fuel and feed-stock allocation, Saudi Aramco has provided two letters of credit to the Ministry of Energy for SAR 169 and SAR 225 to construct epoxy plants and for the development of projects to support conversion industries in the Kingdom.

(b) Petro Rabigh

In March 2015, the two founding shareholders of Petro Rabigh, the Company and Sumitomo Chemical Co. Ltd., concluded external long-term debt financing arrangements ("Rabigh II Financing") with lenders on behalf of Petro Rabigh for the Rabigh II Project ("the Project") for which the two shareholders provided guarantees for their equal share of the Rabigh II Financing. On September 30, 2020, project completion under the Rabigh II Financing was successfully achieved. As a result, the guarantees provided of SAR 17,093 were released. Concurrently, a Debt Service Undertaking ("DSU") was provided by the two founding shareholders that covers shortfalls in scheduled (not accelerated) debt service under the Rabigh II Financing until at least 50% of the shareholder guaranteed SAR 11,250 equity bridge loans (the "EBLs") are repaid using share capital or shareholder-funded subordinated loans. The EBLs are due to be repaid on October 1, 2022. The amount utilized under the DSU as of December 31, 2020 was SAR 1,041 (Company's share SAR 521).

In addition, the two founding shareholders provided Petro Rabigh with shareholder funded revolving facilities (the "Shareholder Facilities") of up to SAR 7,500 with the Company's share being SAR 4,688. As of December 31, 2020, Petro Rabigh has utilized SAR 6,750 (the Company's share SAR 4,219). The Shareholder Facilities are scheduled to mature in September 2023, but provide for further tenor extensions, which are subject to certain conditions being met at that time.

All amounts in millions of Saudi Riyals unless otherwise stated

35. Investments in affiliates

(a) Investments in subsidiaries

(i) Saudi Aramco Shell Refinery Company

On September 18, 2019, the Company completed the acquisition of Shell Saudi Arabia Limited's 50% equity interest for cash consideration of SAR 2,366. As a result of this transaction, the Company has become the sole shareholder of the Saudi Aramco Jubail Refinery Company ("SASREF"). SASREF owns and operates a 305,000 barrel per day refinery that includes a hydrocracker unit, a visbreaker unit and a thermal gas-oil unit. Located in the Kingdom in Jubail, the refinery began commercial operations in 1986 and currently produces naphtha, high-sulfur fuel oil, jet fuel and diesel fuel. This acquisition is in line with Saudi Aramco's strategy of expanding its Downstream portfolio, and strengthening its capabilities across the energy value chain. On increasing its ownership, Saudi Aramco remeasured its investment to fair value and recognized a gain of SAR 1,278, which is reflected in the Consolidated Statement of Income within finance and other income for the year ended December 31, 2019.

The transaction was accounted for using the acquisition method of accounting, which requires the assets acquired and liabilities assumed to be recognized at their fair value as of the acquisition date. If the acquisition had occurred on January 1, 2019, the consolidated revenue of Saudi Aramco would have been an additional SAR 394 and net income would have been an additional SAR 47 for the year ended December 31, 2019. In determining these amounts, management has assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition occurred on the first day of the accounting period.

The fair values of identifiable assets and liabilities have been determined by management, assisted by an independent valuer, as part of the purchase price allocation process.

The following table summarizes the goodwill and fair values of SASREF's assets and liabilities acquired on September 18, 2019:

Cash and cash equivalents	**1,233**
Trade accounts receivable and other current assets	**3,938**
Inventories	**1,260**
Property, plant and equipment	**5,461**
Intangible assets	**57**
Other non-current assets	**385**
Trade and other payables	**(6,249)**
Accrued expenses and other current liabilities	**(866)**
Deferred tax liabilities	**(528)**
Employee benefit obligations	**(298)**
Lease liabilities	**(188)**
Total identifiable net assets and liabilities at fair value	**4,205**
Goodwill	**527**
Total consideration	**4,732**
Acquisition date fair value of previously held interest	**(2,366)**
Purchase consideration	**2,366**

Acquisition and transaction costs of nil and SAR 2 for the years ended December 31, 2020 and 2019 were expensed as selling, administrative and general in the Consolidated Statement of Income. The post-acquisition revenue of SAR 39 and net loss of SAR 925 is included in the Consolidated Statement of Comprehensive Income for the year ended December 31, 2019.

All amounts in millions of Saudi Riyals unless otherwise stated

35. Investments in affiliates continued

(ii) Investment in Motiva Chemicals LLC ("Motiva Chemicals")

On October 31, 2019, Motiva Enterprises LLC ("Motiva"), a wholly owned subsidiary of the Company, acquired 100% of the equity interest in Flint Hills Resources Port Arthur LLC which was immediately re-named as Motiva Chemicals. Motiva Chemicals was acquired for total cash consideration of SAR 7,090. Motiva Chemicals owns and operates a chemical plant located in Port Arthur, Texas, comprised of a mixed feed cracker, a cyclohexane unit, a benzene unit, NGL and ethylene pipelines and storage facilities. The acquisition extends Motiva's logistics capabilities, provides an early entry into petrochemicals and creates the opportunity to further improve planned chemicals projects.

The transaction was accounted for using the acquisition method of accounting, which requires the assets acquired and liabilities assumed to be recognized at their fair value as of the acquisition date. If the acquisition had occurred on January 1, 2019, the consolidated revenue of Saudi Aramco would have been an additional SAR 2,928 and net loss would have been an additional SAR 28 for the year ended December 31, 2019.

Saudi Aramco engaged an independent valuer in order to determine the fair value of the assets and liabilities of Motiva Chemicals. The fair values of the identifiable assets and liabilities of Motiva Chemicals as of the date of acquisition are as follows:

Cash and cash equivalents	**11**
Accounts receivable and other assets	**229**
Inventories	**266**
Property, plant and equipment	**6,263**
Intangible assets	**544**
Trade and other payables	**(184)**
Post-employment benefit obligations and provisions	**(39)**
Total identifiable net assets at fair value/purchase consideration	**7,090**

Acquisition and transaction costs of nil and SAR 13 were expensed as selling, administrative and general in the Consolidated Statement of Income for the year ended December 31, 2020 and 2019. The post-acquisition revenue of SAR 372 and net loss of SAR 151 is included in the Consolidated Statement of Comprehensive Income for the year ended December 31, 2019.

(b) Investments in joint ventures and associates

(i) Investment in Tas'helat Marketing Company ("TMC")

On June 17, 2019, Saudi Aramco Retail Company, a wholly owned subsidiary of the Company, and Total Marketing S.A., a subsidiary of Total S.A., each acquired a 50% interest in TMC for a total of SAR 770. TMC operates a network of 270 retail service stations under the "Sahel" brand name and 73 convenience stores across the Kingdom. The two partners, over the next several years, will invest SAR 2,800 in upgrading the existing retail facilities and rebranding an equal number of the retail service stations with the two partners' brand names.

The purchasers engaged an independent valuer in order to determine the fair value of the assets and liabilities of TMC as part of the purchase price allocation. The fair values of the identifiable assets and liabilities of TMC as of the date of acquisition are as follows:

Cash and cash equivalents	**26**
Accounts receivable and other assets	**328**
Inventories	**44**
Property, plant and equipment	**362**
Intangible assets	**78**
Trade and other payables	**(28)**
Borrowings	**(128)**
Post-employment benefit obligations and provisions	**(24)**
Other liabilities	**(286)**
Total identifiable net assets at fair value	**372**
Saudi Aramco's 50% share	**186**
Goodwill	**199**
Purchase consideration	**385**

Acquisition and transaction costs of nil and SAR 4 were expensed as selling, administrative, and general in the Consolidated Statement of Income for the year ended December 31, 2020 and 2019.

All amounts in millions of Saudi Riyals unless otherwise stated

35. Investments in affiliates continued

(ii) Hyundai Oilbank

On December 17, 2019, Aramco Overseas Company B.V. ("AOC"), a wholly owned subsidiary of the Company, acquired a 17% equity interest in Hyundai Oilbank, a subsidiary of Hyundai Heavy Industries Holdings, for SAR 4,414 with an option to acquire an additional 2.9% which can be exercised at any time before the earlier of five years or Hyundai Oilbank's IPO. Hyundai Oilbank is a private oil refining company in South Korea established in 1964. The business portfolio of Hyundai Oilbank and its subsidiaries includes oil refining, base oil, petrochemicals, and a network of gas stations. The investment in Hyundai Oilbank supports Saudi Aramco's Downstream growth strategy of expanding its global footprint in key markets in profitable integrated refining, chemicals and marketing businesses which enable Saudi Aramco to place crude oil and leverage its trading capabilities.

The carrying value of Hyundai Oilbank is recorded as an investment in associate (Note 8). Saudi Aramco engaged an independent valuer in order to determine the fair values of the assets and liabilities of Hyundai Oilbank. As a result of the independent valuer's concluded purchase price allocation report, the previously reported fair values of the identifiable investments in affiliates and intangible assets were updated. Accordingly, the fair values of the identifiable assets and liabilities of Hyundai Oilbank as of the date of acquisition are as follows:

Cash and cash equivalents	**1,541**
Trade and other receivables	**5,096**
Inventories	**8,074**
Other assets	**634**
Investments in affiliates	**6,769**
Property, plant and equipment	**26,100**
Intangible assets	**3,566**
Trade and other payables	**(9,491)**
Borrowings	**(12,604)**
Other liabilities	**(4,432)**
Total identifiable net assets at fair value	**25,253**
Hybrid securities	**(720)**
Non-controlling interest	**(3,045)**
Total identifiable net assets attributable to equity owners	**21,488**
Saudi Aramco's 17% share	**3,653**
Call option	**143**
Goodwill	**618**
Purchase consideration	**4,414**

(iii) Saudi Engines Manufacturing Company ("SEMC")

On May 19, 2019, Saudi Aramco Development Company ("SADCO"), a wholly owned subsidiary of the Company, Korea Shipbuilding Offshore Engineering ("KSOE"), and the Saudi Arabian Industrial Investments Company ("Dussur") concluded an agreement to establish an affiliate to form an engine manufacturing and aftersales facility in the Kingdom. The affiliate, Saudi Engines Manufacturing Company ("SEMC"), is a limited liability company and was formed on November 16, 2020 by SADCO, which owns 55% of the affiliate, and KSOE and Dussur own 30% and 15%, respectively. SADCO is a 25% shareholder of Dussur. The total investment in SEMC will be up to SAR 646, of which SADCO's share will be up to SAR 355.

(iv) Novel Non-Metallic Solutions Manufacturing ("Novel")

On October 22, 2020, SADCO and Baker Hughes Energy Technology UK Limited ("Baker Hughes") established an affiliate to create a multi sectorial nonmetallic investment platform in the Kingdom. The affiliate, Novel Non-Metallic Solutions Manufacturing ("Novel"), is a limited liability company and is owned 50% each by SADCO and Baker Hughes. The total investment in Novel will be up to SAR 400, of which SADCO's share will be up to SAR 200.

36. Dividends

Dividends declared and paid on ordinary shares are as follows:

			SAR per share	
	2020	2019	**2020**	2019
Quarter:				
March[1]	**50,227**	86,250	**0.25**	0.43
June[1]	**70,319**	87,713	**0.35**	0.44
September	**70,319**	50,212	**0.35**	0.25
December	**70,319**	50,213	**0.35**	0.25
Total dividends paid	**261,184**	274,388	**1.30**	1.37
Dividend declared in December 2019, paid in January 2020	**(35,475)**	35,475	**(0.18)**	0.18
Total dividends declared	**225,709**	309,863	**1.12**	1.55
Dividends declared on March 18, 2021 and March 12, 2020[2]	**70,331**	14,751	**0.35**	0.07

1. Dividends of SAR 50,227 paid in 2020 relate to 2019 results. Dividends of SAR 86,250 and SAR 37,500 paid in 2019 relate to 2018 results.
2. The consolidated financial statements do not reflect a dividend to shareholders of approximately SAR 70,331, which was approved in March 2021 (March 2020: SAR 14,751). This dividend will be deducted from unappropriated retained earnings in the year ending December 31, 2021. A total of SAR 281,288 in dividends were declared in 2020 and 2021 that relate to 2020 results (2019: SAR 200,864).

37. Earnings per share

The following table reflects the net income and number of shares used in the earnings per share calculations:

	2020	2019
Net income attributable to the ordinary shareholders of the Company	**184,926**	330,816
Weighted average number of ordinary shares (in millions) (Note 2(dd))	**199,884**	199,993
Earnings per share for net income attributable to the ordinary shareholders of the Company (in Saudi Riyal)	**0.93**	1.65

Potential ordinary shares during the year ended December 31, 2020 related to employees' share-based compensation in respect of the ELTIP and MLTIP (2019: Celebratory Grant) share plans that were awarded to the Company's eligible employees under those plan terms (Note 18). These share plans did not have a significant dilution effect on basic earnings per share for the year ended December 31, 2020 and 2019.

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2020[1,2]	Conventional financial liabilities as of December 31, 2020[2]	Interest income from conventional financial assets for the year ended December 31, 2020[2]
A. Wholly owned:					
4 Rivers Energy LLC	Retail fuel operations	USA	**–**	**–**	**–**
Aramco (Beijing) Venture Management Consultant Co. Ltd	Investment	People's Republic of China	**1**	**1**	**–**
Aramco Affiliated Services Company	Support services	USA	**1**	**–**	**–**
Aramco Asia India Private Limited	Purchasing and other services	India	**15**	**25**	**–**
Aramco Asia Japan K.K.	Purchasing and other services	Japan	**226**	**486**	**–**
Aramco Asia Korea Ltd.	Purchasing and other services	South Korea	**39**	**8**	**–**
Aramco Asia Singapore Pte. Ltd.	Purchasing and other services	Singapore	**23**	**48**	**–**
Aramco Associated Company	Aircraft operations	USA	**213**	**501**	**20**
Aramco Capital Company, LLC	Aircraft leasing	USA	**10**	**1**	**1**
Aramco Chemicals Company	Chemicals	Saudi Arabia	**799**	**518**	**2**
Aramco Far East (Beijing) Business Services Co., Ltd.	Petrochemical purchasing/ sales and other services	People's Republic of China	**490**	**122**	**6**
Aramco Financial Services Company	Financing	USA	**1**	**(1)**	**–**
Aramco Gulf Operations Company Ltd.	Production and sale of crude oil	Saudi Arabia	**752**	**1,155**	**1**
Aramco Innovations LLC	Research and commercialization	Russia	**12**	**2**	**–**
Aramco International Company Limited	Support services	British Virgin Islands	**–**	**–**	**–**
Aramco Lubricants and Retail Company (formerly: Saudi Aramco Retail Company)	Retail fuel marketing	Saudi Arabia	**37**	**–**	**–**
Aramco Overseas Company Azerbaijan	Support services	Azerbaijan	**–**	**(1)**	**–**
Aramco Overseas Company B.V.	Purchasing and other services	Netherlands	**3,623**	**2,059**	**60**
Aramco Overseas Company Spain, S.L.	Personnel and other support services	Spain	**–**	**–**	**–**
Aramco Overseas Company UK, Limited	Personnel and other support services	United Kingdom	**3**	**139**	**–**
Aramco Overseas Egypt LLC	Personnel and other support services	Egypt	**–**	**–**	**–**
Aramco Overseas Indonesia PT PMA ("AOI")	Project management support	Indonesia	**–**	**–**	**–**
Aramco Overseas Malaysia Sdn. Bhd	Personnel and other support services	Malaysia	**12**	**–**	**–**
Aramco Performance Materials LLC	Petrochemical manufacture and sales	USA	**10**	**6**	**–**
Aramco Services Company	Purchasing, engineering and other services	USA	**345**	**404**	**1**
Aramco Shared Benefits Company	Benefit administration	USA	**–**	**–**	**–**
Aramco Trading Company	Importing, exporting and trading of crude oil, refined and chemical products	Saudi Arabia	**6,882**	**3,280**	**70**
Aramco Trading Fujairah FZE	Importing/exporting refined products	UAE	**997**	**680**	**1**

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2020[1,2]	Conventional financial liabilities as of December 31, 2020[2]	Interest income from conventional financial assets for the year ended December 31, 2020[2]
Aramco Trading Limited	Importing/exporting refined products	United Kingdom	**3**	**944**	**(1)**
Aramco Trading Singapore PTE-LTD	Marketing and sales support	Singapore	**28**	**1,024**	**1**
Aramco Venture Management Consultant Company LLC ("AVM")	Consulting services	USA	**–**	**–**	**–**
Aramco Ventures Holdings Limited	Investment	Guernsey	**98**	**–**	**–**
Aramco Ventures Investments Limited	Investment	Guernsey	**75**	**–**	**–**
ARLANXEO Holding B.V.	Development, manufacture, and marketing of high-performance rubber	Netherlands	**412**	**2,888**	**12**
ARLANXEO Belgium N.V.		Belgium	**260**	**119**	**–**
ARLANXEO Branch Offices B.V.		Netherlands	**3**	**–**	**–**
ARLANXEO Brasil S.A.		Brazil	**182**	**218**	**5**
ARLANXEO Canada Inc.		Canada	**283**	**257**	**–**
ARLANXEO Deutschland GmbH		Germany	**375**	**338**	**–**
ARLANXEO Elastomères Frances S.A.S.		France	**65**	**125**	**–**
ARLANXEO Emulsion Rubber France S.A.S.		France	**(430)**	**173**	**–**
ARLANXEO High Performance Elastomers (Changzhou) Co., Ltd.		People's Republic of China	**(128)**	**319**	**–**
ARLANXEO India Private Limited		India	**1**	**–**	**–**
ARLANXEO Netherlands B.V.		Netherlands	**285**	**282**	**3**
ARLANXEO Singapore Pte. Ltd.		Singapore	**(405)**	**464**	**–**
ARLANXEO Switzerland S.A.		Switzerland	**25**	**63**	**–**
ARLANXEO USA LLC		USA	**135**	**263**	**2**
Petroflex Trading S.A.		Uruguay	**–**	**–**	**–**
Aurora Capital Holdings LLC	Real estate holdings	USA	**–**	**–**	**–**
Bolanter Corporation N.V.	Crude oil storage	Curaçao	**14**	**–**	**–**
Briar Rose Ventures LLC	Real estate holdings	USA	**–**	**–**	**–**
Canyon Lake Holdings LLC	Retail fuel operations	USA	**–**	**–**	**–**
Excellent Performance Chemicals Company	Petrochemical manufacture and sales	Saudi Arabia	**1**	**–**	**98**
Investment Management Company	Investment management of post-employment benefit plans	Saudi Arabia	**3**	**–**	**–**
Motiva Chemicals LLC	Petrochemical manufacture	USA	**36**	**72**	**–**
Motiva Enterprises LLC	Refining and marketing	USA	**1,882**	**18,474**	**20**
Motiva Pipeline LLC	Refining	USA	**–**	**–**	**–**
Motiva Trading LLC	Purchasing and sale of petroleum goods and other services	USA	**237**	**429**	**–**
Mukamala International Investments Company	Investment	Saudi Arabia	**–**	**–**	**–**
Mukamala Oil Field Services Limited Company	Oil field services	Saudi Arabia	**479**	**–**	**3**
Pandlewood Corporation N.V.	Financing	Curaçao	**6,583**	**2**	**46**
Pedernales Ventures II LLC ("PVII")	Investment	USA	**–**	**–**	**–**
Pedernales Ventures LLC	Retail fuel operations	USA	**111**	**–**	**–**
SAEV Europe Ltd.	Investment	United Kingdom	**4**	**2**	**–**

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2020[1,2]	Conventional financial liabilities as of December 31, 2020[2]	Interest income from conventional financial assets for the year ended December 31, 2020[2]
SAEV Guernsey 1 Ltd.	Investment	Guernsey	**147**	**–**	**–**
SAEV Guernsey Holdings Ltd.	Investment	Guernsey	**1,273**	**–**	**1**
Saudi Aramco Asia Company Ltd.	Investment	Saudi Arabia	**2,079**	**–**	**15**
Saudi Aramco Capital Company Limited	Investment	Guernsey	**–**	**–**	**–**
Saudi Aramco Development Company	Investment	Saudi Arabia	**536**	**–**	**1**
Saudi Aramco Energy Ventures – U.S. LLC	Investment	USA	**2**	**1**	**–**
Saudi Aramco Energy Ventures LLC	Investment	Saudi Arabia	**17**	**–**	**–**
Saudi Aramco Entrepreneurship Center Company Ltd.	Financing	Saudi Arabia	**151**	**4**	**5**
Saudi Aramco Entrepreneurship Venture Company, Ltd.	Investment	Saudi Arabia	**229**	**–**	**–**
Saudi Aramco Jubail Refinery Company	Refining	Saudi Arabia	**–**	**2,757**	**–**
Saudi Aramco Power Company	Power generation	Saudi Arabia	**6,197**	**3**	**16**
Saudi Aramco Sukuk Company	Investment	Saudi Arabia	**–**	**28**	**–**
Saudi Aramco Technologies	Research and commercialization	Saudi Arabia	**116**	**40**	**–**
Saudi Aramco Upstream Technology Company	Research and commercialization	Saudi Arabia	**10**	**–**	**–**
Saudi Petroleum International, Inc.	Marketing support services	USA	**40**	**47**	**–**
Saudi Petroleum Overseas, Ltd.	Marketing support and tanker services	United Kingdom	**52**	**37**	**–**
Saudi Petroleum, Ltd.	Marketing support and tanker services	British Virgin Islands	**38**	**–**	**–**
Saudi Refining, Inc.	Refining and marketing	USA	**277**	**62**	**1**
Stellar Insurance, Ltd.	Insurance	Bermuda	**9,854**	**990**	**619**
Vela International Marine Ltd.	Marine management and transportation	Liberia	**27,317**	**–**	**128**
Wisayah Global Investment Company	Financial support	Saudi Arabia	**202**	**21**	**1**
B. Unconsolidated structured entity					
Energy City Development Company ("SPARK")	Industrial development	Saudi Arabia	**–**	**–**	**–**
Energy City Operating Company ("SPARK")	Industrial development	Saudi Arabia	**–**	**–**	**–**
C. Non-wholly owned[4]					
49% Ownership of Aramco Training Services Company[3]	Training	USA	**1**	**–**	**–**
50% Ownership of ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.[3]	Development, manufacture, and marketing of high-performance rubber	People's Republic of China	**17**	**57**	**–**
80% Ownership of Johns Hopkins Aramco Healthcare Company	Healthcare	Saudi Arabia	**623**	**568**	**3**
70% Ownership of Saudi Aramco Base Oil Company – LUBEREF	Production and sale of petroleum based lubricants	Saudi Arabia	**510**	**2,766**	**2**
50% Ownership of Saudi Aramco Nabors Drilling Company[3]	Drilling	Saudi Arabia	**1,370**	**1,998**	**11**
50% Ownership of Saudi Aramco Rowan Offshore Drilling Company[3]	Drilling	Saudi Arabia	**891**	**2,168**	**25**
61.6% Ownership of S-Oil Corporation	Refining	South Korea	**3,930**	**31,471**	**39**
61.6% Ownership of S-Oil Singapore Pte. Ltd.	Marketing support	Singapore	**5**	**45**	**–**
61.6% Ownership of S-International Ltd.	Purchasing and sale of petroleum goods	The Independent State of Samoa	**4**	**–**	**–**

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2020[1,2]	Conventional financial liabilities as of December 31, 2020[2]	Interest income from conventional financial assets for the year ended December 31, 2020[2]
70% Ownership of Saudi Basic Industries Corporation ("SABIC")[5]	Holding	Saudi Arabia			
70% Ownership of SABIC Luxembourg S.àr.l. ("SLUX")	Holding	Luxembourg			
70% Ownership of SABIC Industrial Investments Company ("SIIC")	Holding	Saudi Arabia			
70% Ownership of Arabian Petrochemical Company ("PETROKEMYA")[7]	Toller	Saudi Arabia			
70% Ownership of Saudi Iron and Steel Company ("HADEED")	Metals	Saudi Arabia			
70% Ownership of SABIC Investment and Local Content Development Company ("NUSANED")	Investment	Saudi Arabia			
70% Ownership of SABIC Agri-Nutrients Investment Company ("SANIC")	Agri-Nutrients	Saudi Arabia			
70% Ownership of International Shipping and Transportation Co. ("ISTC")	Support services	Saudi Arabia			
70% Ownership of SABIC Supply Chain Services Limited Company ("SSCS")	Petrochemical	Saudi Arabia			
70% Ownership of Saudi Specialty chemicals company ("SP. CHEM")[7]	Petrochemical	Saudi Arabia			
70% Ownership of Saudi Organometallic Chemicals Company ("SOCC")[7]	Petrochemical	Saudi Arabia			
50% Ownership of National Chemical Fertiliser Company ("IBN AL-BAYTAR")[3]	Agri-Nutrients	Saudi Arabia			
49% Ownership of National Industrial Gases Company ("GAS")[3]	Toller	Saudi Arabia			
36.4% Ownership of Yanbu National Petrochemical Company ("YANSAB")[3]	Toller	Saudi Arabia			
52.5% Ownership of Saudi Methanol Company ("AR-RAZI")	Toller	Saudi Arabia			
35% Ownership of Al-Jubail Fertiliser Company ("AL BAYRONI")[3]	Agri-Nutrients	Saudi Arabia			
35% Ownership of National Methanol Company ("IBN-SINA")[3]	Toller	Saudi Arabia			
33.6% Ownership of Arabian Industrial Fibers Company ("IBN RUSHD")[3]	Toller	Saudi Arabia			
30% Ownership of SABIC Agri-Nutrients Company ("SABIC AGRI-NUTRIENTS") (formerly: Saudi Arabian Fertilizer Company ("SAFCO"))[3]	Agri-Nutrients	Saudi Arabia			
24.5% Ownership of Saudi Kayan Petrochemical Company ("SAUDI KAYAN")[3]	Toller	Saudi Arabia			
Ownership of SABIC Industrial Catalyst Company ("SABCAT")[6]	Petrochemical	Saudi Arabia			
Ownership of Saudi Carbon Fibre Company ("SCFC")[6]	Petrochemical	Saudi Arabia			
Ownership of Saudi Japanese Acrylonitrile Company ("SHROUQ")[6]	Petrochemical	Saudi Arabia			
70% Ownership of SABIC Innovative Plastics Argentina SRL	Petrochemical manufacture and sales	Argentina			
70% Ownership of SHPP Argentina SRL	Petrochemical manufacture and sales	Argentina			
70% Ownership of SABIC Australia Pty Ltd.	Holding	Australia			
70% Ownership of SABIC Innovative Plastics GmbH & Co. KG	Agent	Austria			

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2020[1,2]	Conventional financial liabilities as of December 31, 2020[2]	Interest income from conventional financial assets for the year ended December 31, 2020[2]
70% Ownership of SABIC Innovative Plastics South America-Indústria e Comércio de Plásticos Ltda	Petrochemical manufacture and sales	Brazil			
70% Ownership of SHPP South America Comércio de Plásticos Ltda	Petrochemical manufacture and sales	Brazil			
70% Ownership of NV Pijpleiding Antwerpen-Limburg-Luik ("PALL")	Support services	Belgium			
70% Ownership of SABIC Belgium NV	Petrochemical	Belgium			
70% Ownership of SHPP Canada, Inc.	Petrochemical	Canada			
70% Ownership of SABIC Petrochemicals Canada, Inc.	Petrochemical manufacture and sales	Canada			
70% Ownership of SABIC Innovative Plastics (China) Co., Ltd.	Petrochemical	People's Republic of China			
70% Ownership of SABIC Innovative Plastics (Chongqing) Co., Ltd.	Petrochemical manufacture and sales	People's Republic of China			
70% Ownership of SABIC Innovative Plastics International Trading (Shanghai) Ltd.	Reseller	People's Republic of China			
70% Ownership of SABIC Innovative Plastics Management (Shanghai) Co., Ltd.	Support services	People's Republic of China			
70% Ownership of SHPP (Shanghai) Co., Ltd.	Petrochemical	People's Republic of China			
70% Ownership of SABIC (Shanghai) Trading Co. Ltd.	Reseller	People's Republic of China			
70% Ownership of SABIC (China) Research & Development Co. Ltd.	T&I	People's Republic of China			
70% Ownership of SABIC China Holding Co. Ltd.	Petrochemical	People's Republic of China			
70% Ownership of SABIC Innovative Plastics Czech s.r.o.	Agent	Czech Republic			
70% Ownership of SHPP Czech s.r.o.	Reseller	Czech Republic			
70% Ownership of SABIC Innovative Plastics Denmark Aps	Agent	Denmark			
70% Ownership of SABIC Nordic A/S	Agent	Denmark			
70% Ownership of SHPP Denmark Aps	Reseller	Denmark			
70% Ownership of SABIC Innovative Plastics Finland Oy	Agent	Finland			
70% Ownership of SHPP Finland Oy	Reseller	Finland			
70% Ownership of SABIC France S.A.S.	Reseller	France			
70% Ownership of SABIC Innovative Plastics France S.A.S.	Agent	France			
70% Ownership of SHPP France S.A.S.	Reseller	France			
70% Ownership of SABIC Deutschland GmbH	Reseller	Germany			
70% Ownership of SABIC Holding Deutschland GmbH	Holding	Germany			
70% Ownership of SABIC Innovative Plastics GmbH	Agent	Germany			
70% Ownership of SABIC Innovative Plastics Holding Germany GmbH	Holding	Germany			

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2020[1,2]	Conventional financial liabilities as of December 31, 2020[2]	Interest income from conventional financial assets for the year ended December 31, 2020[2]
70% Ownership of SABIC Polyolefine GmbH	Toller	Germany			
70% Ownership of SHPP Germany GmbH	Reseller	Germany			
70% Ownership of SABIC Greece M.E.P.E.	Agent	Greece			
70% Ownership of SABIC Innovative Plastics Hong Kong Ltd.	Reseller	Hong Kong			
70% Ownership of SABIC Innovative Plastics SIT Holding Ltd.	Holding	Hong Kong			
70% Ownership of SABIC Innovative Plastics Taiwan Holding Ltd.	Petrochemical	Hong Kong			
70% Ownership of SHPP Hong Kong	Reseller	Hong Kong			
70% Ownership of SABIC Hungary Kft.	Agent	Hungary			
70% Ownership of SABIC Innovative Plastics Kereskedelmi Kft.	Agent	Hungary			
70% Ownership of SHPP Hungary Kft.	Reseller	Hungary			
70% Ownership of SABIC India Pvt Ltd.	Agent	India			
70% Ownership of SABIC Innovative Plastics India Private Ltd.	Petrochemical manufacture and sales	India			
70% Ownership of SABIC R&T Pvt Ltd.	T&I	India			
70% Ownership of High Performance Plastics India Pvt Ltd.	Petrochemical manufacture and sales	India			
70% Ownership of SABIC Innovative Plastics Italy Srl	Toller	Italy			
70% Ownership of SABIC Italia Srl	Reseller	Italy			
70% Ownership of SABIC Sales Italy Srl	Agent	Italy			
70% Ownership of SHPP Italy Srl	Toller	Italy			
70% Ownership of SHPP Sales Italy Srl	Reseller	Italy			
70% Ownership of SHPP Japan LLC	Petrochemical manufacture and sales	Japan			
70% Ownership of SABIC Petrochemicals Japan LLC	Petrochemical	Japan			
70% Ownership of SABIC Korea Ltd.	Petrochemical	South Korea			
70% Ownership of SHPP Korea Ltd.	Reseller	South Korea			
70% Ownership of SABIC Innovative Plastics Malaysia Sdn Bhd	Agent	Malaysia			
70% Ownership of SHPP Malaysia Sdn Bhd	Reseller	Malaysia			
70% Ownership of SABIC Innovative Plastics Mexico S de RL de CV	Petrochemical manufacture and sales	Mexico			
70% Ownership of SABIC Innovative Plastics Servicios Mexico S de RL de CV	Support services	Mexico			
70% Ownership of High Performance Plastics Manufacturing Mexico S de RL de CV	Petrochemical manufacture and sales	Mexico			
70% Ownership of High Performance Plastics Service Mexico S de RL de CV	Support services	Mexico			
70% Ownership of BV Snij-Unie HiFi	Petrochemical manufacture and sales	Netherlands			
70% Ownership of SABIC Capital B.V.	Financing	Netherlands			
70% Ownership of SABIC Capital I B.V.	Financing	Netherlands			
70% Ownership of Petrochemical Pipeline Services B.V.	Support services	Netherlands			
70% Ownership of SABIC Europe B.V.	Holding	Netherlands			
70% Ownership of SABIC Global Technologies B.V.	T&I	Netherlands			
70% Ownership of SABIC International Holdings B.V.	Holding	Netherlands			
70% Ownership of SABIC Innovative Plastics B.V.	Principal (Manufacturing, Sales, R&D)	Netherlands			

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2020[1,2]	Conventional financial liabilities as of December 31, 2020[2]	Interest income from conventional financial assets for the year ended December 31, 2020[2]
70% Ownership of SABIC Innovative Plastics GP B.V.	Holding	Netherlands			
70% Ownership of SABIC Innovative Plastics Holding B.V.	Holding	Netherlands			
70% Ownership of SABIC Innovative Plastics Utilities B.V.	Support services	Netherlands			
70% Ownership of SABIC Licensing B.V.	T&I	Netherlands			
70% Ownership of SABIC Limburg B.V.	Support services	Netherlands			
70% Ownership of SABIC Sales Europe B.V.	Reseller	Netherlands			
70% Ownership of SABIC Petrochemicals B.V.	Principal (Manufacturing, Sales, R&D)	Netherlands			
70% Ownership of SABIC Ventures B.V.	T&I	Netherlands			
70% Ownership of SABIC Mining B.V.	Holding	Netherlands			
70% Ownership of SHPP Holding B.V.	Holding	Netherlands			
70% Ownership of SHPP Global Technologies B.V.	Petrochemical	Netherlands			
70% Ownership of SHPP Ventures B.V.	T&I	Netherlands			
70% Ownership of SHPP Capital B.V.	Financing	Netherlands			
70% Ownership of SHPP Capital I B.V.	Financing	Netherlands			
70% Ownership of SHPP Capital II B.V.	Financing	Netherlands			
70% Ownership of SHPP B.V.	Principal (Manufacturing, Sales, R&D)	Netherlands			
70% Ownership of SHPP Sales B.V.	Reseller	Netherlands			
70% Ownership of SABIC Innovative Plastics Poland Sp. Z o.o.	Agent	Poland			
70% Ownership of SABIC Poland Sp. Z o.o.	Agent	Poland			
70% Ownership of SHPP Poland Sp. Z o.o.	Reseller	Poland			
70% Ownership of LLC SABIC Eastern Europe	Agent	Russia			
70% Ownership of SABIC Innovative Plastics Rus OOO	Agent	Russia			
70% Ownership of SHPP Russia OOO	Agent	Russia			
70% Ownership of SABIC Innovative Plastics (SEA) Pte. Ltd.	Reseller	Singapore			
70% Ownership of SABIC Innovative Plastics Holding Singapore Pte. Ltd.	Holding	Singapore			
70% Ownership of SHPP Singapore Pte. Ltd.	Petrochemical manufacture and sales	Singapore			
70% Ownership of SABIC Asia Pacific Pte Ltd	Reseller	Singapore			
70% Ownership of SHPP Slovakia s.r.o.	Reseller	Slovakia			
70% Ownership of SABIC Innovative Plastics Espana ScpA	Toller	Spain			
70% Ownership of SABIC Innovative Plastics GP BV, Sociedad en Comandita	Holding	Spain			
70% Ownership of SABIC Sales Spain SL	Agent	Spain			
70% Ownership of SABIC Marketing Ibérica S.A.	Reseller	Spain			
70% Ownership of SHPP Manufacturing SL	Toller	Spain			
70% Ownership of SHPP Marketing Spain SL	Reseller	Spain			
70% Ownership of Saudi Innovative Plastics Sweden AB	Agent	Sweden			
70% Ownership of SABIC Innovative Plastics (Thailand) Co. Ltd.	Petrochemical	Thailand			
70% Ownership of SABIC Thailand Co. Ltd.	Petrochemical	Thailand			

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2020[1,2]	Conventional financial liabilities as of December 31, 2020[2]	Interest income from conventional financial assets for the year ended December 31, 2020[2]
70% Ownership of SHPP Petrokimya Ticaret Ltd Sirketi	Marketing and sales support	Turkey			
70% Ownership of SABIC Global Ltd.	Holding	United Kingdom			
70% Ownership of SABIC Tees Holdings Ltd.	Holding	United Kingdom			
70% Ownership of SHPP Manufacturing UK Ltd.	Petrochemical	United Kingdom			
70% Ownership of SABIC Innovative Plastics Ltd.	Agent	United Kingdom			
70% Ownership of SABIC UK Ltd.	Reseller	United Kingdom			
70% Ownership of SABIC UK Pension Trustee Ltd.	Investment management of post-employment benefit plans	United Kingdom			
70% Ownership of SABIC UK Petrochemicals Ltd.	Toller	United Kingdom			
70% Ownership of SHPP Sales UK Ltd.	Reseller	United Kingdom			
70% Ownership of Exatec, LLC	T&I	USA			
35.7% Ownership of Mt. Vernon Phenol Plant Partnership	Petrochemical manufacture and sales	USA			
70% Ownership of SABIC Americas Inc.	Reseller	USA			
70% Ownership of SABIC US Holdings LP	Holding	USA			
70% Ownership of SABIC Innovative Plastics Mt. Vernon, LLC	Toller	USA			
70% Ownership of SABIC Innovative Plastics US LLC	Principal (Manufacturing, Sales, R&D)	USA			
70% Ownership of SABIC Petrochemicals Holding US, Inc.	Petrochemical manufacture and sales	USA			
70% Ownership of SABIC Ventures US Holdings LLC	T&I	USA			
70% Ownership of SABIC US Projects LLC	Projects	USA			
70% Ownership of SABIC Americas Growth LLC	Projects	USA			
70% Ownership of SABIC US Methanol LLC	Projects	USA			
70% Ownership of SHPP US LLC	Principal (Manufacturing, Sales, R&D)	USA			
70% Ownership of SABIC Uruguay SA	Agent	Uruguay			
70% Ownership of SABIC Vietnam Ltd.	Agent	Vietnam			
70% Ownership of SHPP Vietnam Co Ltd	Petrochemical	Vietnam			
70% Ownership of SABCAP Insurance Limited ("SABCAP")	Insurance	Guernsey			
70% Ownership of SABIC Petrokemya Ticaret Limited ("SABIC TURKEY")	Reseller	Turkey			
70% Ownership of SABIC Middle East Offshore Company ("SABIC MIDDLE EAST")	Marketing and sales support	Lebanon			
70% Ownership of SABIC South Africa	Marketing and sales support	South Africa			
70% Ownership of SABIC Africa for Trading & Marketing ("SABIC AFRICA")	Marketing and sales support	Egypt			
70% Ownership of SABIC Morocco	Marketing and sales support	Morocco			

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2020[1,2]	Conventional financial liabilities as of December 31, 2020[2]	Interest income from conventional financial assets for the year ended December 31, 2020[2]
70% Ownership of SABIC Global Mobility Company ("GMC")	Personnel and other support services	UAE			
Ownership of SABIC Mobility Company ("GMC LLC")[6]	Petrochemical	UAE			
70% Ownership of SABIC Tunisia	Marketing and sales support	Tunisia			
70% Ownership of SABIC Kenya	Marketing and sales support	Kenya			
70% Ownership of SABIC (Pvt.) Pakistan	Marketing and sales support	Pakistan			
63% Ownership of SABIC Terminal Services Company ("SABTANK")	Support services	Saudi Arabia			
52.5% Ownership of Jubail Chemical Storage and Services Company ("CHEMTANK")	Support services	Saudi Arabia			

1. Conventional financial assets comprise cash, time deposits, short-term investments and investments in securities.
2. Represents 100% amounts of subsidiaries, after elimination of intercompany transactions.
3. Agreements and constitutive documents provide Saudi Aramco control.
4. Percentages disclosed reflect the effective ownership of Saudi Aramco in the respective entities.
5. Information for conventional financial assets, liabilities and interest income from conventional financial assets not included for entities and groups listed on the Tadawul.
6. Under liquidation.
7. In February 2021, SP. CHEM and SOCC merged into PETROKEMYA.

All amounts in millions of Saudi Riyals unless otherwise stated

39. Joint arrangements and associates of Saudi Arabian Oil Company

	Principal business activity	Percent ownership[4]	Place of business / country of incorporation	Conventional financial assets as of December 31, 2020[1,2]	Conventional financial liabilities as of December 31, 2020[2]	Interest income from conventional financial assets for the year ended December 31, 2020[2]
A. Joint Operations:						
Al-Khafji Joint Operations	Oil and gas exploration and production	50%	Saudi-Kuwaiti Partitioned Zone	–	–	–
Fadhili Plant Cogeneration Company	Power generation	30%	Saudi Arabia	62	1,223	–
Maasvlakte Olie Terminal C.V.	Tank storage	9.6%	Netherlands	–	70	–
Maasvlakte Olie Terminal N.V.	Tank storage	16.7%	Netherlands	–	122	–
Pengerang Petrochemical Company Sdn. Bhd.	Petrochemical	50%	Malaysia	8	2,824	1
Pengerang Refining Company Sdn. Bhd.	Refining	50%	Malaysia	574	22,221	4
Power Cogeneration Plant Company, LLC	Power generation	50%	Saudi Arabia	47	463	54
Saudi Aramco Mobil Refinery Company Ltd.	Refining	50%	Saudi Arabia	312	3,111	2
Saudi Aramco Total Refining and Petrochemical Company[3]	Refining/Petrochemical	62.5%	Saudi Arabia	185	10,918	4
Yanbu Aramco Sinopec Refining Company Limited[3]	Refining	62.5%	Saudi Arabia	506	6,308	–
Gulf Coast Growth Venture LLC ("GCGV")[5]	Petrochemical	35%	USA			
Utility Support Group B.V. ("USG")[5]	Petrochemical	35%	Netherlands			
Saudi Methacrylates Company ("SAMAC")[5]	Petrochemical	35%	Saudi Arabia			
B. Joint Ventures:						
Arabian Rig Manufacturing ("ARM")	Rig manufacturing	30%	Saudi Arabia	6	356	–
First Coast Energy LLP ("FCE")	Marketing	50%	USA	4	364	1
Jasara Program Management Company ("Jasara")	Engineering services	20%	Saudi Arabia	124	75	–
Juniper Ventures of Texas LLP ("JVTX")	Marketing	60%	USA	23	–	–
Novel Non-Metallics Solutions Manufacturing ("Novel")	Manufacturing	50%	Saudi Arabia	150	–	–
Sadara Chemical Company ("Sadara")	Petrochemical	65%	Saudi Arabia	5,588	44,989	–
Saudi Arabian Industrial Investment Company ("Dussur")	Investment	42.5%	Saudi Arabia	1,255	20	20
Saudi Silk Road Industrial Services Company ("SSRIS")	Investment services	20%	Saudi Arabia	115	–	3
S-Oil TOTAL Lubricants Co. Limited	Lubricants production/sale	50%	South Korea	292	204	–
Star Enterprises LLC ("Star-Ent")	Pension administration	50%	USA	4	–	–
Tas'helat Marketing Company ("TMC")	Marketing	50%	Saudi Arabia	142	141	4
Advanced Energy Storage System Company ("AESSC")[5]	Petrochemical	30.1%	Saudi Arabia			
Al-Jubail Petrochemical Company ("Kemya")[5]	Petrochemical	35%	Saudi Arabia			
Eastern Petrochemical Company ("Sharq")[5]	Petrochemical	35%	Saudi Arabia			
SABIC Plastic Energy Advanced Recycling BV ("SABIC Plastic Energy")[5]	Petrochemical	35%	Netherlands			
SABIC SK Nexelene Company ("SSNC")[5]	Petrochemical	35%	Singapore			
Cosmar Inc. ("COSMAR")[5]	Petrochemical	35%	USA			
Saudi Yanbu Petrochemical Company ("Yanpet")[5]	Petrochemical	35%	Saudi Arabia			

All amounts in millions of Saudi Riyals unless otherwise stated

39. Joint arrangements and associates of Saudi Arabian Oil Company continued

	Principal business activity	Percent ownership[4]	Place of business / country of incorporation	Conventional financial assets as of December 31, 2020[1,2]	Conventional financial liabilities as of December 31, 2020[2]	Interest income from conventional financial assets for the year ended December 31, 2020[2]
Sinopec SABIC Tianjin Petrochemical Company ("SSTPC")[5]	Petrochemical	35%	People's Republic of China			
C. Associates						
BP AOC Pumpstation Maatschap	Storage	50%	Netherlands	–	–	–
BP ESSO AOC Maatschap	Storage	34%	Netherlands	–	–	–
Fujian Refining and Petrochemical Company Limited ("FREP")	Refining/Petrochemical	25%	People's Republic of China	5,967	5,730	64
GCC Electrical Equipment Testing Lab ("GCC Lab")	Inspection	20%	Saudi Arabia	83	5	–
Hyundai Oilbank Co. Ltd. ("Hyundai Oilbank")	Refining /Marketing/ Petrochemical	17%	South Korea	6,160	20,079	327
International Maritime Industries Company ("IMIC")	Maritime	50.1%	Saudi Arabia	586	–	–
Lukoil Saudi Arabia Energy Ltd. ("LUKSAR")	Exploration	20%	British Virgin Islands	–	–	–
Power & Water Utility Company for Jubail and Yanbu ("Marafiq")	Utilities	42.2%	Saudi Arabia	2,197	11,070	11
Sinopec SenMei (Fujian) Petroleum Company Limited ("SSPC")	Marketing/Petrochemical	22.5%	People's Republic of China	1,668	2,137	25
Team Terminal B.V.	Storage	34.4%	Netherlands	20,355	–	–
Aluminium Bahrain BSC ("ALBA")[5]	Aluminum	14.4%	Bahrain			
ARG mbH & Co. KG ("ARG")[5]	Pipeline	23.8%	Germany			
Clariant AG ("Clariant")[5]	Specialty chemical	22.1%	Switzerland			
Gulf Aluminum and Rolling Mills Company ("GARMCO")[5]	Aluminum	21.3%	Bahrain			
Gulf Petrochemical Industries Company ("GPIC")[5]	Petrochemical	23.3%	Bahrain			
Ma'aden Phosphate Company ("MPC")[5]	Agri-Nutrients	21%	Saudi Arabia			
Ma'aden Wa'ad Al Shamal Phosphate Company ("MWSPC")[5]	Agri-Nutrients	10.5%	Saudi Arabia			
National Chemical Carrier Company ("NCC")[5]	Transportation	14%	Saudi Arabia			
National Shipping Company of Saudi Arabia ("Bahri")[5]	Global logistics services	20%	Saudi Arabia			
Rabigh Refining and Petrochemical Company ("Petro Rabigh")[5]	Refining/Petrochemical	37.5%	Saudi Arabia			
Saudi Acrylic Butanol Company ("SABUCO")[5]	Petrochemical	23.3%	Saudi Arabia			

1. Conventional financial assets comprise cash, time deposits, short-term investments and investments in securities.
2. Represents Saudi Aramco's share of conventional financial assets, financial liabilities and interest income.
3. Agreements and constitutive documents do not give a single shareholder control; therefore, the joint operation does not qualify as a subsidiary.
4. Percentages disclosed reflect the effective ownership of Saudi Aramco in the respective entities.
5. Information for conventional financial assets, liabilities and interest income from conventional financial assets not included for entities and groups listed on the Tadawul.

40. Events after the reporting period

On January 4, 2021, SABIC Agri-Nutrients Company ("SABIC AGRI-NUTRIENTS"), formerly Saudi Arabian Fertilizer Company ("SAFCO"), acquired 100% of the issued share capital of SABIC Agri-Nutrients Investment Company ("SANIC") from SABIC in consideration for the issue by SAFCO of 59,368,738 additional shares to SABIC thereby increasing SABIC's ownership of SAFCO from 43% to 50.1%. Under the terms of the transaction, SABIC injected cash of SAR 392 into SANIC prior to its transfer to SAFCO and an adjustment to the purchase price will be required depending on the levels of net working capital and net cash at completion.

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