

2020

Saudi Arabian Oil Company
Third quarter interim report

For the three-month and nine-month periods
ended September 30, 2020

Aramco at a glance

Third quarter 2020

Financial highlights

Net income (billion)	EBIT* (billion)	Earnings per share (basic and diluted)	Net cash provided by operating activities (billion)
SAR 44.2 \$11.8	SAR 95.5 \$25.5	SAR 0.22 \$0.06	SAR 70.5 \$18.8
Capital expenditures (billion)	Free cash flow* (billion)	Average realized crude oil price (\$/barrel)	Gearing* (%)
SAR 23.9 \$6.4	SAR 46.5 \$12.4	43.6	21.8
Dividends paid (billion)	Dividends paid per share	ROACE* (%)	
SAR 70.32 \$18.75	SAR 0.35 \$0.09	14.8	

* Non-IFRS measure: refer to *Non-IFRS measures reconciliations and definitions* section for further details.

Key results

Financial results

	Third quarter ended September 30			
	SAR		USD*	
All amounts in millions unless otherwise stated	2020	2019	2020	2019
Net income	44,209	79,839	11,789	21,291
EBIT	95,477	165,479	25,461	44,129
Capital expenditures	23,934	30,352	6,383	8,094
Free cash flow	46,547	77,290	12,411	20,611
Dividends paid	70,320	50,212	18,752	13,390
ROACE ¹	14.8%	31.5%	14.8%	31.5%
Average realized crude oil price (\$/barrel)	n/a	n/a	43.6	62.4

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

1. Calculated on a 12-month rolling basis.

	Nine months ended September 30			
	SAR		USD*	
All amounts in millions unless otherwise stated	2020	2019	2020	2019
Net income	131,308	255,710	35,015	68,190
EBIT	274,905	512,378	73,308	136,635
Capital expenditures	75,106	84,615	20,028	22,564
Free cash flow	125,752	219,716	33,533	58,591
Dividends paid	190,865	224,175	50,897	59,780
ROACE ¹	14.8%	31.5%	14.8%	31.5%
Average realized crude oil price (\$/barrel)	n/a	n/a	39.4	64.8

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

1. Calculated on a 12-month rolling basis.

CEO's statement

Aramco President & CEO Amin H. Nasser

We saw early signs of a recovery in the third quarter due to improved economic activity, despite the headwinds facing global energy markets. Meanwhile, we maintained our commitment to shareholder value by declaring a dividend of \$18.75 billion for the third quarter.

Aramco's integration with SABIC is proceeding as planned. Our resilience is supported by our unique scale, low upstream carbon intensity and low production costs. As the global economic and social landscape evolves, these strengths and our continued drive to lower GHG emissions mean we are well positioned to support the energy needs of the global economic recovery.

We continue to adopt a disciplined and flexible approach to capital allocation in the face of market volatility. We are confident in Aramco's ability to manage through these challenging times and deliver on our objectives.

We are making progress on multiple fronts, including the world's first blue ammonia shipment for zero-carbon power generation in Japan – further strengthening our focus on new and innovative solutions that contribute to the global energy transition.

Third quarter highlights

The third quarter of 2020 saw early signs of a recovery in global energy markets as some governments across the world eased COVID-19 related restrictions, providing stimulus for improved economic activity. The demand for crude started to rise, which was reflected in stronger crude oil prices, compared to the previous quarter. This increasingly favorable economic environment, together with Aramco's low cost of production and unique operating model, resulted in improved earnings and cash flows for the third quarter. These financial results demonstrate Aramco's resilience across volatile crude oil price cycles and are underpinned by its operational excellence and its position as one of the most reliable suppliers of crude oil to the world.

A dividend of SAR 70.32 billion (\$18.75 billion) is declared for the third quarter (Q3 2019: SAR 50.21 billion (\$13.39 billion)). This represents an increase of SAR 20.11 billion (\$5.36 billion), despite weaker economic activity in the current quarter when compared to the same period in 2019, demonstrating Aramco's strength and resilience across economic cycles.

The COVID-19 pandemic has altered the way business is conducted around the world and Aramco responded swiftly by taking significant steps towards working under the current environment. Aramco's commitment to safeguarding its people and operations remains a key priority and it continues to review and improve its stringent safety procedures and risk mitigation initiatives. These include the regular sanitization of workplaces, implementation of physical distancing protocols and the use of digital technologies to promote a safe and efficient working environment.

Upstream

Notwithstanding the continued disruption caused by COVID-19, Upstream results experienced a significant improvement following the gradual increase in global crude oil prices and continued portfolio-wide optimizations during the third quarter of 2020, while continuing to safeguard our people and community.

Total hydrocarbon production for the first nine months of 2020 was 12.4 mmoed, including an average crude oil production of 9.2 mmbpd.

Significant Upstream developments in the third quarter of 2020:

- Aramco achieved a historic single day natural gas production of 10.7 bscfd on August 6, 2020, from both conventional and unconventional fields;
- Aramco's exploration activities resulted in two successful unconventional field discoveries in the northern part of the Kingdom; one field with both oil and gas reservoirs and another field with a gas reservoir; and
- The World Economic Forum (WEF) recognized the Khurais facility as a leader in the adoption and integration of cutting-edge technologies of the Fourth Industrial Revolution (4IR), and it became Aramco's second facility to join WEF's prestigious Global Lighthouse Network – a select group of just 54 facilities worldwide leading in these technologies. Khurais, one of Aramco's largest oil fields, is a fully connected and intelligent field with technologies that include autonomous process control and remote operation and monitoring of equipment and pipelines.

Downstream

Downstream continues to focus on enhancing integration and creating growth opportunities across the hydrocarbon value chain.

Aramco maintained its position as one of the world's largest refining businesses, with gross refining capacity of 6.4 mmbpd as at September 30, 2020 (September 30, 2019: 5.4 mmbpd). In the first nine months of 2020, the Downstream segment consumed 39.5% (nine months ended September 30, 2019: 38.2%) of Aramco's crude oil production, which helps to ensure a secure and reliable supply of refined products to its customers.

Significant Downstream developments in the third quarter of 2020:

- Following the successful close of the SABIC transaction, the third quarter of 2020 marks the first full quarter in which SABIC's financial results are incorporated into Aramco's Downstream results. Integration with SABIC continues to progress and drives forward the Downstream strategy of creating value from integration across the hydrocarbon value chain;
- Aramco and the Institute of Energy Economics, Japan (IEEJ), in partnership with SABIC, successfully completed the world's first shipment of high-grade blue ammonia. Forty tons were dispatched from Saudi Arabia to Japan for use in zero-carbon power generation, reinforcing Aramco's focus on the reduction of CO₂ emissions; and
- The Company maintained its strong track record of supply reliability, despite disruptions caused by COVID-19, by delivering crude and other products in a timely manner with 100% reliability in the third quarter of 2020 (Q3 2019: 97.3%). This resilient performance was supported by Aramco Trading Company's (ATC) operational agility and logistics optimization.

Financial performance

Summary of financial performance

	Third quarter					Nine months				
	SAR		USD*		%	SAR		USD*		%
All amounts in millions unless otherwise stated	2020	2019	2020	2019		2020	2019	2020	2019	
Income before income taxes and zakat	92,751	165,267	24,733	44,072	(43.9)%	270,314	512,101	72,083	136,561	(47.2)%
Income taxes and zakat	(48,542)	(85,428)	(12,944)	(22,781)	(43.2)%	(139,006)	(256,391)	(37,068)	(68,371)	(45.8)%
Net income	44,209	79,839	11,789	21,291	(44.6)%	131,308	255,710	35,015	68,190	(48.6)%

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

Financial results

Key factors affecting Aramco's financial results

- The COVID-19 pandemic has presented the energy sector with unprecedented challenges and continues to impact oil and gas demand, prices and refining and chemicals margins – key drivers of Aramco's results of operations and cash flows. Despite these market conditions, Aramco reported robust financial results for the three and nine month periods ended September 30, 2020, demonstrating its unrivalled financial and operational strength.
- A number of changes to the fiscal regime under which the Company operates became effective on January 1, 2020, impacting the financial results of Aramco. The key changes include: (a) an amendment to the royalty rates applicable to the Company's crude oil production; (b) inclusion of LPGs and certain other products in the price equalization mechanism; and (c) a reduction in the tax rate applicable to the Company's Downstream activities from 50% to 20%.
- The financial results for the three and nine months ended September 30, 2020 were positively impacted by the addition of the Regulated Gas Products to the price equalization mechanism to compensate the Company for the revenue it directly forgoes as a result of selling these products in the Kingdom at Domestic Prices.
- On June 16, 2020, Aramco acquired a 70% equity interest in SABIC and fully consolidated SABIC's financial results into its financial statements. Accordingly, Aramco's consolidated statement of income includes SABIC's results for the period following the acquisition date. Refer to note 4 of the Condensed Consolidated Interim Financial report for details.
- Aramco entered into a \$10 billion one-year term loan facility for general corporate purposes with various financial institutions, with an option to extend for another year at lenders' discretion. The facility remains fully utilized since July 27, 2020.

Aramco's earnings for the three and nine month periods ended September 30, 2020 demonstrate its financial agility and unique operational flexibility to respond to changing market dynamics.

Third quarter

Aramco has once again proved its remarkable resilience by generating net income of SAR 44,209 (\$11,789) for the third quarter of 2020, despite the difficult conditions caused by COVID-19. Compared to the same period in 2019, net income for the third quarter of 2020 mainly reflects the impact of lower crude oil prices and volumes sold, and weaker refining and chemicals margins. This was partly offset by a decrease in crude oil production royalties resulting from lower prices and volumes sold as well as a decrease in the royalty rate from 20% to 15%, and higher other income related to sales for gas products.

The charge for income taxes and zakat decreased from SAR 85,428 (\$22,781) in the third quarter of 2019 to SAR 48,542 (\$12,944) in the third quarter of 2020, mainly due to lower earnings.

Nine months

Net income of SAR 131,308 (\$35,015) for the first nine months of 2020 was primarily impacted by lower crude oil prices and volumes sold, and reduced refining and chemicals margins, when compared to net income of SAR 255,710 (\$68,190) for the same period in 2019. This was partially offset by the favourable impact of lower crude oil production royalties and higher other income related to sales for gas products.

The income taxes and zakat charge of SAR 139,006 (\$37,068) in the first nine months of 2020 primarily reflects the impact of lower earnings, when compared to a charge of SAR 256,391 (\$68,371) for the same period in 2019.

For non-IFRS measures, refer to *Non-IFRS measures reconciliations and definitions* section.

Upstream financial performance

	Third quarter					Nine months				
	SAR		USD*		%	SAR		USD*		%
All amounts in millions unless otherwise stated	2020	2019	2020	2019		2020	2019	2020	2019	
Earnings before interest, income taxes and zakat	103,696	167,626	27,652	44,700	(38.1)%	299,992	521,734	79,998	139,129	(42.5)%
Capital expenditures - cash basis	17,288	23,296	4,610	6,212	(25.8)%	56,898	65,226	15,173	17,394	(12.8)%

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

Third quarter

Upstream earnings before interest, income taxes and zakat (EBIT) for the third quarter of 2020 was SAR 103,696 (\$27,652), compared to SAR 167,626 (\$44,700) for the same quarter in 2019. This reduction in EBIT was mainly due to lower realized crude oil prices, as well as lower crude oil volumes sold. At the same time, EBIT was positively impacted by lower crude oil production royalties following lower prices and volumes sold, along with a decrease in the royalty rate, and higher other income related to sales for gas products.

Capital expenditures for the third quarter of 2020 were SAR 17,288 (\$4,610), compared with SAR 23,296 (\$6,212) for the same quarter in 2019. This decrease was mainly attributable to Aramco's continued focus on optimization of the crude oil and gas programs.

Nine months

EBIT for the first nine months of 2020 was SAR 299,992 (\$79,998), compared to SAR 521,734 (\$139,129) for the same period in 2019. The unprecedented drop in global oil demand along with lower crude oil prices continued to impact Upstream EBIT, when compared with the same period of 2019. This was partially offset by lower crude oil production royalties and higher other income related to sales for gas products.

Capital expenditures for the first nine months of 2020 were SAR 56,898 (\$15,173), compared to SAR 65,226 (\$17,394) for the same period in 2019. The reduced level of spending was primarily due to the optimization of projects and drilling activities.

Downstream financial performance

	Third quarter					Nine months				
	SAR		USD*		%	SAR		USD*		%
All amounts in millions unless otherwise stated	2020	2019	2020	2019		2020	2019	2020	2019	
Earnings (losses) before interest, income taxes and zakat	(2,983)	3,004	(795)	801	(199.3)%	(23,279)	4,873	(6,208)	1,299	(578.0)%
Capital expenditures - cash basis	6,159	6,443	1,642	1,718	(4.4)%	17,184	18,007	4,582	4,802	(4.6)%

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Third quarter

Downstream EBIT for the third quarter of 2020 was a loss of SAR 2,983 (\$795), compared to a profit of SAR 3,004 (\$801) in the same quarter of 2019. This decrease reflects a challenging market environment that continues to weaken refining and chemicals margins.

Capital expenditures for the third quarter of 2020 were SAR 6,159 (\$1,642), compared to SAR 6,443 (\$1,718) for the same quarter in 2019. The decrease in capital projects spending was primarily driven by optimization measures. This was offset by the inclusion of SABIC's capital expenditures.

Nine months

Downstream EBIT for the first nine months of 2020 reflects a loss of SAR 23,279 (\$6,208), compared to a profit of SAR 4,873 (\$1,299) for the same period in 2019. EBIT in the first nine months of 2020 was primarily impacted by inventory re-valuation losses and lower refining and chemicals margins, stemming from the macroeconomic difficulties brought on by the COVID-19 pandemic.

Capital expenditures for the first nine months of 2020 were SAR 17,184 (\$4,582), compared to SAR 18,007 (\$4,802) for the same period in 2019. The decrease was principally due to efforts to reduce capital expenditures, which was partly offset by the consolidation of SABIC's post-acquisition capital expenditures.

Condensed consolidated interim financial report

For the three-month and nine-month periods ended
September 30, 2020 (Unaudited)

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Report on review of the condensed consolidated interim financial report

To the shareholders of Saudi Arabian Oil Company

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Saudi Arabian Oil Company and its subsidiaries as at September 30, 2020 and the related condensed consolidated statements of income, comprehensive income and cash flows for the three-month and nine-month periods then ended and the related condensed consolidated statement of changes in equity for the nine-month period then ended and explanatory notes (the “condensed consolidated interim financial report”). Management is responsible for the preparation and presentation of this condensed consolidated interim financial report in accordance with International Accounting Standard 34, ‘Interim financial reporting’, that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, ‘Review of interim financial information performed by the independent auditor of the entity’, that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial report is not prepared, in all material respects, in accordance with International Accounting Standard 34, ‘Interim financial reporting’, that is endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to be 'Bader I. Benmohareb', written over a circular stamp or seal.

Bader I. Benmohareb
License Number 471

November 2, 2020

Condensed consolidated statement of income

	Note	SAR				USD*			
		3 rd quarter 2020	3 rd quarter 2019	Nine months 2020	Nine months 2019	3 rd quarter 2020	3 rd quarter 2019	Nine months 2020	Nine months 2019
Revenue	11	200,059	266,038	548,857	822,143	53,349	70,944	146,362	219,239
Other income related to sales		28,535	38,608	69,436	102,444	7,609	10,295	18,516	27,318
Revenue and other income related to sales		228,594	304,646	618,293	924,587	60,958	81,239	164,878	246,557
Royalties and other taxes		(21,370)	(43,825)	(67,120)	(137,983)	(5,699)	(11,687)	(17,899)	(36,796)
Purchases		(50,710)	(57,292)	(126,257)	(163,185)	(13,523)	(15,278)	(33,669)	(43,516)
Producing and manufacturing		(23,852)	(15,857)	(56,713)	(42,173)	(6,360)	(4,228)	(15,123)	(11,246)
Selling, administrative and general		(11,955)	(7,139)	(29,154)	(24,061)	(3,188)	(1,904)	(7,774)	(6,416)
Exploration		(3,283)	(1,862)	(6,267)	(5,389)	(875)	(496)	(1,671)	(1,437)
Research and development		(841)	(498)	(1,785)	(1,449)	(224)	(132)	(476)	(386)
Depreciation and amortization	6,7	(20,537)	(12,977)	(52,127)	(37,274)	(5,477)	(3,461)	(13,901)	(9,940)
Operating costs		(132,548)	(139,450)	(339,423)	(411,514)	(35,346)	(37,186)	(90,513)	(109,737)
Operating income		96,046	165,196	278,870	513,073	25,612	44,053	74,365	136,820
Share of results of joint ventures and associates		(569)	(1,011)	(4,302)	(2,443)	(152)	(269)	(1,147)	(651)
Finance and other income		681	2,705	2,652	5,873	182	721	707	1,566
Finance costs		(3,407)	(1,623)	(6,906)	(4,402)	(909)	(433)	(1,842)	(1,174)
Income before income taxes and zakat		92,751	165,267	270,314	512,101	24,733	44,072	72,083	136,561
Income taxes and zakat	8	(48,542)	(85,428)	(139,006)	(256,391)	(12,944)	(22,781)	(37,068)	(68,371)
Net income		44,209	79,839	131,308	255,710	11,789	21,291	35,015	68,190
Net income (loss) attributable to									
Shareholders' equity		44,278	79,788	133,180	255,805	11,807	21,277	35,514	68,215
Non-controlling interests		(69)	51	(1,872)	(95)	(18)	14	(499)	(25)
		44,209	79,839	131,308	255,710	11,789	21,291	35,015	68,190
Earnings per share (basic and diluted)		0.22	0.40	0.67	1.28	0.06	0.11	0.18	0.34

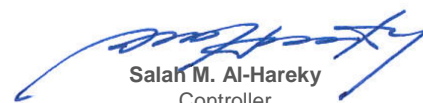
* Supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only.



Amin H. Nasser
Director,
President & Chief Executive Officer



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



Salah M. Al-Hareky
Controller

Condensed consolidated statement of comprehensive income

	Note	SAR				USD*			
		3 rd quarter 2020	3 rd quarter 2019	Nine months 2020	Nine months 2019	3 rd quarter 2020	3 rd quarter 2019	Nine months 2020	Nine months 2019
Net income		44,209	79,839	131,308	255,710	11,789	21,291	35,015	68,190
Other comprehensive income (loss), net of tax	9								
Items that will not be reclassified to net income									
Remeasurement of post-employment benefit obligations		3,306	(2,569)	(6,912)	(7,237)	882	(684)	(1,843)	(1,929)
Change in post-employment benefit deferred tax asset due to new income tax rate		-	(284)	-	(284)	-	(76)	-	(76)
Changes in fair value of equity investments classified as fair value through other comprehensive income		228	427	(1,006)	571	61	114	(268)	152
Items that may be reclassified subsequently to net income									
Cash flow hedges and other		30	(144)	(696)	(626)	8	(39)	(186)	(167)
Changes in fair value of debt securities classified as fair value through other comprehensive income		(4)	9	(16)	69	(1)	2	(4)	18
Share of other comprehensive income (loss) of joint ventures and associates		100	(257)	(599)	(721)	26	(68)	(160)	(192)
Currency translation differences		1,548	(1,476)	165	(2,260)	413	(394)	44	(603)
		5,208	(4,294)	(9,064)	(10,488)	1,389	(1,145)	(2,417)	(2,797)
Total comprehensive income		49,417	75,545	122,244	245,222	13,178	20,146	32,598	65,393
Total comprehensive income (loss) attributable to									
Shareholders' equity		49,202	75,850	124,484	245,982	13,120	20,227	33,195	65,595
Non-controlling interests		215	(305)	(2,240)	(760)	58	(81)	(597)	(202)
		49,417	75,545	122,244	245,222	13,178	20,146	32,598	65,393

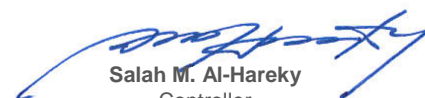
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Amin H. Nasser
 Director,
 President & Chief Executive Officer



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



Salah M. Al-Hareky
 Controller

Condensed consolidated balance sheet

	Note	SAR		USD*	
		September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Assets					
Non-current assets					
Property, plant and equipment	6	1,195,717	982,014	318,858	261,870
Intangible assets	7	164,552	30,122	43,880	8,033
Investments in joint ventures and associates		64,460	19,738	17,189	5,263
Deferred income tax assets		15,554	12,728	4,148	3,394
Other assets and receivables		32,309	21,372	8,616	5,699
Investments in securities		21,631	19,956	5,768	5,322
		1,494,223	1,085,930	398,459	289,581
Current assets					
Inventories		51,384	42,607	13,703	11,362
Trade receivables		84,366	93,526	22,498	24,940
Due from the Government		32,152	36,781	8,574	9,808
Other assets and receivables		14,783	12,109	3,942	3,230
Short-term investments		5,734	45,467	1,529	12,125
Cash and cash equivalents		197,649	177,706	52,706	47,388
		386,068	408,196	102,952	108,853
Total assets		1,880,291	1,494,126	501,411	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		(3,750)	(3,750)	(1,000)	(1,000)
Retained earnings:					
Unappropriated		914,962	943,758	243,990	251,669
Appropriated		6,000	6,000	1,600	1,600
Other reserves	9	391	2,076	105	553
		1,004,584	1,035,065	267,890	276,017
Non-controlling interests		109,153	11,170	29,107	2,979
		1,113,737	1,046,235	296,997	278,996
Non-current liabilities					
Borrowings	10	411,552	150,690	109,747	40,184
Deferred income tax liabilities		53,859	44,471	14,362	11,859
Post-employment benefit obligations		50,960	21,174	13,589	5,646
Provisions and other liabilities		21,748	15,985	5,800	4,263
		538,119	232,320	143,498	61,952
Current liabilities					
Trade and other payables		86,973	78,231	23,193	20,862
Obligations to the Government:					
Income taxes and zakat	8	38,585	62,243	10,289	16,598
Dividend payable		-	35,475	-	9,460
Royalties		6,107	14,727	1,629	3,927
Borrowings	10	96,770	24,895	25,805	6,639
		228,435	215,571	60,916	57,486
		766,554	447,891	204,414	119,438
Total equity and liabilities		1,880,291	1,494,126	501,411	398,434

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


Amin H. Nasser
Director,
President & Chief Executive Officer


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


Salah M. Al-Hareky
Controller

Condensed consolidated statement of changes in equity

	SAR								USD*
	Shareholders' equity								Total
	Share capital	Additional paid-in capital	Treasury shares	Retained earnings		Other reserves (Note 9)	Non-controlling interests	Total	
Unappropriated				Appropriated					
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)	-	-	-	255,805	-	-	(95)	255,710	68,190
Other comprehensive loss	-	-	-	-	-	(9,823)	(665)	(10,488)	(2,797)
Total comprehensive income (loss)	-	-	-	255,805	-	(9,823)	(760)	245,222	65,393
Transfer of post-employment benefit obligations remeasurement	-	-	-	(7,521)	-	7,521	-	-	-
Dividends (Note 18)	-	-	-	(224,175)	-	-	-	(224,175)	(59,780)
Dividends to non-controlling interests	-	-	-	-	-	-	(36)	(36)	(10)
Balance at September 30, 2019	60,000	26,981	-	944,734	6,000	874	10,857	1,049,446	279,852
Balance at January 1, 2020	60,000	26,981	(3,750)	943,758	6,000	2,076	11,170	1,046,235	278,996
Net income (loss)	-	-	-	133,180	-	-	(1,872)	131,308	35,015
Other comprehensive loss	-	-	-	-	-	(8,696)	(368)	(9,064)	(2,417)
Total comprehensive income (loss)	-	-	-	133,180	-	(8,696)	(2,240)	122,244	32,598
Acquisition of subsidiary (Note 4)	-	-	-	-	-	-	100,739	100,739	26,864
Transfer of post-employment benefit obligations remeasurement	-	-	-	(6,577)	-	6,577	-	-	-
Share-based compensation	-	-	-	(9)	-	434	-	425	113
Dividends (Note 18)	-	-	-	(155,390)	-	-	-	(155,390)	(41,437)
Dividends to non-controlling interests and other	-	-	-	-	-	-	(516)	(516)	(137)
Balance at September 30, 2020	60,000	26,981	(3,750)	914,962	6,000	391	109,153	1,113,737	296,997

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


Amin H. Nasser
 Director,
 President & Chief Executive Officer


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


Salah M. Al-Hareky
 Controller

Condensed consolidated statement of cash flows

	Note	SAR				USD*			
		3 rd quarter 2020	3 rd quarter 2019	Nine months 2020	Nine months 2019	3 rd quarter 2020	3 rd quarter 2019	Nine months 2020	Nine months 2019
Income before income taxes and zakat		92,751	165,267	270,314	512,101	24,733	44,072	72,083	136,561
Adjustments to reconcile income before income taxes and zakat to net cash provided by operating activities									
Depreciation and amortization	6,7	20,537	12,977	52,127	37,274	5,477	3,461	13,901	9,940
Exploration and evaluation costs written off		2,328	835	3,424	2,374	620	223	913	633
Gain on remeasurement of existing interest in equity investments		-	(1,278)	-	(1,278)	-	(341)	-	(341)
Share of results of joint ventures and associates		569	1,011	4,302	2,443	152	269	1,147	651
Finance income		(681)	(1,411)	(2,315)	(4,125)	(181)	(376)	(617)	(1,100)
Finance costs		3,407	1,623	6,906	4,402	909	433	1,842	1,174
Dividends from investments in securities		-	(7)	(332)	(439)	-	(2)	(89)	(117)
Change in fair value of investments through profit or loss		65	(123)	549	(339)	17	(32)	146	(90)
Change in joint ventures and associates inventory profit elimination		211	(3)	(52)	84	56	(1)	(14)	22
Other		(924)	(321)	257	(124)	(247)	(86)	68	(33)
Change in working capital									
Inventories		6,653	3,485	20,413	1,901	1,774	929	5,443	507
Trade receivables		(18,247)	12,492	22,989	5,034	(4,866)	3,332	6,130	1,343
Due from the Government		(14,157)	(1,109)	4,629	316	(3,776)	(296)	1,234	84
Other assets and receivables		1,187	2,077	1,322	4,639	317	554	353	1,237
Trade and other payables		2,163	1,107	(19,664)	(3,221)	576	295	(5,244)	(859)
Royalties payable		573	(563)	(8,620)	565	154	(150)	(2,298)	150
Other changes									
Other assets and receivables		2,009	(1,895)	(1,191)	(7,627)	535	(506)	(318)	(2,034)
Provisions and other liabilities		266	(250)	411	487	72	(67)	110	130
Post-employment benefit obligations		228	192	1,383	1,254	61	51	369	334
Settlement of income, zakat and other taxes	8(c)	(28,457)	(86,464)	(155,994)	(251,390)	(7,589)	(23,057)	(41,598)	(67,037)
Net cash provided by operating activities		70,481	107,642	200,858	304,331	18,794	28,705	53,561	81,155
Capital expenditures	5	(23,934)	(30,352)	(75,106)	(84,615)	(6,383)	(8,094)	(20,028)	(22,564)
Cash acquired on acquisition of subsidiary	4	-	-	27,515	-	-	-	7,337	-
Acquisition of affiliates, net of cash acquired		-	(1,132)	-	(1,517)	-	(302)	-	(405)
Distributions from joint ventures and associates		1,631	40	1,945	700	435	11	519	187
Additional investments in joint ventures and associates		(26)	(25)	(302)	(346)	(7)	(6)	(81)	(92)
Dividends from investments in securities		-	7	332	439	-	2	89	117
Interest received		667	1,026	3,247	3,489	178	273	866	930
Net investments in securities		(258)	24	(877)	(583)	(69)	7	(234)	(155)
Net maturities (purchases) of short-term investments		4,797	(724)	48,138	(45,982)	1,279	(194)	12,837	(12,262)
Net cash (used in) provided by investing activities		(17,123)	(31,136)	4,892	(128,415)	(4,567)	(8,303)	1,305	(34,244)
Dividends		(70,320)	(50,212)	(190,865)	(224,175)	(18,752)	(13,390)	(50,897)	(59,780)
Dividends paid to non-controlling interests		(215)	(14)	(229)	(36)	(57)	(4)	(61)	(10)
Interest paid		(2,599)	(953)	(5,992)	(3,329)	(693)	(254)	(1,598)	(888)
Proceeds from borrowings		42,118	1,211	52,043	49,174	11,232	323	13,878	13,113
Repayments of borrowings		(31,286)	(2,921)	(40,764)	(8,860)	(8,343)	(780)	(10,870)	(2,363)
Net cash used in financing activities		(62,302)	(52,889)	(185,807)	(187,226)	(16,613)	(14,105)	(49,548)	(49,928)
Net (decrease) increase in cash and cash equivalents		(8,944)	23,617	19,943	(11,310)	(2,386)	6,297	5,318	(3,017)
Cash and cash equivalents at beginning of the period		206,593	148,225	177,706	183,152	55,092	39,527	47,388	48,841
Cash and cash equivalents at end of the period		197,649	171,842	197,649	171,842	52,706	45,824	52,706	45,824

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


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Notes to the condensed consolidated interim financial report

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. 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.

On December 11, 2019, the Company completed its Initial Public Offering ("IPO") and its ordinary shares were listed on the Saudi Stock Exchange ("Tadawul"). In connection with the IPO, the Government sold an aggregate of 3.45 billion ordinary shares, or 1.73% of the Company's share capital.

The condensed consolidated interim financial report of the Company and its subsidiaries (together "Saudi Aramco") was approved by the Board of Directors on November 2, 2020.

2. Basis of preparation and other significant accounting policies

The condensed consolidated interim financial report has been prepared in accordance with International Accounting Standard 34 ("IAS 34"), Interim Financial Reporting, that is endorsed in the Kingdom, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). This condensed consolidated interim financial report is consistent with the accounting policies and methods of computation and presentation set out in Saudi Aramco's December 31, 2019 consolidated financial statements, except for new and amended standards disclosed below.

The results for the interim periods are unaudited and include all adjustments necessary for a fair presentation of the results for the periods presented. This condensed consolidated interim financial report should be read in conjunction with the consolidated financial statements and related notes for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom, and other standards and pronouncements issued by SOCPA. The consolidated financial statements for the year ended December 31, 2019 are also in compliance with IFRS as issued by the International Accounting Standards Board ("IASB").

Translations from SAR to USD presented as supplementary information in the Condensed Consolidated Statement of Income, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity, and Condensed Consolidated Statement of Cash Flows at September 30, 2020 and December 31, 2019 and for the three-month and nine-month periods ended September 30, 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.

In response to the 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 continue business operations. Crude oil accounts 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 during the second quarter of 2020 that resulted in a reduction in crude oil prices. The markets showed signs of recovery during the third quarter as governments began to ease restrictions and the improved economic activity translated into increased crude oil demand and higher prices when compared with the second quarter. The increased prices have positively impacted Saudi Aramco's financial performance during the third quarter of 2020. Management has taken measures to optimize spending, which resulted in reducing operational and capital expenditures during the period. Additionally, the Company entered into a one-year term loan facility (Note 10) to ensure sufficient funding to meet forecasted cash flow requirements and limit any potential financial exposure. Management continues monitoring the situation, including the impact on Saudi Aramco's results of operations and cash flows and will take further actions as necessary. Additionally, management has considered the potential impact of the COVID-19 pandemic on Saudi Aramco's significant accounting judgements and estimates and there are no changes to the significant judgements and estimates disclosed in the December 31, 2019 consolidated financial statements, other than those disclosed in this condensed consolidated interim financial report.

(a) Fiscal regime changes

On September 17, 2019, the following significant changes to the fiscal regime under which the Company operates were announced 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 foregone 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 8).
- (iv) The Tax Law was amended during the previous quarter, 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 the corporate income tax. As a result, the Company's ownership interests in 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 8).

(b) New or amended standards

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

In September 2019, the IASB amended IAS 39, Financial Instruments: Recognition and Measurement, IFRS 7, Financial Instruments: Disclosures, and IFRS 9, Financial Instruments, which modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the Interbank Offered Rate ("IBOR") reform in 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) which are exposed to the impact of LIBOR with a nominal value of SAR 11,745:

- Financial Liabilities: SAR 1,073

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 condensed consolidated interim financial report from adopting the Phase 1 amendments to IAS 39, IFRS 7, and IFRS 9.

- (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:

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 include: (1) providing practical expedients in relation to accounting for instruments to which the amortised 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 undergoing an exercise to assess 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.

(c) Reclassifications

Certain comparative amounts in the Condensed Consolidated Statement of Income for the three-month and nine-month periods ended September 30, 2019 have been reclassified to conform to the current period presentation. Such reclassifications did not impact the previously reported net income. These represent certain sales of crude oil and related purchases of refined products in the amount of SAR 2,650 and SAR 8,035, respectively, which are presented in the Condensed Consolidated Statement of Income as revenue and purchases, reflecting current trading arrangements.

(d) Inventories

During the three-month and nine-month periods ended September 30, 2020, a portion of the inventory purchased from third parties by certain subsidiaries was written-down to its net realizable value.

3. 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.

The following table presents Saudi Aramco's assets and liabilities measured and recognized at fair value at September 30, 2020 and December 31, 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 September 30, 2020 and December 31, 2019. There were no changes made to any of the valuation techniques and valuation processes applied as of December 31, 2019 and changes in unobservable inputs are not expected to materially impact the fair value.

Assets	Level 1 ⁱ	Level 2 ⁱⁱ	Level 3 ⁱⁱⁱ	Total
September 30, 2020:				
Investments in securities:				
Equity securities at Fair Value Through Other Comprehensive Income ("FVOCI")	6,813	481	1,422	8,716
Debt securities at FVOCI	31	6,815	-	6,846
Equity securities at Fair Value Through Profit Or Loss ("FVPL")	852	1,485	3,110	5,447
Trade receivables related to contracts with provisional pricing arrangements	-	-	53,826	53,826
	7,696	8,781	58,358	74,835
Other assets and receivables:				
Commodity swaps	21	90	35	146
Currency forward contracts	-	306	-	306
	21	396	35	452
Total assets	7,717	9,177	58,393	75,287
December 31, 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 ⁱ	Level 2 ⁱⁱ	Level 3 ⁱⁱⁱ	Total
September 30, 2020:				
Trade and other payables:				
Interest rate swaps	-	1,073	-	1,073
Commodity swaps	-	244	39	283
Currency forward contracts	-	155	-	155
Total liabilities	-	1,472	39	1,511
December 31, 2019:				
Trade and other payables:				
Interest rate swaps	-	338	-	338
Commodity swaps	-	521	-	521
Currency forward contracts	-	109	-	109
Total liabilities	-	968	-	968

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

(iii) Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The changes in Level 3 investments in securities and other current assets for the nine-month period ended September 30, 2020 and the year ended December 31, 2019 are as follows:

	September 30, 2020	December 31, 2019
Beginning	6,162	5,530
Net (disposals)/ additions	(1,417)	286
Acquisition of SABIC	262	-
Realized gain	179	50
Net movement in unrealized fair value	(658)	296
Ending	4,528	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 11). Unrealized fair value movements on these trade receivables are not significant.

4. Acquisition of subsidiary - Saudi Basic Industries Corporation ("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. During the current quarter, the fair values of the assets and liabilities have been updated mainly for increases in investment in joint ventures and associates and non-controlling interests and a decrease in goodwill. The updated fair values in the following table remain provisional.

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	51,283
Other non-current assets	12,179
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.

The purchase price amount is to be paid over several installments pursuant to a seller loan provided by PIF (Note 10). 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 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 10).

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 Condensed Consolidated Statement of Income. The post-acquisition revenue and net loss included in the Condensed Consolidated Statement of Income amounted to SAR 32,827 and SAR 4,005, respectively.

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 September 30, 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.

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 for the three-month period ended September 30, 2020 is as follows:

	Upstream	Downstream	Corporate	Eliminations	Consolidated
External revenue	103,660	96,089	310	-	200,059
Other income related to sales	13,795	14,740	-	-	28,535
Inter-segment revenue	36,610	11,077	53	(47,740)	-
Earnings (losses) before interest, income taxes and zakat	103,696	(2,983)	(2,912)	(2,324)	95,477
Finance income					681
Finance costs					(3,407)
Income before income taxes and zakat					92,751
Capital expenditures - cash basis	17,288	6,159	487	-	23,934

Information by segments for the three-month period ended September 30, 2019 is as follows:

	Upstream	Downstream	Corporate	Eliminations	Consolidated
External revenue	171,223	94,502	313	-	266,038
Other income related to sales	10,985	27,623	-	-	38,608
Inter-segment revenue	54,506	8,440	49	(62,995)	-
Earnings (losses) before interest, income taxes and zakat	167,626	3,004	(2,708)	(2,443)	165,479
Finance income					1,411
Finance costs					(1,623)
Income before income taxes and zakat					165,267
Capital expenditures - cash basis	23,296	6,443	613	-	30,352

Information by segments for the nine-month period ended September 30, 2020 is as follows:

	Upstream	Downstream	Corporate	Eliminations	Consolidated
External revenue	307,829	239,998	1,030	-	548,857
Other income related to sales	30,093	39,343	-	-	69,436
Inter-segment revenue	104,370	26,587	226	(131,183)	-
Earnings (losses) before interest, income taxes and zakat	299,992	(23,279)	(9,759)	7,951	274,905
Finance income					2,315
Finance costs					(6,906)
Income before income taxes and zakat					270,314
Capital expenditures - cash basis	56,898	17,184	1,024	-	75,106

Information by segments for the nine-month period ended September 30, 2019 is as follows:

	Upstream	Downstream	Corporate	Eliminations	Consolidated
External revenue	533,136	288,157	850	-	822,143
Other income related to sales	26,155	76,289	-	-	102,444
Inter-segment revenue	171,641	25,151	196	(196,988)	-
Earnings (losses) before interest, income taxes and zakat	521,734	4,873	(8,711)	(5,518)	512,378
Finance income					4,125
Finance costs					(4,402)
Income before income taxes and zakat					512,101
Capital expenditures - cash basis	65,226	18,007	1,382	-	84,615

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	6,228	2,239	139	6,260	73,137	88,003
Acquisition (Note 4)	-	150,889	-	-	28,424	179,313
Construction completed	52,888	18,563	43,921	24,429	(139,801)	-
Currency translation differences	-	1,542	-	(1)	(4)	1,537
Transfers and adjustments	(37)	(302)	(98)	(465)	(104)	(1,006)
Transfer of exploration and evaluation assets	-	-	-	-	847	847
Retirements and sales	(1,337)	(3,318)	(261)	(3,205)	(71)	(8,192)
September 30, 2020	595,041	400,662	440,101	135,600	253,910	1,825,314
Accumulated depreciation						
January 1, 2020	(271,105)	(78,033)	(174,300)	(59,360)	-	(582,798)
Additions ⁽¹⁾	(17,145)	(15,406)	(12,274)	(6,175)	-	(51,000)
Currency translation differences	-	(1,247)	-	-	-	(1,247)
Transfers and adjustments	(639)	(68)	14	(20)	-	(713)
Retirements and sales	1,248	3,174	250	1,489	-	6,161
September 30, 2020	(287,641)	(91,580)	(186,310)	(64,066)	-	(629,597)
Property, plant and equipment - net, September 30, 2020	307,400	309,082	253,791	71,534	253,910	1,195,717

(1) Includes impairments of SAR 925.

Additions to right-of-use assets during the three-month and nine-month periods ended September 30, 2020 were SAR 2,894 and SAR 14,058, respectively. Acquisition of right-of-use assets during the three-month and nine-month periods ended September 30, 2020 were nil and SAR 7,003, respectively. The following table presents depreciation charges and net carrying amounts of right-of-use assets by class of assets.

	Depreciation expense for the nine-month period ended September 30, 2020	Net carrying amount at September 30, 2020
Crude oil facilities	2,701	11,658
Refinery and petrochemical facilities	1,717	16,483
Gas and NGL facilities	129	278
General service plant	3,255	26,035
	7,802	54,454

7. Intangible assets

	Goodwill	Exploration and evaluation	Brands and trademarks	Franchise/customer relationships	Computer software	Other	Total
Cost							
January 1, 2020	1,077	21,913	4,791	1,764	4,428	1,680	35,653
Additions	-	3,633	-	-	88	22	3,743
Acquisition (Note 4)	99,116	-	18,215	17,985	260	619	136,195
Currency translation differences	(3)	-	(23)	(5)	17	64	50
Transfers and adjustments	-	-	(86)	(12)	2	(35)	(131)
Transfer of exploration and evaluation assets	-	(847)	-	-	-	-	(847)
Retirements and write offs	-	(3,424)	-	-	(32)	(7)	(3,463)
September 30, 2020	100,190	21,275	22,897	19,732	4,763	2,343	171,200
Accumulated amortization							
January 1, 2020	-	-	(1,448)	(866)	(2,835)	(382)	(5,531)
Charge for the period	-	-	(300)	(385)	(254)	(188)	(1,127)
Currency translation differences	-	-	-	(3)	(16)	(49)	(68)
Transfers and adjustments	-	-	11	12	(1)	24	46
Retirements and write offs	-	-	-	-	32	-	32
September 30, 2020	-	-	(1,737)	(1,242)	(3,074)	(595)	(6,648)
Intangible assets - net, September 30, 2020	100,190	21,275	21,160	18,490	1,689	1,748	164,552

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

Other intangible assets include licenses and usage rights of SAR 671, patents and intellectual property of SAR 458 and new intangible assets recognized as a result of the acquisition of SABIC consisting of technology and licenses of SAR 619.

8. 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 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 of its Downstream activities into a separate legal entity or entities within the period specified (Note 2(a)(iii)).

The Tax Law was amended during the previous quarter, 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 the corporate income tax. As a result, the Company's ownership interests in 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. Zakat is levied based on adjusted income subject to zakat or the zakat base in accordance with the Regulations of the General Authority of Zakat and Tax ("GAZT") in KSA, whichever is higher. Zakat is computed by using the zakat base and the zakat provision is charged to the Condensed Consolidated Statement of Income.

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

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

	3 rd quarter 2020	3 rd quarter 2019	Nine months 2020	Nine months 2019
Income before income taxes and zakat	92,751	165,267	270,314	512,101
(Less)/add: (Income)/loss subject to zakat	2,629	-	2,768	-
Income subject to income tax	95,380	165,267	273,082	512,101
Income taxes at the Kingdom's statutory tax rates	45,465	81,857	132,566	251,010
Tax effect of:				
Impact of change in income tax rates on deferred tax	-	2,655	-	2,655
Income not subject to tax at statutory rates and other	2,583	916	5,861	2,726
Income tax expense	48,048	85,428	138,427	256,391
Zakat expense	494	-	579	-
Total income tax and zakat expense	48,542	85,428	139,006	256,391

(b) Income tax and zakat expense

	3 rd quarter 2020	3 rd quarter 2019	Nine months 2020	Nine months 2019
Current income tax - Kingdom	43,346	78,380	128,281	242,777
Current income tax - Foreign	203	25	255	201
Deferred income tax - Kingdom:				
Impact of change in income tax rates	-	2,655	-	2,655
Charge for the period	4,787	4,350	12,473	10,011
Deferred income tax - Foreign	(288)	18	(2,582)	747
Zakat - Kingdom	494	-	579	-
	48,542	85,428	139,006	256,391

(c) Income tax and zakat obligations to the Government

	2020	2019
January 1	62,243	70,299
Acquisition	3,288	-
Provided during the period	128,860	242,777
Payments during the period by the Company (Note 15)	(64,398)	(121,526)
Payments during the period by subsidiaries and joint operations	(2,755)	(888)
Settlements of due from the Government	(84,415)	(125,318)
Other settlements	(4,238)	(3,405)
September 30	38,585	61,939

9. Other reserves

	Currency translation differences	Investments in securities at FVOCI	Post-employment benefit obligations	Share-based payment reserve	Cash flow hedges and other	Share of other comprehensive income (loss) of joint ventures and associates		Total
						Post-employment benefit obligations and other	Foreign currency translation gains (losses)	
January 1, 2020	(585)	3,342	-	31	(427)	(476)	191	2,076
Current period change	165	(1,455)	-	434	(696)	(654)	55	(2,151)
Remeasurement loss ⁽¹⁾	-	-	(11,854)	-	-	-	-	(11,854)
Transfer to retained earnings	-	-	6,577	-	-	-	-	6,577
Tax effect	-	433	4,942	-	-	-	-	5,375
Less: amounts related to non-controlling interests	32	-	335	-	1	-	-	368
September 30, 2020	(388)	2,320	-	465	(1,122)	(1,130)	246	391

(1) The remeasurement loss is primarily due to changes in discount rates used to determine the present value of the obligations.

10. Borrowings

	September 30, 2020	December 31, 2019
Non-current:		
Deferred consideration (Note 4)	215,981	-
Borrowings	61,038	39,957
Debentures	74,207	60,957
Sukuk (Shari'a compliant)	12,738	12,649
Lease liabilities	44,281	33,831
Other ⁽¹⁾	3,307	3,296
	411,552	150,690
Current:		
Deferred consideration (Note 4)	18,529	-
Short-term bank financing	52,052	12,660
Borrowings	16,049	4,957
Sukuk (Shari'a compliant)	199	175
Lease liabilities	9,941	7,103
	96,770	24,895

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

On June 9, 2020, the Company amended and restated certain agreements with respect to its SAR 22,500 (\$6,000) five-year conventional revolving credit facility 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 part of the revolving credit facility and has not been utilized as of September 30, 2020.

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. On July 27, 2020, the facility was fully utilized with the outstanding loan balance of SAR 37,500 (\$10,000).

11. Revenue

	3 rd quarter 2020	3 rd quarter 2019	Nine months 2020	Nine months 2019
Revenue from contracts with customers	199,165	264,383	555,743	815,705
Movement between provisional and final prices	(35)	616	(9,625)	3,973
Other revenue	929	1,039	2,739	2,465
	200,059	266,038	548,857	822,143

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:

	3 rd quarter 2020			Total
	Upstream	Downstream	Corporate	
Crude oil	94,755	4,647	-	99,402
Refined and chemical products	-	88,065	-	88,065
Natural gas and NGLs	8,827	473	-	9,300
Other ⁽¹⁾	-	2,398	-	2,398
Revenue from contracts with customers	103,582	95,583	-	199,165
Movement between provisional and final prices	10	(45)	-	(35)
Other revenue	68	551	310	929
External revenue	103,660	96,089	310	200,059

	3 rd quarter 2019			Total
	Upstream	Downstream	Corporate	
Crude oil	156,849	6,293	-	163,142
Refined and chemical products	-	87,270	-	87,270
Natural gas and NGLs	13,572	399	-	13,971
Revenue from contracts with customers	170,421	93,962	-	264,383
Movement between provisional and final prices	547	69	-	616
Other revenue	255	471	313	1,039
External revenue	171,223	94,502	313	266,038

	Nine months 2020			Total
	Upstream	Downstream	Corporate	
Crude oil	285,175	17,540	-	302,715
Refined and chemical products	-	216,609	-	216,609
Natural gas and NGLs	31,739	1,492	-	33,231
Other ⁽¹⁾	-	3,188	-	3,188
Revenue from contracts with customers	316,914	238,829	-	555,743
Movement between provisional and final prices	(9,398)	(227)	-	(9,625)
Other revenue	313	1,396	1,030	2,739
External revenue	307,829	239,998	1,030	548,857

	Nine months 2019			Total
	Upstream	Downstream	Corporate	
Crude oil	484,819	15,362	-	500,181
Refined and chemical products	-	269,902	-	269,902
Natural gas and NGLs	44,120	1,502	-	45,622
Revenue from contracts with customers	528,939	286,766	-	815,705
Movement between provisional and final prices	3,723	250	-	3,973
Other revenue	474	1,141	850	2,465
External revenue	533,136	288,157	850	822,143

(1) Other revenue relates to the manufacture and sale of metal products following the acquisition of Saudi Iron & Steel Company ("Hadeed"), a wholly owned subsidiary of SABIC.

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

	3 rd quarter 2020	3 rd quarter 2019	Nine months 2020	Nine months 2019
Crude oil	1,067	912	2,216	2,049
Refined and chemical products	12,214	14,941	32,852	41,910
Natural gas and NGLs	2,394	4,533	10,057	11,955
	15,675	20,386	45,125	55,914

12. Non-cash investing and financing activities

Investing and financing activities for the three-month and nine-month periods ended September 30, 2020 include the acquisition of SABIC for deferred consideration of nil and SAR 259,125 (Note 4), respectively, additions to right-of-use assets of SAR 2,894 and SAR 14,058 (September 30, 2019: SAR 2,291 and SAR 6,248), respectively, subordinated shareholder loans and trade receivables with a joint venture that were converted to equity of nil and nil (September 30, 2019: SAR 975 and SAR 2,804), respectively, and asset retirement provisions of SAR 102 and SAR 258 (September 30, 2019: SAR 104 and SAR 280), respectively.

13. Commitments

(a) Capital commitments

Capital expenditures contracted for but not yet incurred were SAR 158,236 and SAR 154,181 at September 30, 2020 and December 31, 2019, respectively. In addition, leases contracted for but not yet commenced were SAR 10,823 and SAR 7,467 at September 30, 2020 and December 31, 2019, respectively.

(b) Sadara Chemical Company (“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 shall be deposited within one month from the date of supplying Sadara with additional ethane. The remaining funds shall be deposited over 9 years at SAR 38 annually. Saudi Aramco’s commitment of SAR 188 is outstanding at September 30, 2020.

14. 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 4,278 as of September 30, 2020 arising in the ordinary course of business.

Rabigh Refining and Petrochemical Company (“Petro Rabigh”)

On September 30, 2020, project completion under the senior debt financing (the “Rabigh II Financing”) for the Rabigh II Project (the “Project”) was successfully achieved. As a result, the completion guarantees provided by the two founding shareholders, the Company and Sumitomo Chemical Co. Ltd., for their equal share of the Rabigh II Financing 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 were due to be repaid on October 1, 2020, but, were extended until October 1, 2022. The DSU has not been utilized through the date of the condensed consolidated interim financial report.

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. Petro Rabigh has utilized SAR 2,813 (the Company’s share) on October 8, 2020. 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.

15. Payments to the Government by the Company

	3 rd quarter 2020	3 rd quarter 2019	Nine months 2020	Nine months 2019
Income taxes (Note 8(c))	4,948	39,787	64,398	121,526
Royalties	18,371	41,842	64,238	130,136
Dividends	69,084	50,212	188,162	224,175

16. Related party transactions and balances

(a) Transactions

	3 rd quarter 2020	3 rd quarter 2019	Nine months 2020	Nine months 2019
Joint ventures:				
Revenue from sales	5,520	750	8,280	1,909
Other revenue	15	4	38	15
Interest income	-	15	38	15
Purchases	3,694	-	3,739	-
Service expenses	3	4	11	15
Associates:				
Revenue from sales	13,856	8,873	23,501	27,259
Other revenue	45	83	203	139
Interest income	15	19	101	90
Purchases	6,165	7,437	12,904	23,648
Service expenses	38	60	154	116
Government and semi-Government agencies:				
Revenue from sales	4,721	12,593	21,810	36,008
Other income related to sales	28,535	38,608	69,436	102,444
Other revenue	79	386	345	739
Purchases	4,298	844	8,944	2,363
Service expenses	78	116	266	304

(b) Balances

	September 30, 2020	December 31, 2019
Joint ventures:		
Other assets and receivables	5,209	1,609
Trade receivables	6,304	836
Interest receivable	94	30
Trade and other payables	2,948	15
Associates:		
Other assets and receivables	3,368	3,326
Trade receivables	13,920	8,715
Trade and other payables	3,341	4,553
Government and semi-Government agencies:		
Trade receivables	3,229	5,985
Due from the Government	32,152	36,781
Trade and other payables	3,131	3,019
Borrowings	242,707	5,366

(c) Compensation of key management personnel

Compensation policies for and composition of key management personnel remain consistent with 2019.

17. Investment in 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. Saudi Aramco engaged an independent valuer in order to determine the fair values of the assets and liabilities of Hyundai Oilbank. Based on the valuer's purchase price allocation report, the fair values of the identifiable assets and liabilities of Hyundai Oilbank as at the date of acquisition are as follows:

Cash and cash equivalents	1,541
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

18. Dividends

Dividends declared and paid on ordinary shares are as follows:

	Nine months 2020	Nine months 2019	SAR per share	
			Nine months 2020	Nine months 2019
Quarter:				
March	50,226	86,250	0.25	0.43
June	70,319	87,713	0.35	0.44
September	70,320	50,212	0.35	0.25
Total dividends paid ⁽¹⁾	190,865	224,175	0.95	1.12
Declared in December 2019, paid in January 2020	(35,475)	-	(0.17)	-
Total dividends declared	155,390	224,175	0.78	1.12
Dividends declared in November 2020 and 2019 ⁽²⁾	70,324	50,213	0.35	0.25

(1) Dividends of SAR 50,226 paid in 2020 relate to 2019 results.

(2) The condensed consolidated interim financial report does not reflect a dividend to shareholders of approximately SAR 70,324, which was approved in November 2020 (November 2019: SAR 50,213). This dividend will be deducted from unappropriated retained earnings in the year ending December 31, 2020 and relates to results for the three-month period ended September 30, 2020.

Non-IFRS measures reconciliations and definitions

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

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

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

ROACE

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

ROACE for the third quarter and nine months ended September 30, 2020, calculated on a twelve-month rolling basis, was 14.8% compared to 31.5% for the same periods in 2019. This decrease was primarily attributable to lower net income, and to a lesser extent, higher borrowings as a result of the SABIC acquisition.

	SAR		USD*	
	Twelve months ended September 30		Twelve months ended September 30	
	2020	2019	2020	2019
All amounts in millions unless otherwise stated				
Net income	206,291	359,771	55,010	95,939
Finance costs, net of income taxes and zakat	4,265	2,608	1,137	696
Net income before finance costs, net of income taxes and zakat	210,556	362,379	56,147	96,635
As at period start:				
Non-current borrowings	133,288	73,302	35,543	19,547
Current borrowings	40,006	28,883	10,668	7,702
Total equity	1,049,446	973,892	279,852	259,705
Capital employed	1,222,740	1,076,077	326,063	286,954
As at period end:				
Non-current borrowings	411,552	133,288	109,747	35,543
Current borrowings	96,770	40,006	25,805	10,668
Total equity	1,113,737	1,049,446	296,997	279,852
Capital employed	1,622,059	1,222,740	432,549	326,063
Average capital employed	1,422,400	1,149,409	379,306	306,509
ROACE	14.8%	31.5%	14.8%	31.5%

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

Free cash flow

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

Free cash flow for the third quarter of 2020 was SAR 46,547 (\$12,411), compared to SAR 77,290 (\$20,611) for the same quarter in 2019, a decrease of SAR 30,743 (\$8,200). This decrease was principally due to lower operating cash flow, reflecting a decline in earnings and unfavourable movements in working capital, partially offset by a reduction in settlement of taxes and zakat. Capital expenditures decreased by SAR 6,418 (\$1,711) in the third quarter of 2020, compared to the same quarter in 2019, as a result of the on-going capital spending optimization and efficiency programs.

Free cash flow for the first nine months of 2020 was SAR 125,752 (\$33,533), compared to SAR 219,716 (\$58,591) for the same period in 2019. This decrease of SAR 93,964 (\$25,058) mainly reflects lower earnings resulting from lower crude oil prices and volumes sold and weaker refining and chemicals margins. This was partially offset by a decrease in settlement of taxes and zakat and cash released from working capital changes. Capital expenditures for the first nine months of 2020 declined in comparison to the same period in 2019, due to the implementation of capital spending optimization and efficiency programs in response to the current economic environment.

All amounts in millions unless otherwise stated	Third quarter				Nine months			
	SAR		USD*		SAR		USD*	
	2020	2019	2020	2019	2020	2019	2020	2019
Net cash provided by operating activities	70,481	107,642	18,794	28,705	200,858	304,331	53,561	81,155
Capital expenditures	(23,934)	(30,352)	(6,383)	(8,094)	(75,106)	(84,615)	(20,028)	(22,564)
Free cash flow	46,547	77,290	12,411	20,611	125,752	219,716	33,533	58,591

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

Gearing

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

Gearing increased from -0.2% (net cash position) as at December 31, 2019 to 21.8% as at September 30, 2020. This principally reflects an increase in debt in connection with the deferred consideration on acquisition of SABIC, the full drawdown of a \$10 billion term loan facility and the consolidation of SABIC's net debt onto Aramco's balance sheet.

All amounts in millions unless otherwise stated	SAR		USD*	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
	Total borrowings (current and non-current)	508,322	175,585	135,552
Cash and cash equivalents	(197,649)	(177,706)	(52,706)	(47,388)
Net debt / (cash)	310,673	(2,121)	82,846	(565)
Total equity	1,113,737	1,046,235	296,997	278,996
Total equity and net debt / (cash)	1,424,410	1,044,114	379,843	278,431
Gearing	21.8%	(0.2)%	21.8%	(0.2)%

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

Earnings before interest, income taxes and zakat (EBIT)

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

EBIT for the third quarter ended September 30, 2020, was SAR 95,477 (\$25,461) compared to SAR 165,479 (\$44,129) during the same quarter in 2019, representing a decrease of SAR 70,002 (\$18,668). This primarily reflects the impact of lower crude oil prices and volumes sold, and weaker refining and chemicals margins.

EBIT for the nine months ended September 30, 2020, was SAR 274,905 (\$73,308) compared to SAR 512,378 (\$136,635) during the same period in 2019. This decrease of SAR 237,473 (\$63,327) was mainly due to the impact of lower crude oil prices and volumes sold, and reduced refining and chemicals margins.

	Third quarter				Nine months			
	SAR		USD*		SAR		USD*	
All amounts in millions unless otherwise stated	2020	2019	2020	2019	2020	2019	2020	2019
Net income	44,209	79,839	11,789	21,291	131,308	255,710	35,015	68,190
Finance income	(681)	(1,411)	(181)	(376)	(2,315)	(4,125)	(617)	(1,100)
Finance costs	3,407	1,623	909	433	6,906	4,402	1,842	1,174
Income taxes and zakat	48,542	85,428	12,944	22,781	139,006	256,391	37,068	68,371
Earnings before interest, income taxes and zakat	95,477	165,479	25,461	44,129	274,905	512,378	73,308	136,635

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

Terms and abbreviations

Currencies

SAR/Riyal
Saudi Arabian riyal

\$/USD/US\$/Dollar
U.S. dollar

Units of measurement

Barrel (bbl)
Barrels of crude oil, condensate or refined products

boe
Barrels of oil equivalent

bpd
Barrels per day

bscf
Billion standard cubic feet

bscfd
Billion standard cubic feet per day

mboed
Thousand barrels of oil equivalent per day

mbpd
Thousand barrels per day

mmbbl
Million barrels

mmboe
Million barrels of oil equivalent

mmboed
Million barrels of oil equivalent per day

mmbpd
Million barrels per day

mmscf
Million standard cubic feet

mmscfd
Million standard cubic feet per day

per day
Volumes are converted into a daily basis using a calendar year (Gregorian)

scf
Standard cubic feet

Miscellaneous abbreviations

CO₂
Carbon dioxide

COVID-19
The coronavirus disease 2019

IAS
International Accounting Standard

IASB
International Accounting Standards Board

IFRS
International Financial Reporting Standards

SOCPA
Saudi Organization for Certified Public Accountants

Technical terms

Condensate
Light hydrocarbon substances produced with raw gas which condenses into liquid at normal temperatures and pressures associated with surface production equipment.

Gross refining capacity
The total combined refining capacity of Aramco and the joint ventures and other entities in which it owns an equity interest.

Hydrocarbons
Crude oil and other hydrogen and carbon compounds in liquid or gaseous state.

LPG(s)
Liquefied petroleum gas, which is a mixture of saturated and unsaturated hydrocarbons, with up to five carbon atoms, used as household fuel.

MSC
Maximum Sustainable Capacity - the average maximum number of barrels per day of crude oil that can be produced for one year during any future planning period, after taking into account all planned capital expenditures and maintenance, repair and operating costs, and after being given three months to make operational adjustments.

Natural gas
Dry gas produced at Aramco gas plants and sold within the Kingdom.

NGLs
Natural gas liquids, which are liquid or liquefied hydrocarbons produced in the manufacture, purification and stabilization of natural gas. For purposes of reserves, ethane is included in NGLs. For purposes of production, ethane is reported separately and excluded from NGLs.

Reliability
Total products volume shipped/delivered within 24 hours of the scheduled time, divided by the total products volume committed. Any delays caused by factors that are under our control (e.g., terminal, pipeline, stabilization, or production) negatively affect the score, whereas delays caused by conditions that are beyond our control, such as adverse weather, are not considered. A score of less than 100 percent indicates there were issues that negatively impacted reliability.

Glossary

Bylaws

The Bylaws of the Company, approved by Council of Ministers Resolution No. 180 dated 1/4/1439H (corresponding to December 19, 2017), which came into effect on January 1, 2018.

Company

Saudi Arabian Oil Company.

Council of Ministers

The cabinet of the Kingdom, which is led by the Custodian of the Two Holy Mosques, the King, and includes HRH the Crown Prince and other cabinet ministers.

Domestic

Refers to the Kingdom of Saudi Arabia.

Domestic Prices

Certain prices for the domestic sale of gas hydrocarbons including those for Regulated Gas Products.

Exchange or Tadawul

The Saudi Stock Exchange, the sole entity authorized in the Kingdom to act as a securities exchange.

Government

The Government of the Kingdom (and "Governmental" shall be interpreted accordingly). In the context of acting as a Shareholder of Aramco, the Government is the State.

Kingdom

Kingdom of Saudi Arabia.

Price Equalization

Prices are established separately by the Ministry of Energy for each relevant product using a combination of either internationally recognized indices or, where relevant, Aramco's official selling price and, depending on the relevant product, on the basis of export parity, import parity or a combination of both.

Regulated Gas Products

Gas hydrocarbons which are subject to the Kingdom's gas pricing regime, including natural gas, ethane and NGLs (propane, butane and natural gasoline).

SABIC

Saudi Basic Industries Corporation.

Saudi Aramco / Aramco

Saudi Arabian Oil Company, together with its consolidated subsidiaries, and where the context requires, its joint operations, joint ventures and associates.

Any reference to "us", "we" or "our" refers to Saudi Aramco / Aramco except where otherwise stated.

Unless otherwise stated, the text does not distinguish between the activities and operations of the Company and those of its subsidiaries.

Shareholder

Any holder of shares.

Tax Law

Income Tax Law issued under Royal Decree No. M/1 dated 15/1/1425H (corresponding to March 6, 2004) and its Implementing Regulations issued under Ministerial Resolution No. 1535 dated 11/6/1425H (corresponding to August 11, 2004), as amended from time to time.

Disclaimer

This Interim Report contains, and management may make, certain forward-looking statements. All statements other than statements of historical fact included in the Interim Report are forward-looking statements. Forward-looking statements give Saudi Aramco's current expectations and projections relating to our capital expenditures and investments, major projects, upstream performance, including relative to peers, and growth in downstream and chemicals. These statements may include, without limitation, any statements preceded by, followed by or including words such as "target," "believe," "expect," "aim," "intend," "may," "anticipate," "estimate," "plan," "project," "will," "can have," "likely," "should," "would," "could" and other words and terms of similar meaning or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond Saudi Aramco's control that could cause Saudi Aramco's actual results, performance or achievements to be materially different from the expected results, performance, or achievements expressed or implied by such forward-looking statements, including the following factors:

- international crude oil supply and demand;
- the impact of COVID-19 on business and economic conditions and on supply and demand for crude oil, gas and refined and petrochemical products;
- adverse economic or political developments that could impact Saudi Aramco's results of operations;
- competitive pressures faced by Saudi Aramco;
- managing Saudi Aramco's subsidiaries, joint operations, joint ventures, associates and entities in which it holds a minority interest;
- any significant deviation or changes in existing economic and operating conditions that could affect the estimated quantity and value of Saudi Aramco's proved reserves;
- operational risks and hazards in the oil and gas, refining and petrochemicals industries;
- the cyclical nature of the oil and gas, refining and petrochemicals industries;
- weather conditions;

- political and social instability and unrest and actual or potential armed conflicts in the regions in which Saudi Aramco operates and other areas;
- losses from risks related to insufficient insurance;
- Saudi Aramco's ability to deliver on current and future projects;
- litigation that Saudi Aramco is or may be subject to;
- Saudi Aramco's ability to realize benefits from recent and future acquisitions, including with respect to SABIC;
- risks related to international operations, including sanctions and trade restrictions, anti-bribery and anti-corruption laws and other laws and regulations;
- risks related to oil, gas, environmental, health and safety and other regulations that impact the industries in which Saudi Aramco operates;
- Saudi Aramco's dependence on its senior management and key personnel;
- management's limited experience in managing a public company;
- the reliability and security of Saudi Aramco's IT systems;
- climate change concerns and impacts;
- risks related to Government-directed projects and other Government requirements, including those related to Government-set maximum level of crude oil production and target MSC;
- fluctuations in interest rates and foreign exchange rates; and
- other risks and uncertainties that could cause actual results to differ from the forward-looking statements, as set forth in Saudi Aramco's Annual Report 2019 and other reports or statements available on our website at www.aramco.com/en/investors/investors/reports-and-presentations and/or filed with the Tadawul, in addition to the risk factors set forth below.

Such forward-looking statements are based on numerous assumptions regarding Saudi Aramco's present and future business strategies and the environment in which it will operate in the future. The information included in this Interim Report, including but not limited to forward-looking statements, applies only as of the date of this document and is not intended to give any assurances as to future results. Saudi Aramco expressly disclaims any obligation or undertaking to disseminate any updates or revisions to such information, including any financial data or forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law or regulation.

Disclaimer – Risk Factors

For a discussion of our risk factors, please see Saudi Aramco Annual Report 2019, available through the investor relations section of Saudi Aramco's website at www.aramco.com/en/investors/investors/reports-and-presentations.

In addition, please note the following additional risk factor:

- COVID-19 and its impact on business and economic conditions has negatively affected, and could continue to negatively affect Saudi Aramco's business, results of operations, financial condition and the trading price of Saudi Aramco's securities.

Public health authorities and governments at local, national and international levels have announced various measures to respond to the COVID-19 pandemic, including voluntary and mandatory quarantines, restrictions on travel and commerce, and limiting gatherings of people. Saudi Aramco has implemented business continuity and emergency response plans to continue its operations and has taken health and safety measures such as implementing worker distancing measures and using a remote workforce where possible.

However, there is no assurance that these measures will be effective or that COVID-19, or efforts to contain the virus, will not materially affect Saudi Aramco's business, results of operations and financial condition.

The COVID-19 pandemic has had, and could have additional, adverse effects on Saudi Aramco's business including:

- a decrease in economic activity and demand for Saudi Aramco's products and contributing (in addition to other supply and demand factors such as geopolitical events) to the lower oil price environment;
- operational difficulties faced by suppliers, including exporting Saudi Aramco's crude oil and refined products and lack of available space for these products at storage facilities; and
- impacts to our financial results, such as contributing to the decreases in our net income, EBIT, free cash flow and other financial metrics in the first nine months of 2020 when compared with the same period in 2019, which resulted from the lower oil price environment and other factors described in this report.

A reconciliation of non-IFRS measures is included in *Non-IFRS measures reconciliations and definitions* section of this Interim Report.

The situation surrounding COVID-19 and its impact on global economic conditions, which have impacted Saudi Aramco's business, results of operations, and financial condition during 2020, may continue to impact Saudi Aramco's business, results of operations and financial condition for the remainder of 2020 and into 2021; however, the situation remains fluid and therefore it is difficult to predict with certainty the length of time that COVID-19 will impact our business and overall potential impact of COVID-19 on Saudi Aramco's business, operations, financial condition and trading price of Saudi Aramco's securities.

Saudi Aramco's financial information herein has been extracted from Saudi Aramco's condensed consolidated interim financial report for the three and nine month periods ended September 30, 2020, which is prepared and presented in accordance with IAS 34, that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

In addition, this document includes certain "non-IFRS financial measures." These measures are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of Saudi Aramco's results of operations, cash flow and financial position from management's perspective. Accordingly, they should not be considered in isolation or as a substitute for analysis of Saudi Aramco's financial information reported under IFRS.

About Aramco

Aramco, headquartered in the city of Dhahran, is one of the world's largest integrated energy and chemicals companies; its Upstream operations are based in the Kingdom of Saudi Arabia and it also operates a global Downstream business.

www.aramco.com/investors

International media:
international.media@aramco.com

Domestic media:
domestic.media@aramco.com

Investor relations:
investor.relations@aramco.com