



Saudi Arabian Oil Company
Consolidated financial statements
for the year ended December 31, 2021



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

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saudi Arabian Oil Company (the “Company”) and its subsidiaries (together the “Group”) as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of income for the year ended December 31, 2021;
- the consolidated statement of comprehensive income for the year ended December 31, 2021;
- the consolidated balance sheet as at December 31, 2021;
- the consolidated statement of changes in equity for the year ended December 31, 2021;
- the consolidated statement of cash flows for the year ended December 31, 2021; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

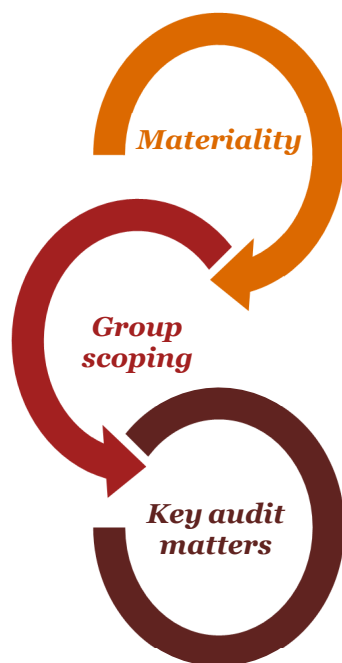
We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.



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

Our audit approach

Overview



- We determined overall Group materiality taking into account the profit-oriented nature of the Group.
- Based on income before income taxes and zakat of SAR 769.5 billion, we determined our overall Group materiality at SAR 28.1 billion.
- Our quantitative threshold for reporting misstatements to those charged with governance was set at SAR 1.9 billion.

Based on their size, complexity and risk:

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

Our key audit matters comprise the following:

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

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

Materiality

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

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



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

Overall Group materiality	SAR 28.1 billion (2020: SAR 14.2 billion)
How we determined it	Approximately 4% of income before income taxes and zakat
Rationale for the materiality benchmark applied	Income before income taxes and zakat is an important benchmark for the Group's stakeholders and is a generally accepted benchmark for profit-oriented groups.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above SAR 1.9 billion.

How we tailored our Group audit scope

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

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

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

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

Key audit matters

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



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

Key audit matter

How our audit addressed the Key audit matter

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

International Accounting Standard ("IAS") 36 'Impairment of Assets', that is endorsed in the Kingdom of Saudi Arabia, requires goodwill and intangible assets that have indefinite useful lives to be tested annually, irrespective of whether there is any indication of impairment.

Management performed an assessment of recoverability of the goodwill and brand (determined to have an indefinite useful life) recognised as part of the SABIC acquisition. The carrying amounts of these assets were SAR 99.1 billion and SAR 18.2 billion, respectively, at December 31, 2021.

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

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

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

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

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

Refer to Note 2(e), Note 2(h), Note 6 and Note 35(a)(i) to the consolidated financial statements for further information.

Our procedures included the following:

- We reviewed the appropriateness of management's allocation of goodwill to the Downstream operating segment and brand to the aggregation of the relevant cash-generating units, based on the requirements of IAS 36 'Impairment of Assets', that is endorsed in the Kingdom of Saudi Arabia.
- We considered the completeness of the carrying values of the assets and liabilities considered as part of the impairment tests for the goodwill and brand.
- With input from internal valuation experts, where considered necessary, we performed the following procedures on management's valuation models, as deemed appropriate:
 - Considered the consistency of certain unobservable inputs underlying the 10-year cash flows such as expected product volumes and future costs with approved financial plans;
 - Compared a sample of forecast commodity prices and margins underlying the 10-year cash flows to market data points;
 - Evaluated the reasonableness of approved financial plans by comparison to historical results;
 - Assessed the reasonableness of the approach and inputs used to determine the terminal values;
 - Evaluated the reasonableness of the pre-tax discount rates used by cross-checking the underlying assumptions against observable market data;
 - Tested the mathematical accuracy and logical integrity of the models; and
 - Tested management's sensitivity analyses that considered the impact of changes in assumptions on the outcome of the impairment assessments.
- We considered the reasonableness of the movements in recoverable amounts during the year ended December 31, 2021.
- We considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.



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

Key audit matter

How our audit addressed the Key audit matter

Accounting for the oil pipelines transaction

The Company sold a 49% equity interest in Aramco Oil Pipelines Company ("AOPC") in June 2021 to EIG Pearl Holdings S.à.r.l. ("EIG") for upfront sale proceeds of SAR 46.5 billion.

As part of the arrangement, immediately prior to the sale, the Company leased usage rights to its stabilized crude oil pipelines to AOPC for a 25-year period. Simultaneously, AOPC granted the Company the exclusive right to use, operate and maintain the pipelines during this period in exchange for a tariff. The Company retained title to, and operational control of, the pipelines.

Under the agreed terms and conditions, EIG is entitled to receive dividend distributions from AOPC based on its share of available cash, when the Company pays discretionary dividends to its ordinary shareholders.

Given the discretionary nature of EIG's entitlement to dividends, the upfront sale proceeds have been recognized as a non-controlling interest in the consolidated financial statements.

We considered this to be a key audit matter given the nature and materiality of the transaction as well as the judgment involved in determining the accounting treatment of the sale proceeds as a non-controlling interest.

Refer to Note 2(d) and Note 34(a) to the consolidated financial statements for further information.

Our procedures included the following:

- We held discussions with management to understand the legal structure of the arrangement and the nature of transactions on financial close and during the 25-year period.
- We read the relevant agreements and considered the consistency of the underlying terms and conditions with the accounting treatments.
- With input from internal accounting specialists, we considered appropriateness of the accounting treatment of:
 - AOPC as a non-wholly owned subsidiary; and
 - Sale proceeds as a non-controlling interest, keeping in mind the potential alternative treatment as a borrowing.
- With input from internal valuation experts, where considered necessary, we assessed the reasonableness of the carrying value determined by management of AOPC's net assets (including the tariff related asset) immediately prior to the sale.
- We considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.



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

Other information

The Board of Directors is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's Bylaws, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



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

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Omar M. Al Sagga', is written over the PricewaterhouseCoopers logo.

Omar M. Al Sagga
License No. 369

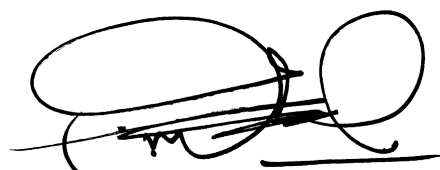
March 18, 2022

Consolidated statement of income

All amounts in millions of Saudi Riyals unless otherwise stated

	Note	SAR		USD*	
		Year ended December 31		Year ended December 31	
		2021	2020	2021	2020
Revenue	24	1,346,930	768,109	359,181	204,829
Other income related to sales		154,828	93,982	41,287	25,062
Revenue and other income related to sales		1,501,758	862,091	400,468	229,891
Royalties and other taxes		(144,793)	(89,964)	(38,611)	(23,991)
Purchases	25	(352,377)	(181,116)	(93,967)	(48,297)
Producing and manufacturing		(76,495)	(74,350)	(20,399)	(19,827)
Selling, administrative and general		(59,496)	(46,970)	(15,866)	(12,525)
Exploration		(7,285)	(7,293)	(1,943)	(1,945)
Research and development		(3,873)	(2,830)	(1,033)	(755)
Depreciation and amortization	5,6	(85,521)	(76,208)	(22,805)	(20,322)
Operating costs		(729,840)	(478,731)	(194,624)	(127,662)
Operating income		771,918	383,360	205,844	102,229
Share of results of joint ventures and associates	7	7,874	(3,554)	2,100	(948)
Finance and other income	27	1,787	3,182	477	849
Finance costs	20	(12,058)	(10,564)	(3,215)	(2,817)
Income before income taxes and zakat		769,521	372,424	205,206	99,313
Income taxes and zakat	8	(357,125)	(188,661)	(95,234)	(50,310)
Net income		412,396	183,763	109,972	49,003
Net income (loss) attributable to					
Shareholders' equity		395,203	184,926	105,387	49,313
Non-controlling interests		17,193	(1,163)	4,585	(310)
		412,396	183,763	109,972	49,003
Earnings per share (basic and diluted)	37	1.98	0.93	0.53	0.25

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



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



Amin H. Nasser
President & Chief Executive Officer



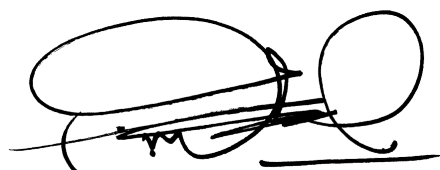
Ziad T. Al Murshed
Chief Financial Officer (Acting)

Consolidated statement of comprehensive income

All amounts in millions of Saudi Riyals unless otherwise stated

	Note	SAR		USD*	
		Year ended December 31		Year ended December 31	
		2021	2020	2021	2020
Net income		412,396	183,763	109,972	49,003
Other comprehensive income (loss), net of tax	18				
Items that will not be reclassified to net income					
Remeasurement of post-employment benefit obligations		10,190	(8,966)	2,717	(2,391)
Share of post-employment benefit obligations remeasurement from joint ventures and associates		270	–	72	–
Changes in fair value of equity investments classified as fair value through other comprehensive income		851	1,795	227	479
Items that may be reclassified subsequently to net income					
Cash flow hedges and other		323	(300)	86	(80)
Changes in fair value of debt securities classified as fair value through other comprehensive income		(556)	297	(148)	79
Share of other comprehensive (loss) income of joint ventures and associates		(417)	550	(111)	147
Currency translation differences		(2,798)	2,768	(746)	738
		7,863	(3,856)	2,097	(1,028)
Total comprehensive income		420,259	179,907	112,069	47,975
Total comprehensive income (loss) attributable to					
Shareholders' equity		403,586	180,960	107,623	48,256
Non-controlling interests		16,673	(1,053)	4,446	(281)
		420,259	179,907	112,069	47,975

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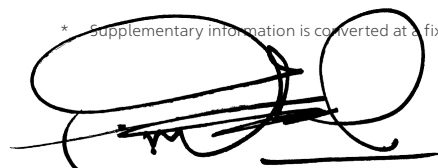
Ziad T. Al Murshed
Chief Financial Officer (Acting)

Consolidated balance sheet

All amounts in millions of Saudi Riyals unless otherwise stated

	Note	SAR		USD*	
		At December 31		At December 31	
		2021	2020	2021	2020
Assets					
Non-current assets					
Property, plant and equipment	5	1,244,316	1,209,460	331,818	322,523
Intangible assets	6	160,668	164,547	42,845	43,879
Investments in joint ventures and associates	7	69,559	65,976	18,549	17,594
Deferred income tax assets	8	14,969	15,280	3,992	4,075
Other assets and receivables	9	37,776	37,258	10,073	9,935
Investments in securities	10	24,161	22,861	6,443	6,096
		1,551,449	1,515,382	413,720	404,102
Current assets					
Inventories	11	74,703	51,999	19,921	13,867
Trade receivables	12	140,373	85,183	37,433	22,715
Due from the Government	13	41,317	28,895	11,018	7,705
Other assets and receivables	9	28,196	18,769	7,519	5,005
Short-term investments	14	27,073	6,801	7,219	1,814
Cash and cash equivalents	15	299,579	207,232	79,888	55,262
		611,241	398,879	162,998	106,368
Total assets		2,162,690	1,914,261	576,718	510,470
Equity and liabilities					
Shareholders' equity					
Share capital		60,000	60,000	16,000	16,000
Additional paid-in capital		26,981	26,981	7,195	7,195
Treasury shares	16	(2,828)	(3,264)	(754)	(870)
Retained earnings:					
Unappropriated		1,018,443	895,273	271,585	238,739
Appropriated		6,000	6,000	1,600	1,600
Other reserves	18	4,661	5,858	1,243	1,562
		1,113,257	990,848	296,869	264,226
Non-controlling interests	19	167,411	110,246	44,643	29,399
		1,280,668	1,101,094	341,512	293,625
Non-current liabilities					
Borrowings	20	436,371	436,920	116,366	116,512
Deferred income tax liabilities	8	74,850	53,621	19,960	14,299
Post-employment benefit obligations	21	40,729	54,207	10,861	14,455
Provisions and other liabilities	22	26,244	25,208	6,998	6,722
		578,194	569,956	154,185	151,988
Current liabilities					
Trade and other payables	23	124,689	93,740	33,251	24,998
Obligations to the Government:					
Income taxes and zakat	8	90,525	42,059	24,140	11,216
Royalties		14,064	8,255	3,750	2,201
Borrowings	20	74,550	99,157	19,880	26,442
		303,828	243,211	81,021	64,857
Total liabilities		882,022	813,167	235,206	216,845
Total equity and liabilities		2,162,690	1,914,261	576,718	510,470

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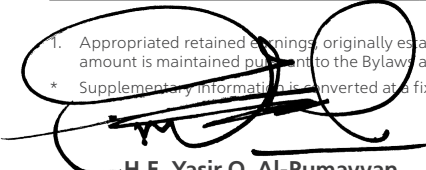
Consolidated statement of changes in equity

All amounts in millions of Saudi Riyals unless otherwise stated

	SAR								USD*
	Shareholders' equity								Total
	Share capital	Additional paid-in capital	Treasury shares	Retained earnings		Other reserves (Note 18)	Non-controlling interests	Total	
Unappropriated				Appropriated ¹					
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)	-	-	-	184,926	-	-	(1,163)	183,763	49,003
Other comprehensive (loss) income	-	-	-	-	-	(3,966)	110	(3,856)	(1,028)
Total comprehensive income (loss)	-	-	-	184,926	-	(3,966)	(1,053)	179,907	47,975
Acquisition of subsidiary (Note 35)	-	-	-	-	-	-	100,739	100,739	26,864
Transfer of post-employment benefit obligations remeasurement (Note 18)	-	-	-	(7,722)	-	7,722	-	-	-
Treasury shares issued to employees (Note 16)	-	-	486	44	-	(530)	-	-	-
Share-based compensation	-	-	-	(24)	-	556	-	532	142
Dividends (Note 36)	-	-	-	(225,709)	-	-	-	(225,709)	(60,189)
Dividends to non-controlling interests and other	-	-	-	-	-	-	(610)	(610)	(163)
Balance at December 31, 2020	60,000	26,981	(3,264)	895,273	6,000	5,858	110,246	1,101,094	293,625
Net income	-	-	-	395,203	-	-	17,193	412,396	109,972
Other comprehensive income (loss)	-	-	-	-	-	8,383	(520)	7,863	2,097
Total comprehensive income	-	-	-	395,203	-	8,383	16,673	420,259	112,069
Transfer of post-employment benefit obligations remeasurement (Note 18)	-	-	-	9,392	-	(9,392)	-	-	-
Transfer of share of post-employment benefit obligation remeasurement from joint ventures and associates (Note 18)	-	-	-	270	-	(270)	-	-	-
Treasury shares issued to employees (Note 16)	-	-	436	38	-	(125)	-	349	94
Share-based compensation	-	-	-	(13)	-	207	-	194	52
Dividends (Note 36)	-	-	-	(281,305)	-	-	-	(281,305)	(75,015)
Sale of non-controlling equity interest in a subsidiary (Note 34)	-	-	-	-	-	-	46,547	46,547	12,412
Change in ownership interest of subsidiaries (Notes 34, 35)	-	-	-	(415)	-	-	838	423	113
Dividends to non-controlling interests and other	-	-	-	-	-	-	(6,893)	(6,893)	(1,838)
Balance at December 31, 2021	60,000	26,981	(2,828)	1,018,443	6,000	4,661	167,411	1,280,668	341,512

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

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


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


Amin H. Nasser
President & Chief Executive Officer


Ziad T. Al Murshed
Chief Financial Officer (Acting)

Consolidated statement of cash flows

All amounts in millions of Saudi Riyals unless otherwise stated

	Note	SAR		USD*	
		Year ended December 31		Year ended December 31	
		2021	2020	2021	2020
Income before income taxes and zakat		769,521	372,424	205,206	99,313
Adjustments to reconcile income before income taxes and zakat to net cash provided by operating activities					
Depreciation and amortization	5,6	85,521	76,208	22,805	20,322
Exploration and evaluation costs written off	6	2,875	3,544	767	945
Loss on disposal of property, plant and equipment		3,971	2,020	1,059	539
Inventory movement		453	4,181	121	1,115
Share of results of joint ventures and associates	7	(7,874)	3,554	(2,100)	948
Finance income	27	(1,405)	(2,771)	(375)	(739)
Finance costs	20	12,058	10,564	3,215	2,817
Dividends from investments in securities	27	(369)	(382)	(99)	(102)
Change in fair value of investments through profit or loss		27	28	7	7
Change in joint ventures and associates inventory profit elimination	7	550	21	147	6
Other		3,243	794	865	211
Change in working capital					
Inventories		(23,157)	15,890	(6,175)	4,237
Trade receivables		(55,190)	22,172	(14,718)	5,913
Due from the Government		(12,422)	7,886	(3,313)	2,103
Other assets and receivables		(8,565)	(2,784)	(2,284)	(742)
Trade and other payables		35,763	(16,250)	9,537	(4,333)
Royalties payable		5,809	(6,472)	1,549	(1,726)
Other changes					
Other assets and receivables		1,263	(8,593)	337	(2,291)
Provisions and other liabilities		680	1,344	181	358
Post-employment benefit obligations		2,667	123	712	33
Settlement of income, zakat and other taxes	8	(292,818)	(198,204)	(78,084)	(52,855)
Net cash provided by operating activities		522,601	285,297	139,360	76,079
Net cash used in investing activities					
Capital expenditures	4	(119,645)	(101,030)	(31,905)	(26,942)
Cash acquired on acquisition of subsidiary	35	–	27,515	–	7,337
Distributions from joint ventures and associates	7	4,651	2,601	1,240	694
Additional investments in joint ventures and associates	7	(557)	(537)	(149)	(143)
Dividends from investments in securities	27	369	382	99	102
Interest received		1,232	3,698	329	987
Net investments in securities		(1,519)	(599)	(406)	(160)
Net (purchases) maturities of short-term investments		(20,272)	47,071	(5,405)	12,552
Net cash used in investing activities		(135,741)	(20,899)	(36,197)	(5,573)
Net cash used in financing activities					
Dividends paid to shareholders of the Company	36	(281,305)	(261,184)	(75,015)	(69,649)
Dividends paid to non-controlling interests in subsidiaries		(7,112)	(718)	(1,896)	(191)
Proceeds from sale of non-controlling equity interest in a subsidiary		46,547	–	12,412	–
Proceeds from issue of treasury shares	16	384	–	103	–
Proceeds from borrowings		42,213	87,520	11,256	23,339
Repayments of borrowings		(73,563)	(42,125)	(19,617)	(11,233)
Principal portion of lease payments		(12,143)	(10,868)	(3,238)	(2,898)
Interest paid		(9,534)	(7,497)	(2,542)	(2,000)
Net cash used in financing activities		(294,513)	(234,872)	(78,537)	(62,632)
Net increase in cash and cash equivalents		92,347	29,526	24,626	7,874
Cash and cash equivalents at beginning of the year		207,232	177,706	55,262	47,388
Cash and cash equivalents at end of the year		299,579	207,232	79,888	55,262

* Supplementary information converted at a fixed rate of U.S. dollar 100 = SAR 3.75 for convenience only.


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


Amin H. Nasser
President & Chief Executive Officer


Ziad T. Al Murshed
Chief Financial Officer (Acting)

Notes to the consolidated financial statements

All amounts in millions of Saudi Riyals unless otherwise stated

1. General information

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

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

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

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

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

On December 11, 2019, the Company completed its Initial Public Offering ("IPO") and its ordinary shares were listed on the Saudi Stock Exchange ("Tadawul"). In connection with the IPO, the Government, being the sole owner of the Company's shares at such time, sold an aggregate of 3.45 billion ordinary shares, or 1.73% of the Company's share capital. In addition, concurrent with the IPO, the Company acquired 117.2 million of its ordinary shares from the Government for a cash payment of SAR 3,750, and classified them as treasury shares (Note 16). These shares are being used by the Company for its employee share plans (Note 17).

On February 13, 2022, the Government transferred 8 billion ordinary shares, or 4% of the Company's share capital, to the Public Investment Fund ("PIF"), the sovereign wealth fund of the Kingdom. Following the transfer, the Government remains the Company's largest shareholder, retaining a 94.19% direct shareholding.

The consolidated financial statements of the Company and its subsidiaries (together "Saudi Aramco") were approved by the Board of Directors on March 18, 2022.

2. Summary of significant accounting policies, judgments and estimates

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

(a) Basis of preparation

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

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

All amounts in millions of Saudi Riyals unless otherwise stated

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

In response to novel Coronavirus ("COVID-19"), which has caused global economic disruption, Saudi Aramco has implemented active prevention programs at its sites and contingency plans in order to minimize the risks related to COVID-19 and to safeguard the continuity of business operations. The global economy experienced a strong recovery in 2021, reflecting increased mobility and the resumption of business activities through phasing out of the COVID-19 pandemic containment measures. The outlook for global energy demand remains robust which resulted in a steady increase in crude oil prices. Given that crude oil sales account for a substantial portion of the Company's revenue, the increased prices have positively impacted Saudi Aramco's financial performance during the current period. Saudi Aramco continues to maintain a disciplined approach to capital spending and is closely monitoring the current situation, including the impact on both results of operations and cash flows.

(b) Significant accounting judgments and estimates

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

(c) 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, 2021:

Interbank Offered Rate ("IBOR") reform

IBOR reform represents the reform and replacement of interest rate benchmarks such as the London Interbank Offered Rate ("LIBOR") by global regulators. On March 5, 2021, the UK's Financial Conduct Authority announced the future cessation and loss of representativeness of the LIBOR benchmarks. Saudi Aramco has a number of contracts, primarily referenced to USD LIBOR, of which most applicable tenors will cease to be published on June 30, 2023.

In this regard, 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 reform. These amendments, issued on August 27, 2020 and effective January 1, 2021, include: (1) providing practical expedients in relation to accounting for instruments to which the amortized cost measurement applies by updating the effective interest rate to account for a change in the basis for determining the contractual cash flows without adjusting the carrying amount; (2) additional temporary exceptions from applying specific hedge accounting requirements, including permitted changes to hedge designation without the hedging relationship being discontinued when Phase 1 reliefs cease; and (3) additional disclosures related to IBOR reform, including managing the transition to alternative benchmark rates, its progress and the risks arising from the transition, quantitative information about financial instruments that have yet to transition to new benchmarks and changes in the entity's risk management strategy where this arises.

Saudi Aramco has established an IBOR Transition Project, the scope of which includes analyzing the exposure to IBOR benchmarks, evaluating the impact of the transition and providing support and guidance to all impacted internal stakeholders. As per the initial transition plan, all contracts and agreements that reference USD LIBOR and expire after the cessation dates, will be renegotiated with counterparties to reflect the alternative benchmark.

The following table contains details of all financial instruments of Saudi Aramco referencing USD LIBOR, recognized at December 31, 2021, which expire after the cessation dates, and which have not yet transitioned to an alternative benchmark:

As at December 31, 2021	Financial instruments yet to transition to alternative benchmarks: USD LIBOR
Non-derivative financial assets	10,973
Non-derivative financial liabilities	42,184
Derivative financial liabilities ¹	394

1. Amount represents hedging instruments with a nominal value of SAR 9,514.

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

(ii) The following IASB pronouncement that is endorsed in the Kingdom will become effective for annual periods beginning on or after January 1, 2022 has not been early adopted by Saudi Aramco.

Amendment to IAS 16, Property, Plant and Equipment

In May 2020, the IASB issued an amendment to IAS 16, Property, Plant and Equipment, which prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity needs to recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022. The adoption of this amendment is not expected to have any material impact on Saudi Aramco's consolidated financial statements.

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.

(d) Principles of consolidation, acquisition and equity accounting

(i) Subsidiaries

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

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

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

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

Saudi Aramco treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in equity.

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

(ii) Joint arrangements

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

All amounts in millions of Saudi Riyals unless otherwise stated

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

1) Joint operations

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

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

2) Joint ventures

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

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

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

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

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

(iii) Associates

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

Significant accounting judgments and estimates

The acquisition of subsidiaries, joint arrangements and associates require management to estimate the fair values of the assets acquired and liabilities assumed. In addition, judgments are applied in the determination of whether control, joint control or significant influence is present with respect to investments in subsidiaries, joint arrangements or associates. For control, judgment is applied when determining if an entity is controlled by voting rights, potential voting rights or other rights granted through contractual arrangements and includes considering an entity's purpose and design. For joint control, judgment is applied when assessing whether the arrangement is jointly controlled by all of its parties or by a group of the parties by taking decisions about relevant activities through unanimous consent of the parties sharing control. For joint control, judgment is also applied as to whether the joint arrangement is classified as a joint venture or joint operation taking into account specific facts and circumstances, such as the purpose and design of the arrangement, including with respect to its output, its relationship to the parties and its source of cash flows. For significant influence, judgment is applied in its determination by assessing factors such as representation on the board of directors, participation in policy-making processes, material transactions with the entity, interchange of managerial personnel and provision of essential technical information. Refer to Notes 7, 35, 38, and 39.

(e) Intangible assets

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

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

Intangible assets other than exploration and evaluation costs (Note 2(f)) and those with indefinite useful lives such as goodwill and brand acquired on acquisition of Saudi Basic Industries Corporation ("SABIC") (Note 35), consist primarily of brands and trademarks, franchise/customer relationships and computer software. If acquired in a business combination, these intangible assets are recognized at their fair value at the date of acquisition and, if acquired separately, these intangible assets are recognized at cost. All these intangible assets are subsequently amortized on a straight-line basis over their estimated useful lives.

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

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

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

(f) Exploration and evaluation

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

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

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

(g) Property, plant and equipment

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

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

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

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

As of January 1, 2021, Saudi Aramco changed the presentation of the groups of assets under property, plant and equipment. The new presentation is consistent with the generally accepted practice of presenting assets based on their nature as compared to the business function where they are used in the company's operations. This change has no current or future impact on the total reported carrying values, estimated useful lives or depreciation expense.

All amounts in millions of Saudi Riyals unless otherwise stated

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

The estimated useful lives or, the lease term, if shorter, for right of use assets (Note 2(i)) in years of principal groups of depreciable assets based on the revised presentation is as follows:

Land and land improvements	3 to 30
Buildings	5 to 50
Oil and gas properties	15 to 30
Plant, machinery and equipment	2 to 50
Depots, storage tanks and pipelines	4 to 30
Fixtures, IT and office equipment	2 to 20

The estimated useful lives or, the lease term, if shorter, for right-of-use assets (Note 2(i)), in years of the principal groups of depreciable assets for the previous presentation is set forth below:

Crude oil facilities:

Pipelines and storage tanks	12 to 23
Drilling and construction equipment	5 to 25
Oil and gas properties	15 to 30
Marine equipment	13 to 30

Refinery and petrochemical facilities

2 to 50

Gas and Natural Gas Liquids ("NGL") facilities

2 to 30

General service plant:

Permanent buildings	20 to 40
Roads and walkways	10 to 20
Aircraft	8 to 17
Autos and trucks	3 to 20
Office furniture and equipment	6 to 8
Computer equipment	3 to 5

Right of use assets are depreciated over the life of the asset or the lease term, if shorter (Note 2(i)).

Gains and losses on disposals of depreciable assets are recognized in net income.

(h) Impairment of non-financial assets

Saudi Aramco assesses, at each reporting date, whether there is an indication that a non-financial asset may be impaired except that assets with indefinite useful lives such as goodwill and brand acquired on acquisition of SABIC (Note 35) are reviewed for impairment on an annual basis. If an indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal or value in use ("VIU"). The fair value less costs of disposal calculation is based on either, post-tax discounted cash flow models or available data from binding arm's length sales transactions for similar assets, or observable market prices less incremental costs for disposing of the asset. The VIU calculation is based on a post-tax risk adjusted discounted cash flow model. The use of post-tax discount rates in determining VIU does not result in a materially different determination of the need for, or the amount of, impairment that would be required if pre-tax discount rates had been used.

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

Significant accounting judgments and estimates

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

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

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

(i) Leases

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

Saudi Aramco recognizes right-of-use assets and lease liabilities at the lease commencement date. Right-of-use assets are initially measured at cost, which comprises lease liabilities at initial measurement, any initial direct costs incurred, any lease payments made at or before the commencement date, and restoration costs less any lease incentives received. Subsequent to initial recognition the right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis unless the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the asset reflects the exercise of the purchase option, in which case right of use assets are depreciated over the useful life of the underlying asset. Depreciation expense is recorded in the Consolidated Statement of Income. Right-of-use assets are included under property, plant and equipment (Note 5).

Lease liabilities are initially measured at the present value of lease payments. Lease payments include fixed lease payments, variable lease payments that depend on an index or rate, amounts payable for guaranteed residual values and payments to be made under extension or purchase or termination options, where applicable. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Subsequent to initial recognition, the lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and adjusted for remeasurement to reflect any reassessments or lease modifications. Lease liabilities are included under borrowings (Note 20). Lease payments are allocated between the principal and finance costs. Finance costs are recorded as an expense in the Consolidated Statement of Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

Significant accounting judgments and estimates

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

(j) Investments and other financial assets

(i) Classification

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

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

All amounts in millions of Saudi Riyals unless otherwise stated

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

Equity investments:

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

Debt securities:

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

1. Amortized cost:

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

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

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

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

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

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

Other financial assets:

Other financial assets are classified into the following categories:

1. Amortized cost:

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

Financial assets at amortized cost comprise cash and cash equivalents, short-term investments, other assets and receivables, due from the Government and trade receivables other than those subsequently measured at FVPL.

2. Fair value through profit or loss:

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

(iv) Impairment

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

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

(k) Derivative instruments and hedging activities

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

(i) Derivative instruments classified as held for trading

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

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

(ii) Derivative instruments designated as hedges

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

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

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

1) Fair value hedges

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

All amounts in millions of Saudi Riyals unless otherwise stated

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

2) Cash flow hedges

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

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

(l) Income tax and zakat

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

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

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

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

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

Significant accounting judgments and estimates

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

Detailed taxation information, including current expense and deferred income tax assets and liabilities, is presented in Note 8.

(m) Inventories

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

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

(n) Due from the Government

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

Revenue on sales to these specified Government, semi-Government and other entities with Government ownership or control is recognized upon the satisfaction of performance obligations, which occurs when control transfers to these customers. Control of the products is determined to be transferred when the title of products passes, which typically takes place when product is physically transferred to these customers. Once receivables from these customers are past due, these trade receivables are reclassified as a due from the Government current receivable. In cases where any of these customers settle past due amounts, the Government guarantee receivable is credited with the amounts received. The balance is presented within due from the Government even if it is payable to the Government based on the Company's expectation to settle the balance on a net basis with other amounts due from the Government.

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

(o) Cash and cash equivalents

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

(p) Treasury shares

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

(q) Financial liabilities

Financial liabilities are classified at initial recognition as financial liabilities at FVPL or as financial liabilities measured at amortized cost, as appropriate.

Saudi Aramco's financial liabilities are:

(i) Financial liabilities at FVPL

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

(ii) Financial liabilities at amortized cost

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

Financial liabilities at amortized cost include trade and other payables and borrowings. Financial liabilities are disclosed separately from financial assets in the Consolidated Balance Sheet unless there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(r) Borrowing costs

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

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

All amounts in millions of Saudi Riyals unless otherwise stated

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

(s) Post-employment benefit plans

(i) Pension plans

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

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

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

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

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

(ii) Other post-employment benefits

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

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

Significant accounting judgments and estimates

The costs of defined benefit pension plans and post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions, which are reviewed annually. Key assumptions include discount rates, future salary increases, future healthcare costs, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. Information about amounts reported in respect of defined benefit plans, assumptions applicable to the plans and their sensitivity to changes are presented in Note 21.

(t) Share-based compensation

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

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

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

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

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

(u) Provisions and contingencies

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

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

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

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

Significant accounting judgments and estimates

Most of Saudi Aramco's well plugging and abandonment activities are many years into the future with technology and costs constantly changing. Estimates of the amounts of a provision are recognized based on current legal and constructive requirements and costs associated to abandon using existing technologies. Actual costs are uncertain and estimates can vary as a result of changes in the scope of the project and/or relevant laws and regulation. The estimated timing of decommissioning may change due to certain factors, such as reserve life, a decision to terminate operations, or changes in legislation. Changes to estimates related to future expected costs, discount rates and timing may have a material impact on the amounts presented. As a result, significant judgment is applied in the initial recognition and subsequent adjustment of the provision and the capitalized cost associated with decommissioning, plugging and abandonment obligations. Any subsequent adjustments to the provision are made prospectively. Detail on the particular assumptions applied when making certain non-current provisions is included in Note 22.

(v) Foreign currency translation

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

Significant accounting judgments and estimates

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

All amounts in millions of Saudi Riyals unless otherwise stated

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

(w) Presentation currency

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

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

Translations from SAR to USD presented as supplementary information in the Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows at December 31, 2021 and 2020, are for convenience and were calculated at the rate of USD 1.00 = SAR 3.75 representing the exchange rate at the Consolidated Balance Sheet dates.

(x) Revenue recognition and sales prices

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

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

(y) Other income related to sales

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

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

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

(z) Production royalties

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

(aa) Research and development

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

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

(bb) Dividends

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

(cc) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

3. Financial risk management

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

(a) Financial risk factors

(i) Market risk

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

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

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

The notional amounts of outstanding currency forward contracts designated as hedging instruments are included in Note 30.

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

a) Investments in securities

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

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

At December 31, 2021 and 2020, a change in fair value due to a movement of 5% in the price of listed equity securities would result in a change in other comprehensive income before income taxes of SAR 457 and SAR 403, respectively.

At December 31, 2021 and 2020, a change in fair value due to a movement of 5% in the unit price of equities and mutual and hedge funds would result in a change in income before income taxes of SAR 18 and SAR 124, respectively.

All amounts in millions of Saudi Riyals unless otherwise stated

3. Financial risk management continued

b) Commodity swaps

Saudi Aramco trades crude, natural gas liquids and various refined and bulk petrochemical products and uses commodity swaps as a means of managing price and timing of risks arising from this trading. In effecting these transactions, Saudi Aramco operates within policies and procedures designed to ensure that risks, including those related to the default of counterparties, are managed within authorized limits. The notional amounts of outstanding commodity swap contracts are included in Note 30.

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

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

At December 31, 2021 and 2020, a change of 1% in market interest rates, with all other variables held constant, would result in a net change of SAR 2,127 and SAR 696, respectively, in Saudi Aramco's income before income taxes as a result of the effect of higher or lower market interest rates.

The notional amounts of interest rate swap contracts are included in Note 30.

(ii) Credit risk

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

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

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

In addition, the credit risk policy limits the amount of credit exposure to any individual counterparty based on their credit rating as well as other factors. Moreover, Saudi Aramco's investment policy limits exposure to credit risk arising from investment activities. The policy requires that cash and cash equivalents and short-term investments be invested with a diversified group of financial institutions with acceptable credit ratings. Saudi Aramco ensures that each counterparty is of an acceptable credit quality by relying on quantitative and qualitative measures compiled from internal and third party rating models. At December 31, 2021, all the short-term investments were with financial institutions assigned a long-term credit rating of "BBB" (2020: "BBB") or above.

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

Saudi Aramco applies the simplified approach allowed by IFRS 9 in providing for expected credit losses for trade receivables which uses the lifetime expected credit loss provision for all trade receivables. Such credit losses have historically been nominal and the loss allowance for trade receivables (Note 12) is not material.

(iii) Liquidity risk

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

Saudi Aramco's liquidity risk management includes maintaining sufficient cash and cash equivalents and ensuring the availability of incremental funding through credit facilities (Note 20). Management also monitors and forecasts Saudi Aramco's liquidity requirements based on current and non-current expected cash flows.

3. Financial risk management continued

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

Note 20 analyzes Saudi Aramco's borrowings into relevant maturity groupings based on the balances associated with each contractual maturity date at the end of the reporting period.

Saudi Aramco has financial guarantees arising in the ordinary course of business. The earliest period in which such guarantees can be called is the effective date as defined in the related agreements. The maximum exposure is limited to the gross value of such guarantees.

(b) Capital structure management

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

Gearing is a measure of the degree to which Saudi Aramco's operations are financed by debt. Saudi Aramco defines gearing as the ratio of net debt (total borrowings less cash and cash equivalents) to net debt plus total equity. Saudi Aramco's gearing ratio at the end of the reporting year was as follows:

	2021	2020
Total borrowings (current and non-current)	510,921	536,077
Cash and cash equivalents	(299,579)	(207,232)
Net debt	211,342	328,845
Total equity	1,280,668	1,101,094
Total equity and net debt	1,492,010	1,429,939
Gearing	14.2%	23.0%

(c) Casualty loss risk retention

Saudi Aramco's casualty loss risk strategy includes a risk retention and insurance program, including providing coverage to certain joint arrangements and associates limited to Saudi Aramco's percentage interest in the relevant entity. Current maximum risk retention is SAR 2,988 per loss event (2020: SAR 3,138) and various insurance limits apply, of which the risk retention forms a part. Should a credible loss event occur, the maximum insurance limit above retention is SAR 4,700 (2020: SAR 4,550) per event dependent on the circumstances.

(d) Fair value estimation

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

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

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

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

3. Financial risk management continued

The following table presents Saudi Aramco's assets and liabilities measured and recognized at fair value at December 31, 2021 and 2020, based on the prescribed fair value measurement hierarchy on a recurring basis. Saudi Aramco did not measure any financial assets or financial liabilities at fair value on a non-recurring basis at December 31, 2021 and 2020.

Assets	Level 1	Level 2	Level 3	Total
2021				
Investments in securities:				
Equity securities at FVOCI	9,134	88	1,340	10,562
Debt securities at FVOCI	37	7,846	–	7,883
Equity securities at FVPL	359	1,861	3,928	6,148
Debt securities at FVPL	53	–	–	53
Trade receivables related to contracts with provisional pricing arrangements	–	–	109,440	109,440
	9,583	9,795	114,708	134,086
Other assets and receivables:				
Interest rate swaps	–	9	–	9
Commodity swaps	–	1,489	83	1,572
Currency forward contracts	–	32	–	32
Financial assets – option rights	–	–	2,390	2,390
	–	1,530	2,473	4,003
Total assets	9,583	11,325	117,181	138,089
2020				
Investments in securities:				
Equity securities at FVOCI	8,051	174	1,475	9,700
Debt securities at FVOCI	21	6,948	–	6,969
Equity securities at FVPL	870	1,219	3,495	5,584
Debt securities at FVPL	53	–	–	53
Trade receivables related to contracts with provisional pricing arrangements	–	–	54,402	54,402
	8,995	8,341	59,372	76,708
Other assets and receivables:				
Commodity swaps	–	291	17	308
Currency forward contracts	–	275	–	275
Financial assets – option rights	–	–	1,863	1,863
	–	566	1,880	2,446
Total assets	8,995	8,907	61,252	79,154

All amounts in millions of Saudi Riyals unless otherwise stated

3. Financial risk management continued

Liabilities	Level 1	Level 2	Level 3	Total
2021				
Trade and other payables:				
Interest rate swaps	–	427	–	427
Commodity swaps	201	1,755	43	1,999
Currency forward contracts	–	151	–	151
Provisions and other liabilities:				
Financial liabilities – options and forward contracts	–	–	3,301	3,301
Total liabilities	201	2,333	3,344	5,878
2020				
Trade and other payables:				
Interest rate swaps	–	874	–	874
Commodity swaps	78	159	28	265
Currency forward contracts	–	212	–	212
Provisions and other liabilities:				
Financial liabilities – options and forward contracts	–	–	1,995	1,995
Total liabilities	78	1,245	2,023	3,346

The valuation techniques for Saudi Aramco's investments in securities are described in Note 10. The changes in Level 3 investments in securities for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
January 1	4,970	6,162
Acquisition	–	262
Net disposals	(5)	(1,681)
Net movement in unrealized fair value	407	(299)
Realized (loss) gain	(104)	526
December 31	5,268	4,970

The movement in trade receivables related to contracts with provisional pricing arrangements mainly relates to sales transactions, net of settlements, made during the period, resulting from contracts with customers (Note 12). Unrealized fair value movements on these trade receivables are not significant.

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

The movement in the financial assets and liabilities, which are related to options and forward contracts on Saudi Aramco's own equity instruments in certain subsidiaries, is mainly due to the change in the unrealized fair value during the period.

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

4. Operating segments

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

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

For management purposes, Saudi Aramco is organized into business units based on the main types of activities. At December 31, 2021, 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.

The accounting policies used by Saudi Aramco in reporting segments internally are the same as those contained in Note 2 of the consolidated financial statements.

Information by segments is as follows:

	Upstream	Downstream	Corporate	Eliminations	Consolidated
2021					
External revenue	656,066	689,377	1,487	–	1,346,930
Other income related to sales	58,905	95,923	–	–	154,828
Inter-segment revenue	300,466	37,728	291	(338,485)	–
Share of results of joint ventures and associates	(6)	8,066	(186)	–	7,874
Depreciation and amortization	(42,503)	(37,764)	(5,254)	–	(85,521)
Dividends and other income	–	336	46	–	382
Earnings (losses) before interest, income taxes and zakat	750,118	62,190	(13,533)	(18,601)	780,174
Finance income					1,405
Finance costs					(12,058)
Income before income taxes and zakat					769,521
Capital expenditures – cash basis	88,758	28,724	2,163	–	119,645
2020					
External revenue	410,956	355,787	1,366	–	768,109
Other income related to sales	38,878	55,104	–	–	93,982
Inter-segment revenue	155,636	30,330	304	(186,270)	–
Share of results of joint ventures and associates	(4)	(3,401)	(149)	–	(3,554)
Depreciation and amortization	(39,702)	(30,888)	(5,618)	–	(76,208)
Dividends and other income	–	408	3	–	411
Earnings (losses) before interest, income taxes and zakat	413,214	(20,170)	(17,041)	4,214	380,217
Finance income					2,771
Finance costs					(10,564)
Income before income taxes and zakat					372,424
Capital expenditures – cash basis	73,651	26,097	1,282	–	101,030

All amounts in millions of Saudi Riyals unless otherwise stated

4. Operating segments continued

Information by geographical area is as follows:

	In-Kingdom	Out-of-Kingdom	Total
2021			
External revenue	892,467	454,463	1,346,930
Property, plant and equipment, intangible assets, investments in joint ventures and associates	1,221,638	252,905	1,474,543
2020			
External revenue	538,360	229,749	768,109
Property, plant and equipment, intangible assets, investments in joint ventures and associates	1,245,524	194,459	1,439,983

Sales to external customers by region are based on the location of the Saudi Aramco entity, which made the sale. Out-of-Kingdom revenue includes sales of SAR 148,488 originating from the United States of America ("USA") (2020: SAR 110,652).

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

5. Property, plant and equipment

As of January 1, 2021, Saudi Aramco changed the presentation of the groups of assets under property, plant and equipment. The new presentation is consistent with the generally accepted practice of presenting assets based on their nature as compared to the business function where they are used in the company's operations. This change has no current or future impact on the total reported carrying values, estimated useful lives or depreciation expense.

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

5. Property, plant and equipment continued

The movement in cost and accumulated depreciation for the years ended December 31, 2021 and 2020 based on the new presentation is provided below:

	Land and land improvements	Buildings	Oil and gas properties	Plant, machinery and equipment	Depots, storage tanks and pipelines	Fixtures, IT and office equipment	Construction-in-progress	Total
Cost								
January 1, 2021 (revised)	52,464	83,070	560,187	827,044	78,357	18,902	242,450	1,862,474
Additions ¹	581	2,093	386	13,025	144	579	109,792	126,600
Construction completed	799	2,919	37,146	57,832	5,215	941	(104,852)	–
Currency translation differences	(619)	(748)	–	(5,702)	(602)	(131)	(497)	(8,299)
Transfers and adjustments ²	99	386	(229)	(2,804)	1,280	(44)	(2,336)	(3,648)
Transfer of exploration and evaluation assets	–	–	–	–	–	–	2,365	2,365
Retirements and sales	(225)	(1,309)	(995)	(11,352)	(284)	(693)	(747)	(15,605)
December 31, 2021	53,099	86,411	596,495	878,043	84,110	19,554	246,175	1,963,887
Accumulated depreciation								
January 1, 2021 (revised)	(16,618)	(36,587)	(207,678)	(339,740)	(41,364)	(11,027)	–	(653,014)
Charge for the year	(1,407)	(3,549)	(18,026)	(55,505)	(3,077)	(1,390)	–	(82,954)
Currency translation differences	4	434	–	3,023	232	103	–	3,796
Transfers and adjustments	(10)	40	20	648	249	20	–	967
Retirements and sales	42	1,059	411	9,161	281	680	–	11,634
December 31, 2021	(17,989)	(38,603)	(225,273)	(382,413)	(43,679)	(11,614)	–	(719,571)
Property, plant and equipment – net, December 31, 2021	35,110	47,808	371,222	495,630	40,431	7,940	246,175	1,244,316
Cost								
January 1, 2020	37,867	55,514	501,777	596,592	69,005	12,575	291,482	1,564,812
Additions ¹	55	358	2,105	17,445	356	155	102,024	122,498
Acquisition (Note 35)	11,278	17,154	–	118,207	–	4,250	28,424	179,313
Construction completed	2,773	9,237	55,300	101,291	8,720	2,034	(179,355)	–
Currency translation differences	476	848	–	5,260	455	117	816	7,972
Transfers and adjustments ²	103	151	1,103	(2,158)	(117)	226	(1,922)	(2,614)
Transfer of exploration and evaluation assets	–	–	–	–	–	–	1,102	1,102
Retirements and sales	(88)	(192)	(98)	(9,593)	(62)	(455)	(121)	(10,609)
December 31, 2020	52,464	83,070	560,187	827,044	78,357	18,902	242,450	1,862,474
Accumulated depreciation								
January 1, 2020	(15,356)	(32,737)	(191,534)	(294,751)	(38,550)	(9,870)	–	(582,798)
Charge for the year	(1,246)	(3,416)	(15,957)	(48,009)	(2,676)	(1,406)	–	(72,710)
Currency translation differences	(5)	(473)	–	(3,840)	(171)	(79)	–	(4,568)
Transfers and adjustments	(16)	(30)	(264)	131	11	(53)	–	(221)
Retirements and sales	5	69	77	6,729	22	381	–	7,283
December 31, 2020	(16,618)	(36,587)	(207,678)	(339,740)	(41,364)	(11,027)	–	(653,014)
Property, plant and equipment – net, December 31, 2020	35,846	46,483	352,509	487,304	36,993	7,875	242,450	1,209,460

1. Borrowing cost capitalized during the year ended December 31, 2021, amounted to SAR 3,285 (2020: SAR 1,316) calculated using an average capitalization rate of 2.65% (2020: 2.4%).

2. Saudi Aramco recognized write-down of SAR 875 (2020: SAR 2,631) on certain downstream facilities, including a facility under construction of SAR 140 (2020: SAR 1,741).

All amounts in millions of Saudi Riyals unless otherwise stated

5. Property, plant and equipment continued

The movement in cost and accumulated depreciation for the year ended December 31, 2020 based on the previous presentation of assets is as follows:

	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	8,965	4,881	484	6,144	102,024	122,498
Acquisition (Note 35)	–	150,889	–	–	28,424	179,313
Construction completed	67,333	24,853	58,232	28,937	(179,355)	–
Currency translation differences	–	7,158	–	(2)	816	7,972
Transfers and adjustments	(17)	9	40	(724)	(1,922)	(2,614)
Transfer of exploration and evaluation assets	–	–	–	–	1,102	1,102
Retirements and sales	(1,717)	(4,900)	(362)	(3,509)	(121)	(10,609)
December 31, 2020	611,863	413,939	454,794	139,428	242,450	1,862,474
Accumulated depreciation						
January 1, 2020	(271,105)	(78,033)	(174,300)	(59,360)	–	(582,798)
Charge for the year	(23,910)	(23,189)	(17,476)	(8,135)	–	(72,710)
Currency translation differences	–	(4,568)	–	–	–	(4,568)
Transfers and adjustments	9	(215)	32	(47)	–	(221)
Retirements and sales	699	4,572	345	1,667	–	7,283
December 31, 2020	(294,307)	(101,433)	(191,399)	(65,875)	–	(653,014)
Property, plant and equipment – net, December 31, 2020	317,556	312,506	263,395	73,553	242,450	1,209,460

Additions to right-of-use assets during the year ended December 31, 2021 were SAR 12,270 (2020: SAR 16,278). There was no acquisition of right-of-use assets during the year ended December 31, 2021 (2020: SAR 7,003). The following table presents depreciation charges and carrying amounts of right-of-use assets by class of assets. Information on lease liabilities and related finance costs is provided in Note 20.

	Depreciation expense for the year ended December 31, 2021	Net carrying amount at December 31, 2021	Depreciation expense for the year ended December 31, 2020	Net carrying amount at December 31, 2020
Land and land improvements	190	3,773	254	3,337
Buildings	727	3,596	369	2,285
Oil and gas properties	5	25	–	–
Plant, machinery and equipment	10,134	36,933	9,595	46,748
Depots, storage tanks and pipelines	334	2,198	264	1,262
Fixtures, IT and office equipment	93	463	20	106
	11,483	46,988	10,502	53,738

The depreciation charges and carrying amounts of right-of-use assets by class of assets for the year ended December 31, 2020 based on the previous presentation of assets is as follows:

	Depreciation expense for the year ended December 31, 2020	Net carrying amount at December 31, 2020
Crude oil facilities	3,624	11,163
Refinery and petrochemical facilities	2,597	17,336
Gas and NGL facilities	163	395
General service plant	4,118	24,844
	10,502	53,738

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

6. Intangible assets

	Goodwill	Exploration and evaluation ¹	Brands and trademarks	Franchise/customer relationships	Computer software	Other ²	Total
Cost							
January 1, 2021	100,204	21,160	23,077	19,827	5,065	2,849	172,182
Additions	–	3,299	–	–	134	243	3,676
Currency translation differences	(16)	–	(119)	(23)	(36)	(136)	(330)
Transfers and adjustments	–	–	(84)	(84)	1	128	(39)
Transfer of exploration and evaluation assets	–	(2,365)	–	–	–	–	(2,365)
Retirements and write offs	–	(2,875)	–	–	(15)	(155)	(3,045)
December 31, 2021	100,188	19,219	22,874	19,720	5,149	2,929	170,079
Accumulated amortization							
January 1, 2021	–	–	(1,915)	(1,501)	(3,270)	(949)	(7,635)
Charge for the year	–	–	(410)	(953)	(483)	(581)	(2,427)
Currency translation differences	–	–	6	3	10	285	304
Transfers and adjustments	–	–	84	84	7	6	181
Retirements and write offs	–	–	–	–	15	151	166
December 31, 2021	–	–	(2,235)	(2,367)	(3,721)	(1,088)	(9,411)
Intangible assets – net, December 31, 2021	100,188	19,219	20,639	17,353	1,428	1,841	160,668
Cost							
January 1, 2020	1,077	21,913	4,791	1,764	4,428	1,680	35,653
Additions	–	3,894	–	–	226	197	4,317
Acquisition (Note 35)	99,116	–	18,215	17,985	260	619	136,195
Currency translation differences	11	–	20	23	42	143	239
Transfers and adjustments	–	(1)	51	55	142	259	506
Transfer of exploration and evaluation assets	–	(1,102)	–	–	–	–	(1,102)
Retirements and write offs	–	(3,544)	–	–	(33)	(49)	(3,626)
December 31, 2020	100,204	21,160	23,077	19,827	5,065	2,849	172,182
Accumulated amortization							
January 1, 2020	–	–	(1,448)	(866)	(2,835)	(382)	(5,531)
Charge for the year	–	–	(405)	(572)	(437)	(343)	(1,757)
Currency translation differences	–	–	(11)	(8)	(30)	(89)	(138)
Transfers and adjustments	–	–	(51)	(55)	(1)	(161)	(268)
Retirements and write offs	–	–	–	–	33	26	59
December 31, 2020	–	–	(1,915)	(1,501)	(3,270)	(949)	(7,635)
Intangible assets – net, December 31, 2020	100,204	21,160	21,162	18,326	1,795	1,900	164,547

1. Cash used for exploration and evaluation operating activities in 2021 was SAR 4,410 (2020: SAR 3,749) and expenditures for investing activities were SAR 3,299 (2020: SAR 3,894).

2. Other intangible assets include licenses, technology and usage rights of SAR 593 (2020: SAR 652) and patents and intellectual property of SAR 1,248 (2020: SAR 1,248). These include technology and licenses of SAR 619 recognized on the acquisition of SABIC in 2020.

6. Intangible assets continued

As a result of the acquisition of SABIC (Note 35) certain intangible assets have been recognized in 2020. These are being amortized on a straight-line basis over their estimated useful lives, with the exception of the goodwill arising from the transaction, which has an indefinite useful life, and the SABIC brand, which has been determined to have an indefinite useful life and are not subject to amortization.

Saudi Aramco performed an annual impairment test for the goodwill acquired as part of the SABIC acquisition, which is allocated to the Downstream operating segment. The recoverable amount of the Downstream operating segment was determined based on VIU calculations which require use of certain assumptions. The calculations used cash flow projections for a period of 10 years based on financial plans approved by management. Cash flows were discounted and aggregated with a terminal value. Management estimate for the cash flows is based on past performance and management's expectation of the future. This includes management's forecast for prices and margins for the downstream operations. Growth rate used in the terminal value calculation represents long-term inflation forecast. Pre-tax discount rate of 8.6% (2020: 7.8%) was applied to the cash flows. As a result of the analysis, management did not identify any impairment of goodwill related to the SABIC acquisition.

Saudi Aramco also performed an annual impairment test for the brand acquired as part of the SABIC acquisition. The impairment test was performed by aggregating the relevant cash-generating units. Cash flows were calculated in the same way as for the goodwill impairment test. The cash flows were discounted using the pre-tax discount rate of 7.8% (2020: 7.8%). As a result of the analysis, management did not identify any impairment.

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

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

7. Investments in joint ventures and associates

Company	Equity ownership	Principal place of business	Nature of activities	Carrying amount at December 31, 2021	Carrying amount at December 31, 2020
Joint ventures					
Saudi Yanbu Petrochemical Company ("Yanpet") ¹	50%	Saudi Arabia	Petrochemical	10,597	11,311
Sinopec SABIC Tianjin Petrochemical Company ("SSTPC") ¹	50%	People's Republic of China	Petrochemical	7,644	7,621
Al-Jubail Petrochemical Company ("Kemya") ¹	50%	Saudi Arabia	Petrochemical	6,229	5,696
Eastern Petrochemical Company ("Sharq") ¹	50%	Saudi Arabia	Petrochemical	5,912	6,783
Sadara Chemical Company ("Sadara") ^{2,4}	65%	Saudi Arabia	Petrochemical	4,070	1,746
Other				3,551	3,041
				38,003	36,198
Associates					
Clariant AG ("Clariant") ^{1,5}	31.5%	Switzerland	Specialty chemical	8,465	8,913
Power & Water Utility Company for Jubail and Yanbu ("Marafiq") ⁶	49.6%	Saudi Arabia	Utilities	3,924	3,630
Hyundai Oilbank Co. Ltd. ("Hyundai Oilbank") ³	17%	South Korea	Refining/marketing/petrochemical	3,684	3,853
Aluminium Bahrain BSC ("ALBA") ^{1,5}	20.6%	Bahrain	Aluminum	2,477	1,660
Fujian Refining and Petrochemical Company Limited ("FREP")	25%	People's Republic of China	Refining/petrochemical	2,466	2,172
Ma'aden Phosphate Company ("MPC") ¹	30%	Saudi Arabia	Agri-Nutrients	2,162	1,632
National Shipping Company of Saudi Arabia ("Bahri") ⁵	20%	Saudi Arabia	Global logistics services	2,141	2,263
Rabigh Refining and Petrochemical Company ("Petro Rabigh") ^{4,5}	37.5%	Saudi Arabia	Refining/petrochemical	1,838	1,096
Ma'aden Wa'ad Al Shamal Phosphate Company ("MWSPC") ^{1,3}	15%	Saudi Arabia	Agri-Nutrients	1,586	1,426
Other				2,813	3,133
				31,556	29,778
				69,559	65,976

1. On June 16, 2020, SABIC became a subsidiary of the Company and as a result, Saudi Aramco acquired interest in its joint ventures/associates (Note 35). Equity ownership represents SABIC's shareholding in these investments.

2. Agreements and constitutive documents do not give a single shareholder control; therefore, the joint venture does not qualify as a subsidiary and has not been consolidated.

3. Agreements and constitutive documents provide Saudi Aramco significant influence over this entity.

4. Saudi Aramco has provided guarantees as described in Note 33.

5. Listed company.

6. In 2020, Saudi Aramco's existing interest increased from 24.8% to 49.6% due to the acquisition of SABIC, which also has an interest in Marafiq (Note 35).

7. Investments in joint ventures and associates continued

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

	Joint ventures		Associates	
	2021	2020	2021	2020
January 1	36,198	5,698	29,778	14,040
Acquisition (Note 35)	–	33,269	–	18,595
Share of results of joint ventures and associates	4,606	(1,749)	3,268	(1,805)
Additional investment	373	263	184	274
Distributions	(3,738)	(867)	(913)	(1,734)
Change in elimination of profit in inventory	(442)	(230)	(108)	209
Share of other comprehensive (loss) income	145	(303)	(292)	853
Reclassification between joint venture and associate	–	374	–	(374)
Other	861	(257)	(361)	(280)
December 31	38,003	36,198	31,556	29,778

On February 14, 2022, Clariant announced that the publication of its fourth quarter and full year 2021 results will be delayed due to an investigation into accounting issues related to certain provisions and accruals. Therefore, Saudi Aramco is not able to disclose the required summarized financial information for the year ended December 31, 2021. Further, the movement in the carrying value of the investment in Clariant during 2021 is based on its latest published financial statements for the half year ended June 30, 2021 and management's best estimates.

Summarized financial information (100%) for joint ventures and associates and reconciliation with the carrying amount of the investments in the consolidated financial statements at December 31, 2021, are set out below:

Summarized Balance Sheet At December 31, 2021

	Yanpet	SSTPC	Kemya	Sharq	Sadara	Marafiq	Hyundai Oilbank	ALBA	FREP	MPC	Bahri
Current assets:											
Cash and cash equivalents	555	2,838	89	663	1,990	657	1,101	928	3,859	687	1,666
Other	4,435	2,023	4,224	4,831	10,175	3,387	16,554	6,180	5,505	3,664	2,564
Total current assets	4,990	4,861	4,313	5,494	12,165	4,044	17,655	7,108	9,364	4,351	4,230
Non-current assets	4,576	11,932	11,119	11,408	51,415	20,100	39,244	19,000	8,314	12,860	17,519
Current liabilities:											
Financial liabilities (excluding trade and other payables)	1,713	1,285	1,922	1,370	3,294	1,369	4,517	2,245	686	2,615	4,921
Other	647	1,155	336	839	2,448	1,483	11,815	1,848	2,952	238	2,205
Total current liabilities	2,360	2,440	2,258	2,209	5,742	2,852	16,332	4,093	3,638	2,853	7,126
Non-current liabilities	1,434	4,699	2,000	2,700	50,829	13,955	22,915	7,064	4,175	5,528	4,780
Net assets	5,772	9,654	11,174	11,993	7,009	7,337	17,652	14,951	9,865	8,830	9,843
Saudi Aramco interest	50%	50%	50%	50%	65%	49.6%	17%	20.6%	25%	30%	20%
Saudi Aramco share	2,886	4,827	5,587	5,997	4,556	3,639	3,001	3,080	2,466	2,649	1,969
Fair value and other adjustments at Saudi Aramco level	7,711	2,817	642	(85)	(486)	285	683	(603)	–	(487)	172
Investment balance at December 31	10,597	7,644	6,229	5,912	4,070	3,924	3,684	2,477	2,466	2,162	2,141

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

7. Investments in joint ventures and associates continued

Summarized Statement of Comprehensive Income Year ended December 31, 2021

	Yanpet	SSTPC	Kemya	Sharq	Sadara	Marafiq	Hyundai Oilbank	ALBA	FREP	MPC	Bahri
Revenue	7,597	11,157	9,820	10,420	17,697	4,636	59,815	15,766	27,451	6,567	5,073
Depreciation and amortization	463	682	874	1,379	3,498	1,033	1,218	1,223	1,428	1,068	890
Conventional interest income	1	123	–	3	2	14	301	23	85	9	–
Interest expense	38	53	70	36	2,178	182	817	389	239	–	178
Income tax expense	350	239	456	311	223	72	625	10	347	56	63
Net income	2,522	594	2,550	1,753	2,903	423	1,387	4,495	1,109	1,769	178
Dividends received from JVs/associates	1,360	275	730	1,273	–	75	54	77	37	–	158

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

	Joint ventures	Associates
Net income	227	3,896

All amounts in millions of Saudi Riyals unless otherwise stated

7. Investments in joint ventures and associates continued

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

Summarized Balance Sheet At December 31, 2020

	Yanpet	Clariant	SSTPC	Kemya	Sharq	Sadara	Marafiq	Hyundai Oilbank	ALBA	FREP	MPC	Bahri
Current assets:												
Cash and cash equivalents	543	3,126	3,024	204	454	932	372	738	442	4,281	974	543
Other	3,706	10,894	1,533	3,224	4,850	7,690	2,463	9,949	3,567	4,329	2,119	3,538
Total current assets	4,249	14,020	4,557	3,428	5,304	8,622	2,835	10,687	4,009	8,610	3,093	4,081
Non-current assets	4,406	24,930	11,323	12,244	12,865	54,179	19,672	33,720	19,403	8,899	13,420	16,865
Current liabilities:												
Financial liabilities (excluding trade and other payables)	964	1,688	1,371	1,713	776	5,329	1,076	3,234	2,258	691	1,452	885
Other	481	7,083	958	491	680	2,286	949	7,294	2,322	2,959	310	1,485
Total current liabilities	1,445	8,771	2,329	2,204	1,456	7,615	2,025	10,528	4,580	3,650	1,762	2,370
Non-current liabilities	1,424	14,760	4,113	3,126	2,816	52,073	12,796	17,220	8,093	5,170	7,688	8,154
Net assets	5,786	15,419	9,438	10,342	13,897	3,113	7,686	16,659	10,739	8,689	7,063	10,422
Saudi Aramco interest	50%	31.5%	50%	50%	50%	65%	49.6%	17%	20.6%	25%	30%	20%
Saudi Aramco share	2,893	4,857	4,719	5,171	6,949	2,023	3,806	2,832	2,212	2,172	2,119	2,084
Fair value and other adjustments at Saudi Aramco level	8,418	4,056	2,902	525	(166)	(277)	(176)	1,021	(552)	–	(487)	179
Investment balance at December 31	11,311	8,913	7,621	5,696	6,783	1,746	3,630	3,853	1,660	2,172	1,632	2,263

Summarized Statement of Comprehensive Income Year ended December 31, 2020

	Yanpet	Clariant	SSTPC	Kemya	Sharq	Sadara	Marafiq	Hyundai Oilbank	ALBA	FREP	MPC	Bahri
Revenue	5,139	15,713	6,652	6,679	6,944	10,510	3,854	32,720	10,563	21,029	4,005	9,064
Depreciation and amortization	562	1,141	622	909	1,363	3,299	1,192	1,388	1,170	1,379	1,028	876
Conventional interest income	5	64	105	2	4	–	11	327	27	64	5	–
Interest expense	45	428	76	135	33	2,334	219	536	397	291	268	294
Income tax expense	27	407	135	38	90	54	71	(662)	3	47	38	94
Net income (loss)	998	(721)	410	672	298	(3,350)	319	(1,364)	97	172	(38)	1,787
Dividends received from JVs/associates	348	1,247	–	105	350	–	56	105	–	79	–	149

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

	Joint ventures	Associates
Net loss	(62)	(4,207)

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

7. Investments in joint ventures and associates continued

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

	Fair value		Carrying value	
	2021	2020	2021	2020
Clariant	8,160	8,380	8,465	8,913
Petro Rabigh	6,800	4,540	1,838	1,096
Bahri	2,555	3,193	2,141	2,263
ALBA	2,330	1,450	2,477	1,660

8. Income taxes and zakat

(a) Kingdom income tax rates

The Company is subject to an income tax rate of 20% on its Downstream activities and 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. All other activities are subject to an income tax rate of 50%, in accordance with the Tax Law. The 20% income tax rate applicable to the Company's Downstream activities, which came into effect on January 1, 2020, is conditional on the Company separating its Downstream activities under the control of one or more separate wholly owned subsidiaries before December 31, 2024, otherwise the Company's Downstream activities will be retroactively taxed at 50%. The Company expects to transfer all its Downstream activities into a separate legal entity or entities within the period specified.

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

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

	2021	2020
Income before income taxes and zakat	769,521	372,424
Less: Income subject to zakat	(27,766)	(3,754)
Income subject to income tax	741,755	368,670
Income taxes at the Kingdom's statutory tax rates	356,610	178,808
Tax effect of:		
(Income) loss not subject to tax at statutory rates and other	(1,455)	9,082
Income tax expense	355,155	187,890
Zakat expense	1,970	771
Total income tax and zakat expense	357,125	188,661

(b) Income tax and zakat expense

	2021	2020
Current income tax – Kingdom	338,506	173,534
Current income tax – Foreign	877	614
Deferred income tax – Kingdom	13,060	16,932
Deferred income tax – Foreign	2,712	(3,190)
Zakat – Kingdom	1,970	771
	357,125	188,661

Saudi Aramco paid foreign taxes of SAR 808 and SAR 427 for the years ended December 31, 2021 and 2020, respectively.

Income tax charge recorded through other comprehensive income was SAR 6,010 for the year ended December 31, 2021 (2020: income tax credit of SAR 9,331).

All amounts in millions of Saudi Riyals unless otherwise stated

8. Income taxes and zakat continued

(c) Income tax and zakat obligation to the Government

	2021	2020
January 1	42,059	62,243
Acquisition	–	3,288
Provided during the period	340,476	174,305
Payments during the period by the Company (Note 28)	(141,699)	(72,582)
Payments during the period by subsidiaries and joint operations	(3,816)	(2,806)
Settlements of due from the Government	(142,419)	(116,872)
Other settlements	(4,076)	(5,517)
December 31	90,525	42,059

(d) Deferred income tax

	2021	2020
Deferred income tax assets:		
Kingdom	13,716	13,749
U.S. Federal and State	88	84
Other foreign	1,165	1,447
	14,969	15,280
Deferred income tax liabilities:		
Kingdom	67,298	48,019
U.S. Federal and State	3,422	2,469
Other foreign	4,130	3,133
	74,850	53,621
Net deferred income tax liabilities	(59,881)	(38,341)

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

	2021	2020
January 1	(38,341)	(31,743)
Acquisition	–	(2,176)
Current period charge to income	(15,772)	(13,742)
Other reserves (charge) credits	(6,010)	9,331
Other adjustments	242	(11)
December 31	(59,881)	(38,341)

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

8. Income taxes and zakat continued

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

	Post-employment benefit obligations	Investment in subsidiary	Undistributed earnings	Provisions and other	Loss carry-forward	Property plant and equipment and intangible assets	Investments in securities at FVOCI	Total
January 1, 2020								
Deferred income tax assets	3,328	–	–	653	9,263	(516)	–	12,728
Deferred income tax liabilities	7,128	(4,828)	(736)	18,669	4,819	(67,341)	(2,182)	(44,471)
	10,456	(4,828)	(736)	19,322	14,082	(67,857)	(2,182)	(31,743)
Recognized during the year								
Acquisition	631	–	(86)	(2,721)	–	–	–	(2,176)
Current period (charges) credits to income	(524)	309	35	2,869	7,595	(24,026)	–	(13,742)
Other reserves credits	7,395	–	–	–	–	–	1,936	9,331
Other adjustments	–	–	–	(11)	–	–	–	(11)
	7,502	309	(51)	137	7,595	(24,026)	1,936	(6,598)
December 31, 2020								
Deferred income tax assets	4,301	–	–	1,650	9,983	(654)	–	15,280
Deferred income tax liabilities	13,657	(4,519)	(787)	17,809	11,694	(91,229)	(246)	(53,621)
	17,958	(4,519)	(787)	19,459	21,677	(91,883)	(246)	(38,341)
Recognized during the year								
Current period (charges) credits to income	457	(461)	(310)	2,254	(1,877)	(15,835)	–	(15,772)
Other reserves charge	(5,865)	–	–	–	–	–	(145)	(6,010)
Other adjustments	–	–	–	242	–	–	–	242
	(5,408)	(461)	(310)	2,496	(1,877)	(15,835)	(145)	(21,540)
December 31, 2021								
Deferred income tax assets	4,236	–	–	1,806	9,661	(734)	–	14,969
Deferred income tax liabilities	8,314	(4,980)	(1,097)	20,149	10,139	(106,984)	(391)	(74,850)
	12,550	(4,980)	(1,097)	21,955	19,800	(107,718)	(391)	(59,881)

A deferred income tax liability has not been recognized with regard to the undistributed earnings of certain subsidiaries, which are considered to be permanently reinvested in their respective businesses. Such earnings would be taxed only upon distribution. There was no cumulative taxable undistributed earnings or unrecognized deferred income tax liability for such subsidiaries at December 31, 2021. The cumulative amount of the undistributed earnings of such subsidiaries at December 31, 2020 was SAR 29,080 and the unrecognized deferred income tax liability was SAR 1,969. Also, a deferred income tax asset has not been recognized largely related to cumulative unused tax losses of certain subsidiaries with carry-forward periods from 2022 to indefinite. Such losses are available for offsetting against future taxable profits of the subsidiaries in which the losses arose. The cumulative amount of the unused tax losses and other items is SAR 37,791 and SAR 32,336 at December 31, 2021 and 2020, respectively, and the unrecognized deferred income tax asset is SAR 9,296 and SAR 7,924 at December 31, 2021 and 2020, respectively.

8. Income taxes and zakat continued

(e) Income tax and zakat assessments

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

For the Company's other domestic and international affiliates, examinations of tax and zakat returns for certain prior years had not been completed as of December 31, 2021; however, the Company is not aware of any significant claims. Therefore, no material provision for any additional income tax and zakat liability has been recorded in the consolidated financial statements.

9. Other assets and receivables

	2021	2020
Non-current:		
Home loans	12,919	10,155
Loans to joint ventures and associates (Note 29(b))	12,299	13,252
Loans and advances	6,819	7,187
Financial assets – option rights	2,390	1,863
Home ownership construction	1,529	2,558
Receivable from Government, semi-Government and other entities with Government ownership or control (Note 29(b))	509	540
Lease receivable from associates (Note 29(b))	416	426
Other	895	1,277
	37,776	37,258
Current:		
Employee and other receivables	9,066	6,831
Tax receivables	9,442	4,963
Prepaid expenses	4,358	3,355
Home loans	1,088	1,084
Investments in securities (Note 10)	1,515	826
Derivative assets	1,613	583
Interest receivable	390	217
Receivables from joint ventures and associates (Note 29(b))	41	85
Assets held for sale	78	85
Other	605	740
	28,196	18,769

Home loans

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

	2021	2020
Gross amounts receivable	16,251	13,237
Less:		
Discount	(1,503)	(1,250)
Allowance for doubtful home loans	(495)	(466)
Subsidies	(246)	(282)
Net amounts receivable	14,007	11,239
Current	(1,088)	(1,084)
Non-current	12,919	10,155

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

10. Investments in securities

	2021	2020
January 1	23,687	20,237
Acquisitions	–	2,470
Net additions	1,252	789
Net unrealized fair value gain	413	128
Net unrealized foreign currency gain	324	63
December 31	25,676	23,687
Current (Note 9)	(1,515)	(826)
Non-current	24,161	22,861

Net additions include unsettled transactions of SAR (267) at December 31, 2021 (2020: SAR 190).

The components of investments in securities are as follows:

	2021	
	Percentage ownership	Carrying amount as of December 31
Equity investments at FVOCI:		
Equity investments – listed securities:		
Saudi Electricity Company (“SEC”)	6.9%	6,921
Idemitsu Kosan Co., Ltd. (“Idemitsu”)	7.8%	2,213
Equity investments – unlisted securities:		
Arab Petroleum Pipelines Company (“Sumed”)	15.0%	821
Industrialization & Energy Services Company (“TAQA”)	4.6%	152
Daehan Oil Pipeline Corporation (“Daehan”)	8.9%	168
Other		287
Investments in debt securities at FVOCI:		
USD debt securities with fixed interest rates ranging from 0.1% to 13.9% and maturity dates between 2022 and 2071		6,285
USD debt securities with variable interest rates and maturity dates between 2022 and 2069		938
Mutual and hedge funds		660
		18,445
Equity and debt investments at FVPL:		
Listed securities – equities		359
Listed securities – debt		53
Unlisted securities		5,789
		6,201
Investments in debt securities at amortized cost:		
Debt securities with fixed interest rates ranging from 2.5% to 5.1% and maturity dates between 2022 and 2043		603
Debt securities with variable interest rates and maturity dates between 2022 and 2028		427
		1,030
		25,676
Current portion (Note 9)		(1,515)
Non-current		24,161

All amounts in millions of Saudi Riyals unless otherwise stated

10. Investments in securities continued

	2020	
	Percentage ownership	Carrying amount as of December 31
Equity investments at FVOCI:		
Equity investments – listed securities:		
Saudi Electricity Company (“SEC”)	6.9%	6,146
Idemitsu Kosan Co., Ltd. (“Idemitsu”)	7.8%	1,905
Equity investments – unlisted securities:		
Arab Petroleum Pipelines Company (“Sumed”)	15.0%	870
Industrialization & Energy Services Company (“TAQA”)	4.6%	195
Daehan Oil Pipeline Corporation (“Daehan”)	8.9%	154
Other		430
Investments in debt securities at FVOCI:		
USD debt securities with fixed interest rates ranging from 0.1% to 13.9% and maturity dates between 2021 and 2069		6,239
USD debt securities with variable interest rates and maturity dates between 2021 and 2069		730
		<u>16,669</u>
Equity and debt investments at FVPL:		
Listed securities – mutual and hedge funds		1,614
Listed securities – equities		870
Listed securities – debt		53
Unlisted securities		3,100
		<u>5,637</u>
Investments in debt securities at amortized cost:		
Debt securities with fixed interest rates ranging from 2.5% to 5.1% and maturity dates between 2021 and 2043		747
Debt securities with variable interest rates and maturity dates between 2021 and 2028		634
		<u>1,381</u>
		<u>23,687</u>
Current portion (Note 9)		(826)
Non-current		<u>22,861</u>

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

The fair value of Sumed is based on expected cash flows discounted using a rate based on market interest rates and a risk premium specific to the unlisted security which was 11.35% and 7.7% at December 31, 2021 and 2020, respectively. The fair value of TAQA is based on an earnings growth factor for unlisted equity securities from market information for similar types of companies. The fair value of Daehan is determined using discounted cash flow analysis based on the risk-adjusted yield.

The maximum exposure to credit risk at the reporting date of the investments in debt securities is the fair value. To limit credit risk, Saudi Aramco’s investment policy requires that these securities be diversified. Credit ratings for debt securities held at December 31, 2021, range from AAA to BB (2020: AAA to BB) as set out by internationally recognized credit rating agencies.

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

11. Inventories

	2021	2020
Crude oil, refined products and chemicals	58,242	36,964
Materials and supplies – net	16,104	14,731
Natural gas liquids and other	357	304
	74,703	51,999

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

	2021	2020
Balance, January 1	2,995	1,997
Net movement in allowance	453	998
Balance, December 31	3,448	2,995

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

12. Trade receivables

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

The components of trade receivables are as follows:

	2021	2020
Arising from export and local sales at international prices	130,821	81,066
Arising from local sales at Kingdom regulated prices	9,817	5,186
	140,638	86,252
Less: Loss allowance	(265)	(1,069)
	140,373	85,183

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

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

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

	2021	2020
January 1	1,069	854
Net movement in allowance	(804)	215
December 31	265	1,069

13. Due from the Government

	2021	2020
Other income related to sales (Note 2(y))	42,960	24,604
Government guarantee (Note 2(n))	(2,150)	3,605
Other	507	686
Note 29(b)	41,317	28,895

All amounts in millions of Saudi Riyals unless otherwise stated

14. Short-term investments

	2021	2020
USD time deposits	1,661	90
USD Murabaha time deposits (Shari'a compliant)	1,957	615
SAR time deposits	1,880	91
SAR Murabaha time deposits (Shari'a compliant)	21,510	4,792
South Korean Won time deposits	65	1,213
	27,073	6,801

15. Cash and cash equivalents

	2021	2020
Cash at bank and in hand	52,805	65,689
USD time deposits	195,766	112,115
USD Murabaha time deposits (Shari'a compliant)	21,210	14,816
SAR time deposits	3,574	5,096
SAR repurchase agreements	–	1,260
SAR Murabaha time deposits (Shari'a compliant)	20,119	5,726
South Korean Won time deposits	6,105	2,530
	299,579	207,232

16. Treasury shares

On December 11, 2019, the Company acquired 117.2 million ordinary shares from the Government for cash consideration of SAR 3,750. These shares were classified by the Company as treasury shares for the purposes of issuing them to the Company's employees upon vesting of the shares in the employee share plans, including those that the Company may adopt in the future. The number of treasury shares issued to employees during the year was 13.7 million (2020: 15.2 million) in relation to employee share plans awarded (Note 17). The number of treasury shares outstanding as at December 31, 2021 was 88.3 million (2020: 102 million).

17. Share-based compensation

Share-based compensation relates to grants of ordinary shares awarded to the Company's eligible employees under the respective plan terms. Awards are generally equity-settled; however, in limited circumstances awards may be settled in cash. The Company recognized the following share-based compensation expense in the Consolidated Statement of Income, as an employee benefit expense, for the years ended December 31, 2021 and 2020:

	Equity-settled	Cash-settled	Total
2021			
Share-based compensation expense	207	2	209
2020			
Share-based compensation expense	578	9	587

At December 31, 2021, the total carrying amount of the liabilities in respect of the cash settlement elements and dividend equivalents of the respective awards was SAR 17 (2020: SAR 4) and the intrinsic value of such liabilities, which had vested during the year, was SAR 3 (2020: SAR 22).

Awards granted during the year relate to the Long-Term Incentive Plan for Executives ("ELTIP") and the Long-Term Incentive Plan for Management ("MLTIP"), the Long-Term Incentive Plan for certain other eligible employees ("LTIP") and the Employee Share Purchase Plan ("ESPP").

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

17. Share-based compensation continued

Awards for all plans were granted for nil consideration, with the exception for ESPP, which were granted at a discount of 20% to the fair market value of the shares at each purchase date. The fair values of awards granted were determined by reference to the market values of the Company's ordinary shares on the grant dates for equity-settled awards and at the Consolidated Balance Sheet date for cash-settled awards. Where applicable, the fair values of the awards subject to market-based performance measures were estimated using Monte Carlo Simulation models.

	Number of shares granted (in millions)	Weighted average fair value per share (SAR)
2021		
ESPP	14	35.28
ELTIP	2	32.59
MLTIP	3	34.50
LTIP	1	35.50
2020		
ELTIP	2	33.77
MLTIP	3	33.35

The number of awards settled in shares during the year in relation to the employee share plans was 13.7 million (2020: 15.2 million).

Participants in the plans (other than the ESPP) are entitled to dividend equivalents, if dividends are paid to ordinary shareholders, during the vesting period. Such dividend equivalents will be paid in cash on vesting of the awards. Accordingly, no adjustment for expected dividends during the vesting period was made in determining the fair value of the awards. Participants in all plans become entitled to dividends only after shares have been issued to the participants as the registered holders.

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

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

The vesting of LTIP is dependent only on the participants achieving required service, except for certain qualifying leavers. The awards are subject to graded vesting. 25% of the awards will vest immediately, and the remaining 75% of the awards will vest in equal installments over three years, provided that the participants continue to meet the required service condition. The awards will be settled with the participants in shares on vesting, except for certain qualifying participants who will receive cash-settlement.

Shares issued under the ESPP vest immediately but are required to be held until the earlier of one year from the date of issuance or cessation of employment.

All amounts in millions of Saudi Riyals unless otherwise stated

18. Other reserves

	Currency translation differences	Investments in securities at FVOCI	Post-employment benefit obligations	Share-based compensation reserve	Cash flow hedges and other	Share of other comprehensive income (loss) of joint ventures and associates		Total
						Foreign currency translation gains (losses)	Cash flow hedges and other	
January 1, 2020	(585)	3,342	–	31	(427)	191	(476)	2,076
Current period change	2,768	156	–	556	(300)	1,116	(566)	3,730
Remeasurement loss	–	–	(16,361)	–	–	–	–	(16,361)
Transfer to retained earnings	–	–	7,722	(530)	–	–	–	7,192
Tax effect	–	1,936	7,395	–	–	–	–	9,331
Less: amounts related to non-controlling interests	(991)	(78)	1,244	–	–	(285)	–	(110)
December 31, 2020	1,192	5,356	–	57	(727)	1,022	(1,042)	5,858
Current period change	(2,798)	440	–	207	323	(440)	23	(2,245)
Remeasurement gain	–	–	16,055	–	–	–	270	16,325
Transfer to retained earnings	–	–	(9,392)	(125)	–	–	(270)	(9,787)
Tax effect	–	(145)	(5,865)	–	–	–	–	(6,010)
Less: amounts related to non-controlling interests	1,042	118	(798)	–	7	151	–	520
December 31, 2021	(564)	5,769	–	139	(397)	733	(1,019)	4,661

19. Non-controlling interests

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

Summarized Balance Sheet At December 31

	2021			2020	
	SABIC	AOPC ¹	S-Oil Corporation	SABIC	S-Oil Corporation
Current assets	107,509	229	26,483	81,032	17,244
Non-current assets	270,960	100,065	36,341	278,939	41,372
Total assets	378,469	100,294	62,824	359,971	58,616
Current liabilities	49,864	851	26,543	37,709	22,696
Non-current liabilities	60,844	–	11,145	67,891	12,880
Total liabilities	110,708	851	37,688	105,600	35,576
Net assets	267,761	99,443	25,136	254,371	23,040
Accumulated non-controlling interest	106,909	48,728	9,647	99,603	8,842

1. On June 17, 2021, the Company sold a 49% equity interest in Aramco Oil Pipelines Company ("AOPC"), a newly formed wholly owned subsidiary of the Company, to EIG Pearl Holdings S.à r.l. For details see Note 34.

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

19. Non-controlling interests continued

Summarized Statement of Comprehensive Income

Year ended December 31

	2021			2020	
	SABIC	AOPC ¹	S-Oil Corporation	SABIC ¹	S-Oil Corporation
Revenue and other income	174,885	5,301	89,993	66,678	53,482
Net income (loss)	25,890	4,451	4,463	(2,426)	(2,940)
Other comprehensive income (loss)	199	–	(1,988)	(197)	1,336
Total comprehensive income (loss)	26,089	4,451	2,475	(2,623)	(1,604)
Net income (loss) attributable to non-controlling interests	12,691	2,181	1,712	(150)	(1,128)
Dividends paid to non-controlling interests ²	(6,687)	–	(145)	(704)	(14)

1. Amounts included are for the period from the date of sale of a non-controlling equity interest in a subsidiary or acquisition of a non-wholly owned subsidiary.
2. AOPC is expected to make quarterly distributions to its ordinary shareholders from available cash commencing in 2022. Current assets of AOPC as at December 31, 2021 mainly include cash received from the Company in respect of quarterly volume-based tariff.

Summarized Statement of Cash Flows

Year ended December 31

	2021			2020	
	SABIC	AOPC ¹	S-Oil Corporation	SABIC ¹	S-Oil Corporation
Cash flows from operating activities	39,225	229	5,693	12,079	5,852
Cash flows from investing activities	(5,760)	–	180	(2,827)	(1,974)
Cash flows from financing activities	(25,219)	–	(2,318)	(3,611)	(2,279)
Net increase in cash and cash equivalents	8,246	229	3,555	5,641	1,599

1. Amounts included are for the period from the date of sale of a non-controlling equity interest in a subsidiary or acquisition of a non-wholly owned subsidiary.

All amounts in millions of Saudi Riyals unless otherwise stated

20. Borrowings

	2021	2020
Non-current:		
Deferred consideration	188,723	217,231
Commercial borrowings	52,280	55,954
Debentures	98,449	104,425
Sukuk	34,560	12,420
Lease liabilities	38,108	43,567
Other financing arrangements	24,251	3,323
	436,371	436,920
Current:		
Deferred consideration	33,544	18,636
Short-term bank financing	17,351	60,085
Commercial borrowings	10,556	10,197
Debentures	3,750	–
Sukuk	266	231
Lease liabilities	9,083	10,008
	74,550	99,157
	2021	2020
Finance costs:		
Conventional borrowings	8,490	7,391
Lease liabilities	2,138	2,089
Shari'a compliant financial instruments	980	645
Unwinding of discount (Note 22)	450	439
	12,058	10,564

Borrowing facilities

Saudi Aramco has entered into long-term financing arrangements with various lenders. These financing arrangements limit the creation of additional liens and/or financing obligations and certain of these arrangements are secured over certain property, plant and equipment, and other non-current assets of Saudi Aramco with a total carrying value of SAR 94,379. Additionally, certain financing arrangements require compliance by Saudi Aramco with covenants to maintain certain financial and other conditions. Saudi Aramco has complied with these covenants throughout the reporting period.

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

20. Borrowings continued

Details of financing facilities at December 31 are included as follows:

	Note	Total facility		Total undrawn	
		2021	2020	2021	2020
Conventional:					
Deferred consideration	a	222,267	235,867	–	–
Revolving credit facilities	b	49,541	39,210	44,205	32,378
Commercial borrowings	c	31,695	38,239	1,909	881
Short-term borrowings	d	20,419	74,213	12,844	24,203
Export credit agencies	e	2,835	7,691	–	–
Public Investment Fund	f	1,826	5,591	–	–
Debentures	g	101,396	106,313	–	–
Other financing arrangements	h	24,264	3,322	–	–
Shari'a compliant:					
Sukuk	i	61,174	39,844	26,250	26,250
Murabaha	j	31,114	30,064	11,625	11,250
Saudi Industrial Development Fund	k	4,624	5,036	115	–
Ijarah/Procurement	l	3,949	3,934	618	–
Wakala	m	1,294	1,721	241	–
		556,398	591,045	97,807	94,962

Conventional facilities

(a) Deferred consideration

Deferred consideration represents the amount payable to PIF for the SABIC acquisition. The amount is payable over several installments from August 2020 to April 2028, pursuant to a seller loan provided by PIF (Note 35 (a)(i)). On January 24, 2022, Saudi Aramco, in agreement with PIF, made a partial prepayment of SAR 28,579 (\$7,621), which has reduced the principal amounts of two promissory notes by SAR 26,250 (\$7,000) and SAR 3,750 (\$1,000) that were payable on or before April 7, 2024 and April 7, 2026, respectively (Note 40).

(b) Revolving credit facilities

At December 31, 2021, Saudi Aramco held the following facilities that total SAR 49,541 (2020: SAR 39,210):

- (i) On June 9, 2020, the Company amended and restated certain agreements with respect to its USD denominated conventional five-year revolving credit facility equivalent to SAR 22,500 (\$6,000) to incorporate a SAR 7,500 (\$2,000) swing line sublimit facility in support of the Company's establishment of a U.S. commercial paper program. The swing line makes up part of the revolving credit facility and the entire facility remained unutilized as of December 31, 2021. In addition, the Company maintains a 364-day USD denominated facility equivalent to SAR 3,750 (\$1,000) along with SAR denominated Islamic Murabaha facilities comprising a five-year facility of SAR 7,500 and a 364-day facility of SAR 3,750 (Note 20(j)). The facilities were established in March 2015 and are expected to be renewed in 2022.
- (ii) Saudi Aramco maintains facilities of SAR 23,291 (2020: SAR 12,960), consisting of revolving credit facilities of SAR 22,593 (\$6,025), and a letter of credit facility of SAR 698 (\$186) for working capital requirements and to support trading activities. The remaining revolving credit facilities are executed with a group of foreign and domestic banks for general corporate purposes and working capital requirements.

(c) Commercial borrowings

Saudi Aramco has commercial and other facility agreements with a number of banks. The facilities are primarily repayable in 12 to 36 installments on a semi-annual basis from November 2008 to September 2045. Commission is payable on amounts drawn that are primarily calculated at a market rate plus a margin.

- (i) In 2021, Saudi Aramco entered into certain new conventional borrowing facilities aggregating to SAR 3,296. The facilities' tenors range from seven years to 24 years and these are repayable in semi-annual installments from August 2025 to September 2045. The total amount recognized under these facilities as at December 31, 2021 was SAR 1,562.
- (ii) In 2020, Saudi Aramco refinanced an existing commercial facility having a balance of SAR 345 (\$92). Under the refinancing agreement, the facility of SAR 375 (\$100) is repayable semi-annually in 34 installments, from March 2020 to November 2036. Commission is payable on amounts drawn at a market rate, starting March 2020.

20. Borrowings continued

(d) Short-term borrowings

Saudi Aramco has facilities with a number of banks for short-term borrowings, with each having a maturity period of less than one year and which incur interest at a market rate plus a margin.

- (i) On May 7, 2020, the Company entered into a SAR 37,500 (\$10,000) one-year term loan facility with various financial institutions for general corporate purposes. In 2021, the Company exercised its option to extend the facility maturity date by 364 days to May 5, 2022. However, the loan amount was fully repaid on November 15, 2021 and the facility agreement was terminated.
- (ii) In 2020, Saudi Aramco entered into debt factoring arrangements in relation to certain intercompany receivables, repayable over a four-month period and on market terms. A total of SAR 4,398 was outstanding at December 31, 2021 (2020: SAR 3,285).

(e) Export credit agencies

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

(f) Public Investment Fund

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

(g) Debentures

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

On November 24, 2020, the Company issued a series of USD denominated unsecured notes under the same program, aggregating to an equivalent of SAR 30,000 (\$8,000), consisting of maturity dates of three years to 50 years paid at the end of the maturity date with coupon rates ranging from 1.25% to 3.50%. At initial recognition, the Company recorded an amount of SAR 29,625 (\$7,900) for the issuance proceeds, net of discounts.

- (ii) Certain debentures denominated in USD have been issued in capital markets with fixed and variable interest rates and with maturities from 2027 to 2040.
- (iii) Debentures denominated in South Korean Won have been issued in capital markets with interest rates ranging from 1.65% to 3.53% and with maturities from 2022 to 2030.
- (iv) In November 2020, SABIC issued a 10-year and 30-year USD denominated \$500 bond each, equivalent to a total of SAR 3,750 (\$1,000). These bonds are unsecured and carry coupon rates of 2.15% and 3% for those maturing in 10 and 30 years, respectively. Both bonds are issued in accordance with Rule 144A/Regulation S offering requirements under the U.S. Securities Act of 1933, as amended. These bonds are listed on the Irish Stock Exchange ("Euronext Dublin") and the 30-year bond is dual listed on the Taipei Exchange in Taiwan. The proceeds were used for general purpose and refinancing maturing debt.
- (v) In October 2018, SABIC issued a five-year and a 10-year USD denominated \$1,000 bond equivalent to a total of SAR 7,500 (\$2,000). These bonds are unsecured and carry coupon rates of 4% and 4.5%, respectively. The bonds are issued in accordance with the Rule 144A/Regulation S offering requirements under the U.S. Securities Act of 1933, as amended. The bonds are listed on the Euronext Dublin and the proceeds were used for refinancing maturing debt.

Discounts and transaction costs are amortized using the effective interest method and are reflected as finance costs in the Consolidated Statement of Income.

All amounts in millions of Saudi Riyals unless otherwise stated

20. Borrowings continued

(h) Other financing arrangements

Other financing arrangements comprise borrowings from non-financial institutions under commercial terms.

On September 27, 2021, the Company entered into a financing arrangement with Air Products, ACWA Power and Air Products Qudra relating to the Jazan Integrated Gasification Combined-Cycle ("IGCC") power plant, an Air Separation Unit ("ASU") and certain ancillary assets. The transaction entailed creation of the Jazan Integrated Gasification and Power Company ("JIGPC"), a limited liability company, with Saudi Aramco Power Company ("SAPCO"), a wholly owned subsidiary of the Company owning 20%, while Air Products, ACWA Power and Air Products Qudra own 46%, 25% and 9%, respectively (Note 35(b)(ii)). The total proceeds of the transaction are SAR 44,063. Upon closing Saudi Aramco recognized an amount of SAR 21,226, representing the amount due to the other shareholders of JIGPC, in relation to the first tranche of SAR 26,532 under the financing arrangement. The final tranche is expected to be received during the fourth quarter of 2022. The total amount under the arrangement is repayable in monthly installments, commencing from October 2021 to October 2046.

Shari'a compliant facilities

(i) Sukuk

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

- (i) On June 17, 2021, Saudi Aramco issued three tranches of USD denominated Sukuk trust certificates aggregating to an equivalent of SAR 22,500 (\$6,000) at par value with semi-annual payments on June 17 and December 17. The Shari'a compliant senior unsecured facilities consist of three-year maturities for SAR 3,750 (\$1,000) with a coupon rate of 0.946%, five-year maturities of SAR 7,500 (\$2,000) with a coupon rate of 1.602% and 10-year maturities of SAR 11,250 (\$3,000) with a coupon rate of 2.694%. In accordance with the terms of the Sukuk, 55% of the proceeds from issuance are structured as an Ijara and the remaining 45% are structured as a Murabaha arrangement. The certificates were listed on the London Stock Exchange's Regulated Market and sold in accordance with Rule 144A/Regulation S under the U.S. Securities Act of 1933, as amended. The proceeds are for general corporate purposes and the Sukuk mature between 2024 and 2031. At initial recognition, the Company recorded an amount of SAR 22,399 (\$5,973) for the issuance proceeds, net of estimated transaction costs.
- (ii) On April 10, 2017, Saudi Aramco issued Sukuk for SAR 11,250 at par value as part of a SAR 37,500 program. The Sukuk issuance provides a return based on Saudi Arabian Interbank Offered Rate ("SAIBOR") plus a predetermined margin payable semi-annually on April 10 and October 10. The Sukuk matures on April 10, 2024. In accordance with the terms of the Sukuk, 51% of the proceeds from issuance are invested in Mudaraba assets and the remaining 49% are used in a Murabaha arrangement.
- (iii) On October 9, 2011, Saudi Aramco issued Sukuk for SAR 2,344 at par value, with semi-annual repayments from December 20, 2014 to December 20, 2025 that provides a rate of return above SAIBOR. The Sukuk was structured as Istisnah for pre-construction and Ijarah for post-construction of the project.

(j) Murabaha

Saudi Aramco has Murabaha Shari'a compliant Islamic facilities, aggregating to a total of SAR 31,114 (2020: SAR 30,064). These include the unutilized SAR denominated Islamic Murabaha facilities held by the Company, comprising a five-year facility of SAR 7,500 and a 364-day facility of SAR 3,750 (Note 20(b)(i)). The facilities are repayable in 10 to 44 installments, on a semi-annual basis, from 2008 to 2030. Commission is payable on amounts drawn and is calculated at a market rate plus a margin.

(k) Saudi Industrial Development Fund

Saudi Aramco has facility agreements with the Saudi Industrial Development Fund. The facilities bear no periodic financial charges and borrowings are repayable in 14 to 34 installments, on a semi-annual basis, commencing from 2008 to 2035.

- (i) In 2021, Saudi Aramco entered into a facility agreement with the Saudi Industrial Development Fund for an amount of SAR 1,200. The facility was fully drawn as at December 31, 2021 and is repayable in semi-annual installments from 2026 to 2035.

(l) Ijarah/Procurement

Saudi Aramco has Procurement and Ijarah Shari'a compliant Islamic facility agreements with a number of banks. The facilities are repayable in seven to 28 installments on a semi-annual basis, from November 2008 to May 2039.

- (i) In 2021, Saudi Aramco entered into new Ijarah Shari'a compliant Islamic facility agreements aggregating to SAR 1,542. The facilities are repayable in semi-annual installments from 2026 to 2039. The total amount recognized as at December 31, 2021 under these facilities was SAR 926.

All amounts in millions of Saudi Riyals unless otherwise stated

20. Borrowings continued

(m) Wakala

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

- (i) In 2021, Saudi Aramco entered into a new Wakala facility agreement amounting to SAR 394. The facility is repayable in semi-annual installments from 2026 to 2028. The total amount recognized as at December 31, 2021 was SAR 198.
- (ii) In 2020, Saudi Aramco entered into a Wakala facility with semi-annual payment terms commencing from 2020 to 2036. Commission is payable on amounts drawn and is primarily calculated at a market rate.

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

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

	2021	2020
Conventional:		
Revolving credit facilities	5,370	6,830
Commercial borrowings	29,787	34,478
Short-term borrowings	11,981	53,255
Export credit agencies	2,835	4,560
Public Investment Fund (Note 29(b))	1,826	3,656
Debentures	102,199	104,425
Other financing arrangements	24,251	3,323
Shari'a compliant:		
Sukuk	34,826	12,651
Murabaha	19,489	15,379
Saudi Industrial Development Fund (Note 29(b))	4,511	3,855
Ijarah/Procurement	3,334	3,360
Wakala	1,054	863
	241,463	246,635

Movements in unamortized transaction costs are as follows:

	2021	2020
January 1	1,785	968
Additional transaction costs incurred	139	1,170
Less: amortization	(319)	(353)
December 31	1,605	1,785

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

20. Borrowings continued

Lease liabilities

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

The total cash outflow for leases for the year ended December 31, 2021 was SAR 12,143 (2020: SAR 10,868). Expenses relating to short-term and low value leases were recognized in the Consolidated Statement of Income for the year ended December 31, 2021 and amounted to SAR 329 (2020: SAR 378) and SAR 403 (2020: SAR 278), respectively.

Maturities of borrowings and leases are as follows:

	No later than one year	Later than one year and no later than five years	Later than five years	Total contractual amount	Total carrying amount
2021					
Borrowings – other than leases	71,989	295,106	216,161	583,256	463,730
Leases	10,823	23,696	21,994	56,513	47,191
	82,812	318,802	238,155	639,769	510,921
2020					
Borrowings – other than leases	101,505	244,553	242,929	588,987	482,502
Leases	11,228	26,051	23,854	61,133	53,575
	112,733	270,604	266,783	650,120	536,077

The movement of borrowings is as follows:

	Long-term borrowings	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
January 1, 2020	121,991	12,660	40,934	175,585
Cash flows	(37,504)	46,084	(10,868)	(2,288)
Debentures	36,815	–	–	36,815
Non-cash changes:				
Deferred Consideration	259,125	–	–	259,125
Acquisition (Note 35)	37,592	1,179	6,552	45,323
Lease additions	–	–	16,705	16,705
Foreign exchange adjustment	1,023	60	193	1,276
Accretion of liabilities and others	3,375	102	59	3,536
December 31, 2020	422,417	60,085	53,575	536,077
Cash flows	12,406	(43,756)	(12,143)	(43,493)
Non-cash changes:				
Other financing arrangements (Note 35 (b)(ii))	8,146	–	(7,333)	813
Lease additions	–	–	12,442	12,442
Foreign exchange adjustment	(1,033)	(35)	(197)	(1,265)
Accretion of liabilities and others	4,443	1,057	847	6,347
December 31, 2021	446,379	17,351	47,191	510,921

21. Post-employment benefit obligations

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

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

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

	2021	2020
Pension plans	(1,384)	12,167
Medical and other post-employment benefit plans	42,113	42,040
Net benefit liability	40,729	54,207

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

	Pension benefits		Other benefits	
	2021	2020	2021	2020
Net benefit obligation by funding:				
Present value of funded obligations	80,726	84,998	123,281	114,289
Fair value of plan assets	(86,888)	(78,328)	(93,929)	(82,629)
Benefit (surplus) deficit	(6,162)	6,670	29,352	31,660
Present value of unfunded obligations	4,778	5,497	12,761	10,380
Net benefit (asset) liability	(1,384)	12,167	42,113	42,040
Change in benefit obligations:				
Benefit obligations, January 1	90,495	65,556	124,669	95,910
Current service cost	4,560	3,799	3,008	2,576
Interest cost	2,269	2,254	3,799	3,458
Past service (credit) cost	(458)	(465)	1,755	2,340
Remeasurement	(4,065)	8,243	4,157	21,480
Plan participants' contribution	56	75	-	-
Benefits paid	(5,861)	(8,134)	(2,396)	(1,886)
Settlements	(38)	(386)	-	-
Acquisition (Note 35)	-	19,651	-	975
Foreign currency translation and other	(1,454)	(98)	1,050	(184)
Benefit obligations, December 31	85,504	90,495	136,042	124,669
Change in plan assets:				
Fair value of plan assets, January 1	(78,328)	(67,156)	(82,629)	(73,136)
Interest income	(2,295)	(2,018)	(2,749)	(2,438)
Remeasurement	(7,496)	(6,214)	(8,651)	(7,148)
Employer contributions	(5,130)	(7,406)	(2,288)	(1,793)
Benefits paid	5,861	8,134	2,396	1,886
Settlements	38	386	-	-
Acquisition (Note 35)	-	(4,077)	-	-
Foreign currency translation and other	462	23	(8)	-
Fair value of plan assets, December 31	(86,888)	(78,328)	(93,929)	(82,629)
Net benefit (asset) liability at December 31	(1,384)	12,167	42,113	42,040

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

21. Post-employment benefit obligations continued

The weighted average duration of the pension benefit obligations is 13 years at December 31, 2021 and December 31, 2020. The weighted average duration of the other benefit obligations is 21 years at December 31, 2021 and December 31, 2020.

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

	Pension benefits		Other benefits	
	2021	2020	2021	2020
Amounts recognized in net income:				
Current service cost	4,560	3,799	3,008	2,576
Past service (credit) cost	(458)	(465)	1,755	2,340
Net interest (income) cost	(26)	236	1,050	1,020
Other	–	(8)	–	(15)
	4,076	3,562	5,813	5,921
Amounts recognized in other comprehensive income:				
Losses from changes in demographic assumptions	80	729	1,448	496
(Gains) losses from changes in financial assumptions	(4,351)	7,728	2,004	13,203
Losses (gains) from changes in experience adjustments	206	(214)	705	7,781
Returns on plan assets (excluding interest income)	(7,496)	(6,214)	(8,651)	(7,148)
	(11,561)	2,029	(4,494)	14,332
Net defined benefit (gain) loss before income taxes	(7,485)	5,591	1,319	20,253

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

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

	Pension benefits		Other benefits	
	2021	2020	2021	2020
Discount rate	2.9%	2.6%	3.1%	3.0%
Salary growth rate	4.7%	4.8%	–	–
Annual average medical claim cost, in whole SAR			27,638	26,003
Health care participation rate			95.0%	90.0%
Assumed health care trend rates:				
Cost-trend rate			7.0%	5.0%
Rate to which cost-trend is to decline			5.0%	5.0%
Year that the rate reaches the ultimate rate			2026	2021

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

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

All amounts in millions of Saudi Riyals unless otherwise stated

21. Post-employment benefit obligations continued

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

Life expectancy at age:	Saudi plans		U.S. plans	
	Male	Female	Male	Female
50	31.8	34.4	35.5	37.3
60	23.4	25.5	26.3	27.7
60 (currently aged 40)	23.4	25.5	27.9	29.2

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

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

	Change in assumption	Impact on obligation	2021	2020
Ultimate health care cost-trend rates	Increase by 0.5%	Increase by	14,715	13,485
	Decrease by 0.5%	Decrease by	(12,795)	(11,726)
Discount rate – other benefits	Increase by 0.5%	Decrease by	(12,896)	(12,311)
	Decrease by 0.5%	Increase by	14,993	14,359
Discount rate – pension benefits	Increase by 0.5%	Decrease by	(5,948)	(6,146)
	Decrease by 0.5%	Increase by	6,319	6,818
Salary growth rate	Increase by 0.5%	Increase by	3,210	2,974
	Decrease by 0.5%	Decrease by	(3,754)	(3,364)
Annual average medical claim cost	Increase by 5%	Increase by	6,240	5,903
	Decrease by 5%	Decrease by	(6,240)	(5,903)
Life expectancy	Increase by 1 year	Increase by	6,090	5,880
	Decrease by 1 year	Decrease by	(6,109)	(5,914)
Health care participation rate	Increase by 5%	Increase by	1,984	1,823
	Decrease by 5%	Decrease by	(2,033)	(1,875)

Plan assets consisted of the following:

	2021	2020
Cash	5,584	5,816
Time deposits	–	8
Equity instruments	48,703	41,710
Investment funds	72,031	61,947
Bonds	52,324	50,516
Sukuk (Shari'a compliant)	2,175	960
	180,817	160,957

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

21. Post-employment benefit obligations continued

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

Through its post-employment benefit plans, Saudi Aramco is exposed to a number of risks including asset volatility, changes in bond yields, inflation and life expectancy. Investment risk is minimized through diversification of investments among fixed income, equity, and alternative asset classes. Asset allocation is determined by an asset liability modeling study. The target asset allocation is, approximately, 36% (2020: 36%) equity instruments, 31% (2020: 31%) debt instruments, and 33% (2020: 33%) alternative assets. Inflation risk is partially offset by equities inflation and life expectancy risk is borne by Saudi Aramco.

Plan assets include transferable securities with a fair value of SAR 7,192 (2020: SAR 5,724) in the Company and its affiliated entities.

Employer contributions to defined benefit plans are estimated to be SAR 6,672 in 2022. While the Saudi plans are generally not governed by regulatory minimum funding requirements, the funding objective is to reach full funding of the larger plans only. Saudi Aramco pays annual contributions equal to benefit payments. Asset outperformance is expected to meet the shortfall between assets and the assessed liabilities within a reasonable period. Funding for the U.S. plans sponsored by Aramco Shared Benefit Company, a wholly owned subsidiary of the Company, is recommended by the actuary in order to meet Saudi Aramco's funding strategy to meet benefit plan expenses using applicable U.S. plan funding rules. Other plans follow local regulation or contractual obligations to meet minimum funding requirements.

In addition to the above plans, Saudi Aramco maintains or participates in defined contribution plans for which Saudi Aramco's legal or constructive obligation is limited to the contributions. The costs of the defined contribution plans, which are included principally within producing and manufacturing, and selling, administrative and general expenses in the Consolidated Statement of Income, are SAR 1,634 and SAR 1,372 for the years ended December 31, 2021 and 2020, respectively (Note 26).

22. Provisions and other liabilities

	Asset retirement	Environmental	Other	Total
January 1, 2020	13,716	937	1,332	15,985
Acquisition	–	–	5,093	5,093
Revision to estimate	2,485	45	194	2,724
Additional provisions	744	83	544	1,371
Unwinding of discount (Note 20)	411	23	5	439
Amounts charged against provisions	(17)	(148)	(239)	(404)
December 31, 2020	17,339	940	6,929	25,208
Revision to estimate	154	(75)	75	154
Additional provisions	368	4	345	717
Unwinding of discount (Note 20)	446	4	–	450
Amounts charged against provisions	(11)	(49)	(225)	(285)
December 31, 2021	18,296	824	7,124	26,244

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

All amounts in millions of Saudi Riyals unless otherwise stated

23. Trade and other payables

	2021	2020
Trade payables	55,325	36,595
Accrued materials and services	37,509	36,726
Amounts due to related parties (Note 29(b))	17,678	9,540
Employee related payables	8,801	6,800
Other	5,376	4,079
	124,689	93,740

24. Revenue

	2021	2020
Revenue from contracts with customers	1,335,391	771,246
Movement between provisional and final prices	5,299	(7,344)
Other revenue	6,240	4,207
	1,346,930	768,109
Other revenue:		
Services provided to:		
Government, semi-Government and other entities with Government ownership or control (Note 29(a))	1,061	953
Third parties	814	675
Joint ventures and associates (Note 29(a))	683	825
Freight	1,474	431
Other	2,208	1,323
	6,240	4,207

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:

	2021			
	Upstream	Downstream	Corporate	Total
Crude oil	600,673	60,208	–	660,881
Refined and chemical products	–	607,771	–	607,771
Natural gas and NGLs	49,956	3,992	–	53,948
Metal products	–	12,791	–	12,791
Revenue from contracts with customers	650,629	684,762	–	1,335,391
Movement between provisional and final prices	5,026	273	–	5,299
Other revenue	411	4,342	1,487	6,240
External revenue	656,066	689,377	1,487	1,346,930

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

24. Revenue continued

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

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

	2021	2020
Crude oil	2,829	2,749
Refined and chemical products	62,262	44,620
Natural gas and NGLs	14,452	11,810
	79,543	59,179

25. Purchases

	2021	2020
Refined and chemical products	226,649	122,011
Crude oil	93,418	47,911
NGL and other products	32,310	11,194
	352,377	181,116

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

26. Employee benefit expense

	2021	2020
Salaries and wages	38,389	37,396
Social security costs	2,627	2,426
Post-retirement benefits (Note 21):		
Defined benefit plans	9,889	9,483
Defined contribution plans	1,634	1,372
Share-based compensation (Note 17)	209	587
	52,748	51,264

All amounts in millions of Saudi Riyals unless otherwise stated

27. Finance and other income

	2021	2020
Interest income on time deposits and loans receivable	795	1,817
Investment income	610	954
Dividend income from investments in securities	369	382
Gain on derivative transactions and others	13	29
	1,787	3,182

28. Payments to the Government by Saudi Arabian Oil Company

	2021	2020
Income taxes (Note 8(c))	141,699	72,582
Royalties	138,999	82,958
Dividends	276,335	257,246

29. Related party transactions

(a) Transactions

	2021	2020
Joint ventures:		
Revenue from sales	23,003	14,393
Other revenue (Note 24)	124	72
Interest income	105	98
Purchases	22,466	8,719
Service expenses	11	11
Associates:		
Revenue from sales	65,355	32,580
Other revenue (Note 24)	559	753
Interest income	135	120
Purchases	57,214	28,451
Service expenses	150	199
Lease expenses	188	169
Government, semi-Government and other entities with Government ownership or control:		
Revenue from sales	17,644	24,866
Other income related to sales	154,828	93,982
Other revenue (Note 24)	1,061	953
Purchases	73,091	10,384
Service expenses	634	454
Lease expenses	461	469

Goods are purchased and sold according to supply agreements in force. Note 33 includes additional information on loans to joint ventures and associates.

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

29. Related party transactions continued

(b) Balances

	2021	2020
Joint ventures:		
Other assets and receivables (Note 9)	5,943	6,368
Trade receivables	4,755	3,210
Interest receivable	233	128
Trade and other payables (Note 23)	6,803	3,986
Associates:		
Other assets and receivables (Note 9)	6,813	7,395
Trade receivables	14,794	8,415
Trade and other payables (Note 23)	7,916	3,784
Borrowings	15	15
Government, semi-Government and other entities with Government ownership or control:		
Other assets and receivables (Note 9)	509	540
Trade receivables	3,056	1,429
Due from the Government (Note 13)	41,317	28,895
Trade and other payables (Note 23)	2,959	1,770
Borrowings	229,525	243,378

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

(c) Compensation of key management personnel

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

	2021	2020
Short-term employee benefits	75	59
Post-employment benefits	31	29
Other long-term benefits	30	23
Termination benefits	–	17
	136	128

(d) Other transactions with key management personnel

Other than as set out in Note 29(c), there were no reportable transactions between Saudi Aramco and members of key management personnel or their close family members during the year ended December 31, 2021 (2020: nil).

30. Derivative instruments and hedging activities

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

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

	2021	2020
Interest rate swaps	11,055	12,075
Currency forward contracts	7,512	9,780
Commodity swap contracts	35,115	19,894
	53,682	41,749

31. Non-cash investing and financing activities

Investing and financing activities during 2021 include additions to right-of-use assets of SAR 12,270 (2020: SAR 16,278), asset retirement provisions of SAR 355 (2020: SAR 2,786), proceeds from the JIGPC financing arrangement net of the ASU purchase consideration of SAR 8,146 (Note 35(b)(ii)) and equity awards issued to employees of SAR 52 (Note 17) (2020: SAR 486). In addition, investing and financing activities during 2020 include the acquisition of SABIC for deferred consideration of SAR 259,125 (Note 35).

32. Commitments

(a) Capital commitments

Capital expenditures contracted for but not yet incurred were SAR 159,145 and SAR 153,326 at December 31, 2021 and 2020, respectively. In addition, leases contracted for but not yet commenced were SAR 10,309 and SAR 7,990 at December 31, 2021 and 2020, respectively.

(b) Sadara

In March 2020, the Company and The Dow Chemical Company ("Dow") 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 nearly SAR 38 will be deposited within one month from the date of supplying Sadara with additional ethane. The remaining funds will be deposited over nine years at SAR 38 annually. Saudi Aramco's commitment of SAR 188 is outstanding at December 31, 2021.

(c) International Maritime Industries Company ("IMIC")

In 2017, Saudi Aramco Development Company ("SADCO"), a wholly owned subsidiary of the Company, Maritime Offshore Limited, a wholly owned subsidiary of Lamprell plc, Bahri and Korea Shipbuilding and Offshore Engineering ("KSOE") formed a company, IMIC, in which SADCO owns 40.1%, Maritime Offshore Limited owns 20%, Bahri owns 19.9% and KSOE owns 20%. The principal activities of IMIC are the development, operation, and maintenance of a maritime yard under construction by the Government, as well as, the design, manufacture, maintenance and repair of ships and rigs. The maritime yard will be divided into four main operational zones and completion of the construction of the individual zones will vary, with the final yard completion and handover expected by the end of 2023. SADCO has committed to fund IMIC up to SAR 1,053 through equity contributions. At December 31, 2021, SAR 766 (2020: SAR 638) has been drawn down by IMIC.

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

In 2017, SADCO and Rowan Rex Limited formed a company, ARO Drilling (Note 38), to provide offshore drilling services to the Company. In 2018, Mukamala Oil Field Services Limited ("MOFSL") was incorporated as a subsidiary of SADCO and all the investment and related commitments of ARO Drilling were transferred to MOFSL by way of a Novation Agreement. MOFSL has committed to invest SAR 2,719 through equity and shareholder loans, of which SAR 2,453 has been drawn down at December 31, 2021. In addition, the Company has committed to lease 20 offshore rigs over a 10-year period beginning in 2022 for an estimated value of SAR 35,418.

All amounts in millions of Saudi Riyals unless otherwise stated

32. Commitments continued

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

In 2017, SADCO and Nabors International Netherlands BV formed a company, SANAD (Note 38), to provide onshore drilling services to the Company. In 2018, MOFSL was incorporated as a subsidiary of SADCO and all the investment and related commitments of SANAD were transferred to MOFSL by way of a Novation Agreement. The Company has committed to lease 50 onshore rigs over a 10-year period beginning in 2022 for an estimated value of SAR 25,181.

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

In June 2018, SADCO and NOV Downhole Eurasia Limited formed a company, ARM (Note 39), to provide onshore land drilling manufacturing, equipment and services to SANAD and the Middle East and North Africa region. The Company committed to invest SAR 225, of which, SAR 66 is invested at December 31, 2021. In addition, SADCO has guaranteed the purchase of 50 onshore rigs over a 10-year period beginning in 2022 for an estimated value of SAR 6,741, and has the option to cancel the onshore rig orders for a maximum financial exposure of SAR 1,358.

(g) Saudi Engines Manufacturing Company ("SEMCO")

On May 19, 2019, SADCO, Korea Shipbuilding and Offshore Engineering ("KSOE"), and the Saudi Arabian Industrial Investment Company ("Dussur") entered into an agreement to form a company to set up an engine manufacturing and aftersales facility in the Kingdom. A limited liability company, SEMCO, was formed on November 16, 2020 by SADCO, which owns 55% of the company, while KSOE and Dussur own 30% and 15%, respectively. SADCO is a 25% shareholder of Dussur. Total investment in SEMCO will be up to SAR 646 of which SADCO's share will be up to SAR 355. At December 31, 2021, SAR 86 has been drawn down by SEMCO.

(h) Other

- (i) In order to comply with past Government directives, the Company expects to sell portions of its equity in Saudi Aramco Total Refining and Petrochemical Company and Yanbu Aramco Sinopec Refining Company Limited (Note 39) through a public offering of shares in Saudi Arabia.
- (ii) Saudi Aramco is committed to comply with the Government directive to guarantee that Saudi Aramco Total Refining and Petrochemical Company shall spend a total of SAR 375 over a 10-year period ending December 31, 2025 on social responsibility programs. At December 31, 2021, SAR 217 remains to be spent.
- (iii) Saudi Aramco is committed to comply with the Government directive to guarantee that Yanbu Aramco Sinopec Refining Company Limited shall spend a total of SAR 375 on social responsibility programs by September 30, 2025. At December 31, 2021, SAR 229 remains to be spent.
- (iv) Saudi Aramco has commitments of SAR 287 (2020: SAR 328) to invest in private equity investments both inside and outside the Kingdom. Such commitments can be called on demand.
- (v) Saudi Aramco has commitments of SAR 79 (2020: SAR 55) to fund additional loans and acquire additional unlisted equity investments of certain small to mid-sized enterprises in the Kingdom. The commitments can be called by the enterprises upon meeting certain conditions.

33. 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 has bank guarantees with respect to the acquisition of a subsidiary (Note 35) amounting to SAR 1,958 as of December 31, 2021 (2020: SAR 2,867) arising in the ordinary course of business.

33. Contingencies continued

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

(a) Sadara

On March 25, 2021, Sadara entered into various agreements to restructure its senior project financing debt amounting to SAR 37,280. Terms of the restructuring include a principal repayment grace period until June 2026 and an extension of the final maturity date from 2029 to 2038. In connection with the restructuring, the Company and Dow have agreed to guarantee up to an aggregate of SAR 13,875 of senior debt principal and its associated interest in proportion to their ownership interests in Sadara. Further, the Company and Dow have agreed to provide guarantees and support, in proportion to their ownership interest in Sadara, for interest payment shortfalls on all outstanding senior debt until June 2026, working capital shortfall support up to SAR 1,875 in 2030, as well as an undertaking to provide acceptable credit support to cover the required Debt Service Reserve Account balance, which needs to be funded prior to June 2026.

In addition to the senior debt restructuring, effective March 25, 2021, the Company, Dow (and/or their affiliates) and Sadara have also entered into agreements to (i) provide additional feedstock by increasing the allocated quantity of ethane and natural gasoline supplied by Saudi Aramco, and (ii) gradually increase Saudi Aramco's rights to market, through SABIC, its equity share of finished products produced by Sadara (subject to certain agreed terms) over the next five to 10 years. The Company has provided a guarantee for the payment and performance obligations of SABIC under the Product Marketing and Lifting Agreement.

On June 17, 2021, Excellent Performance Chemical Company ("EPCC"), a wholly owned subsidiary of the Company, and Sadara entered into a new SAR 1,500 subordinated revolving credit facility to provide shortfall funding to Sadara. As of December 31, 2021, the facility was not utilized. Unless extended, the facility is scheduled to mature in June 2023. The unutilized amount of SAR 1,357 under the subordinated credit facility entered on June 17, 2013 has been cancelled.

With respect to Sadara's fuel and feedstock allocation, Saudi Aramco has provided two letters of credit to the Ministry of Energy for SAR 169 and SAR 225, respectively, to construct epoxy plants and for the development of projects to support conversion industries in the Kingdom. In July 2021, the second letter of credit was reduced from SAR 225 to SAR 169 reflecting the sponsor payment for the Ethylene Oxide and Propylene Oxide Pipeline project for Sadara.

(b) Petro Rabigh

In March 2015, the two founding shareholders of Petro Rabigh, the Company and Sumitomo Chemical Co. Ltd., concluded external long-term debt financing arrangements with lenders on behalf of Petro Rabigh for the Rabigh II Project ("the Project") in the amount of SAR 19,380 for which the two shareholders provided guarantees for their equal share of the debt financing (the "Completion Guarantees"). On September 30, 2020, Petro Rabigh achieved project completion under its senior finance agreements and, as a result, the founding shareholders were released from their obligations under the Completion Guarantees. As part of project completion, the founding shareholders entered into a debt service undertaking with the Rabigh II lenders, whereby each founding shareholder, on a several basis, undertakes to pay 50% of any shortfalls in scheduled (and not accelerated) Rabigh II debt service on each Rabigh II payment date until the earlier of the final Rabigh II repayment date in June 2032 or the repayment of SAR 5,625 of the outstanding equity bridge loans. The semi-annual scheduled principal debt service under the Rabigh II financing is approximately SAR 622.

The founding shareholders arranged equity bridge loans ("the EBLs") in an aggregate amount of SAR 11,250 which the founding shareholders guarantee on a several and equal basis, to meet the equity financing requirements under the senior finance agreements. The final maturity date of the EBLs is October 1, 2022. Petro Rabigh has drawn down SAR 11,250 under the EBLs as of December 31, 2021.

On September 30, 2020, Petro Rabigh entered into revolving loan facilities in an aggregate amount of SAR 5,625 with the Company and Sumika Finance Company Limited, a wholly owned subsidiary of Sumitomo Chemical. Unless extended, these facilities will mature in December 2023. As of December 31, 2021, the SAR 5,625 facilities were fully utilized, of which the Company's share was SAR 2,813. Petro Rabigh also entered into another revolving loan facility for SAR 1,875 with the Company, which, unless extended, matures in December 2023. As of December 31, 2021, SAR 563 was utilized under this facility.

In December 2021, the Company signed a commitment letter to fully exercise its right to subscribe to its 37.5% share in the planned Petro Rabigh Rights Issue Offering, representing 298,125,000 shares for a maximum commitment of SAR 2,981. The Company will subscribe to its share through capitalization of amounts due from Petro Rabigh to the Company under a loan agreement entered into between the companies in 2006. The Rights Issue Offering is subject to the applicable regulatory approvals, including the approval of Petro Rabigh's extraordinary general assembly.

All amounts in millions of Saudi Riyals unless otherwise stated

34. Sale of equity interests in subsidiaries

(a) Aramco Oil Pipelines Company ("AOPC")

On June 17, 2021, the Company sold a 49% equity interest in AOPC, a newly formed wholly owned subsidiary of the Company, to EIG Pearl Holdings S.à r.l. ("EIG") for upfront sale proceeds of SAR 46,547 (\$12,412) in cash.

EIG is an entity owned by a consortium of investors led by EIG Global Energy Partners. EIG, as a shareholder of AOPC, is entitled to receive quarterly distributions of its pro rata share of AOPC's available cash when the Company pays discretionary dividends to its ordinary shareholders. Given the discretionary nature of distributions to EIG, in line with the principles outlined in Note 2(d), EIG's shareholding represents a non-controlling interest and, therefore, the upfront sale proceeds have been recognized in the consolidated financial statements as a non-controlling interest within equity.

Immediately prior to the closing of the transaction, the Company leased the usage rights to its stabilized crude oil pipelines network to AOPC for a 25-year period. Concurrently, AOPC granted the Company the exclusive right to use, operate and maintain the pipelines network during the 25-year period in exchange for a quarterly, volume-based tariff payable by the Company to AOPC. The tariff is backed by minimum volume commitments. The Company will at all times retain title to, and operational control of, the pipelines.

(b) Jubail Chemical Storage and Services Company ("Chemtank")

On November 2, 2021, SABIC sold a 17% equity interest in Chemtank for a consideration of SAR 186. As the sale of shares does not result in a change in control over Chemtank, a loss of SAR 34 arising from this transaction has been recognized in retained earnings, which represents Saudi Aramco's share of the loss recorded by SABIC. As at December 31, 2021, SABIC has an indirect shareholding in Chemtank of 58%. Further, SABIC entered into a new joint venture agreement in respect of Chemtank, which resulted in the expiry of a forward contract under the previous joint venture agreement and derecognition of the liability of SAR 296 through retained earnings, which represents Saudi Aramco's share of the gain recorded by SABIC.

(c) Aramco Gas Pipelines Company ("AGPC")

On December 6, 2021, the Company signed a sale and purchase agreement with GreenSaif Pipelines Bidco S.à r.l. (formerly, GEPIF III Finance III Lux S.à r.l.) ("GreenSaif"), to sell the Company's 49% equity interest in AGPC, a newly formed wholly owned subsidiary of the Company, for upfront sale proceeds of SAR 58,125 (\$15,500) in cash. The closing of the transaction occurred on February 23, 2022 (Note 40).

GreenSaif is an entity owned by a consortium of investors led by affiliates of BlackRock Real Assets and Hassana Investment Company, the investment management arm of the General Organization for Social Insurance ("GOSI") in the Kingdom. GreenSaif, as a shareholder of AGPC, is entitled to receive quarterly distributions of its pro rata share of AGPC's available cash when the Company pays discretionary dividends to its ordinary shareholders. Given the discretionary nature of distributions to GreenSaif, in line with the principles outlined in Note 2(d), GreenSaif's shareholding represents a non-controlling interest and, therefore, the upfront sale proceeds will be recognized in the consolidated financial statements as a non-controlling interest within equity.

Immediately prior to the closing of the transaction, the Company leased the usage rights to its gas pipelines network to AGPC for a 20-year period. Concurrently, AGPC granted the Company the exclusive right to use, operate and maintain the pipelines network during the 20-year period in exchange for a quarterly, volume-based tariff payable by the Company to AGPC. The tariff is backed by minimum volume commitments. The Company will at all times retain title to, and operational control of, the pipelines.

35. Investments in affiliates

(a) Investments in subsidiaries

(i) 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.

All amounts in millions of Saudi Riyals unless otherwise stated

35. Investments in affiliates continued

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

Cash and cash equivalents	27,515
Trade receivables	13,829
Inventories	24,919
Other current assets and receivables	4,803
Short-term investments	8,405
Property, plant and equipment (Note 5)	179,313
Intangible assets (Note 6)	37,079
Investments in joint ventures and associates	51,864
Other non-current assets	11,598
Trade and other payables	(23,460)
Income tax and zakat payable	(4,178)
Current borrowings	(8,149)
Non-current borrowings	(37,174)
Post-employment benefit obligations	(16,549)
Other non-current liabilities	(9,067)
Total identified net assets at fair value	260,748
Non-controlling interests	(100,739)
Goodwill (Note 6)	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. Loan payments, which are represented by promissory notes denominated in USD, 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 to date	(45,000)	–
Total amount of outstanding installments	214,125	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 20).

Saudi Aramco had 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. At December 31, 2021, it was determined that the relevant conditions were not met during 2021 and, as a result, no accelerated payment will be required in April 2022. If the accelerated payment would have been required, it would have reduced 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 would have been reduced from SAR 1,875 (\$500) to SAR 750 (\$200).

All amounts in millions of Saudi Riyals unless otherwise stated

35. Investments in affiliates continued

The 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 allocated to the Downstream operating segment, which is expected to benefit from the synergies of the acquisition.

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

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

(ii) SABIC Agri-Nutrients Investment Company ("SANIC")

On January 4, 2021, SABIC Agri-Nutrients Company ("SABIC AN"), formerly Saudi Arabian Fertilizer Company ("SAFICO"), acquired 100% of the issued share capital of SANIC from SABIC. The total value of shares in SANIC is set at SAR 4,809, the consideration for which was paid by issuing 59,368,738 ordinary new shares in SABIC AN to SABIC valued at SAR 81 per share, thereby increasing the ownership by SABIC of SABIC AN from 43% to 50.1%. Under the terms of the transaction, the settlement of working capital and net debt at SANIC since the transaction date, amounted to SAR 2. A net loss of SAR 677 arising from this transaction has been recognized in retained earnings, which represents Saudi Aramco's share of the loss recorded by SABIC.

(b) Investments in joint operations

(i) Tanajib Cogeneration Power Company ("TCPC")

On August 23, 2021, TCPC was formed in the Kingdom as a mixed limited liability company for the purposes of electricity generation, transmission and distribution, and water desalination, transportation and distribution. TCPC is 40% owned by SAPCO, a wholly owned subsidiary of the Company, and 60% owned by Tanajib Cogeneration Holding Company Ltd., which is a consortium between Marubeni Corporation and Abu Dhabi National Energy Company PJSC (TAQA). TCPC is the lead developer under a 20-year Build Own Operate and Transfer ("BOOT") arrangement and the Company will be the sole offtaker of the electricity, steam and water. SAPCO's investment in TCPC has been accounted for as a joint operation. SAPCO's total investment is expected to be SAR 212. On October 15, 2021, project financing was closed with external lenders, as part of which the Company provided funding related guarantees of SAR 284.

(ii) Jazan Integrated Gasification and Power Company ("JIGPC")

On September 27, 2021, Saudi Aramco entered into an arrangement with Air Products, ACWA Power and Air Products Qudra relating to the Jazan Integrated Gasification Combined-Cycle ("IGCC") power plant, an Air Separation Unit ("ASU") and certain ancillary assets (together, "the facility"). The transaction entailed creation of JIGPC, a limited liability company, with SAPCO, a wholly owned subsidiary of the Company owning 20%, while Air Products, ACWA Power and Air Products Qudra own 46%, 25% and 9%, respectively. JIGPC will operate the facility under a 25-year contract for a predetermined monthly fee. Saudi Aramco will supply feedstock to JIGPC, and JIGPC will produce power, steam, hydrogen and other utilities for Saudi Aramco. The transaction has been accounted for as a financing arrangement and the assets remain in the books of the Company. Based on the facts and circumstances, including the source of cash flows as well as the purpose and design of the arrangement, in line with the principles outlined in Note 2(d), JIGPC has been accounted for as a joint operation by Saudi Aramco.

SAPCO's total contribution in JIGPC, as a shareholder, is SAR 3,600, of which, an initial contribution of SAR 2,205 was made during October 2021. The financial close of the transaction occurred on October 27, 2021. The total proceeds of the transaction are SAR 44,063, of which, the Company received the first tranche of SAR 18,386, net of the ASU purchase consideration of SAR 8,146. The ASU, which was previously accounted for as a lease, was purchased by the Company and transferred with the rest of the facility as part of the closing. The final tranche of SAR 17,531 is expected to be received during the fourth quarter of 2022.

(c) Investments in joint ventures and associates

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

On October 22, 2020, SADC and Baker Hughes Energy Technology UK Limited ("Baker Hughes") established an affiliate to create a multi sectorial nonmetallic investment platform in the Kingdom. The affiliate, Novel, is a limited liability company and is owned 50% each by SADC and Baker Hughes. SADC's investment in Novel has been accounted for as a joint venture. The total investment in Novel is expected to be up to SAR 400, of which SADC's share is expected to be up to SAR 200. At December 31, 2021, SAR 150 has been drawn down by Novel.

35. Investments in affiliates continued

(ii) Middle East Information Technology Solutions ("MEITS")

On February 8, 2021, SADCO and Raytheon Saudi Arabia ("Raytheon") established an affiliate to engage in the marketing and provision of cybersecurity integrated software and hardware along with related training and managed professional services. The affiliate, MEITS, is a limited liability company formed and existing under the laws of the Kingdom, and is owned 51% by Raytheon and 49% by SADCO. SADCO's investment in MEITS has been accounted for as a joint venture. The total investment in MEITS is expected to be up to SAR 229, of which SADCO's share is expected to be up to SAR 113. At December 31, 2021, SAR 75 has been drawn down by MEITS, of which SADCO's share is SAR 37.

(iii) Port Neches Link LLC ("PNL")

On March 8, 2021, Motiva Enterprises LLC ("Motiva"), a wholly owned subsidiary of the Company and TransCanada Keystone Pipeline, LP ("Keystone") established an affiliate to construct and operate a pipeline in the state of Texas, USA. The affiliate, PNL is a limited liability company owned 5% by Motiva and 95% by Keystone. Motiva's investment in PNL has been accounted for as a joint venture. The total investment in PNL is expected to be up to SAR 458, of which Motiva's share is expected to be up to SAR 23.

(iv) Fuel Cell Innovation Co., Ltd. ("FCI")

On March 19, 2021, S-Oil Corporation ("S-Oil"), a non-wholly owned subsidiary of the Company, acquired a 20% equity ownership in FCI for SAR 28. FCI is a solid oxide fuel cell manufacturer and a South Korean limited liability company. The remaining interests in FCI are held approximately 30% by the founders of FCI, 25% by Taqnia Energy, 23% by Dune Investment and 2% by Korea Technology Finance Corporation. S-Oil's investment in FCI has been accounted for as an associate.

(v) Sudair One Holding Company ("Sudair One")

On May 24, 2021, SAPCO, a wholly owned subsidiary of the Company, entered into a shareholders' agreement with Water and Electricity Holding Company ("WEHC"), Oasis Two Renewables Energy Company ("OTREC") and ACWA Power Saudi Electricity and Water Development Company ("APSA") to invest in the development of a solar plant and its operation and maintenance in the Sudair region of the Kingdom (the "Project"). The Project is developed by Sudair One, which is a limited liability company, and is owned 35% by PIF through WEHC, 35% by ACWA Power through OTREC and APSA, and 30% by SAPCO. SAPCO's investment in Sudair One has been accounted for as an associate. SAPCO's share of the investment in Sudair One is expected to be SAR 270. Equity bridge loans (the "EBLs") of SAR 900 have been obtained and are due for repayment upon completion of construction, expected to be in November 2024. The EBLs are guaranteed by the project sponsors, being the Company, PIF and ACWA Power, of which the Company's share is SAR 270. In addition, two guarantees totaling SAR 159 have been issued by SAPCO to support Sudair One's obligations.

36. Dividends

Dividends declared and paid on ordinary shares are as follows:

			SAR per share	
	2021	2020	2021	2020
Quarter:				
March ¹	70,325	50,227	0.35	0.25
June	70,325	70,319	0.35	0.35
September	70,327	70,319	0.35	0.35
December	70,328	70,319	0.35	0.35
Total dividends paid	281,305	261,184	1.40	1.30
Declared in December 2019, paid in January 2020	–	(35,475)	–	(0.18)
Total dividends declared	281,305	225,709	1.40	1.12
Dividends declared on March 18, 2022 and March 18, 2021 ²	70,335	70,325	0.35	0.35

1. Dividends of SAR 70,325 paid in 2021 relate to 2020 results. Dividends of SAR 50,227 paid in 2020 relate to 2019 results.

2. The consolidated financial statements do not reflect a dividend to shareholders of approximately SAR 70,335, which was approved in March 2022 (March 2021: SAR 70,325). This dividend will be deducted from unappropriated retained earnings in the year ending December 31, 2022. A total of SAR 281,315 in dividends were declared in 2021 and 2022 that relate to 2021 results (2020: SAR 281,282).

On March 18, 2022, the Board of Directors recommended to the Extraordinary General Assembly to increase the Company's share capital by SAR 15,000 and increase the number of the Company's issued ordinary shares by 20 billion without par value. Such increase will be through capitalization from the Company's retained earnings. Each shareholder will be granted one (1) bonus share for every ten (10) shares owned. The increase of the share capital and the number of ordinary shares is subject to obtaining necessary approvals from competent authorities and the Extraordinary General Assembly, which will be announced later as per the required regulatory period.

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

37. Earnings per share

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

	2021	2020
Net income attributable to the ordinary shareholders of the Company	395,203	184,926
Weighted average number of ordinary shares (in millions) (Note 2(cc))	199,905	199,884
Earnings per share for net income attributable to the ordinary shareholders of the Company (in Saudi Riyals)	1.98	0.93

Potential ordinary shares during the year ended December 31, 2021 related to employees' share-based compensation in respect of employee share plans that were awarded to the Company's eligible employees under those plan terms (Note 17). These share plans did not have a significant dilution effect on basic earnings per share for the year ended December 31, 2021 and 2020.

38. Subsidiaries of Saudi Arabian Oil Company

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2021 ^{1,2}	Conventional financial liabilities as of December 31, 2021 ²	Interest income from conventional financial assets for the year ended December 31, 2021 ²
A. Wholly owned:					
4 Rivers Energy LLC	Retail fuel operations	USA	–	–	–
Aramco (Beijing) Venture Management Consultant Co. Ltd	Investment	People's Republic of China	2	8	–
Aramco Affiliated Services Company	Support services	USA	1	–	–
Aramco Asia India Private Limited	Purchasing and other services	India	11	22	–
Aramco Asia Japan K.K.	Purchasing and other services	Japan	65	208	–
Aramco Asia Korea Ltd.	Purchasing and other services	South Korea	46	9	–
Aramco Asia Singapore Pte. Ltd.	Purchasing and other services	Singapore	29	36	–
Aramco Associated Company	Aircraft operations	USA	230	519	17
Aramco Capital Company, LLC	Aircraft leasing	USA	29	–	–
Aramco Chemicals Company	Chemicals	Saudi Arabia	531	598	3
Aramco Far East (Beijing) Business Services Company Ltd.	Petrochemical purchasing, sales and other services	People's Republic of China	654	81	8
Aramco Financial Services Company	Financing	USA	4	4	–
Aramco Gas Pipelines Company (Note 34 (c))	Gas operations	Saudi Arabia	–	–	–
Aramco Gulf Operations Company Ltd.	Production and sale of crude oil	Saudi Arabia	2,132	1,184	3
Aramco Innovations LLC	Research and commercialization	Russia	9	2	–
Aramco International Company Limited	Support services	British Virgin Islands	–	–	–
Aramco Lubricants and Retail Company	Retail fuel marketing	Saudi Arabia	37	–	–
Aramco Overseas Company Azerbaijan	Support services	Azerbaijan	–	–	–
Aramco Overseas Company B.V.	Purchasing and other services	Netherlands	11,942	2,180	9
Aramco Overseas Company Spain, S.L.	Personnel and other support services	Spain	–	–	–
Aramco Overseas Company UK Limited	Personnel and other support services	United Kingdom	–	84	–

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2021 ^{1,2}	Conventional financial liabilities as of December 31, 2021 ²	Interest income from conventional financial assets for the year ended December 31, 2021 ²
Aramco Overseas Egypt LLC	Personnel and other support services	Egypt	–	–	–
Aramco Overseas Indonesia PT PMA	Project management support	Indonesia	–	–	–
Aramco Overseas Malaysia SDN. BHD	Personnel and other support services	Malaysia	3	(2)	–
Aramco Performance Materials LLC	Petrochemical manufacture and sales	USA	11	3	–
Aramco Services Company	Purchasing, engineering and other services	USA	51	411	–
Aramco Shared Benefits Company	Benefits administration	USA	–	1	–
Aramco Trading Company	Importing, exporting and trading of crude oil, refined and chemical products	Saudi Arabia	1,567	6,492	61
Aramco Trading Fujairah FZE	Importing and exporting refined products	UAE	634	1,873	1
Aramco Trading Limited	Importing and exporting refined products	United Kingdom	52	1,791	31
Aramco Trading Singapore PTE. LTD	Marketing and sales support	Singapore	23	3,437	4
Aramco Venture Management Consultant Company LLC	Consulting services	USA	–	10	–
Aramco Ventures Holdings Limited	Investment	Guernsey	222	–	–
Aramco Ventures Investments Limited	Investment	Guernsey	1,141	–	–
ARLANXEO Holding B.V.	Development, manufacture, and marketing of high-performance rubber	Netherlands	285	3,342	21
ARLANXEO Belgium N.V.		Belgium	315	146	–
ARLANXEO Branch Offices B.V.		Netherlands	24	1	–
ARLANXEO Brasil S.A.		Brazil	(113)	220	5
ARLANXEO Canada Inc.		Canada	217	206	1
ARLANXEO Deutschland GmbH		Germany	324	404	–
ARLANXEO Elastomères France S.A.S.		France	49	158	–
ARLANXEO Emulsion Rubber France S.A.S.		France	(518)	185	–
ARLANXEO High Performance Elastomers (Changzhou) Co., Ltd.		People's Republic of China	249	352	–
ARLANXEO India Private Limited		India	6	2	–
ARLANXEO Netherlands B.V.		Netherlands	42	320	13
ARLANXEO Singapore Pte. Ltd.		Singapore	(977)	622	–
ARLANXEO Switzerland S.A.		Switzerland	544	3	–
ARLANXEO USA LLC		USA	205	277	1
Aurora Capital Holdings LLC	Real estate holdings	USA	–	–	–
Bolanter Corporation N.V.	Crude oil storage	Curaçao	2	–	–
Briar Rose Ventures LLC	Real estate holdings	USA	–	–	–
Canyon Lake Holdings LLC	Retail fuel operations	USA	–	–	–
Excellent Performance Chemicals Company	Petrochemical manufacture and sales	Saudi Arabia	361	1	107
Investment Management Company	Investment management of post-employment benefit plans	Saudi Arabia	4	–	–

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2021 ^{1,2}	Conventional financial liabilities as of December 31, 2021 ²	Interest income from conventional financial assets for the year ended December 31, 2021 ²
Motiva Chemicals LLC	Petrochemical manufacture	USA	34	72	–
Motiva Enterprises LLC	Refining and marketing	USA	3,839	20,506	7
Motiva Pipeline LLC	Pipeline transport	USA	–	–	–
Motiva Trading LLC	Purchasing and sale of petroleum goods and other services	USA	511	354	–
Mukamala International Investments Company	Investment	Saudi Arabia	–	–	–
Mukamala Oil Field Services Limited	Oil field services	Saudi Arabia	97	–	–
Pandlewood Corporation N.V.	Financing	Curaçao	6,858	2	12
Pedernales Ventures LLC	Retail fuel operations	USA	–	–	–
Pedernales Ventures II LLC	Investment	USA	120	–	–
SAEV Europe Ltd.	Investment	United Kingdom	4	4	–
SAEV Guernsey 1 Ltd.	Investment	Guernsey	221	–	–
SAEV Guernsey Holdings Ltd.	Investment	Guernsey	1,521	–	–
Saudi Aramco Asia Company Ltd.	Investment	Saudi Arabia	2,304	–	4
Saudi Aramco Capital Company Limited	Investment	Guernsey	–	–	–
Saudi Aramco Development Company	Investment	Saudi Arabia	369	1	2
Saudi Aramco Energy Ventures US LLC	Investment	USA	2	3	–
Saudi Aramco Energy Ventures LLC	Investment	Saudi Arabia	229	–	–
Saudi Aramco Entrepreneurship Center Company Ltd.	Financing	Saudi Arabia	127	6	5
Saudi Aramco Entrepreneurship Venture Company Ltd.	Investment	Saudi Arabia	316	–	–
Saudi Aramco Jubail Refinery Company	Refining	Saudi Arabia	427	2,042	–
Saudi Aramco Power Company	Power generation	Saudi Arabia	7,257	14	16
Saudi Aramco Sukuk Company	Investment	Saudi Arabia	1	27	–
Saudi Aramco Technologies	Research and commercialization	Saudi Arabia	180	35	–
Saudi Aramco Upstream Technology Company	Research and commercialization	Saudi Arabia	14	–	–
Saudi Petroleum International, Inc.	Marketing support services	USA	36	63	–
Saudi Petroleum Overseas, Ltd.	Marketing support and tanker services	United Kingdom	53	31	–
Saudi Petroleum, Ltd.	Marketing support and tanker services	British Virgin Islands	38	–	–
Saudi Refining, Inc.	Refining and marketing	USA	517	58	–
Stellar Insurance, Ltd.	Insurance	Bermuda	9,713	727	195
Vela International Marine Ltd.	Marine management and transportation	Liberia	17,542	–	30
Wisayah Global Investment Company	Investment services	Saudi Arabia	260	52	–

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2021 ^{1,2}	Conventional financial liabilities as of December 31, 2021 ²	Interest income from conventional financial assets for the year ended December 31, 2021 ²
B. Non-wholly owned⁴					
51% Ownership of Aramco Oil Pipelines Company	Pipeline transport	Saudi Arabia	229	–	–
49% Ownership of Aramco Training Services Company ³	Training	USA	1	–	–
50% Ownership of ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd. ³	Development, manufacture, and marketing of high-performance rubber	People's Republic of China	39	(25)	–
80% Ownership of Johns Hopkins Aramco Healthcare Company	Healthcare	Saudi Arabia	613	647	1
0% Ownership in SA Global Sukuk Limited ³	Investment	Cayman Islands	–	17	–
70% Ownership of Saudi Aramco Base Oil Company	Production and sale of petroleum based lubricants	Saudi Arabia	1,339	2,991	4
50% Ownership of Saudi Aramco Nabors Drilling Company ³	Drilling	Saudi Arabia	1,099	1,938	2
50% Ownership of Saudi Aramco Rowan Offshore Drilling Company ³	Drilling	Saudi Arabia	1,016	1,996	2
61.6% Ownership of S-Oil Corporation	Refining	South Korea	6,409	31,260	30
61.6% Ownership of S-Oil Singapore Pte. Ltd	Marketing support	Singapore	34	98	–
61.6% Ownership of S-International Ltd.	Purchasing and sale of petroleum goods	The Independent State of Samoa	4	–	–
70% Ownership of Saudi Basic Industries Corporation ("SABIC") ⁵	Holding	Saudi Arabia			
70% Ownership of SABIC Luxembourg S.à r.l. ("SLUX")	Holding	Luxembourg			
70% Ownership of SABIC Industrial Investments Company ("SIIC")	Holding	Saudi Arabia			
35.1% Ownership of SABIC Agri-Nutrients Company ("SABIC AN") (formerly, Saudi Arabian Fertilizer Company ("SAFCO")) ³	Agri-Nutrients	Saudi Arabia			
70% Ownership of Arabian Petrochemical Company ("PETROKEMYA") ⁷	Toller	Saudi Arabia			
70% Ownership of Saudi Iron and Steel Company ("HADEED")	Metals	Saudi Arabia			
70% Ownership of SABIC Investment and Local Content Development Company ("NUSANED")	Investment	Saudi Arabia			
70% Ownership of SABIC Supply Chain Services Limited Company ("SSCS")	Petrochemical	Saudi Arabia			
56% Ownership of Saudi European Petrochemical Company ("IBN ZAHR")	Petrochemical	Saudi Arabia			
52.5% Ownership of Jubail United Petrochemical Company ("UNITED")	Petrochemical	Saudi Arabia			
52.5% Ownership of Saudi Methanol Company ("AR-RAZI")	Toller	Saudi Arabia			
49% Ownership of National Industrial Gases Company ("GAS") ³	Toller	Saudi Arabia			
36.4% Ownership of Yanbu National Petrochemical Company ("YANSAB") ³	Toller	Saudi Arabia			
35% Ownership of National Methanol Company ("IBN-SINA") ³	Toller	Saudi Arabia			
33.6% Ownership of Arabian Industrial Fibers Company ("IBN RUSHD") ³	Toller	Saudi Arabia			

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2021 ^{1,2}	Conventional financial liabilities as of December 31, 2021 ²	Interest income from conventional financial assets for the year ended December 31, 2021 ²
24.5% Ownership of Saudi Kayan Petrochemical Company ("SAUDI KAYAN") ³	Toller	Saudi Arabia			
70% Ownership of SABIC Innovative Plastics Argentina SRL	Petrochemical manufacture and sales	Argentina			
70% Ownership of SABIC High Performance Plastic ("SHPP") Argentina SRL	Petrochemical manufacture and sales	Argentina			
70% Ownership of SABIC Australia Pty Ltd.	Holding	Australia			
70% Ownership of SABIC Innovative Plastics Aus GmbH	Holding	Austria			
70% Ownership of SABIC Innovative Plastics GmbH & Co. KG	Agent	Austria			
70% Ownership of SABIC Innovative Plastics South America-Indústria e Comércio de Plásticos Ltda	Petrochemical manufacture and sales	Brazil			
70% Ownership of SHPP South America Comércio de Plásticos Ltda	Petrochemical manufacture and sales	Brazil			
70% Ownership of NV Pijpleiding Antwerpen-Limburg-Luik (PALL)	Support services	Belgium			
70% Ownership of SABIC Belgium NV	Petrochemical	Belgium			
70% Ownership of SHPP Canada, Inc.	Petrochemical	Canada			
70% Ownership of SABIC Petrochemicals Canada, Inc.	Petrochemical manufacture and sales	Canada			
70% Ownership of SABIC Innovative Plastics (China) Co., Ltd.	Petrochemical	People's Republic of China			
70% Ownership of SABIC Innovative Plastics (Chongqing) Co., Ltd.	Petrochemical manufacture and sales	People's Republic of China			
70% Ownership of SABIC Innovative Plastics International Trading (Shanghai) Ltd.	Reseller	People's Republic of China			
70% Ownership of SABIC Innovative Plastics Management (Shanghai) Co., Ltd.	Support services	People's Republic of China			
70% Ownership of SHPP (Shanghai) Co., Ltd.	Petrochemical	People's Republic of China			
70% Ownership of SABIC (Shanghai) Trading Co. Ltd.	Reseller	People's Republic of China			
70% Ownership of SABIC (China) Research & Development Co. Ltd.	Technology and innovation	People's Republic of China			
70% Ownership of SABIC China Holding Co. Ltd.	Petrochemical	People's Republic of China			
70% Ownership of SABIC Innovative Plastics Czech s.r.o.	Agent	Czech Republic			
70% Ownership of SHPP Czech s.r.o.	Reseller	Czech Republic			
70% Ownership of SABIC Innovative Plastics Denmark Aps	Agent	Denmark			
70% Ownership of SABIC Nordic A/S	Agent	Denmark			
70% Ownership of SABIC Innovative Plastics Finland Oy	Agent	Finland			
70% Ownership of SHPP Finland Oy	Reseller	Finland			
70% Ownership of SABIC France S.A.S.	Reseller	France			
70% Ownership of SABIC Innovative Plastics France S.A.S.	Agent	France			

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2021 ^{1,2}	Conventional financial liabilities as of December 31, 2021 ²	Interest income from conventional financial assets for the year ended December 31, 2021 ²
70% Ownership of SHPP France S.A.S.	Reseller	France			
70% Ownership of SABIC Deutschland GmbH	Reseller	Germany			
70% Ownership of SABIC Holding Deutschland GmbH	Holding	Germany			
70% Ownership of SABIC Innovative Plastics GmbH	Agent	Germany			
70% Ownership of SABIC Innovative Plastics Holding Germany GmbH	Holding	Germany			
70% Ownership of SABIC Polyolefine GmbH	Toller	Germany			
70% Ownership of SHPP Germany GmbH	Reseller	Germany			
70% Ownership of SABIC Greece M.E.P.E.	Agent	Greece			
70% Ownership of SABIC Innovative Plastics Hong Kong Ltd.	Reseller	Hong Kong			
70% Ownership of SABIC Innovative Plastics SIT Holding Ltd.	Holding	Hong Kong			
70% Ownership of SABIC Innovative Plastics Taiwan Holding Ltd.	Petrochemical	Hong Kong			
70% Ownership of SHPP Hong Kong	Reseller	Hong Kong			
70% Ownership of SABIC Hungary Kft.	Agent	Hungary			
70% Ownership of SABIC Innovative Plastics Kereskedelmi Kft.	Agent	Hungary			
70% Ownership of SHPP Hungary Kft.	Reseller	Hungary			
70% Ownership of SABIC India Pvt Ltd.	Agent	India			
70% Ownership of SABIC Innovative Plastics India Private Ltd.	Petrochemical manufacture and sales	India			
70% Ownership of SABIC R&T Pvt Ltd.	Technology and innovation	India			
70% Ownership of High Performance Plastics India Pvt Ltd.	Petrochemical manufacture and sales	India			
70% Ownership of SABIC Innovative Plastics Italy Srl	Toller	Italy			
70% Ownership of SABIC Italia Srl	Reseller	Italy			
70% Ownership of SABIC Sales Italy Srl	Agent	Italy			
70% Ownership of SHPP Italy Srl	Toller	Italy			
70% Ownership of SHPP Sales Italy Srl	Reseller	Italy			
70% Ownership of SHPP Japan LLC	Petrochemical manufacture and sales	Japan			
70% Ownership of SABIC Petrochemicals Japan LLC	Petrochemical	Japan			
70% Ownership of SABIC Korea Ltd.	Petrochemical	South Korea			
70% Ownership of SHPP Korea Ltd.	Reseller	South Korea			
70% Ownership of SABIC Innovative Plastics Malaysia Sdn Bhd	Agent	Malaysia			
70% Ownership of SHPP Malaysia Sdn Bhd	Reseller	Malaysia			
70% Ownership of SABIC Innovative Plastics Mexico S de RL de CV	Petrochemical manufacture and sales	Mexico			
70% Ownership of High Performance Plastics Manufacturing Mexico S de RL de CV	Petrochemical manufacture and sales	Mexico			

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2021 ^{1,2}	Conventional financial liabilities as of December 31, 2021 ²	Interest income from conventional financial assets for the year ended December 31, 2021 ²
70% Ownership of BV Snij-Unie HiFi	Petrochemical manufacture and sales	Netherlands			
70% Ownership of SABIC Capital B.V.	Financing	Netherlands			
70% Ownership of SABIC Capital I B.V.	Financing	Netherlands			
70% Ownership of SABIC Capital II B.V.	Financing	Netherlands			
70% Ownership of Petrochemical Pipeline Services B.V.	Support services	Netherlands			
70% Ownership of SABIC Europe B.V.	Holding	Netherlands			
70% Ownership of SABIC Global Technologies B.V.	Technology and innovation	Netherlands			
70% Ownership of SABIC International Holdings B.V.	Holding	Netherlands			
70% Ownership of SABIC Innovative Plastics B.V.	Principal (Manufacturing, Sales, R&D)	Netherlands			
70% Ownership of SABIC Innovative Plastics GP B.V.	Holding	Netherlands			
70% Ownership of SABIC Innovative Plastics Holding B.V.	Holding	Netherlands			
70% Ownership of SABIC Innovative Plastics Utilities B.V.	Support services	Netherlands			
70% Ownership of SABIC Licensing B.V.	Technology and innovation	Netherlands			
70% Ownership of SABIC Limburg B.V.	Support services	Netherlands			
70% Ownership of SABIC Sales Europe B.V.	Reseller	Netherlands			
70% Ownership of SABIC Petrochemicals B.V.	Principal (Manufacturing, Sales, R&D)	Netherlands			
70% Ownership of SABIC Ventures B.V.	Technology and innovation	Netherlands			
70% Ownership of SABIC Mining B.V.	Holding	Netherlands			
70% Ownership of SHPP Holding B.V.	Holding	Netherlands			
70% Ownership of SHPP Global Technologies B.V.	Petrochemical	Netherlands			
70% Ownership of SHPP Ventures B.V.	Technology and innovation	Netherlands			
70% Ownership of SHPP Capital B.V.	Financing	Netherlands			
70% Ownership of SHPP Capital I B.V.	Financing	Netherlands			
70% Ownership of SHPP Capital II B.V.	Financing	Netherlands			
70% Ownership of SHPP B.V.	Principal (Manufacturing, Sales, R&D)	Netherlands			
70% Ownership of SHPP Sales B.V.	Reseller	Netherlands			
70% Ownership of SABIC Innovative Plastics Poland Sp. Z o.o.	Agent	Poland			
70% Ownership of SABIC Poland Sp. Z o.o.	Agent	Poland			
70% Ownership of SHPP Poland Sp. Z o.o.	Reseller	Poland			
70% Ownership of LLC SABIC Eastern Europe	Agent	Russia			
70% Ownership of SABIC Innovative Plastics Rus OOO	Agent	Russia			
70% Ownership of SHPP Russia OOO	Agent	Russia			
70% Ownership of SABIC Innovative Plastics (SEA) Pte. Ltd.	Reseller	Singapore			
70% Ownership of SABIC Innovative Plastics Holding Singapore Pte. Ltd.	Holding	Singapore			
70% Ownership of SHPP Singapore Pte. Ltd.	Petrochemical manufacture and sales	Singapore			

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2021 ^{1,2}	Conventional financial liabilities as of December 31, 2021 ²	Interest income from conventional financial assets for the year ended December 31, 2021 ²
70% Ownership of SABIC Asia Pacific Pte. Ltd.	Reseller	Singapore			
70% Ownership of SHPP Slovakia s.r.o.	Reseller	Slovakia			
70% Ownership of SABIC Innovative Plastics Espana ScpA	Toller	Spain			
70% Ownership of SABIC Innovative Plastics GP BV, Sociedad en Comandita	Holding	Spain			
70% Ownership of SABIC Sales Spain SL	Agent	Spain			
70% Ownership of SABIC Marketing Ibérica S.A.	Reseller	Spain			
70% Ownership of SHPP Manufacturing SL	Toller	Spain			
70% Ownership of SHPP Marketing Spain SL	Reseller	Spain			
70% Ownership of Saudi Innovative Plastics Sweden AB	Agent	Sweden			
70% Ownership of SHPP Thailand Co. Ltd.	Petrochemical	Thailand			
70% Ownership of SABIC Thailand Co. Ltd.	Petrochemical	Thailand			
70% Ownership of SHPP Petrokimya Ticaret Ltd Sirketi	Marketing and sales support	Turkey			
70% Ownership of SABIC Global Ltd.	Holding	United Kingdom			
70% Ownership of SABIC Tees Holdings Ltd.	Holding	United Kingdom			
70% Ownership of SHPP Manufacturing UK Ltd.	Petrochemical	United Kingdom			
70% Ownership of SABIC Innovative Plastics Ltd.	Agent	United Kingdom			
70% Ownership of SABIC UK Ltd.	Reseller	United Kingdom			
70% Ownership of SABIC UK Pension Trustee Ltd.	Investment management of post-employment benefit plans	United Kingdom			
70% Ownership of SABIC UK Petrochemicals Ltd.	Toller	United Kingdom			
70% Ownership of SHPP Sales UK Ltd.	Reseller	United Kingdom			
70% Ownership of Exatec, LLC	Technology and innovation	USA			
35.7% Ownership of Mt. Vernon Phenol Plant Partnership ³	Petrochemical manufacture and sales	USA			
70% Ownership of SABIC Americas Inc.	Reseller	USA			
70% Ownership of SABIC US Holdings LP	Holding	USA			
70% Ownership of SABIC Innovative Plastics Mt. Vernon, LLC	Toller	USA			
70% Ownership of SABIC Innovative Plastics US LLC	Principal (Manufacturing, Sales, R&D)	USA			
70% Ownership of SABIC Petrochemicals Holding US, Inc.	Petrochemical manufacture and sales	USA			
70% Ownership of SABIC Ventures US Holdings LLC	Technology and innovation	USA			
70% Ownership of SABIC US Projects LLC	Projects	USA			
70% Ownership of SABIC Americas Growth LLC	Projects	USA			
70% Ownership of SABIC US Methanol LLC	Projects	USA			
70% Ownership of SHPP US LLC	Principal (Manufacturing, Sales, R&D)	USA			
70% Ownership of SABIC Vietnam Ltd.	Agent	Vietnam			
70% Ownership of SHPP Vietnam Co Ltd	Petrochemical	Vietnam			
70% Ownership of SABCAP Insurance Limited ("SABCAP")	Insurance	Guernsey			
70% Ownership of SABIC Petrokemya Ticaret Limited ("SABIC TURKEY")	Reseller	Turkey			

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2021 ^{1,2}	Conventional financial liabilities as of December 31, 2021 ²	Interest income from conventional financial assets for the year ended December 31, 2021 ²
70% Ownership of SABIC Middle East Offshore Company ("SABIC MIDDLE EAST") ⁶	Marketing and sales support	Lebanon		
70% Ownership of SABIC Middle East Business Management	Marketing and sales support	Jordan		
70% Ownership of SABIC South Africa	Marketing and sales support	South Africa		
70% Ownership of SABIC Africa for Trading & Marketing ("SABIC AFRICA") ⁶	Marketing and sales support	Egypt		
70% Ownership of SABIC Morocco	Marketing and sales support	Morocco		
70% Ownership of SABIC Global Mobility Company ("GMC")	Personnel and other support services	UAE		
70% Ownership of SABIC Mobility Company ("GMC LLC")	Petrochemical	UAE		
70% Ownership of SABIC Tunisia	Marketing and sales support	Tunisia		
70% Ownership of SABIC Kenya	Marketing and sales support	Kenya		
70% Ownership of SABIC (Pvt.) Pakistan	Marketing and sales support	Pakistan		
70% Ownership of SABIC East Africa	Marketing and sales support	Egypt		
69.3% Ownership of International Shipping and Transportation Co. ("ISTC")	Support services	Saudi Arabia		
63% Ownership of SABIC Terminal Services Company ("SABTANK")	Support services	Saudi Arabia		
40.6% Ownership of Jubail Chemical Storage and Services Company ("Chemtank") ³	Support services	Saudi Arabia		
35.1% Ownership of SABIC Agri-Nutrients Investment Company ("SANIC") ³	Agri-Nutrients	Saudi Arabia		
35.1% Ownership of National Chemical Fertiliser Company ("IBN AL-BAYTAR") ³	Agri-Nutrients	Saudi Arabia		
17.5% Ownership of Al-Jubail Fertiliser Company ("AL BAYRONI") ³	Agri-Nutrients	Saudi Arabia		

1. Conventional financial assets comprise cash, time deposits, short-term investments and investments in securities.

2. Represents 100% amounts of subsidiaries, after elimination of intercompany transactions.

3. Agreements and constitutive documents provide Saudi Aramco control.

4. Percentages disclosed reflect the effective ownership of Saudi Aramco in the respective entities.

5. Information for conventional financial assets, liabilities and interest income from conventional financial assets not included for entities and groups listed on the Tadawul.

6. Under liquidation.

7. In February 2021, Saudi Specialty Chemicals Company ("SP.CHEM") and Saudi Organometallic Chemicals Company ("SOCC") merged into PETROKEMYA.

8. Energy City Development Company and Energy City Operating Company are wholly owned unconsolidated structured entities and hence not included in the above listing.

All amounts in millions of Saudi Riyals unless otherwise stated

39. Joint arrangements and associates of Saudi Arabian Oil Company

	Principal business activity	Percent ownership ⁴	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2021 ^{1,2}	Conventional financial liabilities as of December 31, 2021 ²	Interest income from conventional financial assets for the year ended December 31, 2021 ²
A. Joint operations:						
Al-Khafji Joint Operations	Oil and gas exploration and production	50%	Saudi-Kuwaiti Partitioned Zone	–	–	–
Fadhili Plant Cogeneration Company	Power generation	30%	Saudi Arabia	72	1,120	–
Jazan Integrated Gasification and Power Company	Power systems	20%	Saudi Arabia	32	3,233	–
Maasvlakte Olie Terminal C.V.	Tank storage	9.6%	Netherlands	–	–	–
Maasvlakte Olie Terminal N.V.	Tank storage	16.7%	Netherlands	–	–	–
Pengerang Petrochemical Company SDN. BHD.	Petrochemical	50%	Malaysia	67	3,315	–
Pengerang Refining Company SDN. BHD.	Refining	50%	Malaysia	239	22,823	–
Power Cogeneration Plant Company	Power generation	50%	Saudi Arabia	52	423	–
Saudi Aramco Mobil Refinery Company Ltd.	Refining	50%	Saudi Arabia	117	2,958	–
Saudi Aramco Total Refining and Petrochemical Company ²	Refining/ petrochemical	62.5%	Saudi Arabia	485	10,151	5
Tanjib Cogeneration Power Company	Power systems	40%	Saudi Arabia	12	277	–
Yanbu Aramco Sinopec Refining Company Limited ³	Refining	62.5%	Saudi Arabia	2,000	5,722	–
Gulf Coast Growth Venture LLC ("GCGV") ⁵	Petrochemical	35%	USA			
Saudi Butanol Company ("SABUCO") ⁵	Petrochemical	8.2%	Saudi Arabia			
Saudi Methacrylates Company ("SAMAC") ⁵	Petrochemical	35%	Saudi Arabia			
B. Joint ventures:						
Arabian Rig Manufacturing Company ("ARM")	Rig manufacturing	30%	Saudi Arabia	196	821	–
First Coast Energy LLP ("FCE")	Marketing	50%	USA	1	350	–
Huajin Aramco Petrochemical Company ("HAPCO")	Petrochemical	35%	People's Republic of China	–	–	–
Jasara Program Management Company ("Jasara")	Engineering services	20%	Saudi Arabia	129	76	–
Juniper Ventures of Texas LLP ("JVTX")	Marketing	60%	USA	8	–	–
Middle East Information Technology Solutions ("MEITS")	Information technology	49%	Saudi Arabia	70	–	–
Novel Non-Metallic Solutions Manufacturing ("Novel")	Manufacturing	50%	Saudi Arabia	200	–	–
Port Neches Link LLC ("PNL")	Pipelines	5%	USA	189	–	–
Sadara Chemical Company ("Sadara")	Petrochemical	65%	Saudi Arabia	9,115	52,946	2
Saudi Arabian Industrial Investment Company ("Dussur")	Investment	42.5%	Saudi Arabia	316	216	19
Saudi Engines Manufacturing Company ("SEMCO")	Manufacturing	55%	Saudi Arabia	140	4	–

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

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

	Principal business activity	Percent ownership ⁴	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2021 ^{1,2}	Conventional financial liabilities as of December 31, 2021 ²	Interest income from conventional financial assets for the year ended December 31, 2021 ²
Saudi Silk Road Industrial Services Company ("SSRIS")	Investment services	20%	Saudi Arabia	145	–	–
S-Oil TOTAL Lubricants Co. Limited	Lubricants production and sales	50%	South Korea	155	141	–
Star Enterprise ("Star-Ent")	Pension administration	50%	USA	–	–	–
Tas'helat Marketing Company ("TMC")	Marketing	50%	Saudi Arabia	314	–	4
Advance Energy Storage System Company ("AESSC") ⁵	Petrochemical	30.1%	Saudi Arabia			
Al-Jubail Petrochemical Company ("Kemya") ⁵	Petrochemical	35%	Saudi Arabia			
Cosmar Company ("COSMAR") ⁵	Petrochemical	35%	USA			
Eastern Petrochemical Company ("Sharq") ⁵	Petrochemical	35%	Saudi Arabia			
SABIC Plastic Energy Advanced Recycling BV ("SPEAR") ⁵	Petrochemical	35%	Netherlands			
SABIC SK Nexlene Company Pte. Ltd. ("SSNC") ⁵	Petrochemical	35%	Singapore			
Saudi Yanbu Petrochemical Company ("Yanpet") ⁵	Petrochemical	35%	Saudi Arabia			
SD Beteiligungs-GmbH & Co KG ⁵	Investments	35%	Germany			
SD Lizenzverwertungs-GmbH & Co ⁵	License company	35%	Germany			
SD Verwaltungs-GmbH ⁵	Administrative company	35%	Germany			
Sinopec SABIC Tianjin Petrochemical Company ("SSTPC") ⁵	Petrochemical	35%	People's Republic of China			
Utility Support Group B.V. ("USG") ⁵	Petrochemical	35%	Netherlands			
C. Associates:						
BP AOC Pumpstation Maatschap	Storage	50%	Netherlands	–	–	–
BP ESSO AOC Maatschap	Storage	34.4%	Netherlands	–	–	–
Fuel Cell Innovation Co., Ltd. ("FCI")	Fuel cell manufacturing	20%	South Korea	31	2	–
Fujian Refining and Petrochemical Company Limited ("FREPC")	Refining/ petrochemical	25%	People's Republic of China	5,539	4,725	85
GCC Electrical Equipment Testing Lab ("GCC Lab")	Inspection	20%	Saudi Arabia	70	–	–
Hyundai Oilbank Co. Ltd. ("Hyundai Oilbank")	Refining/ marketing/ petrochemical	17%	South Korea	8,075	26,865	301
International Maritime Industries Company ("IMIC")	Maritime	40.1%	Saudi Arabia	786	560	3
Lukoil Saudi Arabia Energy Ltd. ("LUKSAR")	Exploration	20%	British Virgin Islands	–	–	–
Power & Water Utility Company for Jubail and Yanbu ("Marafiq")	Utilities	42.2%	Saudi Arabia	1,920	12,942	14
Sinopec SenMei (Fujian) Petroleum Company Limited ("SSPC")	Marketing/ petrochemical	22.5%	People's Republic of China	2,103	2,088	38
Sudair One Holding Company ("Sudair One")	Holding	30.3%	Saudi Arabia	–	–	–
Team Terminal B.V.	Storage	34.4%	Netherlands	10	–	–
Aluminium Bahrain BSC ("ALBA") ⁵	Aluminum	14.4%	Bahrain			
ARG mbH & Co KG ("ARG") ⁵	Pipeline	17.5%	Germany			
ARG Verwaltungs GmbH ⁵	Administrative company	17.5%	Germany			
Clariant AG ("Clariant") ⁵	Specialty chemical	22.1%	Switzerland			

All amounts in millions of Saudi Riyals unless otherwise stated

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

	Principal business activity	Percent ownership ⁴	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2021 ^{1,2}	Conventional financial liabilities as of December 31, 2021 ²	Interest income from conventional financial assets for the year ended December 31, 2021 ²
German Pipeline Development Company GMBH ("GPDC") ⁵	Support services	27.3%	Germany			
Gulf Aluminum and Rolling Mills Company ("GARMCO") ⁵	Aluminum	21.3%	Bahrain			
Gulf Petrochemical Industries Company ("GPIC") ⁵	Petrochemical	11.7%	Bahrain			
Ma'aden Phosphate Company ("MPC") ⁵	Agri-Nutrients	21%	Saudi Arabia			
Ma'aden Wa'ad Al Shamal Phosphate Company ("MWSPC") ⁵	Agri-Nutrients	10.5%	Saudi Arabia			
Mallinda, Inc. ("MALLINDA") ⁵	Technology and innovation	18.3%	USA			
Mauritania Saudi Mining & Steel Company S.A. ("TAKAMUL") ⁵	Investment	35%	Mauritania			
National Chemical Carrier Company ("NCC") ⁵	Transportation	14%	Saudi Arabia			
National Shipping Company of Saudi Arabia ("Bahri") ⁵	Global logistics services	20%	Saudi Arabia			
Nusaned Fund ⁵	Investments	35%	Saudi Arabia			
Rabigh Refining and Petrochemical Company ("Petro Rabigh") ⁵	Refining/ petrochemical	37.5%	Saudi Arabia			
Saudi Pallet Manufacturing Co. ("SPMC") ⁵	Manufacturing	16.1%	Saudi Arabia			

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

40. Events after the reporting period

- (a) On January 12, 2022, Saudi Aramco signed sale and purchase agreements for the acquisition of a 30% equity interest in the Gdansk Refinery joint venture with PKN Orlen, a 100% ownership of Grupa Lotos S.A.'s wholesale business, and a 50% equity interest in the jet fuel joint venture with Air BP. The transaction, with a total purchase price of SAR 2,063, is expected to close in 2022, subject to regulatory approvals.
- (b) On January 24, 2022, Saudi Aramco, in agreement with PIF, made a partial prepayment of SAR 28,579 (\$7,621), which has reduced the principal amounts of two promissory notes by SAR 26,250 (\$7,000) and SAR 3,750 (\$1,000) that were payable on or before April 7, 2024 and April 7, 2026, respectively (Note 20).
- (c) On January 24, 2022, SABIC Agri-Nutrients Company ("SABIC AN"), a subsidiary of SABIC, signed a binding agreement to acquire 49% of the share capital of ETG Inputs Holdco Limited. The transaction is expected to close in 2022, subject to obtaining the required regulatory approvals and other terms and conditions of the acquisition agreement.
- (d) On February 2, 2022, SABIC announced the signing of a sale and purchase agreement with Clariant to purchase a 50% equity interest in a specialties company, Scientific Design, which is an equally owned joint venture between SABIC and Clariant. The transaction is expected to close in 2022, subject to regulatory approvals.
- (e) On February 23, 2022, the Company closed the transaction for a sale of a 49% equity interest in Aramco Gas Pipelines Company ("AGPC"), a newly formed wholly owned subsidiary of the Company, to GreenSaif Pipelines Bidco S.à r.l. (formerly, GEPIF III Finance III Lux S.à r.l.) ("GreenSaif") for upfront proceeds of SAR 58,125 (\$15,500) in cash. GreenSaif is an entity owned by a consortium of investors led by affiliates of BlackRock Real Assets and Hassana Investment Company (Note 34(c)).

