



# 2020

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Saudi Arabian Oil Company

First quarter interim report

For the period ended March 31, 2020

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# Saudi Aramco at a glance

First quarter 2020

## Financial highlights

**Net income**  
(billion)

**SAR 62.5**  
\$16.7

**EBIT\***  
(billion)

**SAR 128.3**  
\$34.2

**Earnings per share**  
(basic and diluted)

**SAR 0.32**  
\$0.08

**Net cash provided by  
operating activities**  
(billion)

**SAR 84.1**  
\$22.4

**Capital expenditures**  
(billion)

**SAR 27.7**  
\$7.4

**Free cash flow\***  
(billion)

**SAR 56.3**  
\$15.0

**Average realized  
crude oil price**  
(\$/barrel)

**51.8**

**Gearing\***  
(%)

**-4.9**

**Dividends paid**  
(billion)

**SAR 50.2**  
\$13.4

**Dividends paid per share**

**SAR 0.25**  
\$0.07

**ROACE\***  
(%)

**26.3**

## Operational highlights

**Crude oil production**  
(mmbpd)

**9.8**

**Reliability<sup>1</sup>**  
(%)

**99.7**

**Gross refining capacity**  
(mmbpd)

**6.4**

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

1. For Saudi Arabian Oil Company (the Company) only.

## Key results

### Financial results

|   | SAR           |         | USD*          |        |
|---|---------------|---------|---------------|--------|
|   | First quarter |         | First quarter |        |
| All amounts in millions unless otherwise stated | 2020          | 2019    | 2020          | 2019   |
| Net income                                      | 62,478        | 83,286  | 16,661        | 22,210 |
| EBIT <sup>1</sup>                               | 128,258       | 165,949 | 34,202        | 44,253 |
| Capital expenditures                            | 27,740        | 26,900  | 7,397         | 7,173  |
| Free cash flow <sup>1</sup>                     | 56,327        | 65,127  | 15,021        | 17,366 |
| Dividends paid                                  | 50,226        | 86,250  | 13,394        | 23,000 |
| ROACE <sup>1,2</sup>                            | 26.3%         | 40.0%   | 26.3%         | 40.0%  |
| Average realized crude oil price (\$/barrel)    | n/a           | n/a     | 51.8          | 63.6   |

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

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

2. Calculated on a 12-month rolling basis.

### Operational results

|                                 | First quarter |      |
|---------------------------------|---------------|------|
|                                 | 2020          | 2019 |
| Crude oil production (mmbpd)    | 9.8           | 10.1 |
| Reliability <sup>1</sup> (%)    | 99.7          | 99.8 |
| Gross refining capacity (mmbpd) | 6.4           | 4.9  |

1. For the Company only.

## CEO's statement

### Saudi Aramco President & CEO Amin H. Nasser

Not surprisingly, our financial performance in the first three months of 2020 was impacted by the ongoing effects of the COVID-19 global pandemic as well as lower oil prices. However, with net income of \$16.7 billion, ROACE of 26.3%, free cash flow of \$15.0 billion and a gearing ratio of -4.9%, our first quarter results were exceptionally strong due to our prudent balance sheet management and low-cost structure. Saudi Aramco declared a dividend of \$18.75 billion for the first quarter. These unparalleled results demonstrate Saudi Aramco's agility, strength and resilience across economic cycles.

During the first quarter, we took steps to optimize our planned 2020 capital spending while working to identify opportunities to further improve operational productivity. Going forward, we retain significant flexibility to further adjust expenditures in response to the disruption caused by the coronavirus on both economic activity and energy demand.

The COVID-19 crisis is unlike any the world has experienced and we must all adapt to highly complex and rapidly changing developments. Our people remain our priority. It is after all, our employees – along with our partners and our contractors – whose work is essential to our core business of reliably and safely supplying energy to the world. Saudi Aramco is also assisting local communities in the fight against the coronavirus by providing support to healthcare and relief organizations, both in the Kingdom and in international locations.

In addition to seeking to minimize and mitigate the impact of the current economic situation, we are maintaining a firm focus on long-term growth and value creation as uncertain environments also present opportunities.

While COVID-19 has created unprecedented uncertainty, we have considerable experience in managing through times of adversity. This resilience will enable us to continue to deliver on our commitments to our shareholders.

# First quarter highlights

Despite economic disruptions and volatility in commodity prices globally, Saudi Aramco delivered solid earnings and strong cash flows combined with reliable operational performance.

In response to the novel Coronavirus (COVID-19), Saudi Aramco has implemented active prevention programs at its sites and contingency plans to minimize the risk related to the pandemic on its operations. Throughout these challenges, the Company has undertaken various measures to ensure business continuity and to safeguard the wellbeing of its employees, such as the implementation of a work-from-home policy and adopting strict sanitization measures across its facilities. The Company will take further actions as necessary and appropriate.

Furthermore, Saudi Aramco implemented additional measures to optimize spending which resulted in reducing expected 2020 capital expenditures. In light of market conditions and recent commodity price volatility, Saudi Aramco continues to expect capital expenditures for the fiscal year 2020 to be between \$25 billion to \$30 billion (2019: \$32.8 billion).

## Upstream

Under challenging market conditions, Upstream maintained its pre-eminence in oil and gas production.

Significant Upstream developments in the first quarter of 2020:

- Saudi Aramco, through its wholly owned subsidiary Aramco Gulf Operations Company Ltd. (AGOC), resumed operations at Al-Khafji Joint Operations (KJO). AGOC operates in the offshore partitioned territory between the Kingdom of Saudi Arabia and the State of Kuwait, with a 50% ownership in KJO;
- In exploration activities, there were two successful field discoveries during the first quarter of 2020; one field discovery with both oil and gas reservoirs in the northwest part of the Kingdom and one oil field discovery in the Central area;
- The Fadhili Gas Plant increased its processing capacity from 1.5 bscfd at year-end 2019 to reach 2.0 bscfd during the first quarter of 2020. Progress remains on track and the plant is expected to reach its full capacity of 2.5 bscfd during the year;
- The new Ethane Deep Recovery Facility at the 'Uthmaniyah Gas Plant was mechanically completed in January 2020 and is currently running at approximately 70% of its processing capacity of 1.4 bscfd. Full capacity will be achieved upon receipt of additional feedstock from the Haradh gas increment project, which is expected to complete in 2021; and
- The gas operations plants have cumulatively achieved a total of 57 million man-hours without any Loss Time Injuries (LTI) and received several 2019 GPA Midstream Association Safety Awards.

## Downstream

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

Saudi Aramco continues to operate one of the world's largest refining businesses, with gross refining capacity of 6.4 mmbpd as at March 31, 2020 (March 31, 2019: 4.9 mmbpd). In the first quarter of 2020, the Downstream segment consumed 35.5% (Q1 2019: 36.9%) of Saudi Aramco's crude oil production.

Significant Downstream developments in the first quarter of 2020:

- Aramco Trading Company (ATC) signed an agreement to offtake AGOC's full share of crude oil production following the restart of KJO; and
- In line with the International Maritime Organization 2020 regulations (IMO 2020), Saudi Aramco successfully commenced sales of very-low sulphur fuel oil (VLSFO) bunker fuel to local bunker customers located in both the Red Sea and Arabian Gulf areas.

# Financial performance

## Summary of financial performance

| All amounts in millions unless otherwise stated | SAR             |          | USD*            |          |          |
|---|-----------------|----------|-----------------|----------|----------|
|   | First quarter   |          | First quarter   |          |          |
|   | 2020            | 2019     | 2020            | 2019     | % change |
| <b>Income before income taxes</b>               | <b>127,735</b>  | 166,128  | <b>34,063</b>   | 44,301   | (23.1)%  |
| Income taxes                                    | <b>(65,257)</b> | (82,842) | <b>(17,402)</b> | (22,091) | (21.2)%  |
| <b>Net income</b>                               | <b>62,478</b>   | 83,286   | <b>16,661</b>   | 22,210   | (25.0)%  |

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

### Financial results

The first quarter of 2020 was impacted by declining global crude oil demand resulting from COVID-19 and its impact on worldwide economic activity. This led to lower crude oil prices and continued pressure on refining and chemicals margins. Notwithstanding this, Saudi Aramco demonstrated its resilience in this difficult environment with exceptionally strong financial results.

In addition, a number of changes to the fiscal regime under which the Company operates became effective on January 1, 2020. The key changes include an amendment to the royalty rates applicable to the Company's crude oil production, inclusion of LPGs and certain other products to the price equalization mechanism, and a reduction in the tax rate applicable to the Company's Downstream activities from 50% to 20%. The first quarter of 2020 was also impacted by the addition of the Regulated Gas Products to the price equalization mechanism to compensate the Company for the revenue it directly forgoes as a result of selling these products in the Kingdom at Domestic Prices.

Despite the lower price environment and the pandemic impact, Saudi Aramco continued to deliver solid earnings. Net income for the three-month period ended March 31, 2020 was SAR 62,478 (\$16,661), compared to SAR 83,286 (\$22,210) for the same period in 2019, primarily reflecting lower crude oil prices, as well as declining refining and chemicals margins and inventory re-measurement losses. This was partially offset by a decrease in production royalties resulting from lower crude prices and a decrease in the royalty rate from 20% to 15%, in addition to higher revenue relating to the price equalization income on gas products.

Income taxes for the first quarter of 2020 were SAR 65,257 (\$17,402), compared to SAR 82,842 (\$22,091) for the same period in 2019, mainly due to the lower level of profit in the first quarter of 2020.

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

All amounts in millions unless otherwise stated

## Upstream financial performance

| All amounts in millions unless otherwise stated                                  | SAR           |         | USD*          |        | % change |
|--|---------------|---------|---------------|--------|----------|
|  | First quarter |         | First quarter |        |          |
|  | 2020          | 2019    | 2020          | 2019   |          |
| Revenue and other income related to sales<br>(including sales to other segments) | 192,737       | 237,105 | 51,397        | 63,228 | (18.7)%  |
| Earnings before interest and taxes   | 141,111       | 169,946 | 37,630        | 45,319 | (17.0)%  |
| Capital expenditures - cash basis  | 20,533        | 20,964  | 5,475         | 5,590  | (2.1)%   |

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

**Earnings before interest and taxes (EBIT)** for the three months ended March 31, 2020 totalled SAR 141,111 (\$37,630) compared to SAR 169,946 (\$45,319) during the same period in 2019, a decrease of SAR 28,835 (\$7,689), or 17.0%.

This was primarily due to lower realized crude prices. The decrease in EBIT was partially offset by lower production royalties reflecting a decrease in crude prices and a lower royalty rate, in addition to higher revenue relating to the price equalization income on gas products.

**Capital expenditures** in the first three months of 2020 decreased by 2.1% compared to the same period in 2019, from SAR 20,964 (\$5,590) to SAR 20,533 (\$5,475). This was mainly attributable to the optimization of the drilling program.

## Downstream financial performance

| All amounts in millions unless otherwise stated                                  | SAR           |         | USD*          |        | % change |
|--|---------------|---------|---------------|--------|----------|
|  | First quarter |         | First quarter |        |          |
|  | 2020          | 2019    | 2020          | 2019   |          |
| Revenue and other income related to sales<br>(including sales to other segments) | 112,283       | 122,907 | 29,942        | 32,775 | (8.6)%   |
| Earnings (losses) before interest and taxes                                      | (19,006)      | 5,116   | (5,068)       | 1,364  | (471.5)% |
| Capital expenditures - cash basis  | 6,900         | 5,450   | 1,840         | 1,453  | 26.6%    |

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

**Earnings (losses) before interest and taxes (EBIT)** was lower in the first three months of 2020 compared to the same period in 2019, primarily due to inventory re-measurement losses as a result of lower crude and refined product prices. Refining and chemicals margins were weakened by slower global economic growth caused by the worldwide impact of COVID-19.

Accordingly, Downstream EBIT decreased from SAR 5,116 (\$1,364) in the first quarter of 2019 to a loss of SAR 19,006 (\$5,068) in the first quarter of 2020.

**Capital expenditures** in the first three months of 2020 increased by 26.6%, compared to the same period in 2019, from SAR 5,450 (\$1,453) to SAR 6,900 (\$1,840). This increase was due to continued project development and upgrades at various facilities.

# Working safely, responsibly and sustainably

## Saudi Aramco sponsored the first International Carbon Capture, Utilization and Storage Conference (iCCUS) in Riyadh

Saudi Aramco sponsored the first International Carbon Capture, Utilization, and Storage Conference (iCCUS) held in Riyadh during February. The conference discussed solutions for reducing greenhouse gas emissions, progress towards a circular carbon economy, and the means for unlocking CCUS potential, a pivotal technology field in which Saudi Aramco continues to invest.

Saudi Aramco is leveraging fourth industrial revolution (4IR) technology solutions to work on the '4Rs of reduce, reuse, recycle and remove' as part of the Company's climate and sustainability efforts. High-impact technological solutions, such as CCUS, can address this dual challenge while contributing to economic development.

## The Company's sustainability research projects

The Company's sustainability research projects focus on developing novel carbon capture and utilization solutions for both stationary and mobile applications. Most recently, scientists in one research project, operated jointly by Saudi Aramco and the Korea Advanced Institute of Science & Technology (KAIST), announced the discovery of a path for carbon reclamation. The Company is also working with its partners on the development and scale-up of novel CO<sub>2</sub> utilization technologies such as CO<sub>2</sub> conversion to polymers and CO<sub>2</sub> capture in cement.

## Saudi Aramco's response to COVID-19

At Saudi Aramco, improving the lives of people and the communities where we operate is one of our core principles, and this principle guides the contributions the Company has made globally in the wake of the ongoing COVID-19 pandemic.

The Company has supported the Kingdom's healthcare sector by supplying SAR 200 million worth of ventilators, air purification devices and protective tools for health practitioners and patients. However, this support is just one element in a more comprehensive COVID-19 response that also includes broader employee and community engagement activities. For example, the Company launched a COVID-19 Employees Donations Campaign, "Stay Home, Stay Safe," to support national efforts in combating the COVID-19 outbreak in the Kingdom. The money donated by employees is targeted to help those most vulnerable during the COVID-19 outbreak, specifically widows and orphans, and will be matched 100% by the Company once the campaign is completed.

Saudi Aramco's corporate citizenship activities have also reached out far beyond the Kingdom's borders. In Asia, Saudi Aramco's regional affiliates facilitated donations of cash and medical supplies to several organizations such as the Red Cross Society in China and the Hope Bridge Korea Disaster Relief Association in South Korea. In Europe, Aramco Overseas Company's affiliates contributed intensive care and other medical supplies to Fondazione Buzzi in Italy. And in the United States, Aramco Services Company provided funding for medical services in a variety of cities where it has research activities.

Within the Kingdom, the Company has worked to ensure business continuity and to safeguard the wellbeing of its employees using three key strategies: proactive protected measures, a focus on business continuity, and resilience through the integration of digital, communications and other capabilities. These efforts include ensuring the integrity of the Company's supply chain; the creation of a COVID-19 information website for employees and community members; public service announcements on the Company's radio stations; implementation of a work-from-home policy; expansion of remote-working capabilities including thousands of new laptops, remote VPN software rollouts and videoconferencing capabilities; use of thermal scanners and temperature screening on buses, planes and at key business locations; providing specialized training on disinfection measures to employees and contractors; and adopting strict sanitization measures across its offices and community facilities.

## About Saudi Aramco

Saudi Aramco is one of the world's largest integrated oil and gas companies; its Upstream operations are based in the Kingdom of Saudi Arabia and it also operates a global Downstream business. Headquartered in the city of Dhahran, Saudi Aramco operates in eleven locations within the Kingdom and more than 30 locations overseas, and employs around 79,000 people.

[www.saudiaramco.com/investors](http://www.saudiaramco.com/investors)

**International media:** [international.media@aramco.com](mailto:international.media@aramco.com)

**Domestic media:** [domestic.media@aramco.com](mailto:domestic.media@aramco.com)

**Investor relations:** [investor.relations@aramco.com](mailto:investor.relations@aramco.com)

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# Condensed consolidated interim financial report

For the three-month period ended March 31, 2020  
(Unaudited)

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## *Report on review of the condensed consolidated interim financial report*

To the shareholders of Saudi Arabian Oil Company

### **Introduction**

We have reviewed the accompanying condensed consolidated balance sheet of Saudi Arabian Oil Company and its subsidiaries as at March 31, 2020 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes (the “condensed consolidated interim financial report”). Management is responsible for the preparation and presentation of this condensed consolidated interim financial report in accordance with International Accounting Standard 34, ‘Interim financial reporting’, that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial report based on our review.

### **Scope of review**

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

### **Conclusion**

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

### **PricewaterhouseCoopers**

A blue ink signature of Bader I. Benmohareb, consisting of a large, stylized initial 'B' followed by a cursive name.

Bader I. Benmohareb  
License Number 471

May 11, 2020

## Condensed consolidated statement of income

|   | Note | SAR                             |                                 | USD*                            |                                 |
|---|------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|   |      | 1 <sup>st</sup> quarter<br>2020 | 1 <sup>st</sup> quarter<br>2019 | 1 <sup>st</sup> quarter<br>2020 | 1 <sup>st</sup> quarter<br>2019 |
| Revenue   | 10   | 225,567                         | 269,296                         | 60,151                          | 71,812                          |
| Other income related to sales                     |      | 24,778                          | 28,338                          | 6,608                           | 7,557                           |
| <b>Revenue and other income related to sales</b>  |      | <b>250,345</b>                  | <b>297,634</b>                  | <b>66,759</b>                   | <b>79,369</b>                   |
| Royalties and other taxes                         |      | (29,045)                        | (46,170)                        | (7,745)                         | (12,312)                        |
| Purchases   |      | (50,649)                        | (49,858)                        | (13,506)                        | (13,296)                        |
| Producing and manufacturing                       |      | (17,530)                        | (12,355)                        | (4,675)                         | (3,294)                         |
| Selling, administrative and general               |      | (6,302)                         | (7,839)                         | (1,680)                         | (2,090)                         |
| Exploration                                       |      | (1,685)                         | (1,974)                         | (449)                           | (527)                           |
| Research and development                          |      | (415)                           | (447)                           | (111)                           | (119)                           |
| Depreciation and amortization                     | 5,6  | (14,987)                        | (12,370)                        | (3,997)                         | (3,299)                         |
| <b>Operating costs</b>                            |      | <b>(120,613)</b>                | <b>(131,013)</b>                | <b>(32,163)</b>                 | <b>(34,937)</b>                 |
| <b>Operating income</b>                           |      | <b>129,732</b>                  | <b>166,621</b>                  | <b>34,596</b>                   | <b>44,432</b>                   |
| Share of results of joint ventures and associates |      | (1,585)                         | (844)                           | (423)                           | (225)                           |
| Finance and other income                          |      | 1,171                           | 1,612                           | 312                             | 430                             |
| Finance costs                                     |      | (1,583)                         | (1,261)                         | (422)                           | (336)                           |
| <b>Income before income taxes</b>                 |      | <b>127,735</b>                  | <b>166,128</b>                  | <b>34,063</b>                   | <b>44,301</b>                   |
| <b>Income taxes</b>                               | 7    | <b>(65,257)</b>                 | <b>(82,842)</b>                 | <b>(17,402)</b>                 | <b>(22,091)</b>                 |
| <b>Net income</b>                                 |      | <b>62,478</b>                   | <b>83,286</b>                   | <b>16,661</b>                   | <b>22,210</b>                   |
| <b>Net income (loss) attributable to</b>          |      |                                 |                                 |                                 |                                 |
| Shareholders' equity                              |      | 63,532                          | 83,226                          | 16,942                          | 22,194                          |
| Non-controlling interests                         |      | (1,054)                         | 60                              | (281)                           | 16                              |
|   |      | <b>62,478</b>                   | <b>83,286</b>                   | <b>16,661</b>                   | <b>22,210</b>                   |
| <b>Earnings per share (basic and diluted)</b>     |      | <b>0.32</b>                     | <b>0.42</b>                     | <b>0.08</b>                     | <b>0.11</b>                     |

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



**Amin H. Nasser**  
 Director,  
 President & Chief Executive Officer



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



**Salah M. Al-Hareky**  
 Controller

## Condensed consolidated statement of comprehensive income

|   | Note | SAR                             |                                 | USD*                            |                                 |
|---|------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|   |      | 1 <sup>st</sup> quarter<br>2020 | 1 <sup>st</sup> quarter<br>2019 | 1 <sup>st</sup> quarter<br>2020 | 1 <sup>st</sup> quarter<br>2019 |
| <b>Net income</b>   |      | <b>62,478</b>                   | 83,286                          | <b>16,661</b>                   | 22,210                          |
| <b>Other comprehensive income (loss), net of tax</b>  | 8    |                                 |                                 |                                 |                                 |
| <b>Items that will not be reclassified to net income</b>  |      |                                 |                                 |                                 |                                 |
| Remeasurement of post-employment benefit obligations  |      | (10,695)                        | (2,041)                         | (2,852)                         | (544)                           |
| Changes in fair value of equity investments classified as fair value through other comprehensive income |      | (1,046)                         | 452                             | (279)                           | 120                             |
| <b>Items that may be reclassified subsequently to net income</b>  |      |                                 |                                 |                                 |                                 |
| Cash flow hedges and other  |      | (619)                           | (124)                           | (165)                           | (33)                            |
| Changes in fair value of debt securities classified as fair value through other comprehensive income    |      | (56)                            | 23                              | (15)                            | 6                               |
| Share of other comprehensive loss of joint ventures and associates                                      |      | (664)                           | (120)                           | (177)                           | (32)                            |
| Currency translation differences  |      | (1,468)                         | (509)                           | (392)                           | (136)                           |
|   |      | <b>(14,548)</b>                 | (2,319)                         | <b>(3,880)</b>                  | (619)                           |
| <b>Total comprehensive income</b>   |      | <b>47,930</b>                   | 80,967                          | <b>12,781</b>                   | 21,591                          |
| <b>Total comprehensive income (loss) attributable to</b>  |      |                                 |                                 |                                 |                                 |
| Shareholders' equity  |      | 49,477                          | 81,052                          | 13,194                          | 21,614                          |
| Non-controlling interests   |      | (1,547)                         | (85)                            | (413)                           | (23)                            |
|   |      | <b>47,930</b>                   | 80,967                          | <b>12,781</b>                   | 21,591                          |

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



**Amin H. Nasser**  
 Director,  
 President & Chief Executive Officer



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



**Salah M. Al-Hareky**  
 Controller

## Condensed consolidated balance sheet

|  | Note | SAR               |                      | USD*              |                      |
|--|------|-------------------|----------------------|-------------------|----------------------|
|  |      | March 31,<br>2020 | December 31,<br>2019 | March 31,<br>2020 | December 31,<br>2019 |
| <b>Assets</b>                                |      |                   |                      |                   |                      |
| <b>Non-current assets</b>                    |      |                   |                      |                   |                      |
| Property, plant and equipment                | 5    | 998,656           | 982,014              | 266,308           | 261,870              |
| Intangible assets                            | 6    | 29,365            | 30,122               | 7,831             | 8,033                |
| Investments in joint ventures and associates |      | 17,826            | 19,738               | 4,754             | 5,263                |
| Deferred income tax assets                   |      | 13,482            | 12,728               | 3,595             | 3,394                |
| Other assets and receivables                 |      | 23,411            | 21,372               | 6,243             | 5,699                |
| Investments in securities                    |      | 17,491            | 19,956               | 4,664             | 5,322                |
|  |      | <b>1,100,231</b>  | <b>1,085,930</b>     | <b>293,395</b>    | <b>289,581</b>       |
| <b>Current assets</b>                        |      |                   |                      |                   |                      |
| Inventories                                  |      | 32,890            | 42,607               | 8,771             | 11,362               |
| Trade receivables                            |      | 59,980            | 93,526               | 15,994            | 24,940               |
| Due from the Government                      |      | 28,984            | 36,781               | 7,729             | 9,808                |
| Other assets and receivables                 |      | 16,470            | 12,109               | 4,392             | 3,230                |
| Short-term investments                       |      | 228               | 45,467               | 61                | 12,125               |
| Cash and cash equivalents                    |      | 235,435           | 177,706              | 62,783            | 47,388               |
|  |      | <b>373,987</b>    | <b>408,196</b>       | <b>99,730</b>     | <b>108,853</b>       |
| <b>Total assets</b>                          |      | <b>1,474,218</b>  | <b>1,494,126</b>     | <b>393,125</b>    | <b>398,434</b>       |
| <b>Equity and liabilities</b>                |      |                   |                      |                   |                      |
| <b>Shareholders' equity</b>                  |      |                   |                      |                   |                      |
| Share capital                                |      | 60,000            | 60,000               | 16,000            | 16,000               |
| Additional paid-in capital                   |      | 26,981            | 26,981               | 7,195             | 7,195                |
| Treasury shares                              |      | (3,750)           | (3,750)              | (1,000)           | (1,000)              |
| Retained earnings:                           |      |                   |                      |                   |                      |
| Unappropriated                               |      | 981,844           | 943,758              | 261,825           | 251,669              |
| Appropriated                                 |      | 6,000             | 6,000                | 1,600             | 1,600                |
| Other reserves                               | 8    | (1,145)           | 2,076                | (305)             | 553                  |
|  |      | <b>1,069,930</b>  | <b>1,035,065</b>     | <b>285,315</b>    | <b>276,017</b>       |
| <b>Non-controlling interests</b>             |      | <b>9,609</b>      | <b>11,170</b>        | <b>2,562</b>      | <b>2,979</b>         |
|  |      | <b>1,079,539</b>  | <b>1,046,235</b>     | <b>287,877</b>    | <b>278,996</b>       |
| <b>Non-current liabilities</b>               |      |                   |                      |                   |                      |
| Borrowings                                   | 9    | 154,466           | 150,690              | 41,191            | 40,184               |
| Deferred income tax liabilities              |      | 36,900            | 44,471               | 9,840             | 11,859               |
| Post-employment benefit obligations          |      | 41,373            | 21,174               | 11,033            | 5,646                |
| Provisions                                   |      | 16,458            | 15,985               | 4,389             | 4,263                |
|  |      | <b>249,197</b>    | <b>232,320</b>       | <b>66,453</b>     | <b>61,952</b>        |
| <b>Current liabilities</b>                   |      |                   |                      |                   |                      |
| Trade and other payables                     |      | 66,134            | 78,231               | 17,636            | 20,862               |
| Obligations to the Government:               |      |                   |                      |                   |                      |
| Income taxes                                 | 7    | 42,593            | 62,243               | 11,358            | 16,598               |
| Dividend payable                             |      | –                 | 35,475               | –                 | 9,460                |
| Royalties                                    |      | 5,972             | 14,727               | 1,592             | 3,927                |
| Borrowings                                   | 9    | 30,783            | 24,895               | 8,209             | 6,639                |
|  |      | <b>145,482</b>    | <b>215,571</b>       | <b>38,795</b>     | <b>57,486</b>        |
|  |      | <b>394,679</b>    | <b>447,891</b>       | <b>105,248</b>    | <b>119,438</b>       |
| <b>Total equity and liabilities</b>          |      | <b>1,474,218</b>  | <b>1,494,126</b>     | <b>393,125</b>    | <b>398,434</b>       |

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



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**Salah M. Al-Hareky**  
 Controller

## Condensed consolidated statement of changes in equity

|   | SAR                  |                            |                 |                   |       |                         |                           |           | USD*     |
|---|----------------------|----------------------------|-----------------|-------------------|-------|-------------------------|---------------------------|-----------|----------|
|   | Shareholders' equity |                            |                 |                   |       |                         |                           |           | Total    |
|   | Share capital        | Additional paid-in capital | Treasury shares | Retained earnings |       | Other reserves (Note 8) | Non-controlling interests | Total     |          |
| Unappropriated  |                      |                            |                 | Appropriated      |       |                         |                           |           |          |
| <b>Balance at January 1, 2019</b>                             | 60,000               | 26,981                     | –               | 920,625           | 6,000 | 3,176                   | 11,653                    | 1,028,435 | 274,249  |
| Net income  | –                    | –                          | –               | 83,226            | –     | –                       | 60                        | 83,286    | 22,210   |
| Other comprehensive loss                                      | –                    | –                          | –               | –                 | –     | (2,174)                 | (145)                     | (2,319)   | (619)    |
| Total comprehensive income (loss)                             | –                    | –                          | –               | 83,226            | –     | (2,174)                 | (85)                      | 80,967    | 21,591   |
| Transfer of post-employment benefit obligations remeasurement | –                    | –                          | –               | (2,041)           | –     | 2,041                   | –                         | –         | –        |
| Dividends (Note 17)   | –                    | –                          | –               | (123,750)         | –     | –                       | –                         | (123,750) | (33,000) |
| Dividends to non-controlling interests                        | –                    | –                          | –               | –                 | –     | –                       | (22)                      | (22)      | (6)      |
| <b>Balance at March 31, 2019</b>                              | 60,000               | 26,981                     | –               | 878,060           | 6,000 | 3,043                   | 11,546                    | 985,630   | 262,834  |
| <b>Balance at January 1, 2020</b>                             | 60,000               | 26,981                     | (3,750)         | 943,758           | 6,000 | 2,076                   | 11,170                    | 1,046,235 | 278,996  |
| Net income (loss)   | –                    | –                          | –               | 63,532            | –     | –                       | (1,054)                   | 62,478    | 16,661   |
| Other comprehensive loss                                      | –                    | –                          | –               | –                 | –     | (14,055)                | (493)                     | (14,548)  | (3,880)  |
| Total comprehensive income (loss)                             | –                    | –                          | –               | 63,532            | –     | (14,055)                | (1,547)                   | 47,930    | 12,781   |
| Transfer of post-employment benefit obligations remeasurement | –                    | –                          | –               | (10,695)          | –     | 10,695                  | –                         | –         | –        |
| Share-based compensation                                      | –                    | –                          | –               | –                 | –     | 139                     | –                         | 139       | 37       |
| Dividends (Note 17)   | –                    | –                          | –               | (14,751)          | –     | –                       | –                         | (14,751)  | (3,933)  |
| Dividends to non-controlling interests                        | –                    | –                          | –               | –                 | –     | –                       | (14)                      | (14)      | (4)      |
| <b>Balance at March 31, 2020</b>                              | 60,000               | 26,981                     | (3,750)         | 981,844           | 6,000 | (1,145)                 | 9,609                     | 1,079,539 | 287,877  |

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 Contoller

## Condensed consolidated statement of cash flows

|   | Note | SAR                             |                                 | USD*                            |                                 |
|---|------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|   |      | 1 <sup>st</sup> quarter<br>2020 | 1 <sup>st</sup> quarter<br>2019 | 1 <sup>st</sup> quarter<br>2020 | 1 <sup>st</sup> quarter<br>2019 |
| <b>Income before income taxes</b>   |      | 127,735                         | 166,128                         | 34,063                          | 44,301                          |
| <b>Adjustments to reconcile income before income taxes to net cash provided by operating activities</b> |      |                                 |                                 |                                 |                                 |
| Depreciation and amortization   | 5,6  | 14,987                          | 12,370                          | 3,997                           | 3,299                           |
| Exploration and evaluation costs written off  |      | 739                             | 944                             | 197                             | 252                             |
| Share of results of joint ventures and associates   |      | 1,585                           | 844                             | 423                             | 225                             |
| Finance income  |      | (1,060)                         | (1,440)                         | (283)                           | (384)                           |
| Finance costs   |      | 1,583                           | 1,261                           | 422                             | 336                             |
| Dividends from investments in securities  |      | (109)                           | (168)                           | (29)                            | (45)                            |
| Change in fair value of investments through profit or loss  |      | 865                             | 193                             | 231                             | 51                              |
| Change in joint ventures and associates inventory profit elimination                                    |      | (367)                           | (106)                           | (98)                            | (28)                            |
| Other   |      | (1,116)                         | 294                             | (298)                           | 79                              |
| <b>Change in working capital</b>  |      |                                 |                                 |                                 |                                 |
| Inventories   |      | 9,717                           | (36)                            | 2,591                           | (10)                            |
| Trade receivables   |      | 33,546                          | (4,234)                         | 8,946                           | (1,129)                         |
| Due from the Government   |      | 7,797                           | 2,941                           | 2,079                           | 784                             |
| Other assets and receivables  |      | (5,312)                         | 2,210                           | (1,417)                         | 589                             |
| Trade and other payables  |      | (13,194)                        | (3,325)                         | (3,518)                         | (887)                           |
| Royalties payable   |      | (8,755)                         | 3,975                           | (2,335)                         | 1,059                           |
| <b>Other changes</b>  |      |                                 |                                 |                                 |                                 |
| Other assets and receivables  |      | (2,039)                         | (2,383)                         | (544)                           | (635)                           |
| Provisions  |      | 394                             | 64                              | 105                             | 17                              |
| Post-employment benefit obligations   |      | 592                             | (1,579)                         | 158                             | (421)                           |
| Settlement of income and other taxes  | 7(c) | (83,521)                        | (85,926)                        | (22,272)                        | (22,914)                        |
| <b>Net cash provided by operating activities</b>  |      | <b>84,067</b>                   | <b>92,027</b>                   | <b>22,418</b>                   | <b>24,539</b>                   |
| <b>Capital expenditures</b>   | 4    | <b>(27,740)</b>                 | <b>(26,900)</b>                 | <b>(7,397)</b>                  | <b>(7,173)</b>                  |
| Distributions from joint ventures and associates  |      | 25                              | 34                              | 7                               | 9                               |
| Additional investments in joint ventures and associates   |      | (6)                             | (85)                            | (2)                             | (23)                            |
| Dividends from investments in securities  |      | 109                             | 168                             | 29                              | 45                              |
| Interest received   |      | 2,010                           | 1,501                           | 536                             | 400                             |
| Net investments in securities   |      | (64)                            | (58)                            | (17)                            | (15)                            |
| Net maturities (purchases) of short-term investments  |      | 45,239                          | (358)                           | 12,064                          | (95)                            |
| <b>Net cash provided by (used in) investing activities</b>  |      | <b>19,573</b>                   | <b>(25,698)</b>                 | <b>5,220</b>                    | <b>(6,852)</b>                  |
| Dividends   |      | (50,226)                        | (86,250)                        | (13,394)                        | (23,000)                        |
| Dividends paid to non-controlling interests   |      | (14)                            | –                               | (4)                             | –                               |
| Interest paid   |      | (1,132)                         | (944)                           | (302)                           | (252)                           |
| Proceeds from borrowings  |      | 8,459                           | 1,408                           | 2,256                           | 376                             |
| Repayments of borrowings  |      | (2,998)                         | (1,848)                         | (799)                           | (493)                           |
| <b>Net cash used in financing activities</b>  |      | <b>(45,911)</b>                 | <b>(87,634)</b>                 | <b>(12,243)</b>                 | <b>(23,369)</b>                 |
| <b>Net increase (decrease) in cash and cash equivalents</b>   |      | <b>57,729</b>                   | <b>(21,305)</b>                 | <b>15,395</b>                   | <b>(5,682)</b>                  |
| Cash and cash equivalents at beginning of the period  |      | 177,706                         | 183,152                         | 47,388                          | 48,841                          |
| <b>Cash and cash equivalents at end of the period</b>   |      | <b>235,435</b>                  | <b>161,847</b>                  | <b>62,783</b>                   | <b>43,159</b>                   |

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# Notes to the condensed consolidated interim financial report

## 1. General information

The Saudi Arabian Oil Company (the "Company"), with headquarters located in Dhahran, Kingdom of Saudi Arabia (the "Kingdom"), is engaged in prospecting, exploring, drilling and extracting hydrocarbon substances ("Upstream") and processing, manufacturing, refining and marketing these hydrocarbon substances ("Downstream"). The Company was formed on November 13, 1988 by Royal Decree No. M/8; however, its history dates back to May 29, 1933 when the Saudi Arabian Government (the "Government") granted a concession to the Company's predecessor the right to, among other things, explore the Kingdom for hydrocarbons. Effective January 1, 2018, Council of Minister's Resolution No. 180, dated 1/4/1439H (December 19, 2017), converted the Company to a Saudi Joint Stock Company with new Bylaws.

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

The condensed consolidated interim financial report of the Company and its subsidiaries (together "Saudi Aramco") was approved by the Board of Directors on May 11, 2020.

## 2. Basis of preparation and other significant accounting policies

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

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

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

In response to the novel Coronavirus (COVID-19), which has caused global economic disruption, Saudi Aramco has implemented active prevention programs at its sites and contingent plans to minimize the risk related to COVID-19 and continue its operations. Management has considered the potential impact of COVID-19 pandemic in the Company's significant accounting judgements and estimates and there are no changes to the significant judgements and estimates disclosed in the December 31, 2019 consolidated financial statements, other than for those disclosed in this condensed consolidated interim financial report.

### (a) Fiscal regime changes

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

- (i) The Company and the Government executed an amendment to the Concession Agreement which changed the effective royalty rate applied to crude oil production based on the Company's official selling prices. The effective royalty rate is determined based on a baseline marginal rate of 15% (from 20%) applied to prices up to \$70 per barrel, increasing to 45% (from 40%) applied to prices above \$70 per barrel and 80% (from 50%) applied to prices above \$100 per barrel.
- (ii) LPGs and certain other products were added to the price equalization mechanism to compensate the Company for revenue directly foregone as a result of the Company's compliance with the Government mandates related to domestic sales of those products by the Company.
- (iii) The tax rate applicable to the Company's Downstream activities was reduced from the 50% rate applicable to qualified domestic oil and hydrocarbon production companies to the general corporate tax rate of 20% applicable to similar domestic downstream companies under the Saudi Arabian Income Tax Law of 2004 and its amendments (the "Tax Law"). The new rate is conditioned on the Company separating its Downstream activities under the control of one or more separate wholly owned subsidiaries before December 31, 2024, otherwise, the Company's Downstream activities will be retroactively taxed at 50%. The Company expects to transfer all its Downstream activities into a separate legal entity or entities within the period specified (Note 7).



### (b) New or amended standards

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

In September 2019, the IASB amended IAS 39, Financial Instruments: Recognition and Measurement, IFRS 7, Financial Instruments: Disclosures, and IFRS 9, Financial Instruments, which modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the Interbank Offered Rate ("IBOR") reform in which the London Interbank Offered Rate ("LIBOR") interest benchmark will cease after 2021. The amendments also require companies to provide additional information about their hedging relationships which are directly affected by these uncertainties. Additionally, the IASB is considering the potential consequences on financial reporting of replacing an existing benchmark with an alternative. IBOR reforms and expectation of cessation of LIBOR will impact Saudi Aramco's current risk management strategy and possibly accounting for certain financial instruments used for hedging. Saudi Aramco has recognized the following hedging instruments at fair value (Note 3) which are exposed to the impact of LIBOR with a nominal value of SAR 12,820:

- Financial Assets: SAR 11
- Financial Liabilities: SAR 908

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

Other standards and amendments did not have any impact on Saudi Aramco's accounting policies and did not require retrospective adjustments.

- (ii) Saudi Aramco has not early adopted any new accounting standards, interpretations or amendments that are issued but not yet effective.

### (c) Reclassifications

Certain comparative amounts in the Condensed Consolidated Statement of Income for the three-month period ended March 31, 2019 have been reclassified to conform to the current period presentation. Such reclassifications did not impact the previously reported net income. These include certain sales of crude oil and related purchases of refined products in the amount of SAR 2,536, which are presented in the Condensed Consolidated Statement of Income as revenue and purchases, reflecting current trading arrangements, and producing and manufacturing costs in the amount of SAR 1,571 which are presented in the Condensed Consolidated Statement of Income as purchases.

### (d) Inventories

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

## 3. Fair value estimation

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

The following table presents Saudi Aramco's assets and liabilities measured and recognized at fair value at March 31, 2020 and December 31, 2019, based on the prescribed fair value measurement hierarchy on a recurring basis. Saudi Aramco did not measure any financial assets or financial liabilities at fair value on a non-recurring basis at March 31, 2020 and December 31, 2019. There were no changes made to any of the valuation techniques and valuation processes applied as of December 31, 2019 and changes in unobservable inputs are not expected to materially impact the fair value.

| <b>Assets</b>  | Level 1 <sup>i</sup> | Level 2 <sup>ii</sup> | Level 3 <sup>iii</sup> | <b>Total</b>  |
|--|----------------------|-----------------------|------------------------|---------------|
| <b>March 31, 2020:</b>   |                      |                       |                        |               |
| Investments in securities:   |                      |                       |                        |               |
| Equity securities at Fair Value Through Other Comprehensive Income ("FVOCI") | 6,583                | -                     | 1,239                  | 7,822         |
| Debt securities at FVOCI   | 1                    | 4,697                 | -                      | 4,698         |
| Equity securities at Fair Value Through Profit Or Loss ("FVPL")              | -                    | 857                   | 4,479                  | 5,336         |
| Trade receivables related to contracts with provisional pricing arrangements | -                    | -                     | 43,420                 | 43,420        |
|  | <u>6,584</u>         | <u>5,554</u>          | <u>49,138</u>          | <u>61,276</u> |
| Other assets and receivables:  |                      |                       |                        |               |
| Interest rate swaps  | -                    | 11                    | -                      | 11            |
| Commodity swaps  | -                    | 5,081                 | -                      | 5,081         |
| Currency forward contracts   | -                    | 118                   | -                      | 118           |
|  | <u>-</u>             | <u>5,210</u>          | <u>-</u>               | <u>5,210</u>  |
| <b>Total assets</b>  | <u>6,584</u>         | <u>10,764</u>         | <u>49,138</u>          | <u>66,486</u> |
| December 31, 2019:   |                      |                       |                        |               |
| Investments in securities:   |                      |                       |                        |               |
| Equity securities at FVOCI   | 8,246                | -                     | 1,244                  | 9,490         |
| Debt securities at FVOCI   | 1                    | 4,563                 | -                      | 4,564         |
| Equity securities at FVPL  | -                    | 1,265                 | 4,918                  | 6,183         |
| Trade receivables related to contracts with provisional pricing arrangements | -                    | -                     | 75,723                 | 75,723        |
|  | <u>8,247</u>         | <u>5,828</u>          | <u>81,885</u>          | <u>95,960</u> |
| Other assets and receivables:  |                      |                       |                        |               |
| Interest rate swaps  | -                    | 13                    | -                      | 13            |
| Commodity swaps  | -                    | 288                   | -                      | 288           |
| Currency forward contracts   | -                    | 30                    | -                      | 30            |
|  | <u>-</u>             | <u>331</u>            | <u>-</u>               | <u>331</u>    |
| <b>Total assets</b>  | <u>8,247</u>         | <u>6,159</u>          | <u>81,885</u>          | <u>96,291</u> |
| <b>Liabilities</b>   |                      |                       |                        |               |
|  | Level 1 <sup>i</sup> | Level 2 <sup>ii</sup> | Level 3 <sup>iii</sup> | <b>Total</b>  |
| <b>March 31, 2020:</b>   |                      |                       |                        |               |
| Trade and other payables:  |                      |                       |                        |               |
| Interest rate swaps  | -                    | 908                   | -                      | 908           |
| Commodity swaps  | -                    | 766                   | -                      | 766           |
| Currency forward contracts   | -                    | 328                   | -                      | 328           |
| <b>Total liabilities</b>   | <u>-</u>             | <u>2,002</u>          | <u>-</u>               | <u>2,002</u>  |
| December 31, 2019:   |                      |                       |                        |               |
| Trade and other payables:  |                      |                       |                        |               |
| Interest rate swaps  | -                    | 338                   | -                      | 338           |
| Commodity swaps  | -                    | 521                   | -                      | 521           |
| Currency forward contracts   | -                    | 109                   | -                      | 109           |
| <b>Total liabilities</b>   | <u>-</u>             | <u>968</u>            | <u>-</u>               | <u>968</u>    |

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

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

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

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

|  | March 31,<br>2020 | December 31,<br>2019 |
|--|-------------------|----------------------|
| <b>Beginning</b>                                   | <b>6,162</b>      | 5,530                |
| Net additions                                      | (4)               | 286                  |
| Net movement in unrealized fair value (loss)/ gain | (440)             | 346                  |
| <b>Ending</b>                                      | <b>5,718</b>      | 6,162                |

The movement in trade receivables related to contracts with provisional pricing arrangements mainly relates to sales transactions, net of settlements, made during the period, resulting from contracts with customers (Note 10). Unrealized fair value movements on these trade receivables are not significant.

#### 4. Operating segments

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

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

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

There are no differences from the 2019 consolidated financial statements in the basis of segmentation or in the basis of measurement of segment earnings before interest and income taxes.

Information by segments for the three-month period ended March 31, 2020 is as follows:

|  | Upstream      | Downstream   | Corporate  | Eliminations | Consolidated  |
|--|---------------|--------------|------------|--------------|---------------|
| External revenue                                   | 136,305       | 88,866       | 396        | -            | 225,567       |
| Other income related to sales                      | 8,814         | 15,964       | -          | -            | 24,778        |
| Inter-segment revenue                              | 47,618        | 7,453        | 88         | (55,159)     | -             |
| Earnings (losses) before interest and income taxes | 141,111       | (19,006)     | (4,499)    | 10,652       | 128,258       |
| Finance income                                     |               |              |            |              | 1,060         |
| Finance costs                                      |               |              |            |              | (1,583)       |
| Income before income taxes                         |               |              |            |              | 127,735       |
| <b>Capital expenditures - cash basis</b>           | <b>20,533</b> | <b>6,900</b> | <b>307</b> | <b>-</b>     | <b>27,740</b> |

Information by segments for the three-month period ended March 31, 2019 is as follows:

|  | Upstream      | Downstream   | Corporate  | Eliminations | Consolidated  |
|--|---------------|--------------|------------|--------------|---------------|
| External revenue                                   | 176,538       | 92,508       | 250        | -            | 269,296       |
| Other income related to sales                      | 5,501         | 22,837       | -          | -            | 28,338        |
| Inter-segment revenue                              | 55,066        | 7,562        | 89         | (62,717)     | -             |
| Earnings (losses) before interest and income taxes | 169,946       | 5,116        | (3,098)    | (6,015)      | 165,949       |
| Finance income                                     |               |              |            |              | 1,440         |
| Finance costs                                      |               |              |            |              | (1,261)       |
| Income before income taxes                         |               |              |            |              | 166,128       |
| <b>Capital expenditures - cash basis</b>           | <b>20,964</b> | <b>5,450</b> | <b>486</b> | <b>-</b>     | <b>26,900</b> |

## 5. Property, plant and equipment

|  | Crude oil facilities | Refinery and petrochemical facilities | Gas and NGL facilities | General service plant | Construction-in-progress | Total            |
|--|----------------------|---------------------------------------|------------------------|-----------------------|--------------------------|------------------|
| <b>Cost</b>  |                      |                                       |                        |                       |                          |                  |
| January 1, 2020  | 537,299              | 231,049                               | 396,400                | 108,582               | 291,482                  | 1,564,812        |
| Additions  | 4,219                | 365                                   | 35                     | 1,192                 | 26,006                   | 31,817           |
| Construction completed                                     | 18,910               | 3,752                                 | 10,334                 | 3,282                 | (36,278)                 | –                |
| Currency translation differences                           | –                    | (2,979)                               | –                      | (3)                   | (209)                    | (3,191)          |
| Transfers and adjustments                                  | (31)                 | (334)                                 | –                      | –                     | 666                      | 301              |
| Transfer of exploration and evaluation assets              | –                    | –                                     | –                      | –                     | 1,113                    | 1,113            |
| Retirements and sales                                      | (127)                | (2,334)                               | (34)                   | (524)                 | –                        | (3,019)          |
| <b>March 31, 2020</b>                                      | <b>560,270</b>       | <b>229,519</b>                        | <b>406,735</b>         | <b>112,529</b>        | <b>282,780</b>           | <b>1,591,833</b> |
| <b>Accumulated depreciation</b>                            |                      |                                       |                        |                       |                          |                  |
| January 1, 2020  | (271,105)            | (78,033)                              | (174,300)              | (59,360)              | –                        | (582,798)        |
| Additions <sup>(1)</sup>                                   | (5,445)              | (3,737)                               | (3,485)                | (2,042)               | –                        | (14,709)         |
| Currency translation differences                           | –                    | 1,103                                 | –                      | 1                     | –                        | 1,104            |
| Transfers and adjustments                                  | 2                    | 291                                   | –                      | 3                     | –                        | 296              |
| Retirements and sales                                      | 96                   | 2,327                                 | 32                     | 475                   | –                        | 2,930            |
| <b>March 31, 2020</b>                                      | <b>(276,452)</b>     | <b>(78,049)</b>                       | <b>(177,753)</b>       | <b>(60,923)</b>       | <b>–</b>                 | <b>(593,177)</b> |
| <b>Property, plant and equipment - net, March 31, 2020</b> | <b>283,818</b>       | <b>151,470</b>                        | <b>228,982</b>         | <b>51,606</b>         | <b>282,780</b>           | <b>998,656</b>   |

(1) Includes impairments of SAR 734.

Additions to right-of-use assets during the three-month period ended March 31, 2020 were SAR 5,592. The following table presents depreciation charges and net carrying amounts of right-of-use assets by class of assets.

|                                       | Depreciation expense for the three-month period ended March 31, 2020 | Carrying amount at March 31, 2020 |
|---------------------------------------|--|-----------------------------------|
| Crude oil facilities                  | 856  | 11,494                            |
| Refinery and petrochemical facilities | 330  | 9,874                             |
| Gas and NGL facilities                | 48   | 142                               |
| General service plant                 | 1,129  | 22,280                            |
|                                       | <b>2,363</b>   | <b>43,790</b>                     |

## 6. Intangible assets

|  | Exploration and evaluation | Brands and trademarks | Franchise/customer relationships | Computer software | Other        | Total          |
|--|----------------------------|-----------------------|----------------------------------|-------------------|--------------|----------------|
| <b>Cost</b>                                    |                            |                       |                                  |                   |              |                |
| January 1, 2020                                | 21,913                     | 4,791                 | 1,764                            | 4,428             | 2,757        | 35,653         |
| Additions                                      | 1,491                      | –                     | –                                | 2                 | –            | 1,493          |
| Currency translation differences               | –                          | (81)                  | (19)                             | –                 | (21)         | (121)          |
| Transfers and adjustments                      | –                          | (42)                  | (46)                             | –                 | (12)         | (100)          |
| Transfer of exploration and evaluation assets  | (1,113)                    | –                     | –                                | –                 | –            | (1,113)        |
| Retirements                                    | (739)                      | –                     | –                                | –                 | –            | (739)          |
| <b>March 31, 2020</b>                          | <b>21,552</b>              | <b>4,668</b>          | <b>1,699</b>                     | <b>4,430</b>      | <b>2,724</b> | <b>35,073</b>  |
| <b>Accumulated amortization</b>                |                            |                       |                                  |                   |              |                |
| January 1, 2020                                | –                          | (1,448)               | (866)                            | (2,835)           | (382)        | (5,531)        |
| Additions                                      | –                          | (101)                 | (42)                             | (84)              | (51)         | (278)          |
| Currency translation differences               | –                          | 2                     | 1                                | –                 | (2)          | 1              |
| Transfers and adjustments                      | –                          | 42                    | 46                               | –                 | 12           | 100            |
| <b>March 31, 2020</b>                          | <b>–</b>                   | <b>(1,505)</b>        | <b>(861)</b>                     | <b>(2,919)</b>    | <b>(423)</b> | <b>(5,708)</b> |
| <b>Intangible assets - net, March 31, 2020</b> | <b>21,552</b>              | <b>3,163</b>          | <b>838</b>                       | <b>1,511</b>      | <b>2,301</b> | <b>29,365</b>  |

Other intangible assets include licenses and usage rights of SAR 708, patents and intellectual property of SAR 530 and goodwill of SAR 1,063.

## 7. Income taxes

### (a) Kingdom income tax rates

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

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

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

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

|  | 1 <sup>st</sup> quarter<br>2020 | 1 <sup>st</sup> quarter<br>2019 |
|--|---------------------------------|---------------------------------|
| Income before income taxes                             | 127,735                         | 166,128                         |
| Income taxes at the Kingdom's statutory tax rates      | 62,745                          | 81,229                          |
| Tax effect of:   |                                 |                                 |
| Income not subject to tax at statutory rates and other | 2,512                           | 1,613                           |
|  | <b>65,257</b>                   | <b>82,842</b>                   |

### (b) Income tax expense

|                                | 1 <sup>st</sup> quarter<br>2020 | 1 <sup>st</sup> quarter<br>2019 |
|--------------------------------|---------------------------------|---------------------------------|
| Current income tax - Kingdom   | 63,801                          | 79,542                          |
| Current income tax - Foreign   | 50                              | 144                             |
| Deferred income tax - Kingdom: |                                 |                                 |
| Charge for the period          | 3,212                           | 2,119                           |
| Deferred income tax - Foreign  | (1,806)                         | 1,037                           |
|                                | <b>65,257</b>                   | <b>82,842</b>                   |

### (c) Income tax obligation to the Government

|   | March 31,<br>2020 | March 31,<br>2019 |
|---|-------------------|-------------------|
| <b>January 1</b>  | <b>62,243</b>     | 70,299            |
| Provided during the period                                      | 63,801            | 79,542            |
| Payments during the period by the Company (Note 14)             | (45,418)          | (43,444)          |
| Payments during the period by subsidiaries and joint operations | (243)             | (125)             |
| Settlements of due from the Government                          | (35,859)          | (41,280)          |
| Other settlements   | (1,931)           | (843)             |
| <b>March 31</b>   | <b>42,593</b>     | 64,149            |

### 8. Other reserves

|  | Currency translation differences | Investments in securities at FVOCI | Post-employment benefit obligations | Share-based payment reserve | Cash flow hedges and other | Share of other comprehensive income (loss) of joint ventures and associates |   | Total          |
|--|----------------------------------|------------------------------------|-------------------------------------|-----------------------------|----------------------------|---|---|----------------|
|  |                                  |                                    |                                     |                             |                            | Post-employment benefit obligations and other                               | Foreign currency translation gains (losses) |                |
| <b>January 1, 2020</b>                             | (585)                            | 3,342                              | –                                   | 31                          | (427)                      | (476)   | 191   | 2,076          |
| Current period change                              | (1,468)                          | (1,723)                            | –                                   | 139                         | (619)                      | (628)   | (36)  | (4,335)        |
| Remeasurement loss <sup>(1)</sup>                  | –                                | –                                  | (19,607)                            | –                           | –                          | –   | –   | (19,607)       |
| Transfer to retained earnings                      | –                                | –                                  | 10,695                              | –                           | –                          | –   | –   | 10,695         |
| Tax effect   | –                                | 621                                | 8,912                               | –                           | –                          | –   | –   | 9,533          |
| Less: amounts related to non-controlling interests | 469                              | –                                  | –                                   | –                           | 24                         | –   | –   | 493            |
| <b>March 31, 2020</b>                              | <b>(1,584)</b>                   | <b>2,240</b>                       | <b>–</b>                            | <b>170</b>                  | <b>(1,022)</b>             | <b>(1,104)</b>  | <b>155</b>                                  | <b>(1,145)</b> |

(1) The remeasurement loss is primarily due to changes in the fair value of post-employment benefit plan assets.

### 9. Borrowings

|                           | March 31,<br>2020 | December 31,<br>2019 |
|---------------------------|-------------------|----------------------|
| <b>Non-current:</b>       |                   |                      |
| Borrowings                | 39,879            | 39,957               |
| Debentures                | 62,464            | 60,957               |
| Sukuk (Shari'a compliant) | 12,649            | 12,649               |
| Lease liabilities         | 36,162            | 33,831               |
| Other <sup>(1)</sup>      | 3,312             | 3,296                |
|                           | <b>154,466</b>    | 150,690              |
| <b>Current:</b>           |                   |                      |
| Short-term bank financing | 15,308            | 12,660               |
| Borrowings                | 7,040             | 4,957                |
| Sukuk (Shari'a compliant) | 175               | 175                  |
| Lease liabilities         | 8,260             | 7,103                |
|                           | <b>30,783</b>     | 24,895               |

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

## 10. Revenue

|   | 1 <sup>st</sup> quarter<br>2020 | 1 <sup>st</sup> quarter<br>2019 |
|---|---------------------------------|---------------------------------|
| Revenue from contracts with customers         | 231,126                         | 265,844                         |
| Movement between provisional and final prices | (6,439)                         | 2,707                           |
| Other revenue                                 | 880                             | 745                             |
|   | <b>225,567</b>                  | <b>269,296</b>                  |

Revenue from contracts with customers is measured at a transaction price agreed under the contract and the payment is due within 10 to 90 days from the invoice date depending on specific terms of the contract.

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

### Disaggregation of revenue from contracts with customers

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

|   | 1 <sup>st</sup> quarter 2020 |               |            | Total          |
|---|------------------------------|---------------|------------|----------------|
|   | Upstream                     | Downstream    | Corporate  |                |
| Crude oil                                     | 128,873                      | 10,388        | –          | 139,261        |
| Refined and chemical products                 | –                            | 77,925        | –          | 77,925         |
| Natural gas and NGLs                          | 13,462                       | 478           | –          | 13,940         |
| <b>Revenue from contracts with customers</b>  | <b>142,335</b>               | <b>88,791</b> | <b>–</b>   | <b>231,126</b> |
| Movement between provisional and final prices | (6,170)                      | (269)         | –          | (6,439)        |
| Other revenue                                 | 140                          | 344           | 396        | 880            |
| <b>External revenue</b>                       | <b>136,305</b>               | <b>88,866</b> | <b>396</b> | <b>225,567</b> |

  

|   | 1 <sup>st</sup> quarter 2019 |               |            | Total          |
|---|------------------------------|---------------|------------|----------------|
|   | Upstream                     | Downstream    | Corporate  |                |
| Crude oil                                     | 159,289                      | 2,700         | –          | 161,989        |
| Refined and chemical products                 | 73                           | 89,262        | –          | 89,335         |
| Natural gas and NGLs                          | 14,430                       | 90            | –          | 14,520         |
| <b>Revenue from contracts with customers</b>  | <b>173,792</b>               | <b>92,052</b> | <b>–</b>   | <b>265,844</b> |
| Movement between provisional and final prices | 2,582                        | 125           | –          | 2,707          |
| Other revenue                                 | 164                          | 331           | 250        | 745            |
| <b>External revenue</b>                       | <b>176,538</b>               | <b>92,508</b> | <b>250</b> | <b>269,296</b> |

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

|                               | 1 <sup>st</sup> quarter<br>2020 | 1 <sup>st</sup> quarter<br>2019 |
|-------------------------------|---------------------------------|---------------------------------|
| Crude oil                     | 479                             | 389                             |
| Refined and chemical products | 13,634                          | 12,966                          |
| Natural gas and NGLs          | 3,350                           | 3,460                           |
|                               | <b>17,463</b>                   | <b>16,815</b>                   |

## 11. Non-cash transactions in the Condensed Consolidated Statement of Cash Flows

Investing activities for the three-month period ended March 31, 2020 include additions to right-of-use assets of SAR 5,592 (March 31, 2019: SAR 2,044), trade receivables with a joint venture that were converted to equity of nil (March 31, 2019: SAR 1,098), and asset retirement provisions of SAR 79 (March 31, 2019: SAR 64).

## 12. Commitments

### (a) Capital commitments

Capital expenditures contracted for but not yet incurred were SAR 156,188 and SAR 154,181 at March 31, 2020 and December 31, 2019, respectively. In addition, leases contracted for but not yet commenced were SAR 7,274 and SAR 7,467 at March 31, 2020 and December 31, 2019, respectively.

### (b) Sadara Chemical Company (“Sadara”)

In March 2020, Saudi Aramco and Dow Chemical Company equally committed to comply with the Ministry of Energy feedstock agreement to support the development of Chemical Value Parks in the Kingdom with an amount of SAR 375. The first payment of SAR 38 shall be deposited within one month from the date of supplying Sadara with additional ethane. The remaining funds shall be deposited over 9 years at SAR 38 annually. Saudi Aramco's commitment of SAR 188 is outstanding.

## 13. 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.

## 14. Payments to the Government by the Company

|                          | 1 <sup>st</sup> quarter<br>2020 | 1 <sup>st</sup> quarter<br>2019 |
|--------------------------|---------------------------------|---------------------------------|
| Income taxes (Note 7(c)) | 45,418                          | 43,444                          |
| Royalties                | 33,372                          | 39,401                          |
| Dividends                | 49,973                          | 86,250                          |

## 15. Related party transactions

### (a) Transactions

|   | 1 <sup>st</sup> quarter<br>2020 | 1 <sup>st</sup> quarter<br>2019 |
|---|---------------------------------|---------------------------------|
| <b>Joint ventures:</b>                          |                                 |                                 |
| Revenue from sales                              | 1,845                           | 304                             |
| Other revenue                                   | 19                              | 8                               |
| Interest income                                 | 15                              | –                               |
| Purchases                                       | 23                              | –                               |
| Service expenses                                | 4                               | 8                               |
| <b>Associates:</b>                              |                                 |                                 |
| Revenue from sales                              | 4,028                           | 8,764                           |
| Other revenue                                   | 71                              | 30                              |
| Interest income                                 | 45                              | 38                              |
| Purchases                                       | 3,893                           | 7,324                           |
| Service expenses                                | 30                              | 26                              |
| <b>Government and semi-Government agencies:</b> |                                 |                                 |
| Revenue from sales                              | 9,743                           | 10,838                          |
| Other income related to sales                   | 24,778                          | 28,338                          |
| Other revenue                                   | 158                             | 248                             |
| Purchases                                       | 2,355                           | 668                             |
| Service expenses                                | 98                              | 83                              |



**(b) Balances**

|   | March 31,<br>2020 | December 31,<br>2019 |
|---|-------------------|----------------------|
| <b>Joint ventures:</b>                          |                   |                      |
| Other assets and receivables                    | 2,588             | 1,609                |
| Trade receivables                               | 956               | 836                  |
| Interest receivable                             | 41                | 30                   |
| Trade and other payables                        | 8                 | 15                   |
| <b>Associates:</b>                              |                   |                      |
| Other assets and receivables                    | 3,338             | 3,326                |
| Trade receivables                               | 6,191             | 8,715                |
| Trade and other payables                        | 2,554             | 4,553                |
| <b>Government and semi-Government agencies:</b> |                   |                      |
| Trade receivables                               | 5,464             | 5,985                |
| Due from the Government                         | 28,984            | 36,781               |
| Trade and other payables                        | 2,655             | 3,019                |
| Borrowings                                      | 5,366             | 5,366                |

**(c) Compensation of key management personnel**

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

**16. Investment in Hyundai Oilbank**

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

The carrying value of Hyundai Oilbank is recorded as an investment in associate. Saudi Aramco has engaged an independent valuer in order to determine the fair values of the assets and liabilities of Hyundai Oilbank as part of the purchase price allocation, which has not yet been concluded. Based on an updated preliminary purchase price allocation, which includes notable changes to the fair values of identifiable investments in affiliates and intangible assets as a result of the independent valuer progressing towards completion of the purchase price allocation, the fair values of the identifiable assets and liabilities of Hyundai Oilbank as at the date of acquisition are as follows:

|   |          |
|---|----------|
| Cash and cash equivalents                                   | 1,541    |
| Trade and other receivables                                 | 5,096    |
| Inventories   | 8,074    |
| Other assets  | 634      |
| Investments in affiliates                                   | 6,769    |
| Property, plant and equipment                               | 26,100   |
| Intangible assets   | 3,664    |
| Trade and other payables                                    | (9,491)  |
| Borrowings  | (12,604) |
| Other liabilities   | (4,461)  |
| Total identifiable net assets at fair value                 | 25,322   |
| Hybrid securities   | (720)    |
| Non-controlling interest                                    | (3,045)  |
| Total identifiable net assets attributable to equity owners | 21,557   |
| Saudi Aramco's 17% share                                    | 3,665    |
| Call option   | 143      |
| Goodwill  | 606      |
| Purchase consideration                                      | 4,414    |

## 17. Dividends

Dividends declared and paid on ordinary shares are as follows:

|  | 1 <sup>st</sup> quarter<br>2020 | 1 <sup>st</sup> quarter<br>2019 | SAR per share                   |                                 |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|  |                                 |                                 | 1 <sup>st</sup> quarter<br>2020 | 1 <sup>st</sup> quarter<br>2019 |
| Quarter:   |                                 |                                 |                                 |                                 |
| March  | 50,226                          | 86,250                          | 0.25                            | 0.43                            |
| Total dividends paid <sup>(1)</sup>                    | 50,226                          | 86,250                          | 0.25                            | 0.43                            |
| Declared in December 2019, paid in January 2020        | (35,475)                        | –                               | (0.18)                          | –                               |
| Declared in March 2019, paid in April 2019             | –                               | 37,500                          | –                               | 0.19                            |
| Total dividends declared                               | 14,751                          | 123,750                         | 0.07                            | 0.62                            |
| Dividends declared in May 2020 and 2019 <sup>(2)</sup> | 70,324                          | 50,213                          | 0.35                            | 0.25                            |

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

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

## 18. Events after the reporting period

Management continues to monitor the COVID-19 situation and will take further actions as necessary and appropriate in response to the economic disruption and other COVID-19 consequences.

All amounts in millions unless otherwise stated

# Non-IFRS measures reconciliations and definitions

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

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

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

## ROACE

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

ROACE for the twelve months ended March 31, 2019 and 2020 was 40.0% and 26.3%, respectively. The decrease was principally due to lower net income.

|  | SAR                             |                  | USD*                            |                |
|--|---------------------------------|------------------|---------------------------------|----------------|
|  | Twelve months ended<br>March 31 | 2019             | Twelve months ended<br>March 31 | 2019           |
| <i>All amounts in millions unless otherwise stated</i> |                                 |                  |                                 |                |
| Net income   | 309,885                         | 407,872          | 82,636                          | 108,766        |
| Finance costs, net of tax                              | 3,174                           | 1,764            | 847                             | 470            |
| <b>Net income before finance costs, net of tax</b>     | <b>313,059</b>                  | <b>409,636</b>   | <b>83,483</b>                   | <b>109,236</b> |
| <b>As at period start:</b>                             |                                 |                  |                                 |                |
| Non-current borrowings                                 | 90,146                          | 66,477           | 24,039                          | 17,727         |
| Current borrowings                                     | 36,213                          | 24,637           | 9,657                           | 6,570          |
| Total equity   | 985,630                         | 844,852          | 262,834                         | 225,294        |
| <b>Capital employed</b>                                | <b>1,111,989</b>                | <b>935,966</b>   | <b>296,530</b>                  | <b>249,591</b> |
| <b>As at period end:</b>                               |                                 |                  |                                 |                |
| Non-current borrowings                                 | 154,466                         | 90,146           | 41,191                          | 24,039         |
| Current borrowings                                     | 30,783                          | 36,213           | 8,209                           | 9,657          |
| Total equity   | 1,079,539                       | 985,630          | 287,877                         | 262,834        |
| <b>Capital employed</b>                                | <b>1,264,788</b>                | <b>1,111,989</b> | <b>337,277</b>                  | <b>296,530</b> |
| <b>Average capital employed</b>                        | <b>1,188,389</b>                | <b>1,023,978</b> | <b>316,904</b>                  | <b>273,061</b> |
| <b>ROACE</b>   | <b>26.3%</b>                    | <b>40.0%</b>     | <b>26.3%</b>                    | <b>40.0%</b>   |

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

All amounts in millions unless otherwise stated

## Free cash flow

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

Free cash flow decreased from SAR 65,127 (\$17,366) in the first quarter of 2019 to SAR 56,327 (\$15,021) for the same period in 2020, a decrease of SAR 8,800 (\$2,345), or 13.5%. This was mainly driven by lower operating cash flow, reflecting declining crude oil prices and refining and chemicals margins, partially offset by favourable movements in working capital. Capital expenditures marginally increased by SAR 840 (\$224) in the first quarter of 2020, compared to the same period in 2019.

| All amounts in millions unless otherwise stated | SAR           |               | USD*          |               |
|---|---------------|---------------|---------------|---------------|
|   | First quarter |               | First quarter |               |
|   | 2020          | 2019          | 2020          | 2019          |
| Net cash provided by operating activities       | 84,067        | 92,027        | 22,418        | 24,539        |
| Capital expenditures                            | (27,740)      | (26,900)      | (7,397)       | (7,173)       |
| <b>Free cash flow</b>                           | <b>56,327</b> | <b>65,127</b> | <b>15,021</b> | <b>17,366</b> |

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

## Gearing

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

Gearing decreased from -0.2% as at December 31, 2019 to -4.9% as at March 31, 2020 (net cash position at both period-ends). This was primarily due to an increase in cash and cash equivalents relating to the proceeds from the issuance of Senior Unsecured Notes of SAR 45,000 (\$12,000) in 2019 that were held in short-term investments at December 31, 2019, and matured during the quarter.

| All amounts in millions unless otherwise stated | SAR  |                   | USD*            |                   |
|---|--|-------------------|-----------------|-------------------|
|   | March 31, 2020                             | December 31, 2019 | March 31, 2020  | December 31, 2019 |
|   | Total borrowings (current and non-current) | 185,249           | 175,585         | 49,400            |
| Cash & cash equivalents                         | (235,435)                                  | (177,706)         | (62,783)        | (47,388)          |
| <b>Net cash</b>                                 | <b>(50,186)</b>                            | <b>(2,121)</b>    | <b>(13,383)</b> | <b>(565)</b>      |
| Total equity                                    | 1,079,539                                  | 1,046,235         | 287,877         | 278,996           |
| <b>Total equity and net cash</b>                | <b>1,029,353</b>                           | <b>1,044,114</b>  | <b>274,494</b>  | <b>278,431</b>    |
| <b>Gearing</b>                                  | <b>(4.9)%</b>                              | <b>(0.2)%</b>     | <b>(4.9)%</b>   | <b>(0.2)%</b>     |

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

## Earnings before interest and taxes (EBIT)

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

EBIT for the quarter ended March 31, 2019 and 2020 was SAR 165,949 (\$44,253) and SAR 128,258 (\$34,202), respectively. The decrease of SAR 37,691 (\$10,051), or 22.7%, was mainly attributable to lower crude oil prices, and refining and chemicals margins.

| All amounts in millions unless otherwise stated | SAR            |                | USD*          |               |
|---|----------------|----------------|---------------|---------------|
|   | First quarter  |                | First quarter |               |
|   | 2020           | 2019           | 2020          | 2019          |
| Net income                                      | 62,478         | 83,286         | 16,661        | 22,210        |
| Finance income                                  | (1,060)        | (1,440)        | (283)         | (384)         |
| Finance costs                                   | 1,583          | 1,261          | 422           | 336           |
| Income taxes                                    | 65,257         | 82,842         | 17,402        | 22,091        |
| <b>Earnings before interest and taxes</b>       | <b>128,258</b> | <b>165,949</b> | <b>34,202</b> | <b>44,253</b> |

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

# Terms and abbreviations

## Currencies

### SAR/Riyal

Saudi Arabian riyal

### \$/USD/US\$/Dollar

U.S. dollar

## Units of measurement

### Barrel (bbl)

Barrels of crude oil, condensate or refined products

### boe

Barrels of oil equivalent

### bpd

Barrels per day

### bscf

Billion standard cubic feet

### bscfd

Billion standard cubic feet per day

### mboed

Thousand barrels of oil equivalent per day

### mbpd

Thousand barrels per day

### mmbbl

Million barrels

### mamboe

Million barrels of oil equivalent

### mmboed

Million barrels of oil equivalent per day

### mmbpd

Million barrels per day

### mmscf

Million standard cubic feet

### mmscfd

Million standard cubic feet per day

### per day

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

### scf

Standard cubic feet

## Miscellaneous abbreviations

### COVID-19

The coronavirus disease 2019

### CCUS

Carbon Capture, Utilization, and Storage

### IAS

International Accounting Standard

### IASB

International Accounting Standards Board

### IFRS

International Financial Reporting Standards

### IMO

International Maritime Organization

### SOCPA

Saudi Organization for Certified Public Accountants

### VLSFO

Very-low sulphur fuel oil

## Technical terms

### Condensate

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

### Gross refining capacity

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

### LPG(s)

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

### MSC

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

### NGLs

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

# Glossary

## AGOC

Aramco Gulf Operations Company, a wholly owned subsidiary.

## ATC

Aramco Trading Company.

## Board

The Board of Directors of the Company.

## Bylaws

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

## Company

Saudi Arabian Oil Company.

## Council of Ministers

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

## Domestic

Refers to the Kingdom of Saudi Arabia.

## Domestic Prices

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

## Exchange or Tadawul

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

## GMTN Program

On April 1, 2019, Saudi Aramco established a global medium term note program pursuant to which it may from time to time issue notes.

## Government

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

## Greenhouse Gas Emissions

Consists of CO<sub>2</sub>, methane, nitrous oxide, hydro fluorocarbons, perfluorocarbons and sulphur hexafluoride.

## IMO 2020

On 1 January 2020, the International Maritime Organisation implemented a new regulation for a 0.50% global sulphur cap for marine fuels.

## Income Tax Law

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

## KJO

Al-Khafji Joint Operations, a joint operation between AGOC and the Kuwait Gulf Oil Company.

## Natural gas

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

## Price Equalization

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

## Regulated Gas Products

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

## Reliability

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

## SABIC

Saudi Basic Industries Corporation.

## Saudi Aramco

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

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

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

## Senior Unsecured Notes

On April 16, 2019, Saudi Aramco issued \$12.0 billion in aggregate principal amount of senior unsecured notes under the GMTN Program comprising five tranches, all of which are payable semi-annually in arrear: \$1.0 billion 2.750% senior notes due 2022; \$2.0 billion 2.875% senior notes due 2024; \$3.0 billion 3.500% senior notes due 2029; \$3.0 billion 4.250% senior notes due 2039 and \$3.0 billion 4.375% senior notes due 2049.

## Shareholder

Any holder of shares.

# Disclaimer

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

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

- the cyclical nature of the oil and gas, refining and petrochemicals industries;
- weather conditions;
- political and social instability and unrest and actual or potential armed conflicts in the regions in which Saudi Aramco operates and other areas;
- losses from risks related to insufficient insurance;
- Saudi Aramco's ability to deliver on current and future projects;
- litigation that Saudi Aramco is or may be subject to;
- Saudi Aramco's ability to realize benefits from recent and future acquisitions, including with respect to SABIC;
- risks related to international operations, including sanctions and trade restrictions, anti-bribery and anti-corruption laws and other laws and regulations;
- risks related to oil, gas, environmental, health and safety and other regulations that impact the industries in which Saudi Aramco operates;
- Saudi Aramco's dependence on its senior management and key personnel;
- management's limited experience in managing a public company;
- the reliability and security of Saudi Aramco's IT systems;
- climate change concerns and impacts;
- risks related to Government-directed projects and other Government requirements, including those related to Government-set maximum level of crude oil production and target MSC;
- fluctuations in interest rates and foreign exchange rates; and

- other risks and uncertainties that could cause actual results to differ from the forward-looking statements, as set forth in Saudi Aramco's Annual Report 2019 and other reports or statements available on our website at [www.saudiaramco.com/en/investors/investors/reports-and-presentations](http://www.saudiaramco.com/en/investors/investors/reports-and-presentations) and/or filed with the Tadawul, in addition to the risk factors set forth below.

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

For a discussion of our risk factors, please see Saudi Aramco Annual Report 2019, available through the investor relations section of Saudi Aramco's website at [www.saudiaramco.com/en/investors/investors/reports-and-presentations](http://www.saudiaramco.com/en/investors/investors/reports-and-presentations). Please note the following additional risk factor:

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

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

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

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

- a decrease in economic activity and demand for Saudi Aramco's products; and
- operational difficulties faced by suppliers, including exporting Saudi Aramco's crude oil and refined products and lack of available space for these products at storage facilities.

The situation surrounding COVID-19 remains fluid and therefore it is difficult to predict with certainty the potential impact of COVID-19 on Saudi Aramco's business, operations, financial condition and trading price of Saudi Aramco's securities.

Saudi Aramco's financial information herein has been extracted from Saudi Aramco's condensed consolidated interim financial report for the three months ended 31 March 2020, which is prepared and presented in accordance with IAS 34, that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

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

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