

2021

Saudi Aramco

First quarter interim report

For the period ended March 31, 2021

Aramco at a glance

First quarter 2021

Financial highlights

Net income
(billion)

SAR 81.4
\$21.7

EBIT*
(billion)

SAR 153.7
\$41.0

Free cash flow*
(billion)

SAR 68.5
\$18.3

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

SAR 99.3
\$26.5

Capital expenditures
(billion)

SAR 30.8
\$8.2

Dividends paid
(billion)

SAR 70.33
\$18.75

**Dividends paid
per share**

SAR 0.35
\$0.09

ROACE*
(%)

14.2

Gearing*
(%)

23.0

Earnings per share
(basic and diluted)

SAR 0.39
\$0.10

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

60.2

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

Key results

Financial results

	First quarter ended March 31			
	SAR		USD*	
	2021	2020	2021	2020
Net income	81,440	62,478	21,717	16,661
EBIT	153,680	128,258	40,982	34,202
Capital expenditures	30,750	27,740	8,200	7,397
Free cash flow	68,549	56,327	18,279	15,021
Dividends paid	70,325	50,226	18,753	13,394
ROACE ¹	14.2%	26.3%	14.2%	26.3%
Average realized crude oil price (\$/barrel)	n/a	n/a	60.2	51.8

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

1. Calculated on a 12-month rolling basis.

CEO's statement

President and CEO Amin H. Nasser

The momentum provided by the global economic recovery has strengthened energy markets, and Aramco's operational flexibility, financial agility and the resilience of our employees have contributed to a strong first quarter performance. For our customers we remain a supplier of choice, and for our shareholders we continue to deliver an exceptional quarterly dividend.

We made further progress towards our strategic objectives during the quarter and our portfolio optimization program continues to identify value creation opportunities, such as the recent announcement of our landmark \$12.4 billion pipeline infrastructure deal. We also expect Saudi Arabia's newly-launched Shareek program to present growth opportunities, through incentives which encourage partnerships and investment.

Given the positive signs for energy demand in 2021, there are more reasons to be optimistic that better days are coming. And while some headwinds still remain, we are well-positioned to meet the world's growing energy needs as economies start to recover.

First quarter highlights

The energy markets saw a strong recovery in the first quarter of 2021 due to the ongoing rebalancing of supply and demand fundamentals, in addition to improved sentiment for an increase in global demand spurred by ongoing vaccination programs. This led to a steady increase in crude oil prices, while discipline from refiners and petrochemicals producers helped improve margins. Capitalizing on these increasingly encouraging market conditions, Aramco delivered strong quarterly earnings and cash flows, while maintaining its low Upstream production cost and high level of operational agility.

To unlock value from its asset base and maximize shareholder return, Aramco continues progressing with its ongoing portfolio optimization program. In April 2021, Aramco signed a share sale and purchase agreement to sell a 49% equity interest in Aramco Oil Pipelines Company, a newly-formed Aramco subsidiary, to a consortium of investors led by EIG Global Energy Partners for cash consideration of SAR 46.5 billion (\$12.4 billion). As part of this infrastructure deal, Aramco Oil Pipelines Company will lease and leaseback usage rights in Aramco's stabilized crude oil pipelines network for a 25-year period, and in return, will receive a tariff from Aramco. Aramco will continue to retain full ownership and operational control of its stabilized crude oil pipelines network. The cash proceeds will be used for general corporate purposes.

Aramco continues to maintain its highly disciplined approach to capital allocation and expects 2021 capital expenditures to be approximately \$35 billion, compared to the original guidance of \$40 – \$45 billion.

A dividend of SAR 70.33 billion (\$18.76 billion) was declared for the first quarter of 2021.

Upstream

Upstream continues to enhance Aramco's position as one of the world's top energy producers with an average total hydrocarbon production of 11.5 mmbpd in the first quarter. This includes an average crude oil production of 8.6 mmbpd.

Upstream continues to invest in developing cutting-edge technologies and digital transformation programs. In January, Aramco and Saudi Telecom Company (stc) commissioned the Damman 7 supercomputer. Named after the first successful oil well discovered in Saudi Arabia, the Damman 7 supercomputer is among the ten most powerful supercomputers in the world with a processing capacity of 55.4 petaflops. The supercomputer is capable of running detailed 3D earth models with the intent of improving exploration and development successes while reducing associated risks.

Downstream

The Downstream business is keeping pace with its long-term strategy through further strategic integration and diversification of its operations. In the first quarter of 2021, Downstream enhanced its operating model to further support integration across the hydrocarbon value chain that will better position Aramco to strengthen its financial performance, value creation and global growth.

In the first quarter of 2021, Aramco's Downstream segment, one of the world's largest refining and petrochemicals businesses, consumed 43.8% (Q1 2020: 35.5%) of Aramco's crude oil production.

Downstream developments in the first quarter of 2021 include:

- Aramco safely and successfully started-up the Jazan refinery in January and work is progressing well to reach the 400 mbpd design capacity;
- Aramco and the Dow Chemical Company (Dow), partners in the Sadara Chemical Company (Sadara) joint venture, entered into agreements to provide additional feedstock by increasing the quantity of ethane and natural gasoline supplied by Aramco. These also include a gradual increase in Aramco's rights to market, through SABIC, the finished products produced by Sadara over the next five years through an executive sales and operations planning committee. Additionally, Aramco and Dow agreed to guarantee up to an aggregate of SAR 13.9 billion (\$3.7 billion) of senior debt principal in proportion to their ownership interests in Sadara, an amount that is significantly lower than the \$10.0 billion shareholder completion guarantees that were released when Sadara achieved project completion in November 2020. The terms of the restructuring also include beneficial terms such as a principal repayment grace period until June 15, 2026 and an extension of the final maturity date from 2029 to 2038, in connection with all of the facilities. Sadara will also benefit from longer-term structural operating and feedstock improvements, further enhancing its cracker's flexibility and improving Sadara's position on the global manufacturing cost curve; and
- The Company achieved 100.0% (Q1 2020: 99.7%) supply reliability in the first quarter through continued demonstration of its operational agility and logistics optimization.

Working safely, responsibly and sustainably

The rollout of vaccination programs around the world to combat COVID-19 is an encouraging development but the pandemic is far from over. Aramco is proactively maintaining its safety and prevention programs to minimize the risks related to the COVID-19 pandemic on its operations and ensuring the continuity of a vital and reliable energy supply to its customers around the world.

On the sustainability front, the Company successfully completed its program to plant one million trees following the planting of more than 500,000 trees during the first quarter of 2021. The program's main objective was to combat desertification, enhance native biodiversity and create shaded areas.

Financial performance

Summary of financial performance

	First quarter ended March 31				
	SAR		USD*		% change
All amounts in millions unless otherwise stated	2021	2020	2021	2020	
Income before income taxes and zakat	151,380	127,735	40,368	34,063	18.5%
Income taxes and zakat	(69,940)	(65,257)	(18,651)	(17,402)	7.2%
Net income	81,440	62,478	21,717	16,661	30.3%

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

Financial results

Following the unprecedented conditions brought on by the COVID-19 pandemic, global energy markets bounced back strongly in the first quarter of 2021, resulting in improved demand and higher prices. Aramco's financial agility, unique operational flexibility and its cash generation ability once again enabled it to benefit from these improved market conditions to deliver strong earnings and cash flows for the first quarter of 2021.

Key factors affecting Aramco's financial results

- Aramco's results of operations and cash flows are primarily driven by market prices and the volumes sold of hydrocarbons, and refined and chemicals products. Global demand for petroleum products continued to recover from the lows of 2020, though still remains below pre-pandemic levels. The prices for hydrocarbons, and refined and chemicals products improved in the first quarter of 2021, compared to the same period in 2020.
- Aramco's consolidated statement of income for the first quarter of 2021 includes SABIC's results, following its acquisition of a 70% equity interest in June 2020.

Net income

Net income for the first quarter of 2021 increased to SAR 81,440 (\$21,717), from SAR 62,478 (\$16,661) for the same period in 2020, primarily driven by higher crude oil prices, improved downstream margins and the consolidation of SABIC's results, partly offset by lower crude oil volumes sold.

Income taxes and zakat

The charge for income taxes and zakat for the first quarter of 2021 was SAR 69,940 (\$18,651), compared to SAR 65,257 (\$17,402) for the first quarter of 2020. This increase in 2021 was mainly due to higher earnings.

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

Upstream financial performance

All amounts in millions unless otherwise stated	First quarter ended March 31				
	SAR		USD*		% change
	2021	2020	2021	2020	
Earnings before interest, income taxes and zakat	150,130	141,111	40,035	37,630	6.4%
Capital expenditures - cash basis	24,355	20,533	6,495	5,475	18.6%

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

Earnings before interest, income taxes and zakat (EBIT) for the first quarter of 2021 was SAR 150,130 (\$40,035), compared to SAR 141,111 (\$37,630) for the same period in 2020, reflecting the positive signs in the global energy markets and Upstream's continued focus on fiscal discipline. The increase in EBIT was mainly driven by favorable movements in average realized crude oil prices which was partially offset by lower volumes sold. EBIT also benefited from lower crude oil production royalties as a result of lower sales volumes.

Capital expenditures for the first quarter of 2021 increased by 18.6%, compared to same period in 2020, from SAR 20,533 (\$5,475) to SAR 24,355 (\$6,495). This increase was primarily attributable to the commencement of the initial phases of the construction and procurement activities relating to ongoing increment projects.

Downstream financial performance

All amounts in millions unless otherwise stated	First quarter ended March 31				
	SAR		USD*		% change
	2021	2020	2021	2020	
Earnings (losses) before interest, income taxes and zakat	16,660	(19,006)	4,443	(5,068)	187.7%
Capital expenditures - cash basis	5,864	6,900	1,564	1,840	(15.0)%

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

Earnings (losses) before interest, income taxes and zakat (EBIT) for the first quarter of 2021 was a profit of SAR 16,660 (\$4,443), compared to a loss of SAR 19,006 (\$5,068) for the same period in 2020. These strong financial results stem from the continued recovery in global economic conditions leading to higher margins and also inventory re-valuation gains. The consolidation of SABIC's results further enhanced the segment's EBIT.

Capital expenditures for the first quarter of 2021 decreased by 15.0%, compared to the same period in 2020, from SAR 6,900 (\$1,840) to SAR 5,864 (\$1,564). This decrease was primarily due to projects nearing their completion and portfolio-wide optimization efforts, partly offset by the consolidation of SABIC's capital expenditures.

Condensed consolidated interim financial report

For the three-month period ended March 31, 2021
(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, 2021 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes (the “condensed consolidated interim financial report”). Management is responsible for the preparation and presentation of this condensed consolidated interim financial report in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’, that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial report based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

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

Omar M. Al Sagga
License Number 369

May 3, 2021

Condensed consolidated statement of income

	Note	SAR		USD*	
		1st quarter 2021	1st quarter 2020	1st quarter 2021	1st quarter 2020
Revenue	11	272,072	225,567	72,553	60,151
Other income related to sales		28,085	24,778	7,489	6,608
Revenue and other income related to sales		300,157	250,345	80,042	66,759
Royalties and other taxes		(24,055)	(29,045)	(6,415)	(7,745)
Purchases		(73,910)	(50,649)	(19,709)	(13,506)
Producing and manufacturing		(15,707)	(17,530)	(4,189)	(4,675)
Selling, administrative and general		(12,403)	(6,302)	(3,307)	(1,680)
Exploration		(1,053)	(1,685)	(281)	(449)
Research and development		(878)	(415)	(234)	(111)
Depreciation and amortization	6,7	(20,264)	(14,987)	(5,404)	(3,997)
Operating costs		(148,270)	(120,613)	(39,539)	(32,163)
Operating income		151,887	129,732	40,503	34,596
Share of results of joint ventures and associates		1,787	(1,585)	477	(423)
Finance and other income		329	1,171	88	312
Finance costs		(2,623)	(1,583)	(700)	(422)
Income before income taxes and zakat		151,380	127,735	40,368	34,063
Income taxes and zakat	8	(69,940)	(65,257)	(18,651)	(17,402)
Net income		81,440	62,478	21,717	16,661
Net income (loss) attributable to					
Shareholders' equity		78,590	63,532	20,957	16,942
Non-controlling interests		2,850	(1,054)	760	(281)
		81,440	62,478	21,717	16,661
Earnings per share (basic and diluted)		0.39	0.32	0.10	0.08

* 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*	
		1st quarter 2021	1st quarter 2020	1st quarter 2021	1st quarter 2020
Net income		81,440	62,478	21,717	16,661
Other comprehensive income (loss), net of tax	9				
Items that will not be reclassified to net income					
Remeasurement of post-employment benefit obligations		12,996	(10,695)	3,466	(2,852)
Changes in fair value of equity investments classified as fair value through other comprehensive income		843	(1,046)	225	(279)
Items that may be reclassified subsequently to net income					
Cash flow hedges and other		(176)	(619)	(47)	(165)
Changes in fair value of debt securities classified as fair value through other comprehensive income		(512)	(56)	(136)	(15)
Share of other comprehensive loss of joint ventures and associates		(715)	(664)	(191)	(177)
Currency translation differences		(746)	(1,468)	(199)	(392)
		11,690	(14,548)	3,118	(3,880)
Total comprehensive income		93,130	47,930	24,835	12,781
Total comprehensive income (loss) attributable to					
Shareholders' equity		90,402	49,477	24,108	13,194
Non-controlling interests		2,728	(1,547)	727	(413)
		93,130	47,930	24,835	12,781

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Senior Vice President,
Finance, Strategy & Development



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Condensed consolidated balance sheet

	Note	SAR		USD*	
		March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Assets					
Non-current assets					
Property, plant and equipment	6	1,215,284	1,209,460	324,076	322,523
Intangible assets	7	164,588	164,547	43,890	43,879
Investments in joint ventures and associates		66,665	65,976	17,777	17,594
Deferred income tax assets		15,520	15,280	4,139	4,075
Other assets and receivables		38,255	37,258	10,201	9,935
Investments in securities		23,992	22,861	6,398	6,096
		1,524,304	1,515,382	406,481	404,102
Current assets					
Inventories		58,874	51,999	15,700	13,867
Trade receivables		108,660	85,183	28,976	22,715
Due from the Government		30,910	28,895	8,243	7,705
Other assets and receivables		19,626	18,769	5,233	5,005
Short-term investments		6,108	6,801	1,629	1,814
Cash and cash equivalents		203,010	207,232	54,136	55,262
		427,188	398,879	113,917	106,368
Total assets		1,951,492	1,914,261	520,398	510,470
Equity and liabilities					
Shareholders' equity					
Share capital		60,000	60,000	16,000	16,000
Additional paid-in capital		26,981	26,981	7,195	7,195
Treasury shares		(3,123)	(3,264)	(833)	(870)
Retained earnings:					
Unappropriated		915,077	895,273	244,021	238,739
Appropriated		6,000	6,000	1,600	1,600
Other reserves	9	5,474	5,858	1,460	1,562
		1,010,409	990,848	269,443	264,226
Non-controlling interests		113,100	110,246	30,160	29,399
		1,123,509	1,101,094	299,603	293,625
Non-current liabilities					
Borrowings	10	472,308	436,920	125,949	116,512
Deferred income tax liabilities		65,541	53,621	17,478	14,299
Post-employment benefit obligations		32,843	54,207	8,758	14,455
Provisions and other liabilities		25,393	25,208	6,771	6,722
		596,085	569,956	158,956	151,988
Current liabilities					
Trade and other payables		97,286	93,740	25,943	24,998
Obligations to the Government:					
Income taxes and zakat	8	58,562	42,059	15,617	11,216
Royalties		9,522	8,255	2,539	2,201
Borrowings	10	66,528	99,157	17,740	26,442
		231,898	243,211	61,839	64,857
Total liabilities		827,983	813,167	220,795	216,845
Total equity and liabilities		1,951,492	1,914,261	520,398	510,470

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



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Director,
President & Chief Executive Officer



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



Salah M. Al-Hareky
Controller

Condensed consolidated statement of changes in equity

	SAR								USD*
	Shareholders' equity								Total
	Share capital	Additional paid-in capital	Treasury shares	Retained earnings		Other reserves (Note 9)	Non-controlling interests	Total	
Unappropriated				Appropriated					
Balance at January 1, 2020	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 18)	-	-	-	(14,751)	-	-	-	(14,751)	(3,933)
Dividends to non-controlling interests	-	-	-	-	-	-	(14)	(14)	(4)
Balance at March 31, 2020	60,000	26,981	(3,750)	981,844	6,000	(1,145)	9,609	1,079,539	287,877
Balance at January 1, 2021	60,000	26,981	(3,264)	895,273	6,000	5,858	110,246	1,101,094	293,625
Net income	-	-	-	78,590	-	-	2,850	81,440	21,717
Other comprehensive income (loss)	-	-	-	-	-	11,812	(122)	11,690	3,118
Total comprehensive income	-	-	-	78,590	-	11,812	2,728	93,130	24,835
Transfer of post-employment benefit obligations remeasurement	-	-	-	12,218	-	(12,218)	-	-	-
Treasury shares issued to employees	-	-	141	-	-	-	-	141	38
Share-based compensation	-	-	-	-	-	22	-	22	5
Dividends (Note 18)	-	-	-	(70,325)	-	-	-	(70,325)	(18,753)
Change in ownership interest of subsidiary (Note 17)	-	-	-	(679)	-	-	679	-	-
Dividends to non-controlling interests and other	-	-	-	-	-	-	(553)	(553)	(147)
Balance at March 31, 2021	60,000	26,981	(3,123)	915,077	6,000	5,474	113,100	1,123,509	299,603

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



Salah M. Al-Hareky
Controller

Condensed consolidated statement of cash flows

	Note	SAR		USD*	
		1st quarter 2021	1st quarter 2020	1st quarter 2021	1st quarter 2020
Income before income taxes and zakat		151,380	127,735	40,368	34,063
Adjustments to reconcile income before income taxes and zakat to net cash provided by operating activities					
Depreciation and amortization	6,7	20,264	14,987	5,404	3,997
Exploration and evaluation costs written off		316	739	84	197
Share of results of joint ventures and associates		(1,787)	1,585	(477)	423
Finance income		(323)	(1,060)	(86)	(283)
Finance costs		2,623	1,583	700	422
Dividends from investments in securities		(3)	(109)	(1)	(29)
Change in fair value of investments through profit or loss		632	865	169	231
Change in joint ventures and associates inventory profit elimination		121	(367)	33	(98)
Other		721	(1,116)	193	(298)
Change in working capital					
Inventories		(6,875)	9,717	(1,833)	2,591
Trade receivables		(23,477)	33,546	(6,261)	8,946
Due from the Government		(2,015)	7,797	(538)	2,079
Other assets and receivables		(778)	(5,312)	(208)	(1,417)
Trade and other payables		8,032	(13,194)	2,141	(3,518)
Royalties payable		1,267	(8,755)	338	(2,335)
Other changes					
Other assets and receivables		(997)	(2,039)	(266)	(544)
Provisions and other liabilities		117	394	31	105
Post-employment benefit obligations		1,239	592	330	158
Settlement of income, zakat and other taxes	8(c)	(51,158)	(83,521)	(13,642)	(22,272)
Net cash provided by operating activities		99,299	84,067	26,479	22,418
Net cash (used in) provided by investing activities					
Capital expenditures	5	(30,750)	(27,740)	(8,200)	(7,397)
Distributions from joint ventures and associates		513	25	136	7
Additional investments in joint ventures and associates		(136)	(6)	(36)	(2)
Dividends from investments in securities		3	109	1	29
Interest received		244	2,010	66	536
Net investments in securities		(1,024)	(64)	(274)	(17)
Net maturities of short-term investments		693	45,239	185	12,064
Net cash (used in) provided by investing activities		(30,457)	19,573	(8,122)	5,220
Net cash used in financing activities					
Dividends paid to shareholders of the Company		(70,325)	(50,226)	(18,753)	(13,394)
Dividends paid to non-controlling interests in subsidiaries		(542)	(14)	(144)	(4)
Proceeds from issue of treasury shares		98	-	26	-
Proceeds from borrowings		2,394	8,459	638	2,256
Repayments of borrowings		(393)	(1,550)	(105)	(413)
Principal portion of lease payments		(2,809)	(1,448)	(749)	(386)
Interest paid		(1,487)	(1,132)	(396)	(302)
Net cash used in financing activities		(73,064)	(45,911)	(19,483)	(12,243)
Net (decrease) increase in cash and cash equivalents		(4,222)	57,729	(1,126)	15,395
Cash and cash equivalents at beginning of the period		207,232	177,706	55,262	47,388
Cash and cash equivalents at end of the period		203,010	235,435	54,136	62,783

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Director,
President & Chief Executive Officer



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



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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, being the sole owner of the Company’s shares at such time, sold an aggregate of 3.45 billion ordinary shares, or 1.73% of the Company’s share capital.

The condensed consolidated interim financial report of the Company and its subsidiaries (together “Saudi Aramco”) was approved by the Board of Directors on May 3, 2021.

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 Chartered and Professional 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, 2020 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, 2020, 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, 2020 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, 2021 and December 31, 2020 and for the three-month periods ended March 31, 2021 and 2020, are for convenience and were calculated at the rate of USD 1.00 = SAR 3.75 representing the exchange rate at the balance sheet dates.

In response to novel Coronavirus (“COVID-19”), which has caused global economic disruption, Saudi Aramco has implemented active prevention programs at its sites and contingency plans in order to minimize the risks related to COVID-19 and to safeguard the continuity of business operations. Crude oil sales account for a substantial portion of the Company’s revenue. Crude oil is also a fundamental feedstock to the Company’s Downstream operations. The energy markets saw a sharp recovery in the first quarter of 2021 as countries around the world started to rollout vaccination programs. This resulted in a steady increase in crude oil prices. The increased prices have positively impacted Saudi Aramco’s financial performance during this period. Saudi Aramco continues to rationalize its capital spending in response to current market conditions. Management continues to monitor the situation, including the impact on both results of operations and cash flows and will take further actions as necessary. Additionally, management has considered the potential impact of the COVID-19 pandemic on Saudi Aramco’s significant accounting judgements and estimates and there are no changes to the significant judgements and estimates disclosed in the December 31, 2020 consolidated financial statements, other than those disclosed in this condensed consolidated interim financial report.

New or amended standards

- (i) Saudi Aramco adopted the following IASB pronouncement, as endorsed in the Kingdom, effective for annual periods beginning on or after January 1, 2021:

Interbank Offered Rate (“IBOR”) reform

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

2. Basis of preparation and other significant accounting policies continued

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

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

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

As at March 31, 2021	Financial instruments yet to transition to alternative benchmarks:
	USD LIBOR
Non-derivative financial assets	10,459
Non-derivative financial liabilities	41,614
Derivative financial liabilities ¹	563

1. Amounts represent hedging instruments with a nominal value of SAR 11,801.

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

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, 2021 and December 31, 2020, based on the prescribed fair value measurement hierarchy on a recurring basis. Saudi Aramco did not measure any financial assets or financial liabilities at fair value on a non-recurring basis at March 31, 2021 and December 31, 2020. There were no changes made to any of the valuation techniques and valuation processes applied as of December 31, 2020 and changes in unobservable inputs are not expected to materially impact the fair value.

Assets	Level 1 ⁱ	Level 2 ⁱⁱ	Level 3 ⁱⁱⁱ	Total
March 31, 2021				
Investments in securities:				
Equity securities at Fair Value Through Other Comprehensive Income ("FVOCI")	9,028	158	1,472	10,658
Debt securities at FVOCI	30	6,985	-	7,015
Equity securities at Fair Value Through Profit Or Loss ("FVPL")	883	2,032	2,817	5,732
Debt securities at FVPL	53	-	-	53
Trade receivables related to contracts with provisional pricing arrangements	-	-	83,398	83,398
	9,994	9,175	87,687	106,856
Other assets and receivables:				
Commodity swaps	-	1,952	17	1,969
Currency forward contracts	-	246	-	246
Financial assets against options	-	-	2,543	2,543
	-	2,198	2,560	4,758
Total assets	9,994	11,373	90,247	111,614

3. Fair value estimation continued

Assets	Level 1 ⁱ	Level 2 ⁱⁱ	Level 3 ⁱⁱⁱ	Total
December 31, 2020				
Investments in securities:				
Equity securities at FVOCI	8,051	174	1,475	9,700
Debt securities at FVOCI	21	6,948	-	6,969
Equity securities at FVPL	870	1,219	3,495	5,584
Debt securities at FVPL	53	-	-	53
Trade receivables related to contracts with provisional pricing arrangements	-	-	54,402	54,402
	8,995	8,341	59,372	76,708
Other assets and receivables:				
Commodity swaps	-	291	17	308
Currency forward contracts	-	275	-	275
Financial assets against options	-	-	1,863	1,863
	-	566	1,880	2,446
Total assets	8,995	8,907	61,252	79,154
Liabilities	Level 1 ⁱ	Level 2 ⁱⁱ	Level 3 ⁱⁱⁱ	Total
March 31, 2021				
Trade and other payables:				
Interest rate swaps	-	570	-	570
Commodity swaps	-	3,373	17	3,390
Currency forward contracts	-	105	-	105
Provisions and other liabilities:				
Financial liability against options	-	-	3,100	3,100
Total liabilities	-	4,048	3,117	7,165
December 31, 2020				
Trade and other payables:				
Interest rate swaps	-	874	-	874
Commodity swaps	78	159	28	265
Currency forward contracts	-	212	-	212
Provisions and other liabilities:				
Financial liability against options	-	-	1,995	1,995
Total liabilities	78	1,245	2,023	3,346

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 for the three-month period ended March 31, 2021 and the year ended December 31, 2020 are as follows:

	March 31, 2021	December 31, 2020
Beginning	4,970	6,162
Acquisition	-	262
Net disposals	(712)	(1,681)
Net movement in unrealized fair value	(210)	(299)
Realized gain	241	526
Ending	4,289	4,970

The movement in trade receivables related to contracts with provisional pricing arrangements mainly relates to sales transactions, net of settlements, made during the period, resulting from contracts with customers (Note 11). Unrealized fair value movements on these trade receivables are not significant.

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

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

4. Acquisition of subsidiary - Saudi Basic Industries Corporation ("SABIC")

On June 16, 2020, the Company acquired a 70% equity interest in SABIC from the Public Investment Fund ("PIF"), for SAR 259,125 (\$69,100). Details of this acquisition were disclosed in Note 4 of Saudi Aramco's annual consolidated financial statements for the year ended December 31, 2020. There were no changes during the current quarter to the preliminary fair values of the assets and liabilities acquired on acquisition of SABIC.

5. Operating segments

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

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

For management purposes, Saudi Aramco is organized into business units based on the main types of activities. At March 31, 2021, Saudi Aramco had two reportable segments, Upstream and Downstream, with all other supporting functions aggregated into a Corporate segment. Upstream activities include crude oil, natural gas and natural gas liquids exploration, field development and production. Downstream activities, which now include SABIC's operations from the date of acquisition, consist primarily of refining and petrochemical manufacturing, supply and trading, distribution and power generation, logistics, and marketing of crude oil and related services to international and domestic customers. Corporate activities include primarily supporting services including Human Resources, Finance and IT not allocated to Upstream and Downstream. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

There are no differences from the 2020 consolidated financial statements in the basis of segmentation or in the basis of measurement of segment earnings before interest, income taxes and zakat.

Information by segments for the three-month period ended March 31, 2021 is as follows:

	Upstream	Downstream	Corporate	Eliminations	Consolidated
External revenue	130,836	140,949	287	-	272,072
Other income related to sales	10,031	18,054	-	-	28,085
Inter-segment revenue	60,521	7,118	78	(67,717)	-
Earnings (losses) before interest, income taxes and zakat	150,130	16,660	(3,536)	(9,574)	153,680
Finance income					323
Finance costs					(2,623)
Income before income taxes and zakat					151,380
Capital expenditures - cash basis	24,355	5,864	531	-	30,750

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, income taxes and zakat	141,111	(19,006)	(4,499)	10,652	128,258
Finance income					1,060
Finance costs					(1,583)
Income before income taxes and zakat					127,735
Capital expenditures - cash basis	20,533	6,900	307	-	27,740

6. Property, plant and equipment

	Crude oil facilities	Refinery and petrochemical facilities	Gas and NGL facilities	General service plant	Construction-in-progress	Total
Cost						
January 1, 2021	611,863	413,939	454,794	139,428	242,450	1,862,474
Additions ¹	64	756	147	2,053	25,577	28,597
Construction completed	7,066	4,341	4,885	902	(17,194)	-
Currency translation differences	-	(3,765)	-	(1)	(230)	(3,996)
Transfers and adjustments	(14)	(315)	-	6	(45)	(368)
Transfer of exploration and evaluation assets	-	-	-	-	35	35
Retirements and sales	(341)	(1,511)	(3)	(772)	(187)	(2,814)
March 31, 2021	618,638	413,445	459,823	141,616	250,406	1,883,928
Accumulated depreciation						
January 1, 2021	(294,307)	(101,433)	(191,399)	(65,875)	-	(653,014)
Charge for the period	(5,779)	(7,422)	(4,536)	(1,978)	-	(19,715)
Currency translation differences	-	1,805	-	33	-	1,838
Transfers and adjustments	-	13	-	(2)	-	11
Retirements and sales	93	1,377	3	763	-	2,236
March 31, 2021	(299,993)	(105,660)	(195,932)	(67,059)	-	(668,644)
Property, plant and equipment - net, March 31, 2021	318,645	307,785	263,891	74,557	250,406	1,215,284

1. Borrowing cost capitalized during the three-month period ended March 31, 2021, amounted to SAR 1,058, calculated using an average capitalization rate of 2.52%.

Additions to right-of-use assets during the three-month period ended March 31, 2021 were SAR 2,852. 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, 2021	Net carrying amount at March 31, 2021
Crude oil facilities	890	10,342
Refinery and petrochemical facilities	825	16,598
Gas and NGL facilities	60	567
General service plant	1,005	25,895
	2,780	53,402

7. Intangible assets

	Goodwill	Exploration and evaluation	Brands and trademarks	Franchise/customer relationships	Computer software	Other ¹	Total
Cost							
January 1, 2021	100,204	21,160	23,077	19,827	5,065	2,849	172,182
Additions	-	983	-	-	5	19	1,007
Currency translation differences	(8)	-	(58)	(11)	(21)	(75)	(173)
Transfers and adjustments	8	-	(41)	(41)	2	37	(35)
Transfer of exploration and evaluation assets	-	(35)	-	-	-	-	(35)
Retirements and write offs	-	(316)	-	-	(1)	(37)	(354)
March 31, 2021	100,204	21,792	22,978	19,775	5,050	2,793	172,592
Accumulated amortization							
January 1, 2021	-	-	(1,915)	(1,501)	(3,270)	(949)	(7,635)
Charge for the period	-	-	(103)	(238)	(124)	(84)	(549)
Currency translation differences	-	-	1	-	14	43	58
Transfers and adjustments	-	-	41	41	-	-	82
Retirements and write offs	-	-	-	-	1	39	40
March 31, 2021	-	-	(1,976)	(1,698)	(3,379)	(951)	(8,004)
Intangible assets - net, March 31, 2021	100,204	21,792	21,002	18,077	1,671	1,842	164,588

1. Other intangible assets include patents and intellectual property of SAR 1,225 and licenses and usage rights of SAR 617.

8. Income taxes and zakat

(a) Kingdom income tax rates

The Company is subject to an income tax rate of 20% on its Downstream activities and on the activities of exploration and production of non-associated natural gas, including gas condensates, as well as the collection, treatment, processing, fractionation and transportation of associated and non-associated natural gas and their liquids, gas condensates and other associated elements. All other activities are subject to an income tax rate of 50%, in accordance with the Tax Law. The 20% income tax rate applicable to the Downstream activities is conditional on the Company separating its Downstream activities under the control of one or more separate wholly owned subsidiaries before December 31, 2024, otherwise the Company's Downstream activities will be retroactively taxed at 50%. The Company expects to transfer all its Downstream activities into a separate legal entity or entities within the period specified.

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

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

	1st quarter 2021	1st quarter 2020
Income before income taxes and zakat	151,380	127,735
Less: Income subject to zakat	(6,548)	-
Income subject to income tax	144,832	127,735
Income taxes at the Kingdom's statutory tax rates	69,045	62,745
Tax effect of:		
Income not subject to tax at statutory rates and other	392	2,512
Income tax expense	69,437	65,257
Zakat expense	503	-
Total income tax and zakat expense	69,940	65,257

(b) Income tax and zakat expense

	1st quarter 2021	1st quarter 2020
Current income tax - Kingdom	66,951	63,801
Current income tax - Foreign	193	50
Deferred income tax - Kingdom	2,043	3,212
Deferred income tax - Foreign	250	(1,806)
Zakat - Kingdom	503	-
	69,940	65,257

(c) Income tax and zakat obligation to the Government

	2021	2020
January 1	42,059	62,243
Provided during the period	67,454	63,801
Payments during the period by the Company (Note 15)	(22,387)	(45,418)
Payments during the period by subsidiaries and joint operations	(81)	(243)
Settlements of due from the Government	(27,256)	(35,859)
Other settlements	(1,227)	(1,931)
March 31	58,562	42,593

9. Other reserves

	Currency translation differences	Investments in securities at FVOCI	Post-employment benefit obligations	Share-based compensation reserve	Cash flow hedges and other	Share of other comprehensive income (loss) of joint ventures and associates		Total
						Foreign currency translation gains (losses)	Cash flow hedges and other	
January 1, 2021	1,192	5,356	-	57	(727)	1,022	(1,042)	5,858
Current period change	(746)	343	-	22	(176)	(990)	275	(1,272)
Remeasurement gain ¹	-	-	22,603	-	-	-	-	22,603
Transfer to retained earnings	-	-	(12,218)	-	-	-	-	(12,218)
Tax effect	-	(12)	(9,607)	-	-	-	-	(9,619)
Less: amounts related to non-controlling interests	474	130	(778)	-	5	291	-	122
March 31, 2021	920	5,817	-	79	(898)	323	(767)	5,474

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

10. Borrowings

	March 31, 2021	December 31, 2020
Non-current:		
Deferred consideration	218,419	217,231
Borrowings	91,022	55,954
Debentures	103,322	104,425
Sukuk	12,420	12,420
Lease liabilities	43,979	43,567
Other ¹	3,146	3,323
	472,308	436,920
Current:		
Deferred consideration	18,738	18,636
Short-term bank financing	24,655	60,085
Borrowings	13,410	10,197
Sukuk	231	231
Lease liabilities	9,494	10,008
	66,528	99,157

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

On May 7, 2020, the Company entered into a SAR 37,500 (\$10,000) one-year term loan facility with various financial institutions for general corporate purposes. The Company exercised its option to extend the facility maturity date by 364 days to May 5, 2022. As of March 31, 2021, the facility was fully utilized with the outstanding loan balance of SAR 37,500 (\$10,000).

11. Revenue

	1st quarter 2021	1st quarter 2020
Revenue from contracts with customers	269,833	231,126
Movement between provisional and final prices	1,335	(6,439)
Other revenue	904	880
	272,072	225,567

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

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

11. Revenue continued

Disaggregation of revenue from contracts with customers

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

	1st quarter 2021			Total
	Upstream	Downstream	Corporate	
Crude oil	119,368	11,443	-	130,811
Refined and chemical products	-	125,442	-	125,442
Natural gas and NGLs	10,067	532	-	10,599
Metal products	-	2,981	-	2,981
Revenue from contracts with customers	129,435	140,398	-	269,833
Movement between provisional and final prices	1,308	27	-	1,335
Other revenue	93	524	287	904
External revenue	130,836	140,949	287	272,072

	1st 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
Revenue from contracts with customers	142,335	88,791	-	231,126
Movement between provisional and final prices	(6,170)	(269)	-	(6,439)
Other revenue	140	344	396	880
External revenue	136,305	88,866	396	225,567

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

	1st quarter 2021	1st quarter 2020
Crude oil	483	479
Refined and chemical products	13,215	13,634
Natural gas and NGLs	1,368	3,350
	15,066	17,463

12. Non-cash investing and financing activities

Investing and financing activities for the three-month period ended March 31, 2021 include additions to right-of-use assets of SAR 2,852 (March 31, 2020: SAR 5,592), asset retirement provisions of SAR 68 (March 31, 2020: SAR 79) and equity awards issued to employees of SAR 43 (March 31, 2020: nil).

13. Commitments

Capital commitments

Capital expenditures contracted for but not yet incurred were SAR 145,701 and SAR 153,326 at March 31, 2021 and December 31, 2020, respectively. In addition, leases contracted for but not yet commenced were SAR 4,590 and SAR 7,990 at March 31, 2021 and December 31, 2020, respectively.

14. Contingencies

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

Saudi Aramco also has bank guarantees with respect to the acquisition of a subsidiary (Note 4) amounting to SAR 2,522 as of March 31, 2021 arising in the ordinary course of business.

(a) Sadara

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

In addition to the senior debt restructuring, effective March 25, 2021 the Company, Dow (and/or their affiliates) and Sadara have also entered into agreements to (1) provide additional feedstock by increasing the quantity of ethane and natural gasoline supplied by Saudi Aramco, and (2) gradually increase Saudi Aramco's rights to market, through SABIC, its equity share of finished products produced by Sadara (subject to certain agreed terms) over the next five to ten years. The Company has provided a guarantee for the payment and performance obligations of SABIC under the Product Marketing and Lifting Agreement.

(b) Rabigh Refining and Petrochemical Company ("Petro Rabigh")

In March 2015, the two founding shareholders of Petro Rabigh, the Company and Sumitomo Chemical Co. Ltd., concluded external long-term debt financing arrangements with lenders on behalf of Petro Rabigh for the Rabigh II Project ("the Project") in the amount of SAR 19,380 for which the two shareholders provided guarantees for their equal share of the debt financing (the "Completion Guarantees"). On September 30, 2020, Petro Rabigh achieved project completion under its senior finance agreements and, as a result, the founding shareholders were released from their obligations under the Completion Guarantees. As part of project completion, the founding shareholders entered into a debt service undertaking with the Rabigh II lenders, whereby each founding shareholder, on a several basis, undertakes to pay fifty percent of any shortfalls in Rabigh II debt service on each Rabigh II payment date until the final repayment date in June 2032, on a scheduled and not accelerated basis. The semi-annual scheduled principal debt service under the Rabigh II financing is approximately SAR 712.

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

On September 30, 2020, Petro Rabigh entered into revolving loan facilities in an aggregate amount of SAR 5,625 with Saudi Aramco and Sumika Finance Company Limited, a wholly owned subsidiary of Sumitomo Chemical. Unless extended, these facilities will mature in December 2023. As of March 31, 2021, the SAR 5,625 facilities were fully utilized. Petro Rabigh also entered into another revolving loan facility for SAR 1,875 with Saudi Aramco, unless extended, matures in December 2023. As of March 31, 2021, SAR 1,125 was utilized under this facility.

15. Payments to the Government by the Company

	1 st quarter 2021	1 st quarter 2020
Income taxes (Note 8(c))	22,387	45,418
Royalties	24,480	33,372
Dividends	69,084	49,973

16. Related party transactions and balances

(a) Transactions

	1st quarter 2021	1st quarter 2020
Joint ventures:		
Revenue from sales	5,993	1,845
Other revenue	19	19
Interest income	19	15
Purchases	4,579	23
Service expenses	4	4
Associates:		
Revenue from sales	13,215	4,028
Other revenue	225	71
Interest income	23	45
Purchases	12,589	3,893
Service expenses	30	30
Government, semi-Government and other entities with Government ownership or control:		
Revenue from sales	3,000	9,743
Other income related to sales	28,085	24,778
Other revenue	233	158
Purchases	2,490	2,355
Service expenses	308	98

(b) Balances

	March 31, 2021	December 31, 2020
Joint ventures:		
Other assets and receivables	6,371	6,368
Trade receivables	3,626	3,210
Interest receivable	146	128
Trade and other payables	2,400	3,986
Associates:		
Other assets and receivables	7,350	7,395
Trade receivables	10,125	8,415
Trade and other payables	5,276	3,784
Government, semi-Government and other entities with Government ownership or control:		
Other assets and receivables	533	540
Trade receivables	1,808	1,429
Due from the Government	30,910	28,895
Trade and other payables	1,943	1,770
Borrowings	244,477	243,378

(c) Compensation of key management personnel

Compensation policies for and composition of key management personnel remain consistent with 2020.

17. Investment in affiliates

(a) SABIC Agri-Nutrients Investment Company (“SANIC”)

On January 4, 2021, SABIC Agri-Nutrients Company (“SABIC AGRI-NUTRIENTS”), formerly Saudi Arabian Fertilizer Company (“SAFCO”), acquired 100% of the issued share capital of SANIC from SABIC. The total value of shares in SANIC is set at SAR 4,592, the consideration for which was paid by issuing 59,368,738 ordinary new shares in SAFCO to SABIC valued at SAR 77.35 per share, thereby increasing the ownership by SABIC of SAFCO from 43% to 50.1%. Under the terms of the transaction, the final consideration will be adjusted depending upon the levels of working capital and cash at SANIC. A net loss of SAR 679 arising from this transaction has been recognized in retained earnings, which represents Saudi Aramco’s share of the loss recorded by SABIC.

(b) Middle East Information Technology Solutions (“MEITS”)

On February 7, 2021, SADC and Raytheon Saudi Arabia (Raytheon) established an affiliate to engage in the marketing and provision of cybersecurity integrated software and hardware along with related training and managed professional services. The affiliate, MEITS, is a limited liability company formed and existing under the laws of the Kingdom of Saudi Arabia, and is owned 51% by Raytheon and 49% by SADC. The total investment in MEITS will be up to SAR 229, of which SADC’s share will be up to SAR 113 and will be recorded as an investment in joint venture.

(c) Port Neches Link LLC (“PNL”)

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

18. Dividends

Dividends declared and paid on ordinary shares are as follows:

	1st quarter 2021	1st quarter 2020	SAR per share	
			1st quarter 2021	1st quarter 2020
Quarter:				
March	70,325	50,226	0.35	0.25
Total dividends paid ¹	70,325	50,226	0.35	0.25
Declared in December 2019, paid in January 2020	-	(35,475)	-	(0.18)
Total dividends declared	70,325	14,751	0.35	0.07
Dividends declared on May 3, 2021 and May 11, 2020 ²	70,331	70,319	0.35	0.35

1. Dividends of SAR 70,325 paid in 2021 relate to 2020 results. 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 70,331, which was approved in May 2021 (May 2020: SAR 70,319). This dividend will be deducted from unappropriated retained earnings in the year ending December 31, 2021 and relates to results for the three-month period ended March 31, 2021.

19. Events after the reporting period

On April 9, 2021, the Company signed a share sale and purchase agreement with EIG Pearl Holdings S.a.l (an entity controlled by EIG Global Energy Partners) to sell a 49% equity interest in Aramco Oil Pipelines Company (“AOPC”), a recently formed wholly-owned subsidiary of the Company. Upon closing of the transaction, the Company will receive upfront sale proceeds of SAR 46,547 (\$12,412) in cash.

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

The transaction is expected to close as soon as practicable, subject to customary closing conditions, including any required merger control and related regulatory approvals.

Non-IFRS measures reconciliations and definitions

Non-IFRS measures reconciliations and definitions

This Interim Report includes certain non-IFRS financial measures — ROACE, free cash flow, gearing and EBIT — which Aramco uses to make informed decisions about its financial position and operating performance or liquidity. These non-IFRS financial measures have been included in this Interim Report to facilitate a better understanding of Aramco's historical trends of operation and financial position.

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

ROACE

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

ROACE for the first quarter ended March 31, 2021, calculated on a 12-month rolling basis, was 14.2%, compared to 26.3% for the same period in 2020. This decrease was mainly due to lower net income over the 12-month period ended March 31, 2021, and to a lesser extent, higher borrowings as at the end of the first quarter of 2021 following the SABIC acquisition in June 2020.

	Twelve months ended March 31			
	SAR		USD*	
	2021	2020	2021	2020
All amounts in millions unless otherwise stated				
Net income	202,725	309,885	54,059	82,636
Finance costs, net of income taxes and zakat	5,802	3,174	1,548	847
Net income before finance costs, net of income taxes and zakat	208,527	313,059	55,607	83,483
As at period start:				
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
Capital employed	1,264,788	1,111,989	337,277	296,530
As at period end:				
Non-current borrowings	472,308	154,466	125,949	41,191
Current borrowings	66,528	30,783	17,740	8,209
Total equity	1,123,509	1,079,539	299,603	287,877
Capital employed	1,662,345	1,264,788	443,292	337,277
Average capital employed	1,463,567	1,188,389	390,285	316,904
ROACE	14.2%	26.3%	14.2%	26.3%

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

Free cash flow

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

Free cash flow for the first quarter of 2021 was SAR 68,549 (\$18,279), compared to SAR 56,327 (\$15,021) for the same quarter in 2020, an increase of SAR 12,222 (\$3,258). This increase was primarily due to higher operating cash flow, mainly driven by improved earnings and lower cash paid for the settlement of income, zakat and other taxes, partially offset by unfavorable movements in working capital. Capital expenditures increased by SAR 3,010 (\$803) in the first quarter of 2021, compared to the same period in 2020, principally due to higher capital expenditures relating to Upstream increment projects, partially offset by lower Downstream capital spending.

All amounts in millions unless otherwise stated	First quarter ended March 31			
	SAR		USD*	
	2021	2020	2021	2020
Net cash provided by operating activities	99,299	84,067	26,479	22,418
Capital expenditures	(30,750)	(27,740)	(8,200)	(7,397)
Free cash flow	68,549	56,327	18,279	15,021

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

Gearing

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

Aramco's gearing ratio as at March 31, 2021 remained unchanged at 23.0% when compared to December 31, 2020.

All amounts in millions unless otherwise stated	SAR		USD*	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
	Total borrowings (current and non-current)	538,836	536,077	143,689
Cash & cash equivalents	(203,010)	(207,232)	(54,136)	(55,262)
Net debt	335,826	328,845	89,553	87,692
Total equity	1,123,509	1,101,094	299,603	293,625
Total equity and net debt	1,459,335	1,429,939	389,156	381,317
Gearing	23.0%	23.0%	23.0%	23.0%

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

Earnings before interest, income taxes and zakat (EBIT)

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

EBIT for the first quarter ended March 31, 2021 was SAR 153,680 (\$40,982), compared to SAR 128,258 (\$34,202) during the same quarter in 2020. This increase of SAR 25,422 (\$6,780) primarily reflects the impact of higher crude oil prices, improved downstream margins and the consolidation of SABIC's results, partly offset by lower crude oil volumes sold.

All amounts in millions unless otherwise stated	First quarter ended March 31			
	SAR		USD*	
	2021	2020	2021	2020
Net income	81,440	62,478	21,717	16,661
Finance income	(323)	(1,060)	(86)	(283)
Finance costs	2,623	1,583	700	422
Income taxes and zakat	69,940	65,257	18,651	17,402
Earnings before interest, income taxes and zakat	153,680	128,258	40,982	34,202

* 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/Saudi Riyal

Saudi Arabian riyal, the lawful currency of the Kingdom

\$/USD/US\$/Dollar

U.S. dollar

Units of measurement

Barrel (bbl)

Barrels of crude oil, condensate or refined products

boe

Barrels of oil equivalent

bpd

Barrels per day

bscf

Billion standard cubic feet

bscfd

Billion standard cubic feet per day

mboed

Thousand barrels of oil equivalent per day

mbpd

Thousand barrels per day

mmbbl

Million barrels

mmboe

Million barrels of oil equivalent

mmboed

Million barrels of oil equivalent per day

mmbpd

Million barrels per day

mmscf

Million standard cubic feet

mmscfd

Million standard cubic feet per day

mmtpa

Million metric tonnes per annum

per day

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

scf

Standard cubic feet

Technical terms

Condensate

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

Gross refining capacity

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

Hydrocarbons

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

Liquids

Crude oil, condensate and NGL.

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.

The MSC excludes AGOC's crude oil production capacity.

Natural gas

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

NGL

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 NGL. For purposes of production, ethane is reported separately and excluded from NGL.

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 the Company's control (e.g. terminal, pipeline, stabilization, or production) negatively affect the score, whereas delays caused by conditions that are beyond the Company's control, such as adverse weather, are not considered. A score of less than 100 percent indicates there were issues that negatively impacted reliability.

Glossary

Bylaws

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

Company

Saudi Arabian Oil Company.

Council of Ministers

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

COVID-19

The coronavirus disease 2019.

Domestic

Refers to the Kingdom of Saudi Arabia.

EBIT

Earnings (losses) before interest, income taxes and zakat.

Government

The Government of the Kingdom (and "Governmental" shall be interpreted accordingly).

H

Hijri calendar.

IAS

International Accounting Standard.

IASB

International Accounting Standards Board.

IFRS

International Financial Reporting Standards.

Income Tax Law/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.

Kingdom

Kingdom of Saudi Arabia.

PIF

Public Investment Fund of Saudi Arabia.

ROACE

Return on average capital employed.

SABIC

Saudi Basic Industries Corporation.

Saudi Aramco / Aramco

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

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

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

Shareek program

A cooperative government program that is designed to provide support via various pillars including financial, monetary, operational and regulatory cooperation and asset investment, aiming to enhance the development and resilience of the Saudi economy by increasing the gross domestic product, providing job opportunities, diversifying the economy and strengthening cooperation between public and private sectors.

Shareholder

Any holder of shares.

SOCPA

Saudi Organization for Chartered and Professional Accountants.

Tadawul/Exchange

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

U.S. / United States / USA

United States of America.

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 Aramco's current expectations and projections relating to our capital expenditures and investments, major projects, and Upstream and Downstream performance, including relative to peers. 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," "can have," "likely," "should," "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 Aramco's control that could cause 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, and the price at which it sells crude oil;
- the impact of COVID-19 on business and economic conditions and on supply and demand for crude oil, gas and refined and petrochemical products;
- competitive pressures;
- climate change concerns and impacts;
- terrorism and armed conflict;
- adverse economic or political developments in Asia;
- operational risks and hazards in the oil and gas, refining and petrochemical industries;
- any significant deviation or changes in existing economic and operating conditions that could affect the estimated quantity and value of Aramco's proved reserves;
- losses from risks related to insufficient insurance;

- Aramco's ability to deliver on current and future projects;
- comparability amongst periods;
- Aramco's ability to realize benefits from recent and future acquisitions, including with respect to SABIC;
- risks related to operating in several countries;
- Aramco's dependence on its senior management and key personnel;
- the reliability and security of Aramco's IT systems;
- litigation to which Aramco is or may be subject;
- risks related to oil, gas, environmental, health and safety and other regulations that impact the industries in which Aramco operates;
- risks related to international operations, including sanctions and trade restrictions, anti-bribery and anti-corruption laws and other laws and regulations;
- risks stemming from requirements to obtain, maintain, and renew governmental licenses, permits, and approvals;
- risks stemming from existing and potential laws, regulations, and other requirements or expectations relating to environmental protection, health and safety laws and regulations, and sale and use of chemicals and plastics;
- potential changes in equalization compensation received in connection with domestic sales of hydrocarbons;
- potential impact on tax rates if Aramco does not separate its downstream business in a timeframe set by the Government of Saudi Arabia;
- 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, as well as the importance of the hydrocarbon industry;

- political and social instability and unrest and actual or potential armed conflicts in the regions in which Aramco operates and other areas;
- risks arising should the Government eliminate or change the pegging of SAR to the U.S. dollar; and
- other risks and uncertainties that could cause actual results to differ from the forward-looking statements, as set forth in Aramco's Annual Report 2020 and other reports or statements available on our website at www.aramco.com/en/investors/investors/reports-and-presentations and/or filed with the Tadawul.

Such forward-looking statements are based on numerous assumptions regarding 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. Aramco expressly disclaims any obligation or undertaking to disseminate any updates or revisions to such information, including any financial data or forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law or regulation.

Disclaimer – Risk Factors

For a discussion of our risk factors, please see Aramco's Annual Report 2020, available through the investor relations section of Aramco's website at www.aramco.com/en/investors/investors/reports-and-presentations.

Aramco's financial information herein has been extracted from Aramco's condensed consolidated interim financial report for the three month period ended March 31, 2021, 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 Chartered and Professional 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 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 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.

About Aramco

Aramco, headquartered in the city of Dhahran, is one of the world’s largest integrated energy and chemicals companies; its Upstream operations are primarily based in the Kingdom of Saudi Arabia while the Downstream business is global.

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