

BASE PROSPECTUS

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SA Global Sukuk Limited

(incorporated in the Cayman Islands as an exempted company with limited liability)

Trust Certificate Issuance Programme

Under this Trust Certificate Issuance Programme (the “**Programme**”), SA Global Sukuk Limited (in its capacity as issuer and as trustee, the “**Trustee**”), may elect, subject to compliance with all relevant laws, regulations and directives, from time to time to issue trust certificates (the “**Certificates**”) denominated in any currency agreed between the Trustee and the relevant Dealer(s) (as defined below).

Each Tranche (as defined in “*Terms and Conditions of the Certificates*”) of Certificates issued under the Programme will be constituted by: (i) a master trust deed dated 7 June 2021 (the “**Master Trust Deed**”) entered into between the Trustee, Saudi Arabian Oil Company (Saudi Aramco) (the “**Obligor**”) and HSBC Corporate Trustee Company (UK) Limited as delegate of the Trustee (in such capacity, the “**Delegate**”); and (ii) a supplemental trust deed in relation to the relevant Tranche (each a “**Supplemental Trust Deed**”) and together with the Master Trust Deed, each a “**Trust Deed**”). Certificates of each Tranche confer on the holders of the Certificates from time to time (the “**Certificateholders**”) the right to receive certain payments (as more particularly described herein) arising from a *pro rata* ownership interest in the assets of a trust declared by the Trustee in relation to the relevant Series (the “**Trust**”).

Certificates may only be issued in registered form. The Certificates may be issued on a continuing basis to one or more of the Dealers specified under “*Overview—Overview of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Trustee and the Obligor (each a “**Dealer**” and together, the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the “**relevant Dealer(s)**” shall, in the case of an issue of Certificates being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe for such Certificates.

The Certificates will be limited recourse obligations of the Trustee. An investment in Certificates issued under the Programme involves certain risks. For a discussion of these risks, see “*Risk Factors*”.

This Base Prospectus has been approved as a base prospectus by the United Kingdom Financial Conduct Authority (the “**FCA**”), as competent authority under Regulation (EU) No 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”) (the “**UK Prospectus Regulation**”). The FCA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Trustee or the Obligor or of the quality of the Certificates that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Certificates.

Application has been made to the FCA for the Certificates issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the FCA (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Certificates to be admitted to trading on the London Stock Exchange’s main market (the “**Market**”). References in this Base Prospectus to Certificates being “**listed**” (and all related references) shall mean that such Certificates have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the EUWA (“**UK MiFIR**”).

The Certificates will be delisted from the Official List following the occurrence of a Tangibility Event, see Condition 8.6 (*Dissolution at the Option of Certificateholders (Tangibility Event Put Right)*). The Programme also provides that Certificates may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Trustee, the Obligor and the relevant Dealer(s). The Trustee may also issue unlisted Certificates and/or Certificates not admitted to trading on any market.

This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Certificates which are to be admitted to trading on a regulated market in the United Kingdom (the “UK**”) as defined in UK MiFIR. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.**

The requirement to publish a prospectus under the Financial Services and Markets Act 2000, as amended (the “**FSMA**”) only applies to Certificates which are admitted to trading on a regulated market in the UK as defined in UK MiFIR and/or offered to the public in the UK other than in circumstances where an exemption is available under section 86 of the FSMA.

Notice of the aggregate face amount of Certificates, Periodic Distribution Amounts (as defined herein) payable in respect of Certificates, the issue price of Certificates, whether or not Certificates will be listed on the Official List and admitted to trading on the Market (or any other stock exchange) and certain other information which is applicable to each Tranche of Certificates will be set out in a final terms specific to each Tranche (the “**Final Terms**”) which, with respect to Certificates to be listed on the London Stock Exchange, will be delivered to the FCA and the London Stock Exchange. Copies of the Final Terms in relation to Certificates to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service.

The Certificates have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States. The Certificates may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)) except in certain transactions exempt from the registration requirements of the Securities Act. The Certificates may be offered and sold (i) outside the United States to non-U.S. persons in reliance on Regulation S and (ii) within the United States to persons who are “qualified institutional buyers” (“**QIBs**”) in reliance on Rule 144A under the Securities Act (“**Rule 144A**”) that are also “qualified purchasers” (each, a “**QP**”) within the meaning of Section 2(a)(5)(A) of the U.S. Investment Company Act of 1940, as amended (the “**Investment Company Act**”), and the rules and regulations thereunder. Neither the Trustee nor the Obligor has registered and neither intends to register as an investment company under the Investment Company Act, in reliance on the exemption provided by Section 3(c)(7) thereof. For a description of these and certain further restrictions on offers, sales and transfers of Certificates and distribution of this Base Prospectus, see “*Subscription and Sale*” and “*Transfer Restrictions*”.

The Trustee is a “covered fund” for the purposes of the “**Volcker Rule**” contained in Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The acquisition of the Certificates is likely to be considered an acquisition of an “ownership interest” (as that term is used in the Volcker Rule) in a “covered fund”. Accordingly, entities that may be “banking entities” for the purposes of the Volcker Rule, which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates, may be restricted from holding the Certificates. **Any prospective investor in the Certificates, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisors regarding such matters and other effects of the Volcker Rule. For further information, see “*Volcker Rule*”.**

The Obligor has been assigned a long-term issuer rating of A1 by Moody’s Investors Service Limited (“**Moody’s**”) and A by Fitch Ratings Limited (“**Fitch**”). The Programme has been assigned a credit rating of A1 by Moody’s and A by Fitch. Each of Moody’s and Fitch is established in the UK and is registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the “**UK CRA Regulation**”). Neither Moody’s nor Fitch is established in the (the “**EU**”) or registered under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”). The ratings issued by Moody’s and Fitch have been endorsed by Moody’s Deutschland GmbH and Fitch Ratings Ireland Limited, respectively, in each case in accordance with the CRA Regulation. Moody’s Deutschland GmbH and Fitch Ratings Ireland Limited are established in the EU and registered under the CRA Regulation. As such, each of Moody’s Deutschland GmbH and Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority (“**ESMA**”) on its website (at <https://www.esma.europa.eu/supervision/credit-rating>).

[agencies/risk](#)) in accordance with the CRA Regulation. Certain Tranches of Certificates to be issued under the Programme may be rated or unrated and, if rated, the credit rating agency issuing such rating will be specified in the Final Terms. Where a Tranche is rated, such rating will not necessarily be equivalent to the ratings assigned to the Obligor. A credit rating is not a recommendation to buy, sell or hold Certificates, does not address the likelihood or timing of repayment and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Periodic Distribution Amounts payable under the Floating Rate Certificates may be calculated by reference to either the London interbank offered rate (“**LIBOR**”) or the Euro interbank offered rate (“**EURIBOR**”), which are respectively provided by ICE Benchmark Administration Limited (“**IBA**”) and the European Money Markets Institute (the “**EMMI**”). As at the date of this Base Prospectus, the EMMI appears on the register of administrators and benchmarks established and maintained by the ESMA pursuant to Article 36 of Regulation (EU) No. 2016/1011 (the “**EU Benchmarks Regulation**”). As at the date of this Base Prospectus, IBA does not appear on the register of administrators and benchmarks established and maintained by the ESMA pursuant to Article 36 of the EU Benchmarks Regulation. As far as the Obligor is aware, the transitional provisions in Article 51 of the EU Benchmarks Regulation apply, such that IBA is not currently required to obtain authorisation or registration (or, if located outside the EU, recognition, endorsement or equivalence).

The transaction structure relating to the Certificates (as described in this Base Prospectus) has been approved by the First Abu Dhabi Bank Shari’a Supervisory Board, the Executive Shariah Committee of HSBC Saudi Arabia and the Standard Chartered Bank Global Shariah Supervisory Committee. Prospective Certificateholders should not rely on the approval referred to above in deciding whether to make an investment in the Certificates and should consult their own *Shari’a* advisers as to whether the proposed transaction described in the approval referred to above is in compliance with their individual standards of compliance with *Shari’a* principles.

Arrangers and Dealers

Citigroup	HSBC	J.P. Morgan	Morgan Stanley
Goldman Sachs International	First Abu Dhabi Bank	NCB Capital	Standard Chartered Bank

The date of this Base Prospectus is 7 June 2021.

This Base Prospectus should be read and construed together with any supplements hereto and, in relation to any Tranche of Certificates, should be read and construed together with the applicable Final Terms. This Base Prospectus comprises a base prospectus for the purposes of Article 8 of the UK Prospectus Regulation.

Each of the Trustee and the Obligor accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of each of the Trustee and the Obligor, the information contained in this Base Prospectus is in accordance with the facts and the Base Prospectus makes no omission likely to affect its import.

Where third-party information has been used in this Base Prospectus, the source of such information has been identified. Such information has been accurately reproduced and, as far as each of the Trustee and the Obligor is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The opinions, assumptions, intentions, projections and forecasts expressed in this Base Prospectus with regard to each of the Trustee and the Obligor are honestly held by the Trustee and the Obligor, not misleading in any material respect, have been reached after considering all relevant circumstances and are based on reasonable assumptions.

Each Tranche of Certificates will be issued on the terms set out in the Conditions as completed by the applicable Final Terms. This Base Prospectus must be read and construed together with any supplements hereto and, in relation to any Tranche of Certificates, must be read and construed together with the applicable Final Terms. The information on the websites to which this Base Prospectus refers do not form part of this Base Prospectus.

No representation or warranty is made or implied by the Trustee, the Obligor, the Arrangers, the Dealers, the Delegate or the Agents or any their respective affiliates as to the accuracy or completeness of the information contained in this Base Prospectus. Accordingly, none of the Arrangers, the Dealers, the Delegate or the Agents or any of their respective affiliates makes any representation or warranty or accepts any responsibility as to (a) the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Trustee or the Obligor in connection with the Programme or any issuance of Certificates thereunder or (b) the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of any Certificates or any other agreement or document relating to any Certificates or the Programme. None of the Arrangers or the Dealers or any of their respective affiliates have any responsibility for any acts or omissions of the Trustee or the Obligor or any other person in connection with the Base Prospectus or the issue and offering of Certificates under the Programme. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Certificate shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Trustee or the Obligor since the date hereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented, or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Trustee or the Obligor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by any of the Trustee, the Obligor, the Arrangers, the Dealers, the Delegate or the Agents.

Neither this Base Prospectus nor any Final Terms are intended to provide the basis of any credit or other evaluation, and should not be considered as a recommendation by any of the Trustee, the Obligor, the Arrangers, the Dealers the Delegate, the Agents or any of their respective affiliates that any recipient of this Base Prospectus or any Final Terms or any other information supplied in connection with the Programme or any Certificates should purchase any Certificates. Each potential purchaser of Certificates should determine for itself the relevance of the information contained in this Base Prospectus and any Final Terms, make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Trustee and the Obligor and its purchase of any Certificates should be based upon such investigation as it deems necessary. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Certificates constitutes an offer or invitation by or on behalf of the Trustee, the Obligor, the

Arrangers, the Dealers, the Delegate, the Agents or any of their respective affiliates to any person to subscribe for or to purchase any Certificates. None of the Arrangers, the Dealers, the Delegate or the Agents undertakes to review the financial condition or affairs of the Trustee or the Obligor during the life of the Programme or to advise any investor or potential investor in the Certificates of any information coming to the attention of the Arrangers, the Dealers, the Delegate or the Agents.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF CERTIFICATES GENERALLY

This Base Prospectus do not constitute an offer to sell or the solicitation of an offer to buy any Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Certificates may be restricted by law in certain jurisdictions. The Trustee, the Obligor, the Arrangers, the Dealers, the Delegate, the Agents and their affiliates do not represent that this Base Prospectus may be lawfully distributed, or that any Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Trustee, the Obligor, the Arrangers, the Dealers, the Delegate, the Agents or any of their respective affiliates which is intended to permit a public offering of any Certificates or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Certificates may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering materials may be distributed or published in any jurisdiction, except in circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Trustee, the Obligor, the Arrangers, the Dealers, the Delegate and the Agents to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Certificates and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Certificates, see “*Subscription and Sale*”. In particular, the Certificates have not been and will not be registered under the Securities Act and may be subject to U.S. tax law requirements.

None of the Arrangers, the Dealers, the Delegate, any Agents, any of their respective affiliates, the Trustee or the Obligor makes any representation to any investor in the Certificates regarding the legality of its investment under any applicable laws. Any investor in the Certificates should be able to bear the economic risk of an investment in the Certificates for an indefinite period of time. Each investor should consult with its own advisers as to the legal, tax, *Shari'a*, business, financial and related aspects of the purchase of any Certificates.

Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Certificates or possess this Base Prospectus. Any consents or approvals that are needed in order to purchase any Certificates must be obtained prior to the deadline specified for any such consent or approval. The Trustee, the Obligor, the Arrangers, the Dealers, the Delegate, the Agents and their respective affiliates are not responsible for compliance with these legal requirements.

The Certificates may not be a suitable investment for all investors. Each potential investor in the Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Base Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including Certificates with principal or profit payable in one or more currencies, or where the currency for principal or profit payments is different from the potential investor’s currency;
- (d) understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, profit rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Certificates may be complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They generally purchase complex financial

instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in an issue of Certificates which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Certificates will perform under changing conditions, the resulting effects of the value of the Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal and tax advisers to determine whether and to what extent: (i) the Certificates are legal investments for it; (ii) the Certificates can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Certificates under any applicable risk-based capital or similar rules.

SUPPLEMENTS TO THIS BASE PROSPECTUS

Following the publication of this Base Prospectus, supplements may be prepared by the Trustee and the Obligor and approved by the FCA in accordance with Article 23 of the UK Prospectus Regulation. Statements contained in any such supplement shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

The Trustee and the Obligor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus that is capable of affecting the assessment of any Trust Certificates, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Trust Certificates.

The Trustee and the Obligor may agree with any Dealer that a Series of Trust Certificates may be issued in a form not contemplated by the Terms and Conditions of the Trust Certificates, in which event a supplemental Base Prospectus will be published, if appropriate, which will describe the effect of the agreement reached in relation to such Series of Trust Certificates. Any such supplement to this Base Prospectus will also be available from the specified office of HSBC Bank plc in its capacity as principal paying agent (the "**Principal Paying Agent**"). See "*General Information—Documents Available*".

NOTICE TO U.S. INVESTORS

This Base Prospectus may be submitted on a confidential basis in the United States to a limited number of QIBs, each of whom is also a QP, for informational use solely in connection with the consideration of the purchase of certain Certificates, which may be issued under the Programme. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Certificates may only be offered or sold in the United States in private transactions: (i) to persons who are QIBs that are also QPs, in transactions exempt from registration under the Securities Act; or (ii) to persons who are QPs pursuant to any other applicable exemption from registration under the Securities Act. Each subsequent U.S. purchaser of Certificates sold in reliance on Rule 144A is hereby notified that the offer and sale of any Certificates to it may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A. Prospective purchasers are hereby notified that sellers of the Certificates may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser or holder of Individual Certificates (as defined herein), Certificates represented by a Restricted Global Certificate (as defined herein) or any Certificates issued in registered form in exchange or substitution therefor (together, "**Legended Certificates**") will be deemed, by its acceptance or purchase of any such Legended Certificates, to have made certain representations and agreements intended to restrict the resale or other transfer of such Certificates as set out in "*Subscription and Sale*" and "*Transfer Restrictions*".

NEITHER THE PROGRAMME NOR THE CERTIFICATES HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "**SEC**"), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED

THE MERITS OF ANY OFFERING OF CERTIFICATES OR THE ACCURACY OR ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

VOLCKER RULE

The Trustee is a “covered fund” for the purposes of the “**Volcker Rule**” contained in Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The definition of “covered fund” in the Volcker Rule includes (generally) any entity that would be an investment company under the Investment Company Act, but for the exemption provided under Section 3(c)(1) or 3(c)(7) thereunder. Because the Trustee intends to rely on Section 3(c)(7) of the Investment Company Act for its exemption from registration thereunder, it is considered to be a covered fund. The Volcker Rule generally prohibits “banking entities” (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from: (i) engaging in proprietary trading; (ii) acquiring or retaining an ownership interest in or sponsoring a “covered fund”; and (iii) entering into certain relationships with such funds. “Ownership interest” under the Volcker Rule is defined broadly to include any participation or other interest that entitles the holder of such interest to, amongst other things: (i) vote to remove management or otherwise, other than as a creditor exercising remedies upon an event of default, (ii) share in the income, gains, profits or excess spread of the covered fund or (iii) receive underlying assets of the covered fund.

The acquisition of the Certificates is likely to be considered an acquisition of an “ownership interest” (as that term is used in the Volcker Rule) in a “covered fund”. Accordingly, entities that may be banking entities for the purposes of the Volcker Rule may be restricted from holding the Certificates. **Any prospective investor in the Certificates, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisors regarding such matters and other effects of the Volcker Rule. Each investor is responsible for analysing its own position under the Volcker Rule and any similar measures and none of the Trustee, the Obligor, the Dealers, the Delegate or the Agents makes any representation regarding such position, including with respect to the ability of any investor to acquire or hold the Certificates, now or at any time in the future.**

AVAILABLE INFORMATION

Neither Trustee nor the Obligor is currently required to file periodic reports under Section 13 or 15 of the Exchange Act with the U.S. Securities and Exchange Commission. To permit compliance with Rule 144A in connection with any resales or other transfers of Certificates that are “restricted securities” within the meaning of the Securities Act, the Trustee and the Obligor has undertaken in the Master Trust Deed to furnish, upon the request of a holder of such Certificates or any ownership interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, neither Trustee nor the Obligor is a reporting company under Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder. Any such request should be directed to the Trustee and the Obligor.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA AND THE UNITED KINGDOM

This Base Prospectus has been prepared on the basis that any offer of Certificates to the public in any Member State of the EEA (each, a “**Member State**”) or in the UK will be made pursuant to an exemption under Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”) or under section 86 of the FSMA (as applicable) from the requirement to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or under section 85 of the FSMA (as applicable) or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation or pursuant to Article 23 of the UK Prospectus Regulation (as applicable) for such offers of Certificates. Accordingly any person making or intending to make an offer of Certificates to the public in that Member State or in the UK may only do so in circumstances in which no obligation arises for the Trustee, the Obligor, the Arrangers, the Dealers, the Delegate, the Agents or any of their respective affiliates to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or section 85 of the FSMA (as applicable) or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation or Article 23 of the UK Prospectus Regulation (as applicable), in each case, in relation to such offer. None of the Trustee, the Obligor, the Arrangers, the Dealers, the Delegate, the Agents, or any of their respective affiliates have authorised, nor do they authorise,

the making of any offer of Certificates in circumstances in which an obligation arises for the Trustee, the Obligor, the Arrangers, the Dealers, the Delegate or the Agents to publish or supplement a prospectus for such offer.

IMPORTANT – EEA RETAIL INVESTORS

If the Final Terms in respect of any Certificates includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Series of Certificates may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Certificates and which channels for distribution of the Certificates are appropriate. Any person subsequently offering, selling or recommending the Certificates (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of any Certificates (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made at the time of issue about whether, for the purpose of the MiFID Product Governance Rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Certificates is a manufacturer in respect of such Certificates, but otherwise none of the Arrangers, the Dealers or any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

IMPORTANT – UK RETAIL INVESTORS

If the Final Terms in respect of any Series of Certificates includes a legend entitled “Prohibition of Sales to UK Retail Investors”, the Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Certificates or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Certificates may include a legend entitled “UK MiFIR Product Governance”, which will outline the target market assessment in respect of the Certificates and which channels for distribution of the Certificates are appropriate. Any person subsequently offering, selling or recommending the Certificates (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the target market assessment) and determining appropriate

distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Certificates is a manufacturer in respect of such Certificates, but otherwise none of the Arrangers, the Dealers or any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

NOTICE TO UK RESIDENTS

Any Certificates to be issued under the Programme which do not constitute “alternative finance investment bonds” (“**AFIBs**”) within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010 will represent interests in a collective investment scheme (as defined in the FSMA) which has not been authorised, recognised or otherwise approved by the United Kingdom Financial Conduct Authority. Accordingly, this Base Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of this Base Prospectus, any applicable Final Terms and any other marketing materials relating to the Certificates is being addressed to, or directed at: (A) if the distribution of the Certificates (whether or not such Certificates are AFIBs) is being effected by a person who is not an authorised person under the FSMA, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Financial Promotion Order**”); (ii) persons falling within any of the categories of persons described in Article 49 (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if the Certificates are not AFIBs and the distribution is effected by a person who is an authorised person under the FSMA, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the “**Promotion of CISs Order**”); (ii) persons falling within any of the categories of person described in Article 22 (high net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order.

Persons of any other description in the United Kingdom may not receive and should not act or rely on this Base Prospectus, any applicable Final Terms or any other marketing materials in relation to the Certificates. Prospective investors in the United Kingdom in any Certificates are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in such Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme. Any prospective investor intending to invest in any investment described in this Base Prospectus should consult its professional adviser and ensure that it fully understands all the risks associated with making such an investment and that it has sufficient financial resources to sustain any loss that may arise from such investment.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This Base Prospectus may not be distributed in the Kingdom of Saudi Arabia (the “**Kingdom**”) except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom (the “**Capital Market Authority**”).

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Base Prospectus and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Base Prospectus. Prospective purchasers of Certificates issued under the Programme should conduct their own due diligence on the accuracy of the information relating to the Certificates. If a prospective purchaser does not understand the contents of this Base Prospectus, he or she should consult an authorised financial adviser.

NOTICE TO RESIDENTS OF CANADA

The Certificates may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Certificates must be made in

accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Base Prospectus or any applicable Final Terms (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), so long as a concurrent distribution of the Certificates is made to investors in the United States, the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering. In the event the Certificates are distributed to investors in Canada without a concurrent distribution of the Certificates to investors in the United States, the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest may apply.

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, Certificates issued in connection with this Base Prospectus and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain (the "**CBB**") in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in another currency or such other amount as the CBB may determine.

This Base Prospectus does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Base Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Certificates may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Base Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Base Prospectus or related offering documents and it has not in any way considered the merits of the Certificates to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Base Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Base Prospectus. No offer of Certificates will be made to the public in the Kingdom of Bahrain and this Base Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

Any Certificates to be issued under the Programme will not be offered, sold or delivered at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Base Prospectus has not been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority in accordance with their regulations or any other regulations in the State of Qatar (including the Qatar Financial Centre). The Certificates are not and will not be traded on the Qatar Stock Exchange. The Certificates and interests therein will not be offered to investors domiciled or resident in Qatar and do not constitute debt financing in the State of Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of State of Qatar.

NOTICE TO RESIDENTS OF MALAYSIA

Any Certificates to be issued under the Programme may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Certificates in Malaysia may be made, directly or indirectly, and this Base Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories set out in Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3), read together with Schedule 9 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia as may be amended and/or varied from time to time (the “CMSA”) and subject to any amendments to the applicable laws from time to time. The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or the Bank and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Base Prospectus.

NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

No invitation, whether directly or indirectly, may be made to any member of the public in the Cayman Islands to subscribe for any Certificates issued under the Programme and this Base Prospectus shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for any Certificates issued under the Programme.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289)

THE APPLICABLE FINAL TERMS IN RESPECT OF ANY CERTIFICATES MAY INCLUDE A LEGEND ENTITLED “SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION”, WHICH WILL STATE THE PRODUCT CLASSIFICATION OF THE CERTIFICATES PURSUANT TO SECTION 309B(1) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE “SFA”). THE TRUSTEE WILL MAKE A DETERMINATION AND, PRIOR TO MAKING ANY OFFERING OF CERTIFICATES IN SINGAPORE, PROVIDE THE APPROPRIATE WRITTEN NOTIFICATION TO “RELEVANT PERSONS” (AS DEFINED IN SECTION 309A(1) OF THE SFA) IN RELATION TO EACH ISSUE ABOUT THE CLASSIFICATION OF THE CERTIFICATES BEING OFFERED FOR PURPOSES OF SECTION 309B(1)(A) AND SECTION 309B(1)(C) OF THE SFA.

PRESENTATION OF FINANCIAL, RESERVES AND CERTAIN OTHER INFORMATION

Certain Terms

See Appendix A for a glossary of defined terms used in this Base Prospectus and see Appendix B for a glossary of measurement and technical terms used in this Base Prospectus.

In this Base Prospectus, references to “Saudi Aramco” are to Saudi Arabian Oil Company (Saudi Aramco) together with its consolidated subsidiaries, and where the context requires, its joint operations, joint ventures and associates.

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Financial Information

The 2019 Financial Statements and the 2020 Financial Statements have been prepared in accordance with IFRS and have been audited by Saudi Aramco’s independent auditor, PricewaterhouseCoopers Public Accountants, as stated in its audit reports for the 2019 Financial Statements and the 2020 Financial Statements appearing on pages F-88 and F-3 of this Base Prospectus, respectively. The 2021 Three Month Interim Period Financial Statements have been prepared in accordance with IAS 34.

Saudi Aramco’s financial information as at and for the years ended 31 December 2019 and 2020 included in this Base Prospectus has been derived without material adjustment from the 2019 Financial Statements and 2020 Financial Statements, respectively. The financial information as at and for the year ended

31 December 2018 included in this Base Prospectus, has been derived without material adjustment from the comparative column of the 2019 Financial Statements. The financial information for the three months ended 31 March 2020 included in this Base Prospectus has been derived without material adjustment from the comparative column of the 2021 Three Month Interim Period Financial Statements and the financial information as at and for the three months ended 31 March 2021 included in this Base Prospectus has been derived without material adjustment from the 2021 Three Month Interim Period Financial Statements. SABIC's financial results have been consolidated into Saudi Aramco's since 16 June 2020, the effective date of its acquisition of a 70% equity interest in SABIC.

IFRS differs in certain material respects from U.S. generally accepted accounting principles and, as such, Saudi Aramco's financial statements are not comparable to the financial statements of companies prepared in accordance with U.S. generally accepted accounting principles. This Base Prospectus does not include any explanation of the differences or any reconciliation between IFRS and U.S. generally accepted accounting principles with respect to any financial statements and related footnote disclosures included herein or any other financial information.

Prospective investors are advised to consult their professional advisors for an understanding of: (i) the differences between IFRS and U.S. generally accepted accounting principles or any other systems of generally accepted accounting principles in the jurisdiction of such prospective investor and how those differences might affect the financial information included in this Base Prospectus and (ii) the impact that future additions to, or amendments of, IFRS may have on Saudi Aramco's financial position, results of operations and cash flow, as well as on the comparability of the prior periods. In particular, (i) on 1 January 2021, Saudi Aramco adopted the amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 as part of the Interbank Offered Rate ("**IBOR**") reform – Phase 2; (ii) on 1 January 2020, Saudi Aramco adopted the amendments to IFRS 3, Business Combinations and the amendments to IAS 1 and IAS 8, in addition to the amendments to IAS 39 and IFRS 7 as part of the IBOR reform – Phase 1; and (iii) the IASB introduced a new lease standard, IFRS 16—Leases (which superseded IAS 17—Leases, IFRIC 4, SIC 15 and SIC 27), which Saudi Aramco adopted with effect from 1 January 2019 and which was amended, along with other standards, by the IASB in May and August 2020. For further information on the anticipated impact of IFRS 16 on Saudi Aramco's financial statements, see "*Management's Discussion and Analysis of Financial Position and Results of Operations—New or Amended Standards*", Note 2(i) to the 2021 Three Month Interim Period Financial Statements, Note 2(d) to the 2020 Financial Statements and Note 2(d) to the 2019 Financial Statements included elsewhere in this Base Prospectus.

In addition, this Base Prospectus includes certain non-IFRS financial measures. See "*—Alternative Performance Measures*" below.

The financial information included in this Base Prospectus is not intended to comply with the applicable accounting requirements of the Securities Act and the related rules and regulations which would apply if the Trust Certificates were being registered with the SEC.

Fiscal Regime Changes

In recent years, the Government has adopted a number of changes to the fiscal regime under which Saudi Aramco operates. These changes materially impact Saudi Aramco's results of operations and make Saudi Aramco's consolidated financial statements for certain periods presented less comparable. For a more detailed discussion of the fiscal regime changes and their effect on Saudi Aramco's consolidated financial statements, see "*Management's Discussion and Analysis of Financial Position and Results of Operations—Factors Affecting Saudi Aramco's Financial Position and Results of Operations—Fiscal Regime Changes*".

Certain Reserves and Production Information

All natural resources within the Kingdom, including hydrocarbons, are owned by the Kingdom. Through the Concession, the Government has granted Saudi Aramco the exclusive right to explore, develop and produce the Kingdom's hydrocarbon resources, except in the Excluded Areas. See "*Business—Relationship with the Kingdom—The Concession*". Unless otherwise indicated, any reference in this Base Prospectus to reserves of crude oil and condensate, natural gas or other hydrocarbons are reserves owned by the Kingdom that Saudi Aramco has the right to operate and develop through the Concession and exclude reserves other entities have

the right to develop, including AGOC, which operates in the offshore partitioned territory between the Kingdom and the State of Kuwait.

The reserve estimates in this Base Prospectus conform to the SPE-PRMS definitions and guidelines, which are the internationally recognised industry standards promulgated by the Society of Petroleum Engineers, the American Association of Petroleum Geologists, the World Petroleum Council, the Society of Petroleum Evaluation Engineers, the Society of Exploration Geophysicists, the Society of Petrophysicists and Well Log Analysts and the European Association of Geoscientists and Engineers. Reserve estimation is an inherently complex process that principally relies on a combination of knowledge, experience and engineering judgment. The accuracy of any reserve estimate is a function of a number of variable factors and assumptions, many of which are beyond Saudi Aramco's control. Therefore, the reserves information in this Base Prospectus represent only estimates. In addition, results of drilling, testing and production subsequent to the date of an estimate may justify revising the original estimate. Accordingly, due to the inherent uncertainties and the necessarily limited nature of reservoir data and the inherently imprecise nature of reserve estimates, the initial reserve estimates may differ from the quantities of oil and natural gas that are ultimately recovered. Thus, investors should not place undue reliance on Saudi Aramco's ability to estimate actual reserves or on comparisons of similar reports concerning other companies. In addition, except to the extent that Saudi Aramco conducts successful exploration and development activities, or both, Saudi Aramco's reserves will decline as reserves are produced. For more information, see "*Business—Operating Segments—Upstream—Reserves*".

Following a several year pause, in February 2020, AGOC resumed operations in the offshore partitioned territory between the Kingdom and the State of Kuwait. Effective February 2020, Saudi Aramco crude oil production includes AGOC's share of production in this territory. Pursuant to an agreement between the Kingdom and the Kingdom of Bahrain regarding the Abu Sa'fah field, the Kingdom of Bahrain is entitled to 50% of the net income derived from crude oil produced from Abu Sa'fah. In 2018, 2019 and 2020, 50% of the volume of crude oil produced from Abu Sa'fah was delivered to the Kingdom of Bahrain in satisfaction of this obligation. The amount of crude oil produced from Abu Sa'fah and delivered to the Kingdom of Bahrain was 152 mbpd, 152 mbpd and 151 mbpd in 2018, 2019 and 2020, respectively. Saudi Aramco's MSC includes 100% of the crude oil volumes produced from Abu Sa'fah, but its production volumes do not include the crude oil produced from Abu Sa'fah and delivered to the Kingdom of Bahrain. Saudi Aramco's MSC also excludes AGOC's crude oil production capacity.

Industry and Other Information

This Base Prospectus includes information regarding the industry and the geographies in which Saudi Aramco operates and competes. Saudi Aramco has commissioned the Industry Consultant to prepare information for Saudi Aramco. The statistical, graphical and other information contained herein under "*Industry Overview*" has been drawn from the Industry Consultant's databases and other sources. Maps contained in this Base Prospectus are for reference only and do not necessarily reflect international borders or other locations accurately.

Certain economic and industry data and forecasts used in this Base Prospectus were obtained from internal surveys, market research, governmental and other publicly available information, independent industry publications and reports or other information prepared by industry consultants, including the information prepared for Saudi Aramco by the Industry Consultant. These generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Saudi Aramco has not independently verified them and cannot guarantee their accuracy or completeness. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and uncertainties as the other forward-looking statements in this Base Prospectus. See "*Forward-Looking Statements*".

Elsewhere in this Base Prospectus, statements regarding the oil and gas industry and Saudi Aramco's position in the industry are not based on published statistical data or information obtained from independent third parties, but are based solely on Saudi Aramco's experience, its internal studies and estimates and its own investigation of industry conditions.

Currencies and Exchange Rates

All references in this Base Prospectus to:

- “Euro”, “EUR” and “€” are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended;
- “Pounds Sterling” and “£” are to Pounds Sterling, the legal currency of the United Kingdom;
- “Saudi Riyal” and “SAR” are to the Saudi Arabian Riyal, the legal currency of the Kingdom; and
- “U.S. Dollar”, “\$” and “U.S.\$” are to the United States Dollar, the legal currency of the United States.

For all periods presented in this Base Prospectus, the Saudi Riyal has been pegged to the U.S. Dollar at a fixed exchange rate of SAR 3.75 = U.S.\$1.00. In cases where amounts included in this Base Prospectus were converted from Saudi Riyals into U.S. Dollars, this fixed exchange rate has been used for convenience. No representation is made that Saudi Riyal amounts referred to could have been or could be converted into U.S. Dollars at any particular rate on any date.

Alternative Performance Measures

This Base Prospectus includes certain non-IFRS financial measures which Saudi Aramco uses in the analysis of its business and financial position, each of which constitutes an Alternative Performance Measure (“APM”) as defined in the ESMA Guidelines on Alternative Performance Measures dated 5 October 2015.

Set out below is a summary of the APM metrics used, the method of calculation and the rationale for the inclusion of such metrics.

<u>Metric</u>	<u>Method of calculation</u>	<u>Rationale</u>
Earnings Before Interest, Income Taxes and Zakat (“EBIT”)	Calculated as net income plus finance costs and income taxes and zakat, less finance income.	Performance measure
Free Cash Flow	Calculated as net cash provided by operating activities, less capital expenditures.	Liquidity measure
Gearing	Calculated as the ratio of (i) net debt (total borrowings, less cash and cash equivalents), to (ii) net debt plus total equity.	Liquidity measure
Return on Average Capital Employed (“ROACE”)	Calculated 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 Saudi Aramco’s total borrowings plus total equity at the beginning and end of the applicable period.	Performance measure

The above APMs have been included in this Base Prospectus to facilitate a better understanding of Saudi Aramco’s historic trends of operation and financial position. Saudi Aramco uses APMs as supplementary information to its IFRS based operating performance and financial position. The APMs 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 APMs relate to the reporting periods described in this Base Prospectus 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 APMs differently from Saudi Aramco. Because companies do not calculate these APMs in the same manner, Saudi Aramco’s presentation of such APMs may not be comparable to other similarly titled APMs used by other companies.

For a reconciliation of certain of the APMs used in this Base Prospectus to the most closely related financial measure set forth in Saudi Aramco's Financial Statements, see "*Alternative Performance Measures*".

Websites and Web Links

The websites and/or web links referred to in this Base Prospectus are included for information purposes only and the content of such websites or web links is not incorporated into, and does not form part of, this Base Prospectus.

Foreign Language

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

References to Law

In this Base Prospectus, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

FORWARD-LOOKING STATEMENTS

This Base Prospectus, any supplement thereto and any Final Terms may contain certain forward-looking statements with respect to Saudi Aramco's financial position, results of operations and business certain of Saudi Aramco's plans, intentions, expectations, assumptions, goals and beliefs regarding such items. These statements include all matters that are not historical fact and generally, but not always, may be identified by the use of words such as "believes", "expects", "are expected to", "anticipates", "intends", "estimates", "should", "will", "shall", "may", "is likely to", "plans" or similar expressions, including variations and the negatives thereof or comparable terminology.

Prospective investors should be aware that forward-looking statements are not guarantees of future performance and that Saudi Aramco's actual financial position, results of operation and business and the development of the industries in which it operates may differ significantly from those made in or suggested by these forward-looking statements. In addition, even if Saudi Aramco's financial position, results of operations and business and the development of the industries in which it operates are consistent with these forward-looking statements, those results or developments may not be indicative of results or developments in subsequent periods.

Factors that could cause actual results to differ materially from Saudi Aramco's expectations are contained in cautionary statements in this Base Prospectus and include, among other things, the following:

- supply, demand and price fluctuations with respect to oil and gas, and Saudi Aramco's other products;
- global economic market conditions;
- natural disasters and public health pandemics or epidemics (such as COVID-19);
- competition in the industries in which Saudi Aramco operates;
- conditions affecting the transportation of products;
- operational risks and hazards common 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 MENA region and other areas;
- managing Saudi Aramco's growth;
- risks in connection with projects under development and recent and future acquisitions and joint ventures including with respect to SABIC;
- managing Saudi Aramco's subsidiaries, joint operations, joint ventures, associates and entities in which it holds a minority interest;
- Saudi Aramco's exposure to interest rate risk and foreign exchange risk;
- risks related to operating in a regulated industry and changes to oil, gas, environmental or other regulations that impact the industries in which Saudi Aramco operates; and
- international trade litigation, disputes or agreements.

The sections of this Base Prospectus entitled "*Risk Factors*" and "*Management's Discussion and Analysis of Financial Position and Results of Operations*" contain a more complete discussion of the factors that could affect Saudi Aramco's future performance and the industries in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Base Prospectus, any supplement thereto and any Final Terms may not occur.

Each of the Trustee and the Obligor undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Trustee or the Obligor or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Base Prospectus, any supplement thereto and any Final Terms.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Trustee is incorporated in and under the laws of the Cayman Islands.

The Obligor is a joint stock company incorporated in the Kingdom and a substantial portion of its assets and operations are located there. As a result, it may not be possible for investors to effect service of process outside the Kingdom upon the Obligor.

Furthermore, in the absence of a treaty for the reciprocal enforcement of foreign judgments with the jurisdiction in which a judgment is obtained, the courts of the Kingdom are unlikely to enforce a judgment obtained in courts outside the Kingdom without re-examining the merits of the claim, including any judgment predicated upon United States federal securities laws or the securities laws of any state or territory within the United States. In addition, the courts of the Kingdom may (i) decline to enforce a foreign judgment if certain criteria are not met, including, but not limited to, compliance with public policy of the Kingdom, or (ii) decline to entertain original actions brought in the Kingdom against the Obligor or its directors or officers predicated upon the securities laws of the United States or any state in the United States.

For more information, see “*Risk Factors—Risks Related to Enforcement*”.

STABILISATION

In connection with the issue of any Tranche of Certificates, the Dealer or Dealers (if any) named as the stabilisation manager(s) in the applicable Final Terms (the “**Stabilisation Manager(s)**”) (or any person(s) acting on behalf of any Stabilisation Manager(s)) may effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the Issue Date and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Certificates and 60 days after the date of the allotment of the relevant Tranche of Certificates. Any stabilisation action must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

CAYMAN ISLANDS DATA PROTECTION

The Cayman Islands Government enacted the Data Protection Act (As Revised) of the Cayman Islands (the “**DPA**”) on 18 May 2017 which was brought into force on 30 September 2019. The DPA introduces legal requirements for the Trustee based on internationally accepted principles of data privacy.

Prospective investors should note that, by virtue of making investments in the Certificates and the associated interactions with the Trustee and its affiliates and/or delegates, or by virtue of providing the Trustee with personal information on individuals connected with the investor (for example, directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals may be providing the Trustee and its affiliates and/or delegates (including, without limitation, the Trustee Administrator (as defined herein)) with certain personal information which constitutes personal data within the meaning of the DPA. The Trustee shall act as a data controller in respect of this personal data and its affiliates and/or delegates, such as the Trustee Administrator, may act as data processors (or data controllers in their own right in some circumstances).

For further information on the application of the DPA to the Trustee, please refer to the Privacy Notice (a copy of which may be requested from the Trustee Administrator by email at dubai@maples.com), which provides an outline of investors' data protection rights and obligations as they relate to the investment in the Certificates.

Oversight of the DPA is the responsibility of the Ombudsman's office of the Cayman Islands. Breach of the DPA by the Trustee could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

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OVERVIEW

The following overview must be read as an introduction to this Base Prospectus and any decision to invest in the Certificates should be based on a consideration of the Base Prospectus as a whole. The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Certificates, is completed by the applicable Final Terms. In particular, it is important to carefully consider “Risk Factors” prior to making an investment decision with respect to Certificates.

All natural resources within the Kingdom, including hydrocarbons, are owned by the Kingdom. Through the Concession, the Government has granted Saudi Aramco the exclusive right to explore, develop and produce the Kingdom’s hydrocarbon resources, except in the Excluded Areas. See “Business—Relationship with the Kingdom—The Concession”. Unless otherwise indicated, any reference in this Base Prospectus to reserves of crude oil and condensate, natural gas or other hydrocarbons are reserves owned by the Kingdom that Saudi Aramco has the right to operate and develop through the Concession and excludes reserves other entities have the right to develop, including AGOC, which operates in the partitioned territory between the Kingdom and the State of Kuwait.

Words and expressions defined in “Form of the Certificates” and “Terms and Conditions of the Certificates” shall have the same meanings in this overview.

Overview of Saudi Aramco

Overview of Saudi Aramco’s Business

Saudi Aramco is the world’s largest integrated oil and gas company. In 2020, Saudi Aramco produced 12.4 million barrels per day of oil equivalent, including 9.2 million barrels per day of crude oil (includes AGOC’s oil production, blended condensate and excludes the Kingdom of Bahrain’s entitlement to volumes produced from the Abu Sa’fah field). Saudi Aramco’s crude oil production accounted for approximately one in every eight barrels of crude oil produced globally from 2016 to 2020. As at 31 December 2020, Saudi Aramco’s proved liquids reserves were 224.1 billion barrels, gross refining capacity amounted to 6.4 million barrels per day and net refining capacity amounted to 3.6 million barrels per day. Saudi Aramco is focussed on maintaining its pre-eminent upstream position and continued strategic integration of its downstream operations to secure demand for its crude oil and to capture value across the hydrocarbon chain.

For the three months ended 31 March 2021, Saudi Aramco generated SAR 99.3 billion (\$26.5 billion) in net cash provided by operating activities and SAR 68.5 billion (\$18.3 billion) of Free Cash Flow. Saudi Aramco operates within a conservative financial framework and strives to maintain its Gearing ratio to within its long-term targeted range of 5% to 15%; however, following the acquisition of the PIF’s 70% equity interest in SABIC, Saudi Aramco’s Gearing ratio was 23.0% as at 31 March 2021. Free Cash Flow and Gearing are non-IFRS financial measures. For a definition of Free Cash Flow and Gearing and a reconciliation to the nearest financial measures calculated in accordance with IFRS, see “*Alternative Performance Measures—Free Cash Flow*” and “*Alternative Performance Measures—Gearing*”.

Saudi Aramco’s upstream operations are predominantly based in the Kingdom, and it operates a global downstream business. As at 31 March 2021, Saudi Aramco had two reportable segments, upstream and downstream, which are supported by corporate activities.

Upstream

Saudi Aramco is a major producer of crude oil and condensate. In the three months ended 31 March 2021, Saudi Aramco produced on average 11.5 million barrels per day of oil equivalent, including 8.6 million barrels per day of crude oil (including AGOC’s oil production, blended condensate and excludes the Kingdom of Bahrain’s entitlement to volumes produced from the Abu Sa’fah field).

In 2020, Saudi Aramco produced 12.4 million barrels per day of oil equivalent, including 9.2 million barrels per day of crude oil (including AGOC’s oil production, blended condensate and excludes the Kingdom of Bahrain’s entitlement to volumes produced from the Abu Sa’fah field), an additional 0.2 million barrels per day of unblended condensate, 1.0 million barrels per day of NGL, 9.0 billion standard cubic feet per day of natural gas and 1.0 billion standard cubic feet per day of ethane.

Saudi Aramco reached a record level of production of 12.1 million barrels per day of crude oil on 2 April 2020 and 10.7 billion standard cubic feet per day of natural gas on 6 August 2020. Saudi Aramco manages the Kingdom's unique reserves and resources base to optimise production and maximise long-term value pursuant to the Hydrocarbons Law, which mandates that Saudi Aramco's hydrocarbon operations promote long-term productivity of the Kingdom's reservoirs and support the prudent stewardship of its hydrocarbon resources.

As at 31 December 2020, the Kingdom's reserves in the fields Saudi Aramco operates consisted of 336.9 billion barrels of oil equivalent, including 261.6 billion barrels of crude oil and condensate, 36.0 billion barrels of NGL and 238.8 trillion standard cubic feet of natural gas.

Pursuant to the Concession, effective 24 December 2017, Saudi Aramco's exclusive right to explore, develop and produce the Kingdom's hydrocarbon resources, except in the Excluded Areas, was limited to an initial period of 40 years, which will be extended by the Government for 20 years provided Saudi Aramco satisfies certain conditions commensurate with current operating practices. In addition, the Concession may be extended for an additional 40 years beyond the prior 60-year period subject to Saudi Aramco and the Government agreeing on the terms of the extension. See "*Material Agreements—The Concession*". The provision of a specified term in the Concession impacts the calculation of Saudi Aramco's reserves as compared to the Kingdom's reserves in the fields Saudi Aramco operates. The Concession also requires Saudi Aramco to meet domestic demand for certain hydrocarbons, petroleum products and LPG through domestic production or imports.

Based on the initial 40-year period and 20-year extension of the Concession, as at 31 December 2020, Saudi Aramco's reserves were 255.2 billion barrels of oil equivalent. Saudi Aramco's oil equivalent reserves were sufficient for proved reserves life of 56 years, consisting of 198.8 billion barrels of crude oil and condensate, 25.2 billion barrels of NGL and 191.6 trillion standard cubic feet of natural gas.

Saudi Aramco's average upstream lifting cost was SAR 11.3 (\$3.0) per barrel of oil equivalent produced in 2020. In addition, Saudi Aramco's upstream capital expenditures for the year ended 31 December 2020 averaged SAR 15.0 (\$4.0) per barrel of oil equivalent produced. Saudi Aramco's low-cost position is due to the unique nature of the Kingdom's geological formations, favourable onshore and shallow water offshore environments in which Saudi Aramco's reservoirs are located, synergies available from Saudi Aramco's use of its large infrastructure and logistics networks, its low depletion rate operational model and its scaled application of technology. Given the quality of most of Saudi Aramco's reservoirs, and its operational model, it is possible to achieve high recovery factors while maintaining relatively low water cut levels for long periods of time.

The Government determines the Kingdom's maximum level of crude oil production in the exercise of its sovereign prerogative and requires Saudi Aramco to maintain MSC in excess of its then current production in accordance with the Hydrocarbons Law. MSC refers to 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. MSC was 12.0 million barrels of crude oil per day from 1 January 2019 to 31 December 2020. However, on 11 March 2020, the Government (acting through the Ministry of Energy) directed Saudi Aramco to increase MSC from 12.0 to 13.0 million barrels of crude oil per day. Saudi Aramco is proceeding with engineering evaluations and assessing its options for implementing the Government's directive to increase MSC. The spare capacity afforded by maintaining MSC enables Saudi Aramco to increase its crude oil production above planned levels rapidly in response to changes in global crude oil supply and demand. Saudi Aramco also uses this spare capacity as an alternative supply option in case of unplanned production outages at any field and to maintain its production levels during routine field maintenance.

Saudi Aramco's gas portfolio is rich in liquids, demonstrated by the production of 1.0 million barrels per day of NGL and 0.2 million barrels per day of unblended condensate in 2020. Saudi Aramco is the exclusive supplier of natural gas in the Kingdom and supplied 9.0 billion standard cubic feet per day of natural gas and 1.0 billion standard cubic feet per day of ethane to the Kingdom in 2020. It owns and operates the MGS, which is an extensive network of pipelines that connects Saudi Aramco's key gas production and processing sites throughout the Kingdom. Saudi Aramco expects to further expand its gas reserves through new field discoveries, new reservoir additions in existing fields and delineation and reassessment of existing reservoirs and fields.

Downstream

Saudi Aramco has a large, strategically integrated global downstream business. The downstream segment's activities consist primarily of refining and petrochemical manufacturing, supply and trading, distribution and power generation. As at 31 December 2020, Saudi Aramco had a gross refining capacity of 6.4 million barrels per day and net refining capacity of 3.6 million barrels per day. The strategic integration of Saudi Aramco's upstream and downstream segments provides an opportunity for Saudi Aramco to secure crude oil demand by selling to its captive system of domestic and international wholly owned and affiliated refineries. The downstream segment's other business activities include base oils, lubricants and retail operations.

Saudi Aramco's downstream business is the largest customer for the upstream business' crude oil production, consuming 39% of its crude oil production in 2020. Saudi Aramco's upstream business produces all the crude oil supplied to and processed by Saudi Aramco's wholly owned and affiliated refineries in the Kingdom and the majority of crude oil used by its international wholly owned and affiliated refineries. In 2020, Saudi Aramco's weighted average ownership percentage in Saudi Aramco's international refineries was 41%, but it supplied an average of 54% of the crude oil used by those refineries. This crude placement provides significant benefits to Saudi Aramco's downstream operations, including a secure and reliable supply of high-quality crude oil, which helps to ensure a secure and reliable supply of refined products to its downstream customers.

As the sole supplier to the large domestic marketplace, Saudi Aramco's refining operations in the Kingdom, including its domestic affiliates, accounted for 59% of its net refining capacity in 2019 and 2020. In addition to its domestic focus, Saudi Aramco is focusing its downstream investments in areas of high-growth, including China, India and Southeast Asia, while maintaining its current participation in material demand centres, such as the United States, and countries that rely on importing crude oil, such as Japan and South Korea.

Saudi Aramco also has an integrated petrochemicals business within its downstream segment, which enables it to capture incremental margin in the hydrocarbon value chain. Saudi Aramco's chemicals business spans from production of basic chemicals such as aromatics, olefins and polyolefins to more complex products such as polyols, isocyanates and synthetic rubber. Saudi Aramco's chemicals business continues to grow through capacity expansions in the Kingdom, increasing ownership positions in affiliates and new investments, including the acquisition of the PIF's 70% equity interest in SABIC on 16 June 2020. Saudi Aramco's investment in SABIC makes it a major global producer of petrochemicals and expands its capabilities in procurement, manufacturing, marketing and sales. With the acquisition of a 70% equity interest in SABIC, as at 31 March 2021, Saudi Aramco's chemicals business operates in over 50 countries and produces a range of chemicals. Saudi Aramco expects that SABIC will benefit from Saudi Aramco's downstream chemicals feedstock production, and its ability to invest in and execute large scale projects. See "*Business—Operating Segments—Downstream—Acquisition of 70% Equity Interest in SABIC*".

Saudi Aramco continues to evaluate a number of additional large-scale investment opportunities in high-growth geographies globally, as well as organic initiatives, to improve the operational and financial performance of its downstream assets, including capacity increases, asset upgrades, improvements in product yield and capturing additional petrochemical integration.

Saudi Aramco's downstream segment includes its crude oil and product sales, distribution and trading platforms. These platforms support Saudi Aramco's upstream and downstream operations by enabling it to optimise crude sales and product placement through its significant infrastructure network of pipelines and terminals and access to shipping and logistics resources. Saudi Aramco also maintains flexibility to respond to fluctuations in demand through its five crude grades and MSC. This flexibility contributes to Saudi Aramco's ability to meet its customer's needs and its reputation as one of the most reliable crude oil suppliers, meeting 99.8%, 99.2% and 99.9% of its delivery obligations on time in 2018, 2019 and 2020, respectively, and 100.0% of its delivery obligations on time in the first three months of 2021.

Corporate

Saudi Aramco's corporate activities primarily support its upstream and downstream segments. The corporate activities include technical services that are essential to the success of Saudi Aramco's core activities, as well as human resources, finance, corporate affairs. IT and legal.

Business Strategies

- Maintain its position as the world's largest crude oil producer by production volume and one of the lowest cost producers, while providing reliable, low carbon intensity crude oil supply to customers
- Capture value from further strategic integration and diversification of its operations
- Expand gas activities
- Expand global recognition of Saudi Aramco's brands
- Efficiently allocate capital and maintain a prudent and flexible balance sheet
- Deliver sustainable dividends through crude oil price cycles
- Operate sustainably by leveraging technology and innovation

Upstream Competitive Strengths

- Unrivalled scale of crude oil and condensate production and conventional proved reserves
- Long reserves life, with long-term track record of low-cost reserves replacement
- Unique ability to capture value through active management of the world's largest conventional hydrocarbons reserves base
- Unique operational flexibility to respond to changes in supply and demand
- Multiple crude grades and global crude oil delivery points
- Extensive high-quality gas reserves with exclusive access to the large and growing domestic marketplace
- Crude oil extraction with a low average carbon intensity
- Low lifting costs and capital expenditures per barrel of oil equivalent

Downstream Competitive Strengths

- Ability to monetise upstream production into a high-quality external customer base and through a captive downstream system
- Strong track record of supply reliability
- Largest customer for Saudi Aramco's upstream production
- Major integrated refiner with a global network of complex, reliable assets in key regional markets and hubs
- Scale and complexity advantage with one of the largest refining portfolios globally
- World class partners that provide access to additional geographies, technological expertise, operational know-how and marketing capabilities
- Major petrochemicals producer globally

Saudi Aramco Competitive Strengths

- High operating cash flow, Free Cash Flow, EBIT and ROACE
- Low Gearing
- Ability to execute some of the world's largest upstream and downstream capital projects

Overview of the Programme

Issuer, Trustee, Lessor and Purchaser	SA Global Sukuk Limited, as trustee for and on behalf of the Certificateholders and, in such capacity, as issuer of the Certificates. The Trustee was incorporated as an exempted company incorporated with limited liability in the Cayman Islands on 3 May 2021 with registered number 375160 with its registered office at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands. The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents to which it is a party. The Trustee shall on each Issue Date issue the Certificates to the Certificateholders and act as Trustee in respect of the Trust Assets for the benefit of the Certificateholders.
Trustee’s Legal Entity Identifier (“LEI”)	5493007DFAVKU7UOGR47.
Ownership of the Trustee	The authorised share capital of the Trustee is U.S.\$50,000 divided into 50,000 shares with a nominal value of U.S.\$1 each, of which 250 shares are fully paid up and issued. The Trustee’s entire issued share capital is held on trust by MaplesFS Limited for charitable purposes under the terms of a share declaration dated 6 June 2021 (the “ Share Declaration of Trust ”).
Administration of the Trustee	The affairs of the Trustee are managed by MaplesFS Limited (the “ Trustee Administrator ”) who will provide, amongst other things, certain administrative services for and on behalf of the Trustee pursuant to the terms of a corporate services agreement dated 6 June 2021 (the “ Corporate Services Agreement ”) and made between the Trustee and the Trustee Administrator. The Trustee Administrator's registered office is at P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.
Obligor, Seller, Lessee, Buyer and Service Agent	Saudi Arabian Oil Company (Saudi Aramco).
Obligor’s LEI	5586006WD91QHB7J4X50.
Description	Trust Certificate Issuance Programme.
Programme Amount	The Programme size is unlimited.
Risk Factors	There are certain factors that may affect the Trustee’s ability to fulfil its obligations under Certificates issued under the Programme and the Obligor’s ability to fulfil its obligations under the relevant Transaction Documents. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Certificates issued under the Programme, and risks relating to the structure of a particular Series of Certificates issued under the Programme. All of these are set out under “ <i>Risk Factors</i> ”.
Arrangers	Citigroup Global Markets Limited HSBC Bank plc J.P. Morgan Securities plc Morgan Stanley & Co. International plc

Dealers Citigroup Global Markets Limited
 First Abu Dhabi Bank PJSC
 Goldman Sachs International
 HSBC Bank plc
 J.P. Morgan Securities plc
 Morgan Stanley & Co. International plc
 NCB Capital Company
 Standard Chartered Bank

and any other Dealer appointed from time to time by the Trustee and the Obligor either generally in respect of the Programme or in relation to a particular Tranche of Certificates.

Delegate..... HSBC Corporate Trustee Company (UK) Limited (the “**Delegate**”). In accordance with the Master Trust Deed, the Trustee will, *inter alia*, unconditionally and irrevocably appoint the Delegate to be its attorney and to exercise certain future powers, authorities and discretions vested in the Trustee by certain provisions in the Master Trust Deed in accordance with the terms of the Master Trust Deed. In addition, pursuant to the Master Trust Deed, certain powers will be vested solely in the Delegate.

Principal Paying Agent, Reg S Registrar and Reg S Transfer Agent HSBC Bank plc

Paying Agent, Rule 144A Registrar and Rule 144A Transfer Agent ... HSBC Bank USA, National Association

Currencies Certificates may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, as agreed between the Trustee, the Obligor and the relevant Dealer(s).

Final Terms Certificates issued under the Programme may be issued pursuant to this Base Prospectus and a Final Terms. The terms and conditions applicable to any particular Tranche of Certificates will be the terms and conditions set out herein (the “**Conditions**”), as completed by the Final Terms.

Listing and Trading..... Application has been made for Certificates issued under the Programme to be admitted to the Official List and to be admitted to trading on the Market. This Base Prospectus and any supplement will only be valid for listing Certificates on the Official List and admitting Certificates to trading on the Market in respect of Certificates having a denomination of at least €100,000 (or its equivalent in any other currency as at the date of issue of the Certificates) during a period of 12 months from the date of this Base Prospectus.

The Certificates will be delisted from the Official List following the occurrence of a Tangibility Event, see Condition 8.6 (*Dissolution at the Option of Certificateholders (Tangibility Event Put Right)*).

Certificates may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Trustee, the Obligor and the relevant Dealer(s) in relation to

the relevant Series. Certificates which are neither listed nor admitted to trading on any market may also be issued.

The Final Terms will state whether or not the relevant Certificates are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Clearing Systems..... Euroclear Bank SA/NV (“**Euroclear**”), Clearstream Banking S.A. (“**Clearstream**”) and/or The Depository Trust Company (“**DTC**”), unless otherwise agreed, and such other clearing system(s) as may be agreed between the Trustee, the Obligor, the relevant Dealer(s), the Principal Paying Agent and the Delegate.

Method of Issue..... The Certificates will be issued on a syndicated or non-syndicated basis. Certificates will be issued in series (each, a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the amount and date of the first Periodic Distribution Amount payment and the date from which Periodic Distribution Amounts start to accrue) to the Certificates of each Series being intended to be interchangeable with all other Certificates of that Series. Each Series may comprise one or more tranches (each, a “**Tranche**”) issued on the same or different issue dates. The specific terms of each Tranche (which will comprise, where necessary, the relevant terms and conditions and, save in respect of the issue date, issue price, date of the first Periodic Distribution Amount payment and face amount of the Tranche), will be identical to the terms of other Tranches of the same Series and will be completed in the Final Terms.

Status of the Certificates..... Each Certificate will represent an undivided ownership interest in the Trust Assets of the relevant Series, is a direct, unsubordinated, unsecured and limited recourse obligation of the Trustee and will rank *pari passu*, without preference or priority, with all other Certificates of the relevant Series issued under the Programme.

Issue Price The Certificates may be issued at their face amount or at a discount or premium to their face amount. The price and amount of Certificates to be issued under the Programme will be determined by the Trustee, the Obligor and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Maturities..... The Certificates may have any maturity as agreed between the Trustee, the Obligor and the relevant Dealer(s), subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Use of Proceeds..... See “*Use of Proceeds*”.

Form and Delivery of Certificates..... The Certificates will be issued in registered form only, one Certificate being issued in respect of each Certificateholder’s entire holding of Certificates of each separate Tranche. Certificates sold in an “offshore transaction” within the meaning of Regulation S will initially be represented by an Unrestricted Global Certificate (an “**Unrestricted Global Certificate**”). Each Unrestricted Global Certificate will be deposited with a common

depository for, and registered in the name of a nominee for, Euroclear and Clearstream.

Certificates sold in the United States to QIBs that are also QPs will initially be represented by a Restricted Global Certificate (a “**Restricted Global Certificate**” and together with any Unrestricted Global Certificate, “**Global Certificates**”). Each Restricted Global Certificate will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee for, DTC.

Please see “*Terms and Conditions of the Certificates*” and “*Form of the Certificates*”.

Initial Delivery of Certificates On or before the issue date for each Tranche, the Global Certificates may be deposited with a common depository for Euroclear and Clearstream or a custodian for DTC (as applicable). Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system *provided that* the method of such delivery has been agreed in advance by the Trustee, the Obligor, the Delegate and the relevant Dealer. Certificates that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

Trust Assets..... Pursuant to the relevant Trust Deed for each Series, the Trustee has declared that it will hold the Trust Assets (as defined in Condition 5.1 (*Trust Assets*)) upon trust absolutely for, and on behalf of, the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder.

Limited Recourse Each Certificate of a particular Series will represent an undivided ownership interest in the Trust Assets for such Series. No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available from the relevant Trust Assets.

Certificateholders have no recourse to any assets of the Trustee (other than the relevant Trust Assets), the Obligor (to the extent that it fulfils its obligations under the Transaction Documents to which it is a party) or the Delegate or any of their respective affiliates in respect of any shortfall in the expected amounts from the relevant Trust Assets to the extent the relevant Trust Assets have been enforced, realised and fully discharged following which all obligations of the Trustee and the Obligor shall be extinguished.

Benchmark Discontinuation..... In the event that a Benchmark Event occurs, such that any reference rate (or any component part thereof) cannot be determined by reference to the original benchmark or screen rate (as applicable) specified in the applicable Final Terms, then the Obligor may (subject to certain conditions) be permitted to substitute such benchmark and/or screen rate (as applicable) with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of such Series of Certificates and, potentially, the application of an Adjustment Spread (which could be positive, negative or zero)). See

Condition 7.2(g) (*Benchmark Replacement*) for further information.

**Dissolution on the Scheduled
Dissolution Date.....**

Unless the Certificates are previously redeemed or purchased and cancelled, the Trustee will redeem the Series of Certificates at an amount equal to the relevant Dissolution Distribution Amount and the Trust in relation to the relevant Series will be dissolved by the Trustee on the relevant Scheduled Dissolution Date specified in the applicable Final Terms for such Series.

Early Dissolution of the Trust

Subject to the applicable Final Terms in respect of each Series, the Trust may be dissolved prior to the Scheduled Dissolution Date upon:

- (a) the occurrence of a Dissolution Event;
- (b) the occurrence of a taxation event (as further specified in Condition 8.2 (*Early Dissolution for Taxation Reasons*));
- (c) all of the Certificates of a relevant Series being redeemed following the exercise by the Obligor of an Optional Dissolution Right;
- (d) all of the Certificates of a relevant Series being redeemed following the exercise by the Obligor of the Clean-Up Dissolution Right;
- (e) all of the Certificates of a relevant Series being redeemed following the occurrence of a Tangibility Event (as further specified in Condition 8.6 (*Dissolution at the Option of Certificateholders (Tangibility Event Put Right)*));
- (f) upon all of the Certificateholders of a relevant Series exercising the Certificateholder Put Right or the Change of Control Put Right;
- (g) upon the occurrence of a Total Loss Event, unless the relevant Lease Assets are replaced in accordance with the Service Agency Agreement; or
- (h) all of the Certificates of the relevant Series being cancelled following the purchase of such Certificates by or on behalf of the Obligor and/or any of its respective subsidiaries.

In the case of the events described in paragraphs (a) to (h) above, the Certificates of a Series will be redeemed pursuant to the exercise of the Purchase Undertaking or the Sale Undertaking (as applicable) whereupon the Obligor will purchase from the Trustee the Lease Assets. The relevant exercise price payable upon due exercise of the Purchase Undertaking or the Sale Undertaking (as applicable), together with the Deferred Sale Price, will be used to fund the redemption of the Certificates at an amount equal to the relevant Dissolution Distribution Amount.

**Optional Dissolution Right,
Certificateholder Put Right and
Change of Control Put Right**

The applicable Final Terms issued in respect of each Series of Certificates will state whether such Certificates may be redeemed prior to the Scheduled Dissolution Date at the option of the Obligor (either in whole or in part) or at the option of the

Certificateholders, and, if so, the terms applicable to such redemption.

For *Shari'a* reasons, the Optional Dissolution Right, the Certificateholder Put Right and the Change of Control Put Right cannot all be specified as applicable in the applicable Final Terms in respect of any single Series of Certificates.

Change of Control Put Option.....

If so specified in the applicable Final Terms, each holder will have the right to require the redemption of its Certificates if a Change of Control Put Event occurs. Please see Condition 8.5 (*Dissolution at the Option of Certificateholders (Change of Control Put Right)*).

Early Dissolution for Tax Reasons....

Where the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 10 (*Taxation*) or the Obligor has or will become obliged to pay any additional amounts in respect of amounts payable under the Transaction Documents as a result of a change in, or amendment to, the laws or regulations of a Relevant Taxing Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes announced and effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series (as specified in the applicable Final Terms) and such obligation cannot be avoided by the Trustee or the Obligor, as applicable, taking reasonable measures available to it, the Trustee will, following receipt of an Exercise Notice and payment of the Exercise Price by the Obligor upon due exercise of the Sale Undertaking redeem the Certificates, in whole but not in part, at an amount equal to the relevant Dissolution Distribution Amount on the relevant Early Tax Dissolution Date specified in the Exercise Notice. See further Condition 8.2 (*Early Dissolution for Taxation Reasons*).

Dissolution Events.....

The Certificates will be subject to certain dissolution events as described in Condition 12 (*Dissolution Events*). Following the occurrence of a Dissolution Event, the Certificates of the relevant Series may be redeemed in full at an amount equal to the relevant Dissolution Distribution Amount.

Periodic Distribution Amounts.....

Certificateholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the Conditions.

Denominations.....

The Certificates will be issued in such denominations as may be agreed between the Trustee, the Obligor and the relevant Dealer(s) and as specified in the applicable Final Terms (the "**Specified Denomination**"), subject to compliance with all applicable laws, regulations and/or central bank requirements, and save that the Minimum Specified Denomination shall be U.S.\$200,000 (or, if the Certificates are denominated in a currency other than U.S. dollars, the equivalent amount in such currency).

Certificates having a maturity of less than one year

Certificates (including Certificates denominated in pounds sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Trustee in

the United Kingdom constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the FSMA unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 (or its equivalent in other currencies). See “*Subscription and Sale*”.

Lease Asset Substitution	The Obligor may (at its discretion), on a Periodic Distribution Date, substitute any Lease Asset in respect of a Series with another tangible asset. The Obligor shall only be allowed to effect such a substitution if the value of the new asset(s) is at least equal to the portion of the relevant Asset Purchase Price (as defined herein) attributable to the Lease Asset(s) to be so substituted. In the event that the substitution is of some but not all of the Lease Assets, the schedule contained in the relevant Supplemental Lease Agreement setting out the Lease Assets shall be updated to reflect such substitution and no further Supplemental Lease Agreement will need to be entered into. In the event that such substitution is of all of the Lease Assets, the existing Supplemental Lease Agreement shall terminate on the relevant Periodic Distribution Date and a new Supplemental Lease Agreement will be entered into at that time.
Trustee Covenants	The Trustee has agreed to certain restrictive covenants as set out in Condition 6.1 (<i>Trustee Covenants</i>).
Negative Pledge	The Certificates contain no negative pledge.
Cross Default	The Certificates contain no cross default.
Taxation	All payments under the Certificates and the Transaction Documents will be made free and clear of withholding taxes of a Relevant Taxing Jurisdiction, unless such withholding or deduction is required by law. In that event, the Trustee or the Obligor (as applicable) shall pay additional amounts so that the full amount which would otherwise have been due and payable is received, subject to certain customary exceptions.
ERISA	Employee benefit plans, plans and other entities subject to Title I of ERISA, Section 4975 of the Code or any Similar Laws may not acquire Certificates (or an interest therein). See “ <i>Certain ERISA Considerations</i> ”.
Ratings	The rating of certain Series of Certificates to be issued under the Programme may be specified in the Final Terms. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. Certificates issued under the Programme may be rated or unrated. Where a Tranche is rated, the applicable rating(s) will be specified in the Final Terms.
Selling Restrictions and Transfer Restrictions	For a description of certain restrictions on offers, sales and deliveries of Certificates and on the distribution of offering material in the United States of America, Canada, the EEA, the United Kingdom, the Cayman Islands, Italy, Switzerland, Kingdom of Saudi Arabia, Kingdom of Bahrain, State of Kuwait, the United Arab Emirates (excluding the Abu Dhabi Global Market (the “ ADGM ”) and the Dubai International Financial

Centre (the “**DIFC**”), the ADGM, the DIFC, Qatar (including the Qatar Financial Centre), Japan, Hong Kong, South Korea, Singapore, Malaysia, Indonesia, Brunei, People’s Republic of China, Taiwan and such other restrictions as may be required in connection with the offering and sale of the Certificates. See “*Subscription and Sale*”.

There are restrictions on the transfer of Certificates sold pursuant to Regulation S and Rule 144A. See “*Transfer Restrictions*”.

Governing Law

The Transaction Documents are governed by English law.

The Corporate Services Agreement and the Share Declaration of Trust are governed by the laws of the Cayman Islands.

Transaction Documents

The Master Trust Deed as supplemented by the relevant Supplemental Trust Deed, the Agency Agreement, the Master Purchase Agreement as supplemented by the applicable Supplemental Purchase Agreement, the Master Lease Agreement as supplemented by the applicable Supplemental Lease Agreement, the Sale Undertaking (together with each relevant sale agreement executed upon exercise of the Sale Undertaking), the Purchase Undertaking (together with each relevant sale agreement executed upon exercise of the Purchase Undertaking), the Master Murabaha Agreement and the Service Agency Agreement (together with all offers, acceptances and confirmations delivered pursuant to any of the foregoing in connection with the relevant Series) (each a “**Transaction Document**” and, together, the “**Transaction Documents**”).

RISK FACTORS

The purchase of Certificates involves risks and is suitable only for, and should be made only by, investors that have such knowledge and experience in financial and business matters as may enable them to evaluate the risks and the merits of an investment in the Certificates. Prior to making an investment decision, prospective investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information set forth herein and, in particular, the risk factors set forth below.

Each of the Trustee and the Obligor believes that the following factors may affect the Trustee's ability to fulfil its obligations under the Certificates and the Obligor's ability to fulfil its obligations under the Transaction Documents to which it is a party. Most of these factors are contingencies which may or may not occur. In addition, factors which the Trustee and the Obligor believe are material for the purpose of assessing the market risks associated with the Certificates are also described below.

Each of the Trustee and the Obligor believes that the factors described below represent the principal risks inherent in investing in the Certificates, but the inability of the Trustee to pay any amount in the nature of profit, principal or any other amounts on or in connection with any Certificates or the Obligor (acting in any capacity) to pay any amount in the nature of profit, rental or principal payable by it pursuant to any Transaction Document to which it is a party may occur for other reasons and the Trustee and the Obligor do not represent that the statements below regarding the risks of holding the Certificates are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

FACTORS THAT MAY AFFECT THE TRUSTEE'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER CERTIFICATES ISSUED UNDER THE PROGRAMME

The Trustee has a limited operating history and no material assets

The Trustee is as an exempted company incorporated with limited liability in the Cayman Islands on 3 May 2021 and has no operating history. The Trustee has not as at the date of this Base Prospectus, and will not, engage in any business activity other than the issuance of Certificates under the Programme, the acquisition of the Trust Assets as described herein, acting in the capacity as Trustee and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Trustee's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets. Therefore, the Trustee is subject to all the risks to which the Obligor is subject to the extent that such risks could limit the Obligor's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents.

The ability of the Trustee to pay amounts due on the Certificates will be dependent upon receipt by the Trustee from the Obligor of amounts to be paid under the Transaction Documents to which the Obligor is a party (which in aggregate may not be sufficient to meet all claims under the Certificates and the Transaction Documents).

FACTORS THAT MAY AFFECT THE OBLIGOR'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE TRANSACTION DOCUMENTS

Risks Related to Macro-Economic Environment and External Factors

Saudi Aramco's results of operations and cash flow are significantly impacted by international crude oil supply and demand and the price at which it sells crude oil.

Sales of crude oil are the largest component of Saudi Aramco's consolidated revenue and other income related to sales, accounting for 56.8%, 57.3% and 49.1% for the years ended 31 December 2018, 2019 and 2020, respectively, and 46.0% for the three months ended 31 March 2021. Accordingly, Saudi Aramco's results of operations and cash flow are significantly impacted by the price at which it sells crude oil.

International crude oil supply and demand and the sales price for crude oil are affected by many factors that are beyond Saudi Aramco's control, including:

- markets' expectations with respect to future supply of petroleum and petroleum products, demand and price changes;
- global economic and political conditions and geopolitical events, including any that impact international trade (including trade routes);
- decisions regarding production levels by the Kingdom or other producing states (the Kingdom is a member country of OPEC) (see "*Business—Relationship with the Kingdom*");
- the impact of natural disasters and public health pandemics or epidemics (such as the novel strain of coronavirus causing Coronavirus Disease 2019 ("**COVID-19**")) on supply and demand for crude oil, general economic conditions and the ability to deliver crude oil;
- the development of new crude oil exploration, production and transportation methods or technological advancements in existing methods, including hydraulic fracturing or "fracking";
- capital investments of oil and gas companies relating to the exploration, development and production of crude oil reserves;
- the impact of climate change on the demand for, and price of, hydrocarbons (see "*—Climate change concerns and impacts could reduce global demand for hydrocarbons and hydrocarbon-based products and could cause Saudi Aramco to incur costs or invest additional capital*");
- changes to environmental or other regulations or laws applicable to crude oil and related products or the energy industry (see "*—Legal and Regulatory Risks—Saudi Aramco's operations are subject to environmental protection, health and safety laws and regulations and increased concerns regarding the safe use of chemicals and plastics and their potential impact on the environment have resulted in more restrictive regulations and could lead to new regulations*");
- prices of alternative energies, including renewable energy;
- the electrification of transportation, technological developments in the cost or endurance of fuel cells for electric vehicles and changes in transportation-mode preferences, including ride-sharing;
- weather conditions affecting supply and demand;
- fluctuations in the value of the U.S. Dollar, the currency in which crude oil is priced globally; and
- crude oil trading activities.

Fluctuations in the price at which Saudi Aramco sells crude oil could cause its results of operations and cash flow to vary significantly. In addition, decreases in the price at which Saudi Aramco sells its crude oil could have a material adverse effect on Saudi Aramco's results of operations and cash flow.

International crude oil prices have fluctuated significantly in the past and may remain volatile. Between January 2016 and March 2021, Brent prices generally fluctuated between \$40.0 and \$65.0 per barrel. However, Brent prices fell below \$23.0 per barrel in mid-March 2020 in response to the COVID-19 pandemic's impact on worldwide demand for oil and economic activity, as well as other supply and demand factors, and did not recover to above \$60.0 per barrel until February 2021. Fluctuations in the price at which Saudi Aramco is able to sell crude oil could cause Saudi Aramco's results of operations and cash flow to vary significantly. In addition, decreases in the price at which Saudi Aramco is able to sell its crude oil could have a material adverse effect on Saudi Aramco's results of operations and cash flow.

The COVID-19 pandemic and its impact on business and economic conditions could negatively affect Saudi Aramco's business, financial position, cash flow, results of operations and price of its securities.

The COVID-19 pandemic and measures taken to combat it are having a widespread impact on business and economic conditions, including on the demand for crude oil, natural gas, refined products and petrochemicals. Public health authorities and governments at local, national and international levels have announced various measures to respond to the pandemic, including restrictions on travel, voluntary or mandatory quarantines, workforce reductions of personnel who are deemed to be non-essential and the full closure of business activities deemed to be non-essential. These measures have severely impacted economic activity and led to lower demand for crude oil, natural gas, refined products and petrochemicals. Moreover, the COVID-19 pandemic has resulted in volatility in global capital markets and investor sentiment, which may affect the availability, amount and type of financing available to Saudi Aramco in the future.

As a result of the COVID-19 pandemic and other factors impacting oil demand, Saudi Aramco has revised its expected capital expenditures for the year ending 31 December 2021 from between \$40 billion and \$45 billion to approximately \$35 billion, which includes capital expenditures expected to be incurred by SABIC. For a more detailed discussion on Saudi Aramco's historical and expected capital expenditures, see "*Management's Discussion and Analysis of Financial Position and Results of Operations—Liquidity and Capital Resources—Cash Used in Investing Activities—Capital Expenditures*".

In addition to its impact on economic activity, COVID-19 could have a direct impact on Saudi Aramco's operations. In the Kingdom, public health authorities have taken various measures to combat the spread of COVID-19. For example, in March 2020, a temporary nationwide curfew was introduced, which required Saudi Aramco to adjust working hours for some personnel. In addition, the health of some of Saudi Aramco's employees has been impacted and some of its personnel have been quarantined. If public health authorities determine that persons suspected of or confirmed to have COVID-19 have spent time at any of Saudi Aramco's facilities, Saudi Aramco may be required to pause certain operations or close certain facilities for a considerable time. If a significant percentage of Saudi Aramco's workforce is unable to work or if Saudi Aramco is required to close facilities because of illness or government restrictions in connection with the COVID-19 pandemic, Saudi Aramco's operations may be negatively impacted.

Saudi Aramco is not able to predict how long the COVID-19 pandemic will persist or how long the measures that have been introduced to respond to it will be in place. Saudi Aramco also cannot predict how long the effects of COVID-19 and the efforts to contain it will continue to impact its business after the pandemic is under control or if additional, more restrictive measures to combat the pandemic will be implemented. These impacts could result in a worsening of the effects of the pandemic on Saudi Aramco's business, cash flows, results of operations and price of its securities. The extent to which COVID-19 could impact Saudi Aramco's business depends on future developments that are highly uncertain and are outside of Saudi Aramco's control, including new information which may quickly emerge concerning the severity of the virus, the scope of the pandemic and actions to contain the virus or treat its impact and the efficacy of such actions, among others.

Saudi Aramco operates in a highly competitive environment. Competitive pressure could have a material adverse impact on the price at which it sells crude oil and other products.

The sale of crude oil outside the Kingdom is very competitive. Saudi Aramco's primary competitors for the sale of crude oil outside the Kingdom include national and international oil companies, many of which have substantial crude oil reserves and financial resources. The primary factors affecting competition are the price, quantity and quality of crude oil produced. Increased competitive pressures could have a material adverse impact on prices at which Saudi Aramco can sell crude oil and its market share.

In addition, outside the Kingdom, Saudi Aramco's refineries in its downstream segment are subject to competition in the geographies to which they sell refined products or petrochemicals. Competitors include, but are not limited to, refineries located in, or in close proximity to, the relevant market, and in the case of refineries that are net importers, from other international producers. Operating efficiencies and production costs are key factors affecting competition for refined products and chemicals. Accordingly, if the operating efficiencies and production costs of Saudi Aramco's refineries are not sufficiently competitive in the geographies they serve,

Saudi Aramco's business, financial position and results of operations could be materially and adversely impacted.

Climate change concerns and impacts could reduce global demand for hydrocarbons and hydrocarbon-based products and could cause Saudi Aramco to incur costs or invest additional capital.

Climate change concerns manifested in public sentiment, government policies, laws and regulations, international agreements and treaties and other actions may reduce global demand for hydrocarbons and propel a shift to lower carbon intensity fossil fuels such as gas or alternative energy sources. In particular, increasing pressure on governments to reduce GHG emissions has led to a variety of actions that aim to reduce the use of fossil fuels, including, among others, carbon emission cap and trade regimes, carbon taxes, increased energy efficiency standards and incentives and mandates for renewable energy and other alternative energy sources. In addition, international agreements that aim to limit or reduce GHG emissions are currently in various stages of implementation. For example, the Paris Agreement became effective in November 2016, and many of the countries that have ratified the Paris Agreement are adopting domestic measures to meet its goals, which include reducing their use of fossil fuels and increasing their use of alternative energy sources. The landscape of GHG related laws and regulations has been in a state of constant re-assessment and, in some cases, it is difficult to predict with certainty the ultimate impact GHG related laws, regulations and international agreements will have on Saudi Aramco. In some of the areas in which Saudi Aramco operates such as the Netherlands, GHG emissions are regulated by the European Union Emissions Trading Scheme. In the future, areas in which Saudi Aramco operates that are not currently subject to GHG regulation may become regulated and existing GHG regulations may become more stringent. See “*Business—Sustainability, Health, Safety and Environment*”.

Existing and future climate change concerns and impacts, including physical impacts to infrastructure, and related laws, regulations, treaties, protocols, policies and other actions could shift demand to other fuels, reduce demand for hydrocarbons and hydrocarbon-based products, have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

Terrorism and armed conflict may materially and adversely affect Saudi Aramco and the market price of the Trust Certificates.

Saudi Aramco's facilities have been targeted by terrorist and other attacks. Most recently, in March 2021, the Riyadh refinery was subject to an attack by unmanned aerial vehicles. The incident did not have any impact on Saudi Aramco's supply of refined products to its customers and was successfully managed thanks to the swift action of the emergency response teams and the effective deployment of fire fighting systems. In September 2019, the Abqaiq facility and the Khurais processing facility were subject to attack by unmanned aerial vehicles and missiles. Abqaiq is Saudi Aramco's largest oil processing facility. The Khurais field is one of Saudi Aramco's principal oil fields. These attacks resulted in the temporary suspension of processing at Abqaiq and Khurais. As a result, overall crude oil production and associated gas production was reduced and Saudi Aramco took a number of actions to minimise the impact of lower Arabian Light and Arabian Extra Light production by tapping into Saudi Aramco's inventories located outside of the Kingdom and swapping grades of deliveries to Arabian Medium and Arabian Heavy.

In addition, in May 2019 and in August 2019, the East-West pipeline and the Shaybah field, respectively, were targeted by unmanned aerial vehicle attacks. These attacks resulted in fires and damage to the processing and cogeneration infrastructure at the Shaybah NGL facility. Furthermore, since 2017, areas of the Kingdom have been subject to ballistic missile and other aerial attacks from Yemen, including areas of the Kingdom where Saudi Aramco has facilities or operations. Any additional terrorist or other attacks could have a material adverse effect on Saudi Aramco's business, financial position and results of operations, could cause Saudi Aramco to expend significant funds and could impact the market price of the Trust Certificates.

Risks related to Saudi Aramco, its Operations and Industry

Saudi Aramco exports a substantial portion of its crude oil and refined products to customers in Asia, and adverse economic or political developments in Asia could impact its results of operations.

Saudi Aramco exports a substantial portion of its crude oil and refined products to customers in Asia. In 2018, 2019 and 2020, customers in Asia, including Saudi Aramco's affiliated refineries located in Asia, purchased

71%, 77% and 77%, respectively, of its crude exports and 51%, 50% and 55%, respectively, of its total crude production. See “*Management’s Discussion and Analysis of Financial Position and Results of Operations—Factors Affecting Saudi Aramco’s Financial Position and Results of Operations—Upstream Liquids Sales*”. In addition, Saudi Aramco expects to export additional crude to Asia as new downstream assets in Asia commence operations. See “*Business—Overview—Downstream*”.

Saudi Aramco expects crude exports to customers in Asia to continue to constitute a significant percentage of its total export and production volumes. Furthermore, the refined, chemical and petrochemical products that are produced at Saudi Aramco’s joint ventures and international operations in Asia are generally sold locally and exported to other Asian countries. Since early 2020, economic conditions in Asia have been significantly impacted by the outbreak of COVID-19. If there is a prolonged slowdown in economic growth, an economic recession or other adverse economic or political development in Asia, Saudi Aramco may experience a material reduction in demand for its products by its customers located in the region. Moreover, any such development in other parts of the world (including political and social instability or armed conflict in the MENA region) may result in other producers supplying surplus capacity to Asia, thereby increasing competition for customers in Asia and affecting the prices at which Saudi Aramco sells its products to customers there. A significant decrease in demand for Saudi Aramco’s products in Asia could have a material adverse effect on its business, financial position and results of operations.

Saudi Aramco is subject to operational risks and hazards that may have a significant impact on its operations or result in significant liabilities and costs.

Saudi Aramco is subject to operational risks common in the oil and gas industry, including:

- crude oil or gas spills, pipeline leaks and ruptures, storage tank leaks, and accidents involving explosions, fires, blow outs and surface cratering;
- power shortages or failures;
- mechanical or equipment failures;
- transportation interruptions and accidents;
- tropical monsoons, storms, floods and other natural disasters; and
- chemical spills, discharges or releases of toxic or hazardous substances or gases.

These risks could result in damage to, or destruction of, Saudi Aramco’s properties and facilities, death or injury to people and harm to the environment, which could have a significant impact on its operations or result in significant liabilities and remediation costs. In addition, Saudi Aramco is not insured against all risks and insurance in connection with certain risks and hazards may not be available. See “—*Saudi Aramco could be subject to losses from risks related to insufficient insurance*”. To the extent a subcontractor was responsible for the damage, Saudi Aramco’s recourse to the relevant subcontractor may be limited by contract or the financial viability of such subcontractor. Such occurrences could also interrupt Saudi Aramco’s operations, delay Saudi Aramco projects or damage its reputation, which could have a material adverse effect on its business.

Furthermore, the majority of Saudi Aramco’s assets are located in the Kingdom and it relies heavily on a cross country pipeline system and terminal facilities to transport crude oil and products through the Kingdom. Saudi Aramco also depends on critical assets to process its crude oil, such as the Abqaiq facility, which is its largest oil processing facility and processes a significant amount of Saudi Aramco’s daily produced crude oil. The East-West pipeline, the Shaybah NGL facility, the Abqaiq facility and the Khurais processing facility have been subject to attacks within the last few years. If Saudi Aramco’s critical transport systems or processing facilities were subject to a significant disruption, it could have a material adverse effect on Saudi Aramco’s business, financial position and results of operations. See “—*Risks Related to Macro-Economic Environment and External Factors—Terrorism and armed conflict may materially and adversely affect Saudi Aramco and the market price of the Trust Certificates*”.

Estimates of proved hydrocarbon reserves depend on significant interpretations, assumptions and judgments. Any significant deviation or changes in existing economic and operating conditions could affect the estimated quantity and value of Saudi Aramco's proved reserves.

Saudi Aramco's reserve estimates conform to the SPE-PRMS definitions and guidelines, which are internationally recognised industry standards. Saudi Aramco's and D&M's estimates of the quantity of Saudi Aramco's proved hydrocarbon reserves depend on significant interpretations, assumptions and judgments relating to available geological, geophysical, engineering, contractual, economic and other information, and take into account existing economic and operating conditions and commercial viability as at the date the reserve estimates are made. See "*Business—Overview—Upstream*" for a discussion of the process utilised by Saudi Aramco to estimate its reserves and the certification letter of D&M attached as Appendix C to this Base Prospectus for a description of the procedures, conclusions and assumptions utilised by D&M.

There can be no assurance that the interpretations, assumptions and judgments utilised by Saudi Aramco to estimate proved reserves, or those utilised by D&M for the purposes of preparing its certification letter, will prove to be accurate. Any significant deviation from these interpretations, assumptions or judgments could materially affect the estimated quantity or value of Saudi Aramco's proved reserves. In addition, these estimates could change due to new information from production or drilling activities, changes in economic factors, including changes in the price of hydrocarbons, changes to laws, regulations or the terms of the Concession or other events. Further, declining hydrocarbon prices may cause certain proved reserves to no longer be considered commercially viable, which could result in downward adjustments to Saudi Aramco's estimates of Saudi Aramco's proved reserves, impairment of Saudi Aramco's assets or changes to Saudi Aramco's capital expenditures and production plans. Moreover, proved reserves estimates are subject to change due to changes in published rules or changes in guidelines. Any material reduction in the quantity or value of Saudi Aramco's proved reserves could adversely affect Saudi Aramco's business.

The independent third-party certification letter does not cover the entirety of the Kingdom's estimated reserves.

Saudi Aramco retained independent petroleum consultants, D&M, to independently evaluate, as at 31 December 2019, reservoirs Saudi Aramco believes accounted for approximately 85% of its proved oil reserves to which it has rights under the Concession and remain to be produced after 31 December 2019 but before 31 December 2077 (the end of the initial 40-year term of the Concession plus the first 20-year extension). Saudi Aramco chose this scope because of the overall scale of the Kingdom's reserves and the concentration of deposits in the major reservoirs that were assessed. Further independent assessment of the Kingdom's smaller reservoirs would have taken several years to complete. D&M's reserves estimation of 214.2 billion barrels of oil equivalent reserves for the reservoirs it evaluated was within 1% of Saudi Aramco's internal estimation for the same reservoirs for the same Concession time period.

There is no independent third-party certification letter with respect to the balance of the Kingdom's proved oil equivalent reserves or as at a more recent date than 31 December 2019. Any material deviation in the quantity of proved reserves could have a material adverse effect on Saudi Aramco's financial position.

Saudi Aramco could be subject to losses from risks related to insufficient insurance.

Saudi Aramco insures against risk primarily by self-insuring through its captive insurance subsidiary, Stellar, which provides insurance exclusively to Saudi Aramco. Saudi Aramco also obtains insurance in certain areas from third-party providers in excess of the coverage provided through Stellar. For more information, see "*Business—Insurance*".

Saudi Aramco does not insure against all risks and its insurance may not protect it against liability from all potential events, particularly catastrophic events such as major crude oil spills, environmental disasters, terrorist attacks or acts of war. In addition, it does not maintain business interruption insurance for disruptions to its operations and certain of its operations are insured separately from the rest of its business. Furthermore, there can be no assurance that Saudi Aramco can continue to renew its existing levels of coverage on commercially acceptable terms, or at all. As a result, it could incur significant losses from uninsured risks or risks for which

its insurance does not cover the entire loss. Any such losses could have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

Saudi Aramco's ability to achieve its strategic growth objectives depends on the successful delivery of current and future projects.

Saudi Aramco's ability to achieve its strategic growth objectives depends, in part, on the successful, timely and cost-effective delivery of capital projects, which are carried out by Saudi Aramco or by it along with joint venture or affiliate partners. Saudi Aramco faces numerous challenges in developing such projects, including:

- fluctuations in the market prices for hydrocarbons, which may impact its ability to finance its projects from its cash flow from operating activities or make projects less economically feasible or rendered uneconomic;
- making economic estimates or assumptions based on data or conditions, including crude oil and gas price assumptions, which may change;
- constraints on the availability and cost of skilled labour, contractors, materials, equipment and facilities;
- its ability to obtain funding necessary for the implementation of the relevant project on terms acceptable to it, or at all;
- difficulties in obtaining necessary permits, complying with applicable regulations and changes to applicable law or regulations;
- difficulties coordinating multiple contractors and sub-contractors involved in complex projects; and
- undertaking projects or ventures in new lines of business in which Saudi Aramco has limited or no prior operating experience.

These challenges have led and could lead to delays in the completion of projects and increased project costs. If projects are delayed, cost more than expected or do not generate the expected return, Saudi Aramco's operations and expected levels of production could be impacted. These occurrences could result in Saudi Aramco reviewing and recognising impairments on its projects, assuming liabilities of joint venture or affiliate partners or other consequences, any of which could have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

In addition, many of Saudi Aramco's projects require significant capital expenditures.

If cash flow from operating activities and funds from external financial resources are not sufficient to cover Saudi Aramco's capital expenditure requirements, Saudi Aramco may be required to reallocate available capital among its projects or modify its capital expenditure plans, which may result in delays to, or cancellation of, certain projects or deferral of certain capital expenditures. Any change to Saudi Aramco's capital expenditure plans could, in turn, have a material adverse effect on Saudi Aramco's growth objectives and its business, financial position and results of operations. For a more detailed discussion on Saudi Aramco's capital expenditures, see "*—Risks Related to Macro-Economic Environment and External Factors—The COVID-19 pandemic and its impact on business and economic conditions could negatively affect Saudi Aramco's business, financial position, cash flow, results of operations and price of its securities*" and "*Management's Discussion and Analysis of Financial Position and Results of Operations—Liquidity and Capital Resources—Cash Used in Investing Activities—Capital Expenditures*".

Saudi Aramco's historical results of operations may not be directly compared from year to year.

In recent years, the Government has adopted a number of changes to the fiscal regime under which Saudi Aramco operates. These changes have a material impact on Saudi Aramco's results of operations and make its consolidated financial statements for certain periods less directly comparable, particularly with respect to revenue and other income related to sales, production royalties and excise and other taxes and income tax. Accordingly, Saudi Aramco's historical results of operations are not necessarily determinative of its likely future cash flows, results of operations or rate of growth, and its past performance should not be relied upon as an

indication of its future performance. For a more detailed discussion of the fiscal regime changes and their effect on Saudi Aramco's consolidated financial statements, see "*Management's Discussion and Analysis of Financial Position and Results of Operations—Factors Affecting Saudi Aramco's Financial Position and Results of Operations—Fiscal Regime Changes*".

Saudi Aramco may not realise some or all of the expected benefits of recent or future acquisitions, including the acquisition of a 70% equity interest in SABIC.

Saudi Aramco has engaged in and may continue to engage in acquisitions of businesses, technologies, services, products and other assets from time to time. Any such acquisition entails various risks, including that Saudi Aramco may not be able to accurately assess the value, strengths and weaknesses of the acquisition or investment targets, effectively integrate the purchased businesses or assets, achieve the expected synergies or recover the purchase costs of the acquired businesses or assets. Saudi Aramco may also incur unanticipated costs or assume unexpected liabilities and losses in connection with any business or asset it acquires, including in relation to the retention of key employees, legal contingencies (such as, contractual, financial, regulatory, environmental or other obligations and liabilities) and risks related to the acquired business, and the maintenance and integration of procedures, controls and quality standards. These difficulties could impact Saudi Aramco's ongoing business, distract its management and employees and increase its expenses which could, in turn, have a material adverse effect on its business, financial position and results of operations.

On 16 June 2020, Saudi Aramco acquired the PIF's 70% equity interest in SABIC for total consideration of \$69.1 billion. For the acquisition to be successful for Saudi Aramco, it will need to manage its ownership stake in SABIC in a manner which supports the optimisation of SABIC's performance. The realisation of such benefits may be affected by a number of factors, many of which are beyond Saudi Aramco's control. Failure to realise some or all of the anticipated benefits of the acquisition may impact Saudi Aramco's financial performance and prospects, including the growth of its downstream business. For further information on Saudi Aramco's acquisition of the equity interest in SABIC, see "*Business—Operating Segments—Downstream—Acquisition of 70% Equity Interest in SABIC*".

Saudi Aramco is exposed to risks related to operating in several countries.

A substantial portion of Saudi Aramco's downstream operations are conducted outside the Kingdom. Risks inherent in operating in several countries include:

- complying with, and managing changes to and developments in, a variety of laws and regulations, including without limitation, with respect to price regulations, data privacy, cybersecurity, the environment, forced divestment of assets, expropriation of property and cancellation or forced renegotiation of contract rights;
- complying with tax regimes in multiple jurisdictions and the imposition of new or increased withholding or other taxes or royalties;
- the imposition of new, or changes to existing, transfer pricing regulations or the imposition of new restrictions on foreign trade, investment or travel;
- adverse changes in economic and trade sanctions, import or export controls and national security measures resulting in business disruptions, including delays or denials of import or export licences or blocked or rejected financial transactions;
- conducting business through a number of subsidiaries, joint operations and joint ventures and challenges implementing Saudi Aramco's policies and procedures in such entities; and
- fluctuations in foreign currency exchange rates.

Operating in several countries also requires significant management attention and resources. The occurrence of any of these risks may be burdensome and could have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

Saudi Aramco is dependent on Senior Management and key personnel.

Saudi Aramco operates in a competitive environment, and its success depends upon its ability to identify, hire, develop, motivate and retain highly-qualified Senior Management and other key personnel. Saudi Aramco's Senior Management and other key personnel may voluntarily terminate their employment with Saudi Aramco or leave their positions due to reasons beyond Saudi Aramco's control. If Saudi Aramco experiences a large number of departures of its oil and gas experts in a relatively short period of time, attracting and retaining a sufficient number of replacement personnel may be challenging. If Saudi Aramco is unable to hire and retain Senior Management and other key personnel with requisite skills and expertise, it could have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

Saudi Aramco's operations are dependent on the reliability and security of its IT systems.

Saudi Aramco relies on the security of critical information and operational technology systems. Cyber incidents may negatively impact these or other functions and, particularly in relation to industrial control systems, may result in physical damage, injury or loss of life and environmental harm. Saudi Aramco's systems are a high-profile target for sophisticated cyberattacks by nation states, criminal hackers and competitors, and Saudi Aramco routinely fends off malicious attempts to gain unauthorised systems access. However, there is a risk that determined attackers with access to the necessary resources could successfully penetrate Saudi Aramco systems. Attempts to gain unauthorised access to Saudi Aramco networks have been successful in the past, including a 2012 cyberattack in which Saudi Aramco resorted to manual procedures for certain non-operational related matters while the breach was contained. To date, none of these attempts have been material to Saudi Aramco's financial performance or reputation. Nonetheless, the nature and breadth of any potential future cyberattack remain unknown and remote work arrangements in response to the outbreak of COVID-19 may increase the risk of cybersecurity incidents, data breaches or cyberattacks. Such incidents could result in significant costs, including investigation and remediation expenses, regulatory scrutiny, legal liability and the loss of personal or sensitive business or third-party information, and could have a material adverse effect on Saudi Aramco's operations and reputation. For further information on Saudi Aramco's cybersecurity, see "*Business—IT and Cybersecurity*".

Legal and Regulatory Risks

Saudi Aramco is and has been subject to litigation, including international trade litigation, disputes or agreements, and may be subject to additional litigation in the future.

Saudi Aramco is and has been subject to significant litigation, primarily in the United States and the Kingdom. Some of the most significant U.S. litigation involved allegations of violations of antitrust laws. While Saudi Aramco has exposure to potential antitrust claims in multiple business areas and jurisdictions, significant past antitrust litigation has arisen, in part, from the Kingdom's membership and participation in OPEC. Such antitrust litigation sought extensive relief, including treble damages, divestiture of assets in the United States and disgorgement of profits. If granted, this relief could have had a material adverse impact on Saudi Aramco. To date, the OPEC-related antitrust lawsuits have been dismissed on the basis of various sovereign defences under U.S. law, including the political question and the act of state doctrines, sovereign immunity under the FSIA and other legal defences. However, there is no assurance that Saudi Aramco will prevail in its assertion of these defences in the future and any adverse judgment or settlement could have an adverse effect on Saudi Aramco's business, financial position and results of operations.

In March 2021, members of the U.S. Senate introduced a bill that sought to make unlawful certain conduct by foreign states, state instrumentalities and state agents, such as taking action collectively to reduce the production of oil. A similar bill was introduced in the U.S. House of Representatives in April 2021. The draft bills, if enacted, would expressly remove or weaken certain sovereign defences, including sovereign immunity under the FSIA, with respect to certain claims. If the draft bills or any other legislation affecting Saudi Aramco's legal liability were to become law and result in claims against Saudi Aramco, such claims, including any adverse judgement or settlement, could have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

From time to time, Saudi Aramco has been subject to, and remains subject to, claims for title to land. For example, the case *Al-Qarqani et al. v. Arabian American Oil Company (No. 4:18-cv-1807)* (“*Al-Qarqani*”) was brought before the U.S. District Court for the Southern District of Texas (the “**Texas Court**”). In *Al-Qarqani*, the petitioners seek to enforce an \$18.0 billion arbitral award (“**Award**”) granted by an arbitral tribunal under the auspices of the International Arbitration Centre (the “**IAC**”) in Egypt. The Texas Court granted Saudi Aramco’s motion to dismiss the case on 17 November 2020. The petitioners subsequently appealed that decision to the Fifth Circuit. In the unlikely event the Obligor is unsuccessful in defending the Texas Court’s dismissal on appeal, the petitioners may attempt to force it to pay the Award granted by the arbitral tribunal, which could have a material adverse effect on Saudi Aramco’s business, financial position and results of operations.

In addition, increasing attention on climate change risks may result in an increased possibility of litigation against Saudi Aramco and its affiliated companies. Claims relating to climate change matters have been filed against companies in the oil and gas industry by private parties, shareholders of such companies, public interest organisations, state attorneys general, cities and other localities, especially in the United States, including claims that the extraction and development of fossil fuels has increased climate change. Some of these claims demand that the defendants pay financial amounts as compensation for alleged past and future damages resulting from climate change.

On 2 July 2018, Motiva, Saudi Aramco’s U.S. refinery, was named as a defendant in a climate-change case brought by the Rhode Island Attorney General against 21 oil and gas companies (“*Rhode Island*”). The defendants initially attempted to remove the case to federal court, but the case was remanded back to the Rhode Island state court. The federal district court’s remand order was affirmed by the Court of Appeals for the First Circuit on 29 October 2020. On 30 December 2020, the defendants filed a petition for a writ of certiorari asking the U.S. Supreme Court to review the First Circuit’s decision. Very similar decisions have been reached in other climate change cases against oil and gas companies by the Fourth Circuit in *Mayor and City Counsel of Baltimore v. BP p.l.c.* (“*City of Baltimore*”), the Ninth Circuit in *Oakland, et al. v. BP plc et al.* and *County of San Mateo, et al. v. Chevron Corp., et al.*, and the Tenth Circuit in *Board of County Commissioners v. Suncor Energy (U.S.A.), Inc. et al.* On 2 October 2020, the U.S. Supreme Court granted certiorari to review the decision of the Fourth Circuit in *City of Baltimore* and it heard oral arguments in that case on 19 January 2021. Due to the similarity of the cases, whether the First Circuit’s decision in the Rhode Island case ultimately controls could depend to a large extent on what the Supreme Court decides in the *City of Baltimore* case or other similar cases. While Shell agreed to defend and indemnify Motiva, in the event Motiva is not dismissed, Shell’s continued duty to defend and indemnify Motiva may be re-evaluated. Claims such as these could increase in number and Saudi Aramco and its affiliated companies could be the subject of similar claims in the United States or elsewhere in the future.

Further, Saudi Aramco’s investors could assert claims against it and its Directors and Senior Executives alleging breaches of applicable laws and regulations, or other legal theories.

Litigation in a variety of jurisdictions could result in substantial costs (including civil or criminal penalties, or both, damages or the imposition of import trade measures) and require Saudi Aramco to devote substantial resources and divert management attention, which may have a material adverse effect on its business, financial position and results of operations. For further details on litigation, see “*Business—Litigation and Trade Actions*”.

Moreover, exports of crude oil, refined products and petrochemicals by Saudi Aramco or its affiliates to foreign countries may be affected by litigation, regulatory actions, investigations, disputes or agreements that lead to the imposition of import trade measures, including anti-dumping and countervailing duties, safeguard measures, import licensing and customs requirements, and new or increased tariffs, quotas or embargos. The possibility and effect of any such measures will depend on the laws governing the foreign country to which the applicable products are being exported and applicable international trade agreements. Foreign countries may take such measures for political or other reasons, including reasons unrelated to Saudi Aramco actions or operations. Since the majority of Saudi Aramco’s products are exported, any such measures may have a material adverse effect on Saudi Aramco’s business, financial position and results of operations.

In addition, the Kingdom is a party to international trade agreements, such as World Trade Organisation agreements, that include commitments by the Kingdom with respect to the composition of its laws, regulations

and practices that impact international trade. The Kingdom may become a party to other such agreements in the future. Compliance by the Kingdom with any such commitments may directly or indirectly impact Saudi Aramco and could cause it to alter its operations in a manner that is costly or otherwise has a material adverse effect on its business, financial position or results of operations. If the Kingdom fails to comply with these commitments, Saudi Aramco's business operations could be exposed to scrutiny and Saudi Aramco or its affiliates' exports could be subject to potential remedial measures, such as duties, which could have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

Saudi Aramco operates in a regulated industry and its business may be affected by regulatory changes.

The oil and gas industry in the Kingdom is a regulated industry. See "*Business—Relationship with the Kingdom—The Concession*" and "*Regulation of the Oil and Gas Industry in the Kingdom*" for a description of the regulations and royal decrees that apply to Saudi Aramco in the Kingdom and a description of the Concession. Any change in the Kingdom to the laws, regulations, policies or practices relating to the oil and gas industry could have a material adverse effect on Saudi Aramco's business, financial position and results of operations. In addition, although the Concession provides for an initial period of 40 years, which will be extended by the Government for 20 years provided Saudi Aramco satisfies certain conditions commensurate with current operating practices (and may be amended and extended for an additional 40 years thereafter subject to Saudi Aramco and the Government agreeing on the terms of the extension), there is no assurance that the Government will not revoke the Concession in whole or in part or adversely change Saudi Aramco's rights in respect of the Concession, which would have a significant effect on Saudi Aramco's business, financial position and results of operations. Furthermore, if the Kingdom were to take additional actions under its regulatory powers or change laws, regulations, policies or practices relating to the oil and gas industry, Saudi Aramco's business, financial position and results of operations could be materially and adversely affected.

Violations of applicable sanctions and trade restrictions, as well as anti-bribery and anti-corruption laws, could adversely affect Saudi Aramco.

Saudi Aramco currently conducts business, and could in the future decide to take part in new business activities, in locations where certain parties are subject to sanctions and trade restrictions, as well as anti-bribery and anti-corruption laws, imposed by the United States, the European Union, the United Kingdom and other sanctioning or regulatory bodies. Laws and regulations governing sanctions, trade restrictions, and bribery and corruption are complex and are subject to change.

There can be no assurance that Saudi Aramco's corporate governance, compliance, and ethics policies and procedures (including with respect to sanctions and trade restrictions, anti-bribery and anti-corruption) will protect it from the improper conduct of its employees or business partners, which conduct could result in substantial civil or criminal penalties. If Saudi Aramco were to be sanctioned in the future, as a result of its transactions with other parties or otherwise, such sanctions could result in asset freezes against Saudi Aramco, restrictions on investors trading securities issued by Saudi Aramco or other adverse consequences. Such penalties or sanctions could have a material adverse effect on Saudi Aramco's business and financial position.

Saudi Aramco is required to obtain, maintain and renew governmental licences, permits and approvals in order to operate its businesses.

The rights granted to Saudi Aramco under the Concession represent Saudi Aramco's licences, permits, and approvals necessary to conduct business in the Kingdom with respect to Hydrocarbons operations and related activities. However, Saudi Aramco is required to obtain and renew any licence, permit or approval that is required under the Hydrocarbons Law, GSPR or with respect to certain other activities unrelated to Hydrocarbons operations. See "*Business—Relationship with the Kingdom—The Concession*" and "*Regulation of the Oil and Gas Industry in the Kingdom*". There can be no assurance that the relevant authorities will issue any such licences, permits or approvals in the time frame anticipated by Saudi Aramco, or at all. Any unforeseen failure to renew, maintain or obtain the required permits and approvals, or the revocation or termination of existing licences, permits and approvals, may interrupt Saudi Aramco's operations and could have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

Saudi Aramco’s operations are subject to environmental protection, health and safety laws and regulations and increased concerns regarding the safe use of chemicals and plastics and their potential impact on the environment have resulted in more restrictive regulations and could lead to new regulations.

Saudi Aramco’s operations are subject to laws and regulations relating to environmental protection, health and safety. These laws and regulations govern, among other things, the generation, storage, handling, use, disposal and transportation of hazardous materials, the emission and discharge of hazardous materials, groundwater use and contamination and the health and safety of Saudi Aramco’s employees and the communities in which it operates. Compliance with these obligations can result in significant expenditures. If Saudi Aramco fails to comply with applicable laws and regulations, it could be subject to fines or the partial or total shutdown of related operations. Saudi Aramco has, from time to time, shutdown certain facilities in order to ensure compliance with applicable laws and regulations. In addition, a stricter interpretation of existing laws and regulations, any changes in these laws and regulations or the enactment of new laws and regulations may impose new obligations on Saudi Aramco or otherwise adversely affect Saudi Aramco’s business, financial position and results of operations. See “*Business—Sustainability, Health, Safety and Environment*”.

Saudi Aramco may also (i) incur significant costs associated with the investigation, clean up and restoration of contaminated land, water or ecosystems, as well as claims for damage to property, and (ii) face claims of death or injury to persons resulting from exposure to hazardous materials or adverse impacts on natural resources and properties of others resulting from its operations (including potentially from the transportation of hazardous substances and products, feedstock or chemical pollution). Any such costs or liabilities could have a material adverse effect on Saudi Aramco’s business, financial position and results of operations. In particular, in the United States, Motiva and other companies in the petroleum refining and marketing industry historically used MTBE as a gasoline additive. Motiva is a party to pending lawsuits concerning alleged environmental impacts associated with historic releases of MTBE in the United States, many of which involve other petroleum marketers and refiners. Plaintiffs in these MTBE lawsuits generally seek to spread liability among large groups of oil companies and seek substantial damages. Additional lawsuits and claims related to the use of MTBE, including personal-injury claims, may be filed in the future. Motiva could be subject to material liabilities relating to MTBE claims.

Moreover, concerns regarding chemicals and plastics, including their safe use and potential impact on the environment, reflect a growing trend in societal demands for increasing levels of product safety, environmental protection and recycling. These concerns have led to more restrictive regulations and could lead to new regulations. They could also manifest themselves in shareholder proposals, delays or failures in obtaining or retaining regulatory approvals, increased costs related to complying with more restrictive regulations, delayed product launches, lack of market acceptance, lower sales volumes or discontinuance of chemicals or plastics products, continued pressure for more stringent regulatory intervention and increased litigation. These consequences could also have an adverse effect on Saudi Aramco’s business, financial position, results of operations and reputation.

The mechanism for equalisation compensation Saudi Aramco receives from the Government in respect of domestic sales of certain hydrocarbons may be changed.

The Concession requires Saudi Aramco to meet domestic demand for certain hydrocarbons, petroleum products and LPGs through domestic production or imports. In addition, pursuant to the Kingdom’s regulatory regime, Saudi Aramco is required to sell crude oil and certain refined products to third parties in the Kingdom at the Government’s regulated prices. The regulated prices for these products have historically generated less revenue for Saudi Aramco than if the same products had been sold for export.

Pursuant to an equalisation mechanism, the Government compensates Saudi Aramco for the revenue it directly forgoes as a result of selling these products in the Kingdom at regulated prices. Under this mechanism, Saudi Aramco receives compensation for the difference between regulated prices and equalisation prices in respect of such sales. See “*Regulation of the Oil and Gas Industry in the Kingdom—Regulated Domestic Pricing of Certain Hydrocarbons*” and “*Management’s Discussion and Analysis of Financial Position and Results of Operations—Factors Affecting Saudi Aramco’s Financial Position and Results of Operations—Fiscal Regime Changes*”.

Furthermore, in the Kingdom, natural gas prices are regulated by the Government and the price that domestic customers pay is traditionally set by the Council of Ministers. Effective 17 September 2019, the Government implemented an equalisation mechanism to compensate Saudi Aramco for the revenue it directly forgoes as a result of selling Regulated Gas Products in the Kingdom at Domestic Prices, in the event that the Council of Ministers and the Ministry of Energy do not adjust the Domestic Prices to meet the pricing of the gas projects in order to ensure Saudi Aramco receives a commercial rate of return on each project. Under this mechanism, Saudi Aramco receives compensation for the difference between Domestic Prices and Blended Prices in respect of such sales. See “*Regulation of the Oil and Gas Industry in the Kingdom—Regulated Domestic Pricing of Certain Hydrocarbons—Gas Pricing*” and “*Management’s Discussion and Analysis of Financial Position and Results of Operations—Factors Affecting Saudi Aramco’s Financial Position and Results of Operations—Fiscal Regime Changes*”.

No assurance can be given that either equalisation mechanism will not be revoked or amended on terms less favourable to Saudi Aramco than the existing regime. In addition, in the event that the equalisation price is less than the regulated price, in the case of liquids, or the Blended Price is less than the Domestic Price, in the case of natural gas, the difference would be due from Saudi Aramco to the Government. Any such event could have a material adverse effect on Saudi Aramco’s earnings, cash flow, financial position and results of operations.

Saudi Aramco is required to separate its downstream business into an independent legal entity within a certain time period as a condition of the Government allowing the general corporate tax rate to apply to Saudi Aramco’s downstream business.

Effective 1 January 2020, the tax rate applicable to Saudi Aramco’s downstream activities is, for a five-year period, the general corporate tax rate of 20% that applies to all similar domestic downstream companies under the Income Tax Law, rather than the 50% to 85% multi-tiered structure of income tax rates that previously applied to domestic oil and hydrocarbon production companies. In order for the general corporate tax rate to apply to Saudi Aramco’s downstream business, Saudi Aramco is required to separate its downstream activities (from the oil and other hydrocarbon production activities) into an independent legal entity before 31 December 2024. If Saudi Aramco does not comply in separating its downstream business within this five-year period, Saudi Aramco’s downstream business will be taxed retroactively on an annual basis for such five-year period in accordance with the multi-tiered tax rates applicable to domestic oil and hydrocarbon production companies. In such case, Saudi Aramco will be required to pay the difference in taxes due to the Government, which could adversely affect its financial position. See “*Management’s Discussion and Analysis of Financial Position and Results of Operations—Factors Affecting Saudi Aramco’s Financial Position and Results of Operations—Fiscal Regime Changes*”.

Risks Related to the Kingdom

The Government determines the Kingdom’s maximum level of crude oil production and target MSC.

The Government determines the Kingdom’s maximum level of crude oil production in the exercise of its sovereign prerogative. Accordingly, the Government may in its sole discretion increase or decrease the Kingdom’s maximum crude oil production at any time based on its sovereign energy security goals or for any other reason, which may be influenced by, among other things, global economic and political conditions and their corresponding impact on the Kingdom’s policy and strategic decisions with respect to exploration, development and production of crude oil reserves.

In order to facilitate rapid changes in production volumes, the Government requires Saudi Aramco to maintain MSC in excess of its then current production in accordance with the Hydrocarbons Law and has the exclusive authority to set MSC. MSC refers to 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. Saudi Aramco incurs substantial costs to maintain MSC and has historically utilised a significant amount of this spare capacity. However, there can be no assurance that it will utilise spare capacity in the future. In addition, the Government has decided in the past and may in the future decide to increase target MSC. MSC was 12.0 million barrels of crude oil per day from 1 January 2019 to 31 December 2020. However, on 11 March 2020, the Government (acting through the Ministry of Energy) directed Saudi Aramco to increase

MSC from 12.0 to 13.0 million barrels of crude oil per day. Saudi Aramco is proceeding with engineering evaluations and assessing its options for implementing the Government's directive to increase MSC. A decision to increase the Kingdom's MSC could require Saudi Aramco to make significant capital expenditures to build new infrastructure and facilities.

The Government's decisions regarding crude oil production and spare capacity, and Saudi Aramco's costs of complying with such decisions, may not maximise returns for Saudi Aramco. For example, Saudi Aramco may be precluded from producing more crude oil in response to either a decrease or increase in prices, which may limit its ability to generate additional revenue or to increase its production of downstream products. Any of these actions could have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

The Kingdom's public finances are highly connected to the hydrocarbon industry.

The oil sector accounted for 43.2% and 41.5% of the Kingdom's real GDP in the years ended 31 December 2018 and 2019 respectively and 41.0% of the Kingdom's real GDP in the nine month period ended 30 September 2020. Furthermore, the oil sector accounted for 67.5%, 64.1% and 52.8% of the Government's total revenues in the years ended 31 December 2018, 2019 and 2020, respectively. The Government is expected to continue to rely on royalties, taxes, dividends from Saudi Aramco and other income from the hydrocarbon industry for a significant portion of its revenue. Any change in crude oil, condensate, NGL, oil product, chemical and natural gas prices or other occurrences that negatively affect Saudi Aramco's results of operations could materially affect the macroeconomic indicators of the Kingdom, including GDP, balance of payments and foreign trade and the amount of cash available to the Government.

Changes made to the Kingdom's tax regime for hydrocarbon producers and the royalty rate to which Saudi Aramco is subject seek to align the fiscal regime to which Saudi Aramco is subject with tax and royalty rates that are customary in other hydrocarbon producing jurisdictions. In addition, pursuant to an equalisation mechanism, the Government compensates Saudi Aramco for the revenue it directly forgoes as a result of selling crude oil and certain refined products in the Kingdom at regulated prices, which further impacts the Kingdom's cash flow. Effective 1 January 2020, the marginal royalty rates applicable to crude oil and condensate production was modified, the tax rate applicable to Saudi Aramco's downstream activities was reduced and the Government expanded the equalisation mechanism to include LPGs and certain other products. Moreover, the Government guarantees amounts due to Saudi Aramco with respect to hydrocarbon products sales from various Government and semi-Government entities, and separate legal entities in which the Government has share ownership or control. See "*Management's Discussion and Analysis of Financial Position and Results of Operations—Factors Affecting Saudi Aramco's Financial Position and Results of Operations—Fiscal Regime Changes*". In 2018, 2019 and 2020, the Government issued \$13.0 billion, \$13.0 billion and \$12.0 billion, respectively, in the international debt capital markets, both in conventional and sukuk formats to fund its budget. For the three months ended 31 March 2021, the Government issued \$5.0 billion and €1.5 billion in the international debt capital markets. A shortfall in funding to the Government or a decision to seek more revenue from hydrocarbons may lead the Government to change the fiscal regime to which hydrocarbon producers in the Kingdom, including Saudi Aramco, are subject. Any such change could have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

Political and social instability and unrest and actual or potential armed conflicts in the MENA region and other areas may affect Saudi Aramco's results of operations and financial position.

Saudi Aramco is headquartered and conducts much of its business in the MENA region. The MENA region is strategically important geopolitically and has been subject to political and security concerns and social unrest. For example, since 2011, a number of countries in the region have witnessed significant social unrest, including widespread public demonstrations, and, in certain cases, armed conflict, terrorist attacks, diplomatic disputes, foreign military intervention and a change of government. Such social unrest and other political and security concerns may not abate, may worsen and could spread to additional countries. Some of Saudi Aramco's facilities, infrastructure and reserves are located near the borders of countries that have been or may be impacted. No assurance can be given that these political or security concerns or social unrest will not have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

In addition, the majority of Saudi Aramco's crude oil production is exported using international supply routes. In particular, the Strait of Hormuz and the Suez Canal are key shipping routes for Saudi Aramco's crude oil and are located in areas subject to political or armed conflict from time to time. For example, in May 2019, four oil tankers, including two owned by the National Shipping Company of Saudi Arabia-Bahri, were sabotaged near the Strait of Hormuz and, in July 2019, a British oil tanker was seized by Iranian forces in the Strait of Hormuz. In addition, in April and July 2018, Yemen's Houthi group attacked tankers operated by the National Shipping Company of Saudi Arabia-Bahri off the coast of Yemen. Any political or armed conflict or other event, including those described above, that impacts Saudi Aramco's use of the Strait of Hormuz, Suez Canal or other international shipping routes could have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

Moreover, the majority of Saudi Aramco's assets and operations are located in the Kingdom and, accordingly, may be affected by the political, social and economic conditions from time to time prevailing in or affecting the Kingdom or the wider MENA region. Any unexpected changes in political, social or economic conditions may have a material adverse effect on Saudi Aramco, which could in turn have a material adverse effect on Saudi Aramco's business, financial position and results of operations or investments that Saudi Aramco has made or may make in the future.

Furthermore, any of the events described above may contribute to instability in the MENA region and may have a material adverse effect on investors' willingness to invest in the Kingdom or companies that are based in the Kingdom, which may in turn adversely affect the market value of the Trust Certificates.

Saudi Aramco's financial position and results of operations may be adversely affected if the Kingdom stops pegging the SAR to the U.S. Dollar.

Saudi Aramco has determined that the U.S. Dollar is its functional currency because a substantial amount of its products are traded in U.S. Dollars in international markets. However, many of its operational and other expenses are denominated in SAR, which have been exchanged at a fixed rate to the U.S. Dollar in the Kingdom since 1986. If the Kingdom's policy of pegging the SAR to the U.S. Dollar were to change in the future and the SAR were to become stronger relative to the U.S. Dollar, Saudi Aramco may experience a significant increase in the SAR denominated costs of its operations. Such an increase could have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

In addition, Saudi Aramco pays dividends to the Government, in its capacity as a shareholder of Saudi Aramco, in U.S. Dollars. If the SAR is no longer pegged to the U.S. Dollar and the value of the SAR were to change, Saudi Aramco may be required to expend additional cash to fund any dividends. Such changes could have a material adverse effect on Saudi Aramco's financial position.

The Government may direct Saudi Aramco to undertake projects or provide assistance for initiatives outside Saudi Aramco's core business, which may not be consistent with Saudi Aramco's immediate commercial objectives or profit maximisation.

The Government has directed, and may in the future direct, Saudi Aramco to undertake projects or provide assistance for initiatives outside Saudi Aramco's core business in furtherance of the Government's macroeconomic, social or other objectives, leveraging Saudi Aramco's know-how, resources and operational capabilities. For instance, the Government has previously directed Saudi Aramco to develop and construct large infrastructure projects and provide management, logistical and other technical assistance for certain Government initiatives. See "*Related Party Transactions—Corporate Citizenship*". The Concession requires that all Saudi Aramco contracts with any Government agency or any arrangement for the furnishing of Hydrocarbons, services or otherwise shall be on a commercial basis and on 5 September 2019, Saudi Aramco and the Government entered into a framework agreement to govern the furnishing of services by Saudi Aramco to the Government. See "*Related Party Transactions*". While these projects and initiatives have generally been of national importance to the Kingdom and in Saudi Aramco's long-term commercial interests, they have often been outside of Saudi Aramco's core businesses and have not always been consistent with its immediate commercial objectives or profit maximisation. If the Government directs Saudi Aramco to undertake future projects other than on a commercial basis, Saudi Aramco's financial position and results of operation may be materially and adversely affected.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH CERTIFICATES ISSUED UNDER THE PROGRAMME

Risks related to the structure of a particular issue of Certificates

A range of Certificates may be issued under the Programme. A number of these Certificates may have features which contain particular risks for investors. Set out below is a description of the most common such features.

The Obligor's financial obligations, including its obligations under the Transaction Documents to which it is a party, are not guaranteed by the Government.

Although the Obligor is majority-owned by the Government, the Obligor's obligations under the Transaction Documents to which it is a party are not guaranteed by the Government. In addition, the Government is under no obligation to extend financial support to the Obligor. Accordingly, the Obligor's financial obligations, including its obligations under the Transaction Documents to which it is a party, are not, and should not be regarded as, obligations of the Government. The Obligor's ability to meet its financial obligations under the Transaction Documents to which it is a party is dependent on its ability to fund such amounts from its revenue, net income and cash flows. Therefore, any decline in the Obligor's operating revenues, profits and cash flows, or any difficulty in securing external funding, could have a material and adverse effect on the ability of the Obligor to meet its payment obligations under the Transaction Documents to which it is a party.

The Certificates may be subject to early dissolution

In certain circumstances the Certificates may be subject to early dissolution. Where the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 10 (*Taxation*) or the Obligor has or will become obliged to pay any additional amounts in respect of amounts payable under the Transaction Documents as a result of a change in, or amendment to, the laws or regulations of a Relevant Taxing Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes announced and effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series (as specified in the applicable Final Terms) and such obligation cannot be avoided by the Trustee or the Obligor, as applicable, taking reasonable measures available to it, the Trustee will, following receipt of an Exercise Notice and payment of the Exercise Price by the Obligor upon due exercise of the Sale Undertaking redeem the Certificates, in whole but not in part, at an amount equal to the relevant Dissolution Distribution Amount on the relevant Early Tax Dissolution Date specified in the Exercise Notice in accordance with Condition 8.2 (*Early Dissolution for Taxation Reasons*).

If so provided in the applicable Final Terms, a Series may be redeemed early at the option of the Obligor. In the case of Certificates with an additional optional dissolution feature, the Obligor may choose to redeem such Certificates when its cost of borrowing is lower than the profit rate on the Certificates. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Certificates being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time. In addition, such an optional dissolution feature could limit the market value of Certificates prior to or during any period when the Obligor may elect to redeem Certificates as the market value of those Certificates generally would not rise substantially above the Dissolution Distribution Amount at which they can be redeemed.

The Certificates may also be redeemed prior to the Scheduled Dissolution Date if 75% or more of the initial aggregate face amount of the Certificates have been redeemed and/or purchased and cancelled at the option of the Obligor, pursuant to Condition 8.7 (*Dissolution at the Option of the Obligor (Clean-Up Dissolution Right)*).

The regulation and reform of "benchmarks" may adversely affect the value of Certificates linked to or referencing such "benchmarks"

Profit rates and indices which are deemed to be "benchmarks" (including the LIBOR and EURIBOR) are the subject of recent national and international regulatory discussions and proposals for reform. Some of these reforms are already effective, whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences, which

cannot be predicted. Any such consequence could have a material adverse effect on any Certificates referencing such a benchmark.

The EU Benchmarks Regulation applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it: (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed); and (ii) prevents certain uses by EU-supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the “**UK Benchmarks Regulation**”) among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable could have a material impact on any Certificates linked to, or referencing, a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, and in subsequent speeches by FCA officials, the FCA confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 31 December 2021. On 4 December 2020, IBA, the FCA-regulated and authorised administrator of LIBOR, published its consultation on its intention to cease the publication of various LIBOR settings, including proposing the cessation of (i) all GBP, EUR, CHF and JPY LIBOR settings, and the 1-week and 2-month U.S. dollar LIBOR settings after 31 December 2021 and (ii) the overnight and 1, 3, 6 and 12-month U.S. dollar LIBOR settings after 30 June 2023. On 5 March 2021, the FCA announced the dates on which the various LIBOR rates in respect of various currencies will either cease to be provided or cease to be representative of their underlying market, with such end-dates falling either on 31 December 2021 or 30 June 2023.

In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (“**SONIA**”) over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021. In June 2017, the New York Federal Reserve’s Alternative Reference Rates Committee announced the Secured Overnight Financing Rate (“**SOFR**”) as its recommended alternative to U.S. dollar LIBOR. SOFR was published for the first time in April 2018.

Separate workstreams are also underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a Euro risk-free rate (based on a Euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on Euro risk-free rates recommended Euro Short-term Rate (“**€STR**”) as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019.

In addition, on 21 January 2019, the Euro risk-free rate working group published a set of guiding principles for fallback provisions in new Euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the European financial system. It is not possible to predict with certainty whether, and to what extent, any benchmark, including LIBOR and EURIBOR, will continue to be supported in the future. This may cause any

such benchmark to perform differently than it has done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark; and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Certificates linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

Investors should be aware that, if a benchmark were discontinued or otherwise unavailable, the Profit Rate (or the relevant component part thereof) on Floating Rate Certificates which reference such benchmark will be determined for the relevant period by the fall-back provisions applicable to such Certificates set out in the Conditions.

The Conditions provide for certain fallback arrangements in the event that a Benchmark Event (as defined in the Conditions) occurs, including if an original Reference Rate (as defined in the Conditions) and/or any page on which an original Reference Rate may be published, becomes unavailable, or if the Obligor, the Calculation Agent or any other party responsible for the calculation of the Profit Rate (as specified in the applicable Final Terms) is no longer permitted lawfully to calculate profit on any Certificates by reference to such an original Reference Rate under the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable or otherwise. Such fallback arrangements include the possibility that the Profit Rate (or the relevant component part thereof) could be set by reference to a Successor Rate or an Alternative Reference Rate, with or without the application of an Adjustment Spread (as defined in the Conditions) and may include amendments to the Conditions to ensure the proper operation of the successor or replacement benchmark, all as determined by the Obligor, acting in good faith and in a commercially reasonable manner and following consultation with an Independent Adviser, and without the requirement for the consent or sanction of Certificateholders. Accordingly, the application of an Adjustment Spread may result in the Certificates performing differently (which may include payment of a lower Profit Rate) than they would do if the original Reference Rate were to continue to apply in its current form. If no Adjustment Spread can be determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Profit Rate (or the relevant component part thereof). The use of a Successor Rate or Alternative Reference Rate (including with the application of an Adjustment Spread) will still result in any Certificates linked to or referencing an original Reference Rate performing differently (which may include payment of a lower Profit Rate) than they would if the original Reference Rate were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Reference Rate is determined, the ultimate fallback for the purposes of the calculation of the Profit Rate (or the relevant component part thereof) for the relevant immediately following Return Accumulation Period may result in the Profit Rate (or the relevant component part thereof) for the last preceding Return Accumulation Period being used. This may result in the effective application of a fixed rate for Floating Rate Certificates based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, the involvement of an Independent Adviser and the potential for further developments, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Certificates which reference a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or UK Benchmarks Regulation, as applicable, or any of the international or national reforms and the possible application of the benchmark replacement provisions of Certificates in making any investment decision with respect to any Certificates linked to or referencing a benchmark.

Risks Related to the Certificates generally

The Certificates are limited recourse obligations

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent an undivided ownership interest solely in the Trust Assets. Recourse to the Trustee in respect of each Series is limited to the

Trust Assets of that Series and proceeds of such Trust Assets are the sole source of payments on the relevant Certificates. Upon the occurrence of a Dissolution Event, or any early redemption of the Certificates pursuant to Condition 8 (*Redemption and Dissolution of the Trust*), the sole rights of each of the Delegate and, through the Delegate, the Certificateholders of the relevant Series will be against the Obligor to perform its obligations under the Transaction Documents to which it is a party. Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets) or the Obligor (to the extent that the Obligor fulfils all of its obligations under the Transaction Documents) in respect of any shortfall in the expected amounts due under the relevant Trust Assets, other than what is agreed under the Transaction Documents. The Obligor is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee and/or the Delegate. The Delegate will (in the name of the Trustee) have recourse against the Obligor to recover such payments due to the Trustee pursuant to the Transaction Documents to which it is a party. In the absence of default by the Delegate, investors have no direct recourse to the Obligor, and there is no assurance that the net proceeds of any enforcement action with respect to the Trust Assets (which, as described above, will be by way of enforcing each of the Obligor's and the Trustee's respective obligations under the Transaction Documents to which they are a party) will be sufficient to make all payments due in respect of the relevant Certificates. After enforcing or realising the rights in respect of the Trust Assets of a Series (in the manner described above) and the distribution of the net proceeds of such Trust Assets in accordance with Condition 5.2 (*Application of Proceeds from Trust Assets*), the obligations of the Trustee in respect of the Certificates of the relevant Series shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Trustee to recover any further sums in respect of such Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee, the Delegate or any Certificateholder be entitled in respect thereof to petition or take any steps for the winding up of the Trustee nor have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents. The sole right of the Trustee, the Delegate (acting in the name of the Trustee) and the Certificateholders (acting through the Delegate) against the Obligor shall be to enforce the obligation of the Obligor to perform its obligations under the Transaction Documents to which it is a party. The obligations of the Obligor under the Transaction Documents are unsecured and rank *pari passu* with the other unsecured indebtedness of the Obligor.

There is no assurance that the Certificates will be compliant with the principles of Islamic finance

The First Abu Dhabi Bank Shari'a Supervisory Board, the Executive Shariah Committee of HSBC Saudi Arabia and the Standard Chartered Bank Global Shariah Supervisory Committee have each confirmed that the Transaction Documents are, in their view, compliant with the principles of *Shari'a* as applicable to, and interpreted by, them. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates will be deemed to be *Shari'a*-compliant by any other *Shari'a* committee or *Shari'a* scholars. Different *Shari'a* advisers, may form different opinions on identical issues and different *Shari'a* standards may be applied by different *Shari'a* boards and therefore potential investors should not rely on the above pronouncements in deciding whether to make an investment in the Certificates and should obtain their own independent *Shari'a* advice as to the compliance of the Transaction Documents and whether the Certificates will meet their individual standards of compliance and the issue and trading of the Certificates with *Shari'a* principles, including the tradability of the Certificates on any secondary market. Questions as to the *Shari'a* compliance of the Transaction Documents or the *Shari'a* permissibility of the issue and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates. None of the Trustee, the Obligor, the Arrangers, the Dealers, the Delegate or the Agents makes any representation as to the *Shari'a* compliance of the Certificates and/or any trading thereof, the Transaction Documents or the above pronouncements.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties under the Transaction Documents shall be, if in dispute, be referred to, and finally resolved by, arbitration under the Arbitration Rules of the London Court of International Arbitration (the "**LCIA**"), in London, England. In such circumstances, the arbitrator will apply the relevant law of the relevant Transaction Document in determining the obligations of the parties.

Shari'a requirements in relation to interest awarded by an arbitrator or court

In accordance with applicable *Shari'a* principles, each of the parties to the Transaction Documents will waive all and any entitlement it may have to interest awarded in its favour by any arbitrator or court in connection with any dispute under any of the Transaction Documents to which it is a party. Should there be any delay in the enforcement of an arbitral award or judgment given against the Obligor, interest may accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest.

The Trustee is a "covered fund" for purposes of the Volcker Rule, which could negatively affect the liquidity and the value of the Certificates

Under Section 619 of the U.S. Dodd-Frank Act and the corresponding implementing regulations (the "**Volcker Rule**"), relevant "banking entities" (as defined under the Volcker Rule) are generally prohibited from, among other things, acquiring or retaining any equity, partnership, or other "ownership interest" in, or in "sponsoring", any "hedge fund" or "private equity fund", together "covered funds" (each as defined under the Volcker Rule). An "ownership interest" in a covered fund is broadly defined. In addition, in certain circumstances, the Volcker Rule restricts banking entities from entering into certain credit related transactions with covered funds.

A "hedge fund" and a "private equity fund" are defined widely, and include any issuer which would be required to register as an investment company under the Investment Company Act but for section 3(c)(1) or 3(c)(7) of that Act. As the Trustee is exempt from registration under the Investment Company Act in reliance on the exemption provided by section 3(c)(7) thereof, the Trustee will be a "covered fund" and acquisition of the Certificates is likely to be considered an acquisition of an "ownership interest" in a "covered fund" (as those terms are used in the Volcker Rule). In the absence of an available exemption, it is expected that the provisions of the Volcker Rule will severely limit the ability of U.S. banking entities (including controlled affiliates of U.S. banking institutions outside the United States) to hold an ownership interest in the Trustee. The marketability and liquidity of the Certificates may be significantly impaired if there is no available exemption.

Any entity that is a "banking entity" as defined under the Volcker Rule and is considering an investment in ownership interests (for purposes of the Volcker Rule) of the Trustee should consult its own legal advisers and consider the potential impact of the Volcker Rule in respect of such investment. Each investor is responsible for analysing its own position under the Volcker Rule and any similar measures and none of the Trustee, the Obligor, the Arrangers, the Dealers, the Delegate or the Agents makes any representation regarding such position, including with respect to the ability of any investor to acquire or hold the Certificates, now or at any time in the future.

The Certificates are subject to modification by a majority of Certificateholders without the consent of all Certificateholders

The Conditions contain provisions for calling meetings of Certificateholders to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all Certificateholders, including Certificateholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and including those Certificateholders who voted in a manner contrary to the majority.

Investors who hold less than the Minimum Specified Denomination may be unable to sell their Certificates and may be adversely affected if Individual Certificates are subsequently issued

The Conditions do not permit the sale or transfer of Certificates in circumstances that would result in a holder holding amounts which are less than the Minimum Specified Denomination (as defined in the Conditions). However, in the event that a holder holds a principal amount of less than the Minimum Specified Denomination, such holder would need to purchase an additional amount of Certificates such that it holds an amount equal to at least the Minimum Specified Denomination to be able to trade such Certificates.

If a Certificateholder holds an amount which is less than the Minimum Specified Denomination in his account with the relevant clearing system at the relevant time, such Certificateholder may not receive an Individual

Certificate in respect of such holding (should Individual Certificates be issued) and would need to purchase an additional principal amount of Certificates such that its holding amounts to at least a Specified Denomination in order to be eligible to receive an Individual Certificate.

If Individual Certificates are issued, holders should be aware that Individual Certificates which have a denomination that is not an integral multiple of the Minimum Specified Denomination may be illiquid and difficult to trade.

Holders of Certificates held through DTC, Euroclear and Clearstream must rely on procedures of those clearing systems to effect transfers of Certificates, receive payments in respect of Certificates and vote at meetings of Certificateholders

Certificates issued under the Programme will be represented on issue by one or more Global Certificates that may be deposited with a common depository for Euroclear and Clearstream or may be deposited with a nominee for DTC (each as defined under “*Form of the Certificates*”), as specified in the applicable Final Terms. Except in the circumstances described in each Global Certificate, investors will not be entitled to receive Certificates in definitive form. Each of DTC, Euroclear and Clearstream and their respective direct and indirect participants will maintain records of the ownership interests in each Global Certificate held through it. While the Certificates are represented by a Global Certificate, investors will be able to trade their ownership interests only through the relevant clearing systems and their respective participants.

While the Certificates are represented by Global Certificates, the Trustee will discharge its payment obligations under the Certificates by making payments through the relevant clearing systems. A holder of an ownership interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the Certificates. Neither the Trustee nor the Obligor has any responsibility or liability for the records relating to, or payments made in respect of, ownership interests in any Global Certificate. Holders of ownership interests in a Global Certificate will not have a direct right to vote in respect of the Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Each of Euroclear, Clearstream and DTC are subject to different rules and operating procedures (see “*Clearing and Settlement*”); however, Certificateholders should note that Euroclear, Clearstream and DTC are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. Certificateholders are responsible for complying with the applicable rules of the relevant clearing system through which Certificates of a particular Series are held. Failure to do so could, among other things: (i) result in payment delays on the Certificates; (ii) make it difficult for the Certificateholders to pledge the Certificates as security; (iii) result in the inability of Certificateholders to vote at a meeting of Certificateholders; (iv) hinder the ability of the Certificateholders to resell Certificates.

Transferability of the Certificates may be limited under applicable securities laws

The Certificates have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any other jurisdiction. In addition, neither the Trustee nor the Obligor has registered and neither intends to register as an investment company under the Investment Company Act, in reliance on the exemption set forth in Section 3(c)(7) thereof. Certificates issued under the Programme may not be offered, sold or otherwise transferred in the United States or to, or for the account or benefit of a U.S. person other than to persons that are QIBs that are also QPs. In addition, each purchaser of a Certificate will be required to represent that it is not a Benefit Plan Investor or a plan that is subject to any Similar Law, as described under “*Certain ERISA Considerations*”. Each purchaser of the Certificates will be deemed, by its acceptance of such Certificates, to have made certain representations and agreements intended by the Trustee and the Obligor to restrict transfers of the Certificates as described under “*Subscription and Sale*” and “*Transfer Restrictions*”. It is the obligation of each purchaser of the Certificates to ensure that its offers and sales of the Certificates comply with all applicable securities laws.

In addition, if at any time the Trustee or the Obligor determines that any owner of Certificates, or any account on behalf of which an owner of Certificates purchased its Certificates, is a person that is required to be either a QIB that is also a QP and does not meet those requirements, or is a “benefit plan investor”, the Trustee or the

Obligor may require that such owner's Certificates be sold or transferred to a person designated by or acceptable to the Trustee and the Obligor.

Risks related to the Lease Assets

Ownership of the Lease Assets

The *Shari'a* analysis is as follows: an ownership interest in the Assets (as defined in the Master Purchase Agreement), as the case may be, will pass to the Trustee under the Master Purchase Agreement, as supplemented by the relevant Supplemental Purchase Agreement (together, a "**Purchase Agreement**"), and the Trustee will lease the Lease Assets (as defined in the Conditions) to the Obligor pursuant to the Master Lease Agreement, as supplemented by the relevant Supplemental Lease Agreement (together, a "**Lease Agreement**"). The Trustee will declare a trust in respect of the relevant Lease Assets and the other Trust Assets in favour of the Certificateholders of the relevant Series pursuant to the Master Trust Deed, as supplemented by the relevant Supplemental Trust Deed (together, a "**Trust Deed**"). Accordingly, from a *Shari'a* perspective, the Certificateholders will, through the ownership interest obtained by the Trustee pursuant to the terms of the Purchase Agreement, have an ownership interest in the Lease Assets.

No steps are intended to be taken to perfect the legal transfer of the ownership interest (including registration if required as a matter of law) in the Lease Assets with any relevant regulatory authority in the Kingdom and, therefore, the Trustee would not have any legal title to such Lease Assets.

Transfer of the Lease Assets

Limited investigation has been or will be made as to whether any Lease Assets may be transferred as a matter of the law governing the relevant Transaction Documents pursuant to which any such transfer is made, the law of the jurisdiction where the relevant securities or assets are located or any other relevant law. Limited investigation will be made to determine if the relevant Purchase Agreement or any sale agreement, as the case may be, will have the effect of transferring any Lease Asset. No investigation will be made to determine if the Obligor does in fact have constructive possession, custody or control of the Lease Assets at any time.

However, the Obligor will covenant in the Purchase Undertaking that it will fully accept all or any ownership interest the Trustee may have in the Lease Assets and the Obligor will undertake in the Purchase Undertaking and the Trust Deed that if the relevant Exercise Price is not paid in accordance with the provisions of the Purchase Undertaking for any reason, the Obligor shall (as an independent, severable and separately enforceable obligation), provided that the Obligor is in actual or constructive possession, custody or control of any of the relevant Lease Assets on the relevant due date for payment of the relevant Exercise Price under the Purchase Undertaking, fully indemnify the Trustee for the purpose of redemption in full or in part, as the case may be, of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal the relevant Exercise Price or such proportion of the relevant Exercise Price that relates to the proportion of the relevant Lease Assets that remains in the possession of the Obligor on such date.

In the event that the Obligor does not have actual or constructive possession, custody or control of certain of the relevant Lease Assets on the relevant due date for payment of the relevant Exercise Price under the Purchase Undertaking (notwithstanding its obligation in the relevant Lease Agreement to remain in actual or constructive possession, custody or control of the relevant Lease Assets at all times), the amount payable under such indemnity claim shall be reduced by such proportion as relates to the proportion of the relevant Lease Assets no longer in possession of the Obligor on the relevant due date. Accordingly, in the event that the Obligor does not have actual or constructive possession, custody or control of any of the relevant Lease Assets, no amount will be payable by the Obligor under the relevant indemnity and, in such circumstances, the Trustee may be required to establish that there has been a breach of contract and prove for damages (as opposed to making a contractual indemnity claim), as a result of which the Trustee may not be able to recover, or may face significant challenges in recovering, the full amount due from the Obligor pursuant to the Purchase Undertaking or any other Transaction Documents, and therefore the amounts of principal and profit payable to the Certificateholders upon redemption. The Obligor will irrevocably undertake in the Purchase Undertaking that the payment in full of such indemnity in accordance with the Purchase Undertaking shall evidence the acceptance of the relevant

Exercise Notice by the Obligor and the conclusion of the transfer of the rights, title, interest, benefits and entitlements of the Trustee in, to and under the relevant Lease Assets to the Obligor.

If the Obligor fails to comply with its obligations under the Purchase Undertaking and does not pay the relevant Exercise Price for any reason, the Delegate will seek to enforce the above provisions of the Purchase Undertaking. To the extent that it obtains an arbitration award, it may seek to enforce that award in the courts of the Kingdom. In any such action heard by them, the courts of the Kingdom (if they do not simply enforce the arbitral award (see “—*Risks relating to enforcement—Enforcement in the Kingdom of an arbitral award relating to the Certificates or the Transaction Documents may be challenged in certain circumstances and enforcement may take a significant amount of time*”)) may view the transaction as a whole and seek to uphold the intention of the parties to treat the arrangements as a financing transaction on the terms agreed and thereby require payment by the Obligor of an amount equal to the relevant Exercise Price in accordance with the terms of the Purchase Undertaking and/or the Trust Deed, although this matter has not been tested by the courts of the Kingdom.

Total Loss Event

From a *Shari'a* perspective, as owner of the Lease Assets, the Trustee is required, among other things, to insure the Lease Assets. The Trustee has appointed the Obligor as its service agent, which has undertaken in the Service Agency Agreement, *inter alia*, to insure the Lease Assets in the name of the Trustee against the occurrence of a Total Loss Event for the full insurance coverage amount (and to ensure that such amount is not at any time less than, *inter alia*, the aggregate face amount of Certificates of that Series then outstanding plus an amount equal to at least 60 days' rental payable under the relevant Lease Agreement and any other amounts payable in relation to such Series, *less* an amount equal to the aggregate of each outstanding Deferred Sale Price relating to the relevant Series). A “**Total Loss Event**”, in relation to a particular Series, is defined as: (i) the total loss or destruction of, or damage to the whole of, the Lease Assets of that Series or any event or occurrence which renders the whole of the Lease Assets of that Series permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted by any third party in respect of the Lease Assets of that Series) the repair or remedial work in respect thereof is wholly uneconomical; or (ii) the expropriation, nationalisation, requisition, confiscation, attachment, sequestration or execution of any legal process in respect of the whole of the Lease Assets of that Series.

Nevertheless, should such an event occur, the Lease will terminate and, save where the relevant Lease Assets are replaced by the Obligor in accordance with the Service Agency Agreement, the payment obligations arising on the relevant Certificates will be met using the proceeds of the insurance received by the Trustee and, if any, the aggregate amount of each Deferred Sale Price relating to the relevant Series then outstanding. In this scenario, potential investors should be aware that: (i) rental payments under the Lease will cease upon the occurrence of a Total Loss Event as the Lease will have terminated and, accordingly, the Periodic Distribution Amount payable to the Certificateholders of the relevant Series will not accrue after the date of such Total Loss Event and (ii) there may be a delay in the Trustee receiving the proceeds of insurance and therefore in the relevant Certificateholders receiving a Dissolution Distribution Amount in respect of their Certificates and no additional Periodic Distribution Amount will be paid in respect of this delay. In this regard, the Service Agency Agreement provides that if the insurance proceeds for an amount equal to the full insurance coverage amount are not paid directly into the Transaction Account by no later than the 59th day after the occurrence of the Total Loss Event, the Service Agent shall have failed in its responsibility to properly insure the relevant Lease Assets and, accordingly (unless it proves beyond any doubt that any shortfall in the insurance proceeds is not attributable to its negligence or its failing to comply with the terms of the Service Agency Agreement relating to insurance), the Service Agent shall be responsible for paying any such shortfall. The Delegate will be entitled to enforce this undertaking against the Obligor, on behalf of the Certificateholders of the relevant Series. The full insurance coverage amount also comprises an amount equal to the Periodic Distribution Amounts relating to the relevant Certificates, which would have accrued (had a Total Loss Event not occurred) during the period beginning on the date on which the Total Loss Event occurs and ending on but excluding the earlier of (a) the date on which the Certificates are redeemed in full in accordance with Condition 8.8 (*Dissolution following a Total Loss Event*), and (b) the 61st day following the date on which the Total Loss Event occurred.

In addition, if a Total Loss Event occurs, the Certificateholders will be notified that, from the date of such notice, and until any further notice from the Trustee, as determined in consultation with the *Shari'a* Adviser, the

Certificates should only be tradable in accordance with the *Shari'a* principles of debt trading. Accordingly, a Total Loss Event may have a significant adverse effect on the liquidity and market value of the Certificates.

Partial Loss Event

If a Partial Loss Event occurs with respect to the Lease Assets of a Series, the Lessee may, on or before the 30th day after the Partial Loss Event (and provided that the relevant Impaired Assets have not already been replaced in accordance with the Transaction Documents), deliver to the Lessor a Lease termination notice, which shall be effective on the 61st day after the date of the Partial Loss Event. If the Obligor does not serve a termination notice on or before the 30th day after the Partial Loss Event but fails to replace the relevant Lease Assets on or before the 60th day after the date of the Partial Loss Event, the Lease shall automatically terminate on the 61st day after the Partial Loss Event occurred and such termination of the Lease in either of the circumstances set out in this paragraph shall constitute a Dissolution Event (but not an Obligor Event), following which the Certificates of the relevant Series may be redeemed in full in accordance with the Conditions. A “**Partial Loss Event**”, in relation to a particular Series, is defined as the partial impairment of one or more of the Lease Assets in a manner that substantially deprives the Lessee from the benefits expected from the Lease Assets, as determined by the Company (acting as Service Agent) acting for and on behalf of the Trustee and the occurrence of which has been certified in writing by a recognised independent industry expert, which has not arisen as a result of the Lessee’s negligence or misconduct (and which does not constitute a Total Loss Event).

Risks related to taxation

The IRS may treat the Certificates as an interest in the Trust for U.S. federal income tax purposes, which may result in the Trust and U.S. investors being subject to significant penalties and other adverse tax consequences.

The Trustee intends to treat the Certificates under the rules applicable to debt instruments for U.S. federal income tax purposes. Under such treatment, U.S. investors will not be required to take account of income and expenses incurred at the level of the Trust. However, the U.S. Internal Revenue Service (“**IRS**”) could seek to characterise the Certificates as interests in a trust for U.S. federal income tax purposes. In that event, if the Trust is determined to be a grantor trust, the Trustee and U.S. investors would be subject to certain information reporting applicable to foreign trusts and U.S. investors would be required to take account of income and expenses incurred at the level of the Trust. U.S. investors that fail to comply with the applicable information reporting requirements in a timely manner could be subject to significant penalties. The Trustee does not expect that it will provide information that would allow either itself or U.S. investors to comply with foreign trust reporting obligations if they were determined to be applicable.

If the Certificates are treated as interests in the Trust and the Trust is not treated as a grantor trust, it is possible that the U.S. investors could be treated as holding interests in a passive foreign investment company (“**PFIC**”) which could have materially adverse tax consequences to U.S. investors. U.S. investors should consult their own tax advisers as to the potential application of the foreign trust reporting rules, the possibility that the Certificates will be classified as equity interest in a PFIC, and the consequences of owning an equity interest in a PFIC and the tax consequences generally with respect to an investment in the Certificates. See the discussion under “*Taxation and Zakat—United States Federal Income Taxation*”.

Risks related to the market generally

An active secondary market in respect of the Certificates may never be established or may be illiquid

Certificates issued under the Programme will (unless they are to be consolidated into a single Series with any Certificates previously issued) be new securities which may not be widely distributed and for which there is currently no active trading market. Certificates may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Certificates easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for the Certificates that are especially sensitive to profit rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. Such illiquidity may have a significant adverse effect on the market value of the Certificates.

If a Tangibility Event occurs, the Certificates will be delisted, and in each case, this would adversely affect the value at which an investor could sell its Certificates

If a Tangibility Event occurs (i) as determined in consultation with the *Shari'a* Adviser, the Certificateholders will be notified that the Certificates should only be tradable in accordance with the *Shari'a* principles of debt trading; (ii) Certificateholders will be given the option to have some or all of their Certificates redeemed and, (iii) thereafter, the Certificates will be delisted from the Official List. Accordingly, a Tangibility Event may have significant adverse effect on the liquidity and market value of the Certificates.

Investors may be unable to rely on credit ratings for regulatory purposes in certain circumstances

One or more independent credit rating agencies may assign credit ratings to Certificates issued under the Programme. However, in certain circumstances, investors regulated in the EEA or in the UK, as applicable, may be unable to rely on credit ratings assigned to a particular Series of Certificates for regulatory purposes.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended, the “**CRA Regulation**”) from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Certificates changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Certificates may have a different regulatory treatment, which may impact the value of the Certificates and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

Exchange rate risks and exchange controls

The Trustee will pay all amounts due on any Certificates in the Specified Currency (as defined in the Conditions). This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (i) the Investor’s Currency-equivalent yield on the Certificates; (ii) the Investor’s Currency equivalent value of the Redemption Amount (as defined in the Conditions) payable on the Certificates; and (iii) the Investor’s Currency equivalent market value of the Certificates. Government and monetary authorities may impose (as some have done in the past)

exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less than expected, or no payment at all.

Risks relating to enforcement

Enforcement in the Kingdom of an arbitral award relating to the Certificates or the Transaction Documents may be challenged in certain circumstances and enforcement may take a significant amount of time

Any dispute in relation to the Transaction Documents, the Conditions, and any non-contractual obligations arising out of or in connection with them, shall be referred to, and finally resolved by, arbitration under the Arbitration Rules of the LCIA, in London, England. Certificateholders will therefore only have recourse to LCIA arbitration in order to enforce their contractual rights relating to the Certificates.

Foreign judgements and arbitral awards may be enforced in the Kingdom by submitting such judgment or award to the enforcement courts of the Kingdom in accordance with the enforcement law issued by Royal Decree No. M/53 dated 13/08/1433 in the Hijri calendar (corresponding to 3 July 2012) and its implementing regulations issued by ministerial resolution No. 526 dated 20/02/1439 in the Hijri calendar (corresponding to 9 November 2017) (the “**Enforcement Regulations**”).

The Enforcement Regulations require an enforcement judge when enforcing foreign judgements and arbitral awards to observe and adhere to international treaties and conventions, including the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards 1958 (the “**New York Convention**”) acceded to by the Kingdom by virtue of Royal Decree No. M/11 dated 16/7/1414 in the Hijri calendar (corresponding to 29 December 1993).

In addition, subject to adhering to international treaties and conventions, the Enforcement Regulations require enforcement judges to verify the following before enforcing a foreign judgement or arbitral award: (i) there is reciprocity in the enforcement of Saudi Arabian judgements or arbitral awards in the courts of the relevant jurisdiction; (ii) the courts of the Kingdom do not hold jurisdiction over the dispute and the foreign judgment or arbitral award was issued in accordance with the jurisdictional rules of that country; (iii) the respective parties to the foreign judgement or arbitral award were present, duly represented and able to defend themselves; (iv) the judgment or arbitral award is final; (v) the judgment or arbitral award does not conflict with any ruling or order issued by a court of competent jurisdiction on the same matter in the Kingdom; and (vi) the judgment or arbitral award is not contrary to any public policy of the Kingdom.

The Kingdom is a signatory to the New York Convention. Accordingly, courts in the Kingdom have an obligation to recognise and enforce foreign arbitral awards issued in other signatory states to the New York Convention unless (i) the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, which include, without limitation, that the agreement is not valid under the law governing it, the party against whom the award is invoked was not given proper notice of the arbitration proceeding, the award contains decisions beyond the scope of the matters submitted to arbitration and the award has been set aside or suspended by a competent authority of the country in which, or under the law of which, the award was made, or (ii) the Kingdom courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement or would be contrary to the public policy of the Kingdom. For example, the laws of the Kingdom do not recognise the concept of a trust and, accordingly, the Kingdom courts may recharacterise the trust established pursuant to any Trust Deed in the context of the concept of *amanah*. Under Saudi Arabian law, an *amin* is a person who is charged with the responsibility of holding and/or looking after assets belonging to another (*amanah*). An *amin* would be responsible for maintaining the assets it is holding for another and would be liable for any damage or loss caused to such assets where the damage or loss is caused by the *amin*'s negligence or by acting *ultra vires*. As such, there can be no assurance that the obligations of the Trustee or the Delegate under a Trust Deed to act on behalf of the Certificateholders in accordance with their instructions would be enforceable or recognised under the laws of the Kingdom in the same manner as under English law. In addition, pursuant to the New York Convention, enforcement of any arbitral award in the Kingdom is subject to filing a legal action for recognition and enforcement of the foreign arbitral award with the enforcement courts in the Kingdom, which can take considerable time.

As a result, enforcement of an arbitral award relating to the Certificates or the Transaction Documents in the Kingdom may take a significant amount of time and enforcement of any arbitration award in the Kingdom may be challenged in the circumstances described above. Since a substantial portion of the Obligor's assets and operations are located in the Kingdom, delay in enforcement in the Kingdom of an arbitral award relating to the Certificates or the Transaction Documents or any inability to enforce an arbitral award in the Kingdom could have a material adverse effect on Certificateholders' recourse to the Obligor's assets to satisfy amounts due under the Certificates.

Foreign judgments may not be enforceable against the Obligor, and it may not be possible to effect service of process on the Obligor

In the absence of a treaty for the reciprocal enforcement of foreign judgments with the jurisdiction in which a judgment is obtained, the courts of the Kingdom are unlikely to enforce a judgment obtained in courts outside the Kingdom without re-examining the merits of the claim, including any judgment predicated upon United States federal securities laws or the securities laws of any state or territory within the United States. In addition, the courts of the Kingdom may (i) decline to enforce a foreign judgment if certain criteria are not met, including, but not limited to, compliance with public policy of the Kingdom or (ii) decline to entertain original actions brought in the Kingdom against the Obligor or its directors or officers predicated upon the securities laws of the United States or any state in the United States.

Additionally, the Obligor is a joint stock company incorporated in the Kingdom and a substantial portion of its assets and operations are located there. As a result, it may not be possible for investors to effect service of process upon the Obligor outside the Kingdom.

The inability to enforce a foreign judgment or effect service of process in the Kingdom could have a material adverse effect on Certificateholders' recourse to the Obligor's assets with respect to any claim.

There are concerns as to the effectiveness under Saudi law of any transfer of an interest in an asset in the Kingdom, or on the return of investment of any activity in the Kingdom unless a corporate presence is formed in the Kingdom and the relevant licensing requirements have been met

The Foreign Investment Law issued under Royal Decree No. M/1 dated 05/01/1421 in the Hijri calendar (corresponding to 10 April 2000) and the Anti-Concealment Law issued under Royal Decree No. M/4 dated 01/01/1442 in the Hijri calendar (corresponding to 28 August 2020), amongst other things, prohibit non-Saudi Arabian persons from, directly or indirectly, temporarily or permanently, doing any businesses or making any investments in the Kingdom unless the relevant licensing requirements have been met. The Trustee being allowed by the Obligor to, for example, acquire ownership in certain tangible non-real estate related assets located in the Kingdom as contemplated in the Master Purchase Agreement, without the Trustee being properly authorised by the relevant Saudi authorities, for the purpose of, *inter alia*, generating cash flow to the Trustee from such assets, could be viewed as contravening this prohibition referred to above under the Foreign Investment Law and the Anti-Concealment Law. Given that the updated version of the Anti-Concealment Law was recently issued, its provisions remain largely untested.

On the basis of the foregoing, prospective investors should note that there is uncertainty as to the effectiveness under Saudi law of any transfer of an interest in an asset in the Kingdom pursuant to the Transaction Documents, or on the return of investment of any activity in the Kingdom, absent compliance with the matters specified above. As a result, if Saudi Aramco fails to comply with its obligations under the Transaction Documents (and, unless the relevant Saudi Arabian court or judicial committee considers the Transaction Documents as a whole and gives effect to the commercial intention of the parties to treat the arrangements set out therein as a financing transaction without requiring compliance with the Foreign Investment Law), then the relevant Saudi Arabian court or judicial committee may characterise the transactions contemplated by the Transaction Documents as an unlawful investment which is void as a result of non-compliance with any of the matters specified above. If that is the case, a Saudi Arabian court or judicial committee may require that the Obligor ceases to make payments in the nature of rental and murabaha profit to the Trustee under the Transaction Documents and, consequently, adversely affecting the Trustee's ability to pay amounts due on the Certificates and resulting in the occurrence of a Dissolution Event.

Contractual obligations governing the payment of interest may not be enforceable under Saudi Arabian law

The legal regime in the Kingdom governing transactions such as the issuance of the Certificates includes *Shari'a* principles which are often expressed in general terms, providing Saudi Arabian courts and adjudicatory bodies with considerable discretion as to how to apply such principles. Under *Shari'a* principles as applied in the Kingdom, the charging and payment of interest, which is deemed to constitute unlawful gain (*riba*), is prohibited. To the extent that any contractual provision of the Certificates or the Transaction Documents is viewed or characterised by a Saudi Arabian court or adjudicatory body as relating to interest, such provision may not be enforceable in the Kingdom, which could in turn have a material adverse effect on Certificateholders' recourse against the Obligor to satisfy amounts due under the Certificates.

Courts and judicial committees of the Kingdom will not give effect to penalties and certain types of indemnities

Prospective Certificateholders should note that should any provision of the Transaction Documents be construed by a court or judicial committee in the Kingdom to be an agreement to pay a penalty rather than a genuine estimate of loss incurred, such provision may not be enforced in the Kingdom. Further, any indemnity provided by the Obligor pursuant to the Transaction Documents or in relation to any Series may not be enforceable under the laws and regulations of the Kingdom to the extent that it (i) purports to be effective notwithstanding any judgment or order of a court to the contrary, or (ii) is contrary to any applicable law or public policy relating thereto, which could in turn have a material adverse effect on Certificateholders' recourse against the Obligor to satisfy amounts due under the Certificates.

A court may not grant an order for specific performance

In the event that the Obligor fails to perform its obligations under any Transaction Document to which it is a party, the potential remedies available to the Trustee and the Delegate include obtaining an order for specific performance of the obligations of the Obligor (in its various capacities). There is no assurance that a court will provide an order for specific performance, as this is generally a matter for the discretion of the relevant court and there can be no assurance that any order for specific performance granted by an English court will be recognised or enforced by the courts in the Kingdom. Specific performance, injunctive relief and declaratory judgments and remedies are available in very limited situations as judicial and other adjudicative remedies in the Kingdom. The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors, including an obligation on the Trustee and the Delegate to mitigate any loss arising as a result of such breach. No assurance is provided on the level of damages which a court may award in the event of a failure by the Obligor to perform its obligations set out in the Transaction Documents to which it is a party. Damages for loss of profits, consequential damages or other speculative damages are not awarded in the Kingdom by the courts or other adjudicatory authorities, and only actual, direct and proven damages are awarded. Any of the foregoing may have a material adverse effect on Certificateholders' recourse against the Obligor to satisfy amounts due under the Certificates.

Certificateholders are subject to risks related to a possible change in law

The structure of the issue of Certificates is based on English law and administrative practices in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible change to English law or administrative practices after the date of this Base Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Obligor to perform its obligations under the Transaction Documents to which it is a party or the Trustee to make payments under the Certificates.

No assurance can be given as to the impact of any possible judicial decision or changes in English law or administrative practice after the date of this Base Prospectus.

There can be no assurance as to whether the waiver of immunity provided by the Obligor will be valid and binding under the laws of the Kingdom

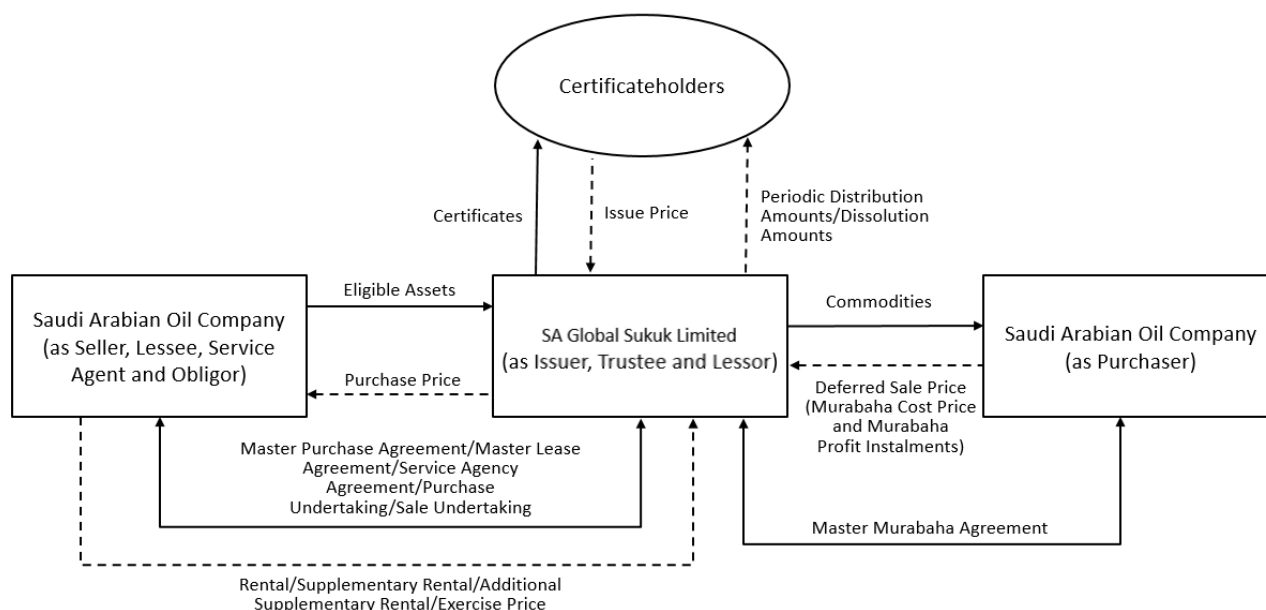
The Obligor has waived its rights in relation to sovereign immunity in relation to any judicial proceedings in any jurisdiction with respect to the Certificates and the Transaction Documents to which it is a party. However, there can be no assurance as to whether such waiver of immunity from execution or attachment or other legal

process by it are valid and binding under the laws of the Kingdom. If the waiver of immunity is not valid and binding, there is a risk that the waiver may not be able to be enforced against the Obligor.

STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows relating to the Certificates. This does not purport to be complete and is qualified in its entirety by reference to, and must be read in conjunction with, the more detailed information appearing elsewhere in this Base Prospectus. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Base Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below. Potential investors should read these entire Base Prospectus carefully, especially the risks of investing in Certificates issued under the Programme discussed under “Risk Factors”.

Structure diagram



Payments by the Certificateholders and the Trustee

On the issue date of each Tranche of Certificates under a Series (the “**Issue Date**”), the Certificateholders will pay the issue price in respect of the Certificates of such Tranche (the “**Issue Price**”) to the Trustee.

The Trustee will use the Issue Price of each Tranche under a Series as follows:

- an amount as specified in the applicable Final Terms, which shall be no more than 45% of the aggregate face amount of the relevant Certificates (the “**Murabaha Cost Price**”), will be used to purchase certain *Shari’a*-compliant commodities (the “**Commodities**”) through the Commodity Agent and the Trustee will sell such Commodities to the Obligor (in its capacity as buyer, the “**Buyer**”) on a deferred payment basis for a sale price (the “**Deferred Sale Price**”) equal to the aggregate of (i) the relevant Murabaha Cost Price and (ii) a profit amount (the “**Murabaha Profit**”), pursuant to a murabaha contract (the “**Murabaha Contract**”) (such sale of *Shari’a*-compliant commodities by the Trustee to the Obligor and all of the Trustee’s rights and entitlements against the Obligor (in its capacity as buyer) in connection therewith being the “**Commodity Murabaha Trade**” with respect to the relevant Tranche); and
- the remaining portion of the Issue Price (the “**Asset Purchase Price**”) will be used to purchase and accept the transfer from the Obligor (in such capacity, the “**Seller**”) of the Seller’s interests, rights, title, benefits and entitlements, present and future, in, to and under certain tangible non-real estate related assets located in the Kingdom that are free and clear of all encumbrances, are legally and beneficially owned by the Seller and are capable of being sold and leased (each an “**Eligible Asset**”) specified in the relevant Supplemental Purchase Agreement (in the case of the first Tranche of the relevant Series,

the “**Initial Assets**” or, in the case of the each subsequent Tranche of the relevant Series, the “**Additional Assets**”).

Periodic Distribution Payments

The Trustee (as lessor, in such capacity, the “**Lessor**”) shall lease the Initial Assets, any Additional Assets and any Replacement Lease Assets (as defined in the Service Agency Agreement) (in each case, as may be substituted from time to time in accordance with the Sale Undertaking, and excluding any such assets title to which has been sold or transferred to the Obligor under the terms of the Purchase Undertaking and/or the Sale Undertaking (as applicable)) (together, the “**Lease Assets**”) of each Series to the Obligor (as lessee, in such capacity, the “**Lessee**”) pursuant to the terms of the Master Lease Agreement and the relevant Supplemental Lease Agreement in consideration for the payment of Rental on the Business Day immediately preceding each Periodic Distribution Date (each such date being a “**Rental Payment Date**”).

The Rental due on a Rental Payment Date shall be an amount equal to the Periodic Distribution Amount payable under the relevant Certificates in respect of the corresponding Periodic Distribution Period *less* instalments of the Murabaha Profit (the “**Murabaha Profit Instalment**”) payable with respect to such Periodic Distribution Period. Such Rental and Murabaha Profit Instalments shall together equal the Periodic Distribution Amounts payable by the Trustee in respect of the relevant Certificates.

In relation to a Series, all Rental and Murabaha Profit Instalments will be recorded by the Service Agent in a book-entry ledger account maintained by the Service Agent (the “**Collection Account**”). On the Business Day prior to each Periodic Distribution Date (each, a “**Distribution Determination Date**”), the Service Agent shall pay all amounts standing to the credit of the Collection Account into the Transaction Account.

Distribution Payments

On the Business Day prior to the relevant Scheduled Dissolution Date in relation to each Series:

- (a) the outstanding Deferred Sale Price under each Murabaha Contract relating to that Series shall be due and payable; and
- (b) the Trustee will have the right under the Purchase Undertaking to require the Obligor to purchase all of the Trustee’s interests, rights, title, benefits and entitlements, present and future, in, to and under the relevant Lease Assets in consideration for payment by the Obligor of the Exercise Price.

The outstanding Deferred Sale Price payable by the Obligor under the Master Murabaha Agreement and the Exercise Price payable by the Obligor under the Purchase Undertaking together are intended to fund the Dissolution Distribution Amount payable by the Trustee under the relevant Certificates.

The Certificates in relation to any Series may be redeemed in whole prior to the relevant Scheduled Dissolution Date for the following reasons:

- (a) redemption following a Dissolution Event;
- (b) an early redemption for taxation reasons, at the option of the Obligor;
- (c) pursuant to a “clean-up” call option if, following the exercise of a put option upon the occurrence of a Change of Control Put Event or a Tangibility Event, 75% or more of the aggregate face amount of the Certificates then outstanding have been redeemed and/or purchased and cancelled, at the option of the Obligor; and
- (d) upon any Total Loss Event Dissolution Date (as described below).

In each case above, the amounts payable by the Trustee on the due date for dissolution will be funded in the same manner as for the payment of the Dissolution Distribution Amount on the Scheduled Dissolution Date.

The Certificates in relation to any Series may also be redeemed in whole or in part prior to the relevant Scheduled Dissolution Date for the following reasons:

- (a) if so specified in the applicable Final Terms, at the option of the Obligor;
- (b) if so specified in the applicable Final Terms, at the option of the Certificateholders;
- (c) if so specified in the applicable Final Terms, at the option of the Certificateholders on the occurrence of a Change of Control Put Event; and
- (d) at the option of the Certificateholders on the occurrence of a Tangibility Event.

Upon the exercise of such right, the Trustee shall redeem the relevant Certificates for an amount equal to the sum of the aggregate outstanding face amount of such certificates and the Periodic Distribution Amounts on such Certificates (if any) accrued and unpaid to the date of redemption, together with any amounts specified in the applicable Final Terms. Such redemption of the Certificates will be funded in a similar manner to that described above for the payment of the Dissolution Distribution Amount through: (i) a percentage (such percentage being determined by dividing (A) the aggregate face amount of the Certificates to be redeemed by (B) the aggregate outstanding face amount of the Certificates of the relevant Series) (the “**Relevant Proportion**”) of the outstanding Deferred Sale Price under each Murabaha Contract relating to the relevant Series becoming immediately due and payable; and (ii) the Trustee’s interests, rights, title, benefits and entitlements, present and future, in, to and under the Relevant Proportion of the Lease Assets being sold by the Trustee to the Obligor pursuant to the Purchase Undertaking or the Sale Undertaking at an Exercise Price calculated such that the aggregate of the Exercise Price and the Relevant Proportion of the Deferred Sale Price received by the Trustee equals the amount payable in respect of the Certificates being redeemed.

The Certificates in relation to any Series may also be redeemed in whole, but not in part, following the occurrence of a Total Loss Event or a Partial Loss Event (unless the relevant Lease Assets have been replaced in accordance with the Service Agency Agreement, by no later than the close of business on the 60th day after the occurrence of the Total Loss Event or a Partial Loss Event, as the case may be). The Service Agent shall be required to (i) pay all Insurance proceeds to the Transaction Account by no later than close of business in the Kingdom on the 60th day after the occurrence of a Total Loss Event or Partial Loss Event, as the case may be; and/or (ii) pay any Total Loss Shortfall Amount or Partial Loss Shortfall Amount (unless the Service Agent proves beyond any doubt that any shortfall in the Insurance proceeds is not attributable to its negligence or its failing to comply with the terms of the Service Agency Agreement relating to insurance) to the Transaction Account by no later than close of business in the Kingdom on the 60th day after the occurrence of a Total Loss Event or Partial Loss Event, as the case may be. On the Business Day prior to the relevant Total Loss Event Dissolution Date (in the case of a Total Loss Event) or Dissolution Date (in the case of the termination of the relevant Lease following a Partial Loss Event), as the case may be, the outstanding Deferred Sale Price under each Murabaha Contract relating to that Series shall also be due and payable. In addition, on any Dissolution Date arising as a result of the termination of the relevant Lease following a Partial Loss Event, the Trustee will exercise its rights under the Purchase Undertaking to require the Obligor to purchase and accept the transfer on the relevant Dissolution Date of the remaining Lease Assets at the relevant Exercise Price. The amounts described in this paragraph are intended to fund the Dissolution Distribution Amount payable by the Trustee under the Certificates on the Total Loss Event Dissolution Date (in the case of a Total Loss Event) or Dissolution Date (in the case of the termination of the relevant Lease following a Partial Loss Event), as the case may be.

By no later than the 59th day after the occurrence of a Total Loss Event or Partial Loss Event (and provided that, in the case of a Partial Loss Event, the Lessee has not already delivered a termination notice to the Lessor in accordance with the Master Lease Agreement), if the Service Agent receives notice from the Obligor that replacement Lease Assets are available and to which the Obligor (or any entity acting on behalf of the Obligor) has full legal title free and clear of any adverse claim and the aggregate value of which is not less than the aggregate value of the replaced Lease Assets at the relevant time (the “**Replacement Lease Assets**”), then, immediately following such notification, the Service Agent shall notify the Trustee of the same and the Trustee may, pursuant to and on the terms of a separate purchase agreement substantially in the form, *mutatis mutandis*, of a Supplemental Purchase Agreement (the “**Replacement Lease Assets Purchase Agreement**”), purchase all of the rights, title, interests, benefits and entitlements of the Obligor (or such entity acting on its behalf) in, to

and under such Replacement Lease Assets from the Obligor at a Purchase Price to be paid by the Service Agent on behalf of the Trustee using the proceeds of the Insurances (or the assignment of the rights to such proceeds) and/or the relevant Total Loss Shortfall Amount or Partial Loss Shortfall Amount, as applicable, to or to the order of the Obligor, along with the transfer to the Obligor by the Trustee of any residual interest it may hold in the relevant Lease Assets.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following is the text of the terms and conditions that, subject to completion and as modified in accordance with the provisions of the applicable Final Terms, will apply to each Global Certificate and the Certificates in definitive form (if any). The applicable Final Terms will be endorsed upon, or attached to, each Global Certificate and each Certificate in definitive form (if any). Reference should be made to the “applicable Final Terms” for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Certificates.

1. Introduction

1.1 Programme

SA Global Sukuk Limited (in its capacities as issuer and as trustee, the “**Trustee**”), has established a trust certificate issuance programme (the “**Programme**”) for the issuance of trust certificates (the “**Certificates**”), from time to time representing obligations of Saudi Arabian Oil Company (Saudi Aramco) (the “**Obligor**”).

As used herein, “**Tranche**” means Certificates which are identical in all respects (including as to listing and admission to trading) and “**Series**” means a Tranche of Certificates together with any further Tranche or Tranches of Certificates which: (a) are expressed to be consolidated and form a single series; and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of Periodic Distribution Amounts (as defined below) thereon and the date from which Periodic Distribution Amounts start to accrue.

In these Conditions, references to “**Certificates**” shall be references to the Certificates (whether in global form as a Restricted Global Certificate (as defined herein) and/or an Unrestricted Global Certificate (as defined herein), as the context may require (each a “**Global Certificate**”) or in definitive form as definitive Certificates (each an “**Individual Certificate**”)) which are the subject of the applicable Final Terms.

1.2 Final Terms

Certificates issued under the Programme are issued in Series. Each Series is the subject of a Final Terms (the “**Final Terms**”) which supplements these terms and conditions (the “**Conditions**”). Each Series may comprise one or more Tranches issued on different Issue Dates (as defined below). The terms and conditions applicable to any particular Series of Certificates are these Conditions as supplemented by the applicable Final Terms.

1.3 Trust Deed

The Certificates are constituted by a master trust deed dated 7 June 2021 between the Trustee, the Obligor and HSBC Corporate Trustee Company (UK) Limited in its capacity as donee of certain powers and as the Trustee’s delegate (the “**Delegate**”, which expression shall include all persons for the time being the delegate or delegates under such master trust deed) (the “**Master Trust Deed**”) as supplemented by a supplemental trust deed entered into on the date of issue of the relevant Certificates (the “**Issue Date**”) in respect of the relevant Series (the “**Supplemental Trust Deed**” and, together with the Master Trust Deed, the “**Trust Deed**”).

1.4 Agency Agreement

An agency agreement (as amended or supplemented as at the Issue Date, the “**Agency Agreement**”) dated 7 June 2021 has been entered into in relation to the Programme between the Trustee, the Obligor, the Delegate, HSBC Bank plc as initial principal paying agent (in such capacity, the “**Principal Paying Agent**”, and together with any further or other paying agents appointed from time to time in respect of the Certificates, the “**Paying Agents**”), HSBC Bank plc as Reg S registrar (the “**Reg S Registrar**”) and Reg S transfer agent (the “**Reg S Transfer Agent**”), HSBC Bank USA, National Association as Rule 144A registrar (the “**Rule 144A Registrar**”) and, together with the Reg S Registrar, the

“**Registrars**”) and **Rule 144A** transfer agent (the “**Rule 144A Transfer Agent**” and, together with the Reg S Transfer Agent, the “**Transfer Agents**”). References to the Paying Agents, the Registrars and Transfer Agents or any of them shall include their successors.

1.5 **Other Transaction Documents**

These Conditions are subject to the detailed provisions of the Trust Deed, the Agency Agreement and the other Transaction Documents (as defined below). The Certificateholders (as defined below) are bound by, and are deemed to have notice of, all the provisions applicable to them in the Transaction Documents. Copies of the Transaction Documents are available for inspection, on prior notice, during normal business hours at the Specified Office of the Principal Paying Agent.

1.6 **Authorisation**

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders: (i) to apply the proceeds of the issue of the Certificates towards the purchase of the relevant Lease Assets and the entry into of a Commodity Murabaha Trade (in the proportions to be determined prior to the relevant Issue Date and otherwise in accordance with the provisions of the Transaction Documents); and (ii) to enter into each Transaction Document to which it is a party, subject to the terms and conditions of the Trust Deed and these Conditions.

2. **Definitions and Interpretation**

2.1 **Definitions**

In these Conditions, the following expressions have the following meanings:

“**Additional Business Centre(s)**” means the city or cities specified in the Final Terms;

“**Additional Financial Centre(s)**” means the city or cities specified in the Final Terms;

“**Agents**” means the Principal Paying Agent, the Calculation Agent, the Registrars and the Transfer Agents or any of them and shall include such Agent or Agents as may be appointed from time to time under the Agency Agreement;

“**Authorised Signatory**” has the meaning given to it in the Master Trust Deed;

“**Broken Amount**” has the meaning given in the applicable Final Terms;

“**Business Day**” means:

- (a) in relation to any sum payable in euros, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (b) in relation to any sum payable in a currency other than euros, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

“**Business Day Convention**” has the meaning given to it in Condition 7.6 (*Business Day Convention*);

“**Calculation Agent**” means, in relation to any Series of Certificates, the institution appointed as calculation agent for the purposes of such Certificates and named as such in the applicable Final Terms, in the case of the Principal Paying Agent pursuant to the Agency Agreement, in the case of a Dealer, pursuant to the calculation agent provisions contained in clause 8 (*Calculation Agent*) of the Dealer Agreement;

“**Calculation Amount**” has the meaning given in the applicable Final Terms;

“**Cancellation Notice**” means a cancellation notice given pursuant to the terms of the Sale Undertaking;

“**Certificateholder**” has the meaning given in Condition 3.2 (*Title to Certificates*);

“**Certificateholder Put Exercise Notice**” has the meaning given to it in Condition 8.4 (*Dissolution at the Option of Certificateholders (Certificateholder Put Right)*);

“**Certificateholder Put Right**” means the right specified in Condition 8.4 (*Dissolution at the Option of Certificateholders (Certificateholder Put Right)*);

“**Certificateholder Put Right Date**” means, in relation to any exercise of the Certificateholder Put Right, (i) in the case of Fixed Rate Certificates, any date, or the date(s) specified as such in the applicable Final Terms; and (ii) in the case of Floating Rate Certificates, any Periodic Distribution Date, or the Periodic Distribution Dates specified as such in the applicable Final Terms;

“**Change of Control**” shall occur if, at any time, Saudi Arabia ceases to own, directly or indirectly, more than 50% of the issued share capital of the Obligor;

“**Change of Control Period**” means the period commencing on the Relevant Announcement Date and ending 90 days after the occurrence of the Change of Control or, where a Rating Agency has publicly announced that the Certificates are under consideration for rating review or, as the case may be, rating (such public announcement being within the period ending 90 days after the Change of Control), the later of (i) such 90th day after the Change of Control and (ii) the date falling 60 days after such public announcement;

“**Change of Control Put Event**” has the meaning given to it in Condition 8.5 (*Dissolution of the Option of Certificateholders (Change of Control Put Right)*);

“**Change of Control Exercise Notice**” has the meaning given to it in Condition 8.5 (*Dissolution of the Option of Certificateholders (Change of Control Put Right)*);

“**Change of Control Put Date**” shall be the date which is 10 Business Days after the expiry of the Change of Control Put Period;

“**Change of Control Put Notice**” has the meaning given to it in Condition 8.5 (*Dissolution of the Option of Certificateholders (Change of Control Put Right)*);

“**Change of Control Put Period**” has the meaning given to it in Condition 8.5 (*Dissolution of the Option of Certificateholders (Change of Control Put Right)*);

“**Change of Control Put Right**” means the right exercisable by Certificateholders pursuant to Condition 8.5 (*Dissolution of the Option of Certificateholders (Change of Control Put Right)*);

“**Clean-Up Dissolution Date**” means, in relation to any exercise of the Clean-Up Dissolution Right, (i) in the case of Fixed Rate Certificates, any date; and (ii) in the case of Floating Rate Certificates, any Periodic Distribution Date;

“**Clean-Up Dissolution Right**” means the right specified in Condition 8.7 (*Dissolution at the Option of the Obligor (Clean-Up Dissolution Right)*);

“**Clearstream**” means Clearstream Banking S.A.;

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended;

“**Commodities**” means any of the commodities traded over the counter, which comprise any *Shari’a* compliant London Metal Exchange approved non-ferrous base metals, platinum group metals, or other *Shari’a* compliant commodities acceptable to the Obligor and the Trustee, which, in each case, must be kept in London Metal Exchange approved, non-United Kingdom bonded warehouses or secure vaults;

“**Commodity Murabaha Trade**” means, in relation to a Series, the sale of certain Commodities by the Trustee to the Obligor (in its capacity as the Buyer (as defined in the Master Murabaha Agreement)), which Commodities were initially purchased by the Trustee using a proportion of the proceeds of the issue of the Certificates, pursuant to the Master Murabaha Agreement;

“**Corporate Services Agreement**” means the corporate services agreement dated 6 June 2021 between the Trustee and the Corporate Services Provider;

“**Corporate Services Provider**” means MaplesFS Limited;

“**Day Count Fraction**” means, in respect of the calculation of an amount of profit on any Certificates for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting a Return Accumulation Period, the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the applicable Final Terms and:

- (a) if “**Actual/Actual (ICMA)**” is so specified, means:
 - (i) where the Calculation Period is equal to or shorter than the Determination Period during which it falls, the actual number of days in the Calculation Period divided by the product of: (A) the actual number of days in such Determination Period; and (B) the number of Determination Periods in any year; and
 - (ii) where the Calculation Period is longer than one Determination Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of: (1) the actual number of days in such Determination Period; and (2) the number of Determination Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Determination Period divided by the product of: (1) the actual number of days in such Determination Period; and (2) the number of Determination Periods in any year;
- (b) if “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of: (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366; and (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if “**30/360**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{\lfloor 360 \times (Y_2 - Y_1) \rfloor + \lfloor 30 \times [(M_2 - M_1)] \rfloor + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

(f) if “**30E/360**” or “**Eurobond Basis**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times [(M_2 - M_1)] + (D_2 - D_1)]}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30; and

(g) if “**30E/360 (ISDA)**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times [(M_2 - M_1)] + (D_2 - D_1)]}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless: (i) that day is the last day of February; or (ii) such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless: (i) that day is the last day of February but not the Scheduled Dissolution Date; or (ii) such number would be 31, in which case D₂ will be 30,

provided, that in each such case, the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“**Dealer Agreement**” means the dealer agreement between the Trustee, the Obligor and the Dealers (as defined and named therein) dated 7 June 2021;

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date;

“**Determination Date**” means the date(s) specified as such in the applicable Final Terms or, if none is so specified, the Periodic Distribution Date(s);

“**Deferred Sale Price**” means the deferred sale price payable by the Obligor to the Trustee in respect of the Commodity Murabaha Trade as further described in the Master Murabaha Agreement;

“**Delegation**” has the meaning given to it in Condition 17.1 (*Delegation of powers*);

“**Designated Maturity**” means the period of time specified as such in the applicable Final Terms;

“**Dissolution Date**” means, in relation to a particular Series, as the case may be:

- (a) the Scheduled Dissolution Date;
- (b) any Early Tax Dissolution Date;
- (c) any Optional Dissolution Date;
- (d) any Certificateholder Put Right Date;
- (e) any Change of Control Put Date;
- (f) any Tangibility Event Put Date;
- (g) any Dissolution Event Redemption Date;
- (h) any Total Loss Event Dissolution Date;
- (i) any Clean-Up Dissolution Date; or
- (j) such other date as specified in the applicable Final Terms for the redemption of Certificates and dissolution of the Trust in whole or in part prior to the Scheduled Dissolution Date;

“**Dissolution Distribution Amount**” means, in relation to each Certificate to be redeemed on the relevant Dissolution Date:

- (a) the sum of:
 - (i) the outstanding face amount of such Certificate; and
 - (ii) any accrued but unpaid Periodic Distribution Amounts for such Certificate; or
- (b) such other amount specified in the applicable Final Terms as being payable upon any Dissolution Date;

“**Dissolution Event**” means a Trustee Event, an Obligor Event or a Partial Loss Termination Event;

“**Dissolution Event Redemption Date**” has the meaning given to it in Condition 12.1 (*Dissolution Event*);

“**Dissolution Notice**” has the meaning given to it in Condition 12.1 (*Dissolution Event*);

“**DTC**” means The Depository Trust Company;

“**Early Tax Dissolution Date**” has the meaning given to it in Condition 8.2 (*Early Dissolution for Taxation Reasons*);

“**Euroclear**” means Euroclear Bank SA/NV;

“**Exercise Notice**” means an exercise notice given pursuant to the terms of the Purchase Undertaking or the Sale Undertaking (as the case may be);

“**Extraordinary Resolution**” has the meaning given to it in the Trust Deed;

“**FCA**” means the United Kingdom Financial Conduct Authority;

“**Finance Lease**” means any lease or hire purchase contract which would, in accordance with generally accepted accounting principles, be treated as a finance or capital lease;

“**Fixed Amount**” means the amount specified as such in the applicable Final Terms;

“**Fixed Rate Certificates**” means a Series in respect of which “**Fixed Rate Certificate Provisions**” are specified as applicable in the applicable Final Terms;

“**Floating Rate Certificates**” means a Series in respect of which “**Floating Rate Certificate Provisions**” are specified as applicable in the applicable Final Terms;

“**Group**” collectively, the Obligor and any of its consolidated subsidiaries and associates;

“**Guarantee**” means, in relation to any indebtedness of any Person, any obligation of another Person to pay such indebtedness including (without limitation): (a) any obligation to purchase such indebtedness; (b) any obligation to lend money, to purchase or subscribe for shares or other securities or to purchase assets or services in order to provide funds for the payment of such indebtedness; (c) any indemnity against the consequences of a default in the payment of such indebtedness; and (d) any other agreement to be responsible for such indebtedness or other like obligation;

“**Holder**” has the meaning given in Condition 3.2 (*Title to Certificates*);

“**Indebtedness**” means any debt or other financing arrangement issued (or intended to be issued) in compliance with the principles of *Shari’a*, whether entered into directly or indirectly by the Trustee or the Obligor, as the case may be;

“**ISDA Benchmarks Supplement**” means the Benchmarks Supplement (as amended and updated as at the date of issue of the first Tranche of the Certificates of the relevant Series (as specified in the applicable Final Terms)) published by the International Swaps and Derivatives Association, Inc;

“**ISDA Definitions**” means the 2006 ISDA Definitions (as supplemented, amended and updated as at the date of issue of the first Tranche of the Certificates of the relevant Series (as specified in the applicable Final Terms)) as published by the International Swaps and Derivatives Association, Inc.) including, if specified in the relevant Final Terms, the ISDA Benchmark Supplement (unless otherwise specified in the applicable Final Terms);

“**Kingdom**” means the Kingdom of Saudi Arabia;

“**Issue Date**” has the meaning given to it in Condition 1.3 (*Trust Deed*);

“**Lease**” means, in relation to a Series, the lease created pursuant to the Master Lease Agreement and the relevant Supplemental Lease Agreement in connection with that Series;

“**Lease Assets**” has the meaning given to it in the Master Lease Agreement;

“**Liability**” means any actual loss, damage, cost, charge, claim, demand, expense, fee, judgment, action, proceeding or other liability whatsoever (including, without limitation in respect of taxes) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis and references to “**Liabilities**” shall mean all of these;

“**Linear Interpolation Designated Maturity**” means the period of time designated in the relevant Reference Rate;

“**Local Banking Day**” means a day (other than a Saturday or a Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the city in which the Principal Paying Agent has its Specified Office;

“**Margin**” has the meaning given in the applicable Final Terms;

“**Master Lease Agreement**” means the master lease agreement dated 7 June 2021 between the Trustee (as lessor) and the Obligor (as lessee);

“**Master Murabaha Agreement**” means the master murabaha agreement dated 7 June 2021 and made between the Trustee and the Obligor (as buyer);

“**Master Purchase Agreement**” means the master purchase agreement dated 7 June 2021 between the Trustee (as purchaser) and the Obligor (as seller);

“**Maximum Optional Dissolution Amount**” means the amount specified as such in the applicable Final Terms;

“**Minimum Optional Dissolution Amount**” means the amount specified as such in the applicable Final Terms;

“**Minimum Specified Denomination**” means the minimum denomination of each Certificate, which shall not be less than U.S.\$200,000 (or, if the Certificate are denominated in a currency other than U.S. dollars, the equivalent amount in such currency as at the date of the issue of the Certificate);

a “**Negative Rating Event**” shall be deemed to have occurred, if at any time there is no rating assigned to the Certificates by any Rating Agency (at the invitation or with the consent of the Obligor), either (i) the Obligor does not, prior to or not later than 21 days after the occurrence of the relevant Change of Control, seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a rating of the Certificates or (ii) if the Obligor does so seek and use all such reasonable endeavours, it is unable to obtain such rating of at least investment grade (Baa3/BBB-/BBB- or equivalent or better) by the end of the Change of Control Period and the relevant Rating Agency announces publicly or confirms in writing to the Obligor or the Delegate that the failure to issue a rating of at least investment grade (Baa3/BBB-/BBB- or equivalent or better) was as a result, directly or indirectly, from the Change of Control;

“**Obligor Event**” means, with respect to any Series, any of the following events:

- (a) *Non-payment*: default is made in the payment by the Obligor (acting in any capacity) of any amount in the nature of principal (required in order to allow the Trustee (or the Principal Paying Agent on its behalf) to make payment of any Dissolution Distribution Amount (in full or in part) when due under the Certificates) or profit (required in order to allow the Trustee (or the Principal Paying Agent on its behalf) to make payment of any Periodic Distribution Amount (in full or in part) when due under the Certificates) payable by it pursuant to any Transaction Document to which it is a party and the default continues for a period of 30 days; or
- (b) *Breach of other obligations*: the Obligor defaults in the performance of any of its other obligations under the Transaction Documents to which it is a party relating to such Series (other than clauses 6.1, 12.1 and 12.2 of the Service Agency Agreement) and (except in any case where, in the opinion of the Delegate, the failure is incapable of remedy where no continuation or notice as is hereinafter mentioned will be required) such failure continues for the period of

90 days next following written notice to remedy such default, addressed to the Obligor by the Trustee or the Delegate, having been delivered to the Obligor; or

- (c) *Insolvency proceedings*: an involuntary case or other proceeding shall be commenced against the Obligor seeking liquidation, reorganisation or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or an encumbrancer takes possession of the whole or substantially all of its undertaking or assets, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or substantially all of its undertaking or assets, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 90 days or an order for relief shall be entered against the Obligor under applicable bankruptcy laws as now or hereafter in effect or any analogous procedure or step is taken in any jurisdiction; or
- (d) *Consent to proceedings*: the Obligor shall commence a voluntary case or other proceeding seeking liquidation, reorganisation or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property (in each case, save for the purposes of any intra-group reorganisation on a solvent basis), or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall stop or threaten to stop payment of, or is unable to, or admits inability to, pay, its debts as they become due or is deemed unable to pay its debts pursuant to or for the purpose of any applicable law, or is adjudicated or found bankrupt or insolvent, or shall take any corporate action to authorise any of the foregoing or any analogous procedure or step is taken in any jurisdiction; or
- (e) *Ceasing to carry on business*: the Obligor ceases or threatens to cease to carry on the whole or substantially all of its business, save for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution, or shall take any corporate action to authorise any of the foregoing or any analogous procedure or step is taken in any jurisdiction; or
- (f) *Illegality*: if: (i) the Obligor contests the validity of its obligations under the Transaction Documents to which it is a party relating to such Series; or (ii) the Obligor shall deny any of its obligations under the Transaction Documents to which it is a party relating to such Series; or (iii) as a result of any change in, or amendment to, the laws or regulations in the Kingdom, which change or amendment takes place after the date on which agreement is reached to issue the first Tranche of the Certificates: (A) it becomes unlawful for the Obligor to perform or comply with any of its payment obligations under or in respect of the Transaction Documents to which it is a party; or (B) any of such obligations becomes unenforceable or invalid;

“**Optional Dissolution Date**” means, in relation to any exercise of the Optional Dissolution Right, (i) in the case of Fixed Rate Certificates, any date, or the date(s) specified as such in the applicable Final Terms; and (ii) in the case of Floating Rate Certificates, any Periodic Distribution Date, or the Periodic Distribution Dates specified as such in the applicable Final Terms;

“**Optional Dissolution Right**” means the right specified in Condition 8.3 (*Dissolution at the Option of the Obligor (Optional Dissolution Right)*);

“**outstanding**” shall have the meaning given to it in the Trust Deed;

“**Partial Loss Event**” means, in relation to each Series, the partial impairment of one or more of the Lease Assets in a manner that substantially deprives the Lessee from the benefits expected from the Lease Assets, as determined by the Service Agent acting for and on behalf of the Trustee and the occurrence of which has been certified in writing by a recognised independent industry expert, which

has not arisen as a result of the Lessee's negligence or misconduct (and which does not constitute a Total Loss Event);

"Partial Loss Shortfall Amount" has the meaning given to it in the Service Agency Agreement;

"Partial Loss Termination Event" means, with respect to any Series, the termination of the Lease on the 61st day after the occurrence of a Partial Loss Event as a result of either: (a) delivery by the Obligor of a Partial Loss Termination Notice to the Trustee on or before the 30th day after the Partial Loss Event in accordance with clause 7.2(a) of the Master Lease Agreement; or (b) failure by the Obligor to replace the relevant Impaired Assets on or before the 60th day after the date of the Partial Loss Event in accordance with clause 7.2(b) of the Master Lease Agreement;

"Paying Agents" means the Principal Paying Agent and such further or other paying agent or agents as may be appointed from time to time under the Agency Agreement;

"Payment Business Day" means:

- (a) if the currency of payment is euros, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euros, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"Periodic Distribution Amount" has the applicable meanings given to it in Condition 7 (*Periodic Distribution Amounts*);

"Periodic Distribution Date" means the date or dates specified as such in the applicable Final Terms;

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or any other juridical entity, whether or not having separate legal personality;

"Potential Change of Control Announcement" means any public announcement or statement by the Obligor, any actual or potential bidder or any designated adviser thereto relating to any potential Change of Control where, within 180 days of the date of such announcement or statement, a Change of Control occurs;

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency *provided, that*:

- (a) in relation to euros, it means the principal financial centre of such member state of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (b) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

“Principal Paying Agent” means HSBC Bank plc or any successor appointed as principal paying agent under the Programme pursuant to the Agency Agreement in respect of each Series of Certificates in its capacities: as (i) principal paying agent for such Series; and (ii) the account bank with which the Transaction Account for each such Series is established;

“Profit Commencement Date” means the Issue Date or such other date as may be specified in the applicable Final Terms;

“Profit Period Date” means each Periodic Distribution Date unless otherwise specified in the applicable Final Terms;

“Profit Rate” means the profit rate payable from time to time in respect of the Certificates and that is either specified in the applicable Final Terms or calculated or determined in accordance with the provisions hereof;

“Profit Rate Determination Date” means, with respect to a Profit Rate and Return Accumulation Period, the date specified as such in the applicable Final Terms or, if none is so specified: (i) the day falling one Business Day prior to the first day of such Return Accumulation Period if the Specified Currency is Sterling; or (ii) the day falling two Business Days for the Specified Currency prior to the first day of such Return Accumulation Period if the Specified Currency is neither Sterling nor euro; or (iii) the day falling two TARGET Business Days prior to the first day of such Return Accumulation Period if the Specified Currency is euro;

“Purchase Undertaking” means the purchase undertaking dated 7 June 2021 and granted by the Obligor for the benefit of the Trustee and the Delegate;

“Rating Agency” means any of the credit rating agencies of Fitch Ratings (**“Fitch”**), Moody’s Investors Service (**“Moody’s”**) or Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (**“Standard & Poor’s”**) and their respective successors to their ratings business or any other rating agency (each a **“Substitute Rating Agency”**) of equivalent international standing specified by the Obligor from time to time;

“Record Date” has the meaning given to it in Condition 9.4 (*Record Date*);

“Reference Banks” means the four major banks selected by the Obligor in the market that is most closely connected with the Reference Rate;

“Reference Price” has the meaning given in the applicable Final Terms;

“Reference Rate” means either LIBOR or EURIBOR (each as defined in Condition 7.2(e) (*ISDA Determination*)), as set out in the applicable Final Terms;

“Register” has the meaning given to it in Condition 3.3 (*Ownership*);

“Registrars” mean, in respect of each Series of Certificates, HSBC Bank plc as Reg S Registrar, and HSBC Bank USA, National Association as Rule 144A Registrar, or any successors thereto in each case as registrar under the Agency Agreement (or such other registrar as may be appointed from time to time either generally in relation to the Programme or in relation to a specific Series);

“Relevant Date” means, in relation to any payment, whichever is the later of: (a) the date on which the payment in question first becomes due; and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Certificateholders in accordance with Condition 18 (*Notices*);

“Relevant Financial Centre” has the meaning given in the applicable Final Terms;

“Relevant Powers” has the meaning given to it in Condition 17.1 (*Delegation of powers*);

“Relevant Screen Page” means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the applicable Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“Relevant Time” has the meaning given in the applicable Final Terms;

“Relevant Taxing Jurisdiction” means: (i) in the case of the Trustee, the Kingdom, the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax; or (ii) in the case of the Obligor, the Kingdom or any other jurisdiction the Obligor is resident or doing business in for tax purposes, or, in either case, any political subdivision or any authority thereof or therein having the power to tax;

“Reserved Matter” has the meaning given to it in Condition 16.1 (*Meetings of Certificateholders*);

“Restricted Global Certificate” means a Global Certificate initially representing Certificates which are sold to QIBs who are also QPs in reliance on Rule 144A, in registered form;

“Return Accumulation Period” means the period beginning on (and including) the Profit Commencement Date and ending on (but excluding) the first Periodic Distribution Date and each successive period beginning on (and including) a Periodic Distribution Date and ending on (but excluding) the next succeeding Periodic Distribution Date;

“Sale Undertaking” means the sale undertaking dated 7 June 2021 and granted by the Trustee for the benefit of the Obligor;

“Scheduled Dissolution Date” means the date specified as such in the applicable Final Terms;

“Security Interest” means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance securing any obligation of any Person or any other type of arrangement having a similar effect over any assets or revenues of any Person;

“Service Agency Agreement” means the service agency agreement dated 7 June 2021 between the Trustee and the Service Agent;

“Service Agent” means the Obligor acting in its capacity as service agent under the Service Agency Agreement;

“Shari’a Adviser” has the meaning given to it in the Service Agency Agreement;

“Specified Currency” means the currency specified as such in the applicable Final Terms or, if none is specified, the currency in which the Certificates are denominated;

“Specified Denomination(s)” means the amount(s) specified as such in the applicable Final Terms;

“Specified Office” has the meaning given in the Agency Agreement;

“Sukuk Obligation” means any undertaking or other obligation to pay any money given in connection with the issue of trust certificates or other instruments intended to be issued in compliance with the principles of *Shari’a*, whether or not in return for consideration of any kind;

“Tangibility Event” shall occur if the Tangibility Ratio falls below 33%, other than as a result of a Total Loss Event or a Partial Loss Event;

“Tangibility Event Delisting Date” shall be the date falling 15 days after the Tangibility Event Put Date (or, if such date is not a business day, the next following business day (being, for this purpose, a day on which each stock exchange on which the Certificates have been admitted to listing is open for business));

“**Tangibility Event Notice**” has the meaning given to it in Condition 8.6 (*Dissolution of the Option of Certificateholders (Tangibility Event Put Right)*);

“**Tangibility Event Put Date**” shall be the first Business Day falling 75 days after the expiry of the Tangibility Event Put Period;

“**Tangibility Event Put Period**” has the meaning given to it in Condition 8.6 (*Dissolution of the Option of Certificateholders (Tangibility Event Put Right)*);

“**Tangibility Event Put Right**” means the right exercisable by Certificateholders pursuant to Condition 8.6 (*Dissolution of the Option of Certificateholders (Tangibility Event Put Right)*);

“**Tangibility Ratio**” means, at any time, the ratio of (a) the aggregate value of the Lease Assets to (b) the aggregate of (i) the aggregate value of the Lease Assets and (ii) the aggregate amounts of each outstanding Deferred Sale Price relating to the relevant Series;

“**TARGET2**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 or any successor thereto;

“**TARGET Business Day**” means a day on which TARGET2 is operating;

“**TARGET Settlement Day**” means any day on which TARGET2 is open for the settlement of payments in euro;

“**Total Loss Event**” means, in relation to each Series: (i) the total loss or destruction of, or damage to the whole of, the Lease Assets of that Series or any event or occurrence which renders the whole of the Lease Assets of that Series permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted by any third party in respect of the Lease Assets of that Series) the repair or remedial work in respect thereof is wholly uneconomical; or (ii) the expropriation, nationalisation, requisition, confiscation, attachment, sequestration or execution of any legal process in respect of the whole of the Lease Assets of that Series;

“**Total Loss Event Dissolution Date**” has the meaning given to it in Condition 8.8 (*Dissolution following a Total Loss Event*);

“**Total Loss Shortfall Amount**” has the meaning given to it in the Service Agency Agreement;

“**Transaction Account**” means, in relation to a particular Series, the non-interest bearing transaction account in London established by the Trustee and held with the Principal Paying Agent denominated in the Specified Currency, details of which are set out in the applicable Final Terms into which, among other things, the Obligor will deposit all amounts due to the Trustee under the Transaction Documents;

“**Transaction Documents**” means, in relation to each Series:

- (a) the Master Trust Deed as supplemented by the relevant Supplemental Trust Deed;
- (b) the Agency Agreement;
- (c) the Master Purchase Agreement as supplemented by the applicable supplemental purchase agreement;
- (d) the Master Lease Agreement as supplemented by the applicable supplemental lease agreement;
- (e) the Sale Undertaking (together with each relevant sale agreement executed upon exercise of the Sale Undertaking);
- (f) the Purchase Undertaking (together with each relevant sale agreement executed upon exercise of the Purchase Undertaking);
- (g) the Master Murabaha Agreement; and

(h) the Service Agency Agreement

(together with all offers, acceptances and confirmations delivered pursuant to any of the foregoing in connection with the relevant Series);

“**Transfer Agents**” mean, in respect of each Series of Certificates, HSBC Bank plc as Reg S Transfer Agent, and HSBC Bank USA, National Association as Rule 144A Transfer Agent, or any successors thereto in each case as transfer agent under the Agency Agreement (and such further or other transfer agents as may be appointed from time to time either generally in relation to the Programme or in relation to a specific Series);

“**Trust**” means, in respect of a Series, the trust created by the Trustee over the Trust Assets pursuant to the Trust Deed;

“**Trust Assets**” has the meaning given to it in Condition 5.1 (*Trust Assets*);

“**Trustee Event**” means any of the following events:

- (a) *Non-payment*: default is made in the payment by the Trustee of any Dissolution Distribution Amount or any Periodic Distribution Amount in respect of the Certificates on the due date for payment thereof and the default continues for a period of 30 days; or
- (b) *Breach of other obligations*: the Trustee defaults in the performance of any of its other obligations under the Transaction Documents to which it is a party relating to such Series and (except in any case where, in the opinion of the Delegate, the failure is incapable of remedy where no continuation or notice as is hereinafter mentioned will be required) such failure continues for the period of 90 days next following written notice to remedy such default, addressed to the Trustee by the Delegate, having been delivered to the Trustee; or
- (c) *Enforcement Proceedings*: any distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Trustee and is not discharged or stayed within 90 days; or
- (d) *Insolvency*: the Trustee is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or any part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Trustee; or
- (e) *Winding-up*: an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Trustee, or the Trustee shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved by an Extraordinary Resolution of the Certificateholders; or
- (f) *Illegality*: it is or will become unlawful for the Trustee to perform or comply with any one or more of its respective obligations under any of the Certificates or the Transaction Documents, *provided that* such unlawfulness has or is reasonably likely to affect the interests of the Certificateholders in any material respect; or
- (g) *Repudiation*: the Trustee repudiates or challenges, or does or causes to be done any act or thing evidencing an intention to repudiate or challenge, the Certificates or any Transaction Document to which it is a party; or
- (h) *Analogous Events*: any event occurs which under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraphs (c) to (e) (inclusive) above.

For the purpose of paragraph (a) (*Non-payment*) above of this definition, all amounts payable in respect of the Certificates shall be considered due and payable (including any amounts expressed to be payable under Condition 7 (*Periodic Distribution Amounts*)) notwithstanding that the Trustee has at the relevant time insufficient funds or relevant Trust Assets to pay such amounts (whether as a result of the application of Condition 5.2 (*Application of Proceeds from Trust Assets*) or otherwise) subject always to Condition 4.2 (*Limited Recourse*); and

“**Unrestricted Global Certificate**” means a Global Certificate initially representing Certificates offered and sold in reliance on Regulation S, which will be sold to persons who are not U.S. persons outside the United States, in registered form.

2.2 Interpretation

In these Conditions:

- (a) all references to “**Euroclear**” and/or “**Clearstream**” and/or “**DTC**” shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms;
- (b) all references to the “**face amount**” of a Certificate shall be deemed to include the relevant Dissolution Distribution Amount, any additional amounts (other than relating to Periodic Distribution Amounts) which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of face amounts payable pursuant to these Conditions;
- (c) all references to “**Periodic Distribution Amounts**” shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of a profit distribution payable pursuant to these Conditions;
- (d) all references to “**ISDA**” and related terms are only included for the purposes of benchmarking;
- (e) if an expression is stated in Condition 2.1 (*Definitions*) to have the meaning given in the applicable Final Terms, but the applicable Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Certificates; and
- (f) any reference to any “**Transaction Document**” shall be construed as a reference to such Transaction Document as amended and/or supplemented up to and including the Issue Date of the Certificates.

3. Form, Denomination, Title and Transfer

3.1 Certificates

The Certificates are issued in registered form in the Specified Currency and the Specified Denomination(s), which may include a minimum denomination specified in the applicable Final Terms (which shall not be less than the Minimum Specified Denomination) and higher integral multiples of such amount as specified in the applicable Final Terms, and, in the case of Certificates in definitive form, are serially numbered.

These Conditions are modified by certain provisions contained in the Global Certificate. Except in limited circumstances, owners of interests in the Global Certificate will not be entitled to receive definitive certificates representing their holdings of Certificates. In the case of Certificates in definitive form, an Individual Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates.

3.2 Title to Certificates

Upon issue, the Certificates will be represented by a Global Certificate which will be deposited with, and registered in the name of a nominee for a common depository for Euroclear and Clearstream (in the

case of the Unrestricted Global Certificate) or deposited with a custodian for, and registered in the name of Cede & Co. as nominee for, DTC (in the case of a Restricted Global Certificate), as the case may be. For so long as any of the Certificates are represented by a Global Certificate held on behalf of Euroclear, Clearstream and/or DTC ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear, Clearstream and/or DTC and their respective participants. Each person (other than the relevant clearing system) who is for the time being shown in such records as the holder of a particular face amount of Certificates (in which regard any certificate or other document issued by the relevant clearing system as to the face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of such face amount of such certificates for all purposes other than with respect to payment in respect of such Certificates, for which purpose the registered holder of the Global Certificate shall be treated as the holder of such face amount of such Certificates in accordance with and subject to the terms of the relevant Global Certificate and the expressions “**Holder**” and “**Certificateholder**” in relation to any Certificates and related expressions shall be construed accordingly.

3.3 **Ownership**

The Registrars will maintain relevant registers of Certificateholders outside the United Kingdom in accordance with the provisions of the Agency Agreement (the “**Register**”). The Trustee, the Obligor, the Delegate and the Agents may (to the fullest extent permitted by applicable laws) deem and treat the person in whose name any outstanding Certificates are for the time being registered (as set out in the Register) as the Holder of such certificates or of a particular face amount of the Certificates for all purposes (whether or not such Certificates or face amount shall be overdue and notwithstanding any notice of ownership thereof or of trust or other interest with regard thereto, and any notice of loss or theft or any writing thereon), and the Trustee, the Obligor, the Delegate and the Agents shall not be affected by any notice to the contrary. All payments made to such registered Holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for monies payable in respect of such Certificates or face amount.

No person shall have any right to enforce any term or condition of any Certificates under the Contracts (Rights of Third Parties) Act 1999. The Holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

3.4 **Transfers of Certificates**

Subject to Conditions 3.7 (*Closed Periods*) and 3.8 (*Regulations Concerning Transfers and Registration*) below:

- (a) *Transfers of Beneficial Interests in the Global Certificate:* Transfers of beneficial interests in the Global Certificate will be effected by Euroclear, Clearstream and/or DTC (as applicable) and in turn by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in the Global Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Certificates in definitive form only in the Specified Denomination or integral multiples thereof and only in accordance with the rules and operating procedures for the time being of Euroclear, Clearstream and/or DTC (as applicable) and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.
- (b) *Transfers of Certificates in Definitive Form:* Upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Certificate in definitive form may be transferred in whole or in part (in the Specified Denomination or an integral multiple thereof). In order to effect any such transfer the Holder or Holders must: (i) surrender the Individual Certificate for registration of the transfer thereof (or the relevant part thereof) at the Specified Office of the relevant Registrar or any Transfer Agent, with the form of transfer thereon duly

executed by the Holder or Holders thereof or his or their attorney or attorneys duly authorised in writing; and (ii) complete and deposit such other evidence to prove the title of the transferor and the authority of the individuals who have executed the form of transfer as may be reasonably required by the relevant Registrar or (as the case may be) the relevant Transfer Agent. Any such transfer will be subject to such reasonable regulations as the Trustee, the Obligor, the Delegate and the relevant Registrar may from time to time prescribe.

Subject as provided above, the relevant Registrar or (as the case may be) the relevant Transfer Agent will, as soon as reasonably practicable, and in any event within three business days (being for this purpose a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the relevant Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), and following receipt of a signed new Individual Certificate from the Trustee, deliver at its Specified Office to the transferee or (at the risk of the transferee) send by regular uninsured first class mail (airmail if overseas) to such address as the transferee may request a new Individual Certificate of a like aggregate face amount to the Certificates (or the relevant part of the Certificates) transferred. In the case of the transfer of part only of an Individual Certificate, a new Individual Certificate in respect of the balance of the Certificates not transferred will be so delivered or (at the risk of the transferor) sent to the transferor.

3.5 **Exercise of Options or Partial Dissolution in Respect of Certificates**

In the case of an exercise of the Trustee's, the Obligor's or a Certificateholder's option in respect of, or a partial redemption of, a holding of Certificates, the Registrars will update the entries on the Register accordingly and, in the case of Individual Certificates, new Individual Certificates shall be issued to the Holders to reflect the exercise of such option or in respect of the balance of the holding for which no payment was made. New Individual Certificates shall only be issued against surrender of the existing Individual Certificates to the relevant Registrar or any Transfer Agent.

3.6 **No Charge**

The transfer of a Certificate, exercise of an option or partial dissolution will be effected without charge by or on behalf of the Trustee, the Obligor or the Registrars or any Transfer Agent but against such indemnity as the Registrars or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer. Certificateholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured first class mail (airmail if overseas).

3.7 **Closed Periods**

Certificateholders may not require transfers to be registered:

- (a) during the period of 15 days ending on (and including) the due date for payment of any Dissolution Distribution Amount or Periodic Distribution Amount or any other date on which any payment of the face amount or payment of any profit in respect of the relevant Certificates falls due;
- (b) during the period of 15 days ending on (and including) any date on which the relevant Certificates may be called for redemption by the Trustee or the Obligor at its option pursuant to Condition 8.2 (*Early Dissolution for Taxation Reasons*), Condition 8.3 (*Dissolution at the Option of the Obligor (Optional Dissolution Right)*) or Condition 8.7 (*Dissolution at the Option of the Obligor (Clean-Up Dissolution Right)*); or

- (c) after:
 - (i) a Certificateholder Put Exercise Notice has been delivered in respect of the relevant Certificate(s) in accordance with Condition 8.4 (*Dissolution at the Option of Certificateholders (Certificateholder Put Right)*);
 - (ii) a Change of Control Exercise Notice has been delivered in respect of the relevant Certificate(s) in accordance with Condition 8.5 (*Dissolution at the Option of Certificateholders (Change of Control Put Right)*); or
 - (iii) a Tangibility Event Put Exercise Notice has been delivered in respect of the relevant Certificate(s) in accordance with Condition 8.6 (*Dissolution at the Option of Certificateholders (Certificateholder Put Right)*).

3.8 Regulations Concerning Transfers and Registration

All transfers of Certificates and entries on the Register are subject to the detailed regulations concerning the transfer of Certificates scheduled to the Agency Agreement. The regulations may be changed by the Trustee, with the prior written approval of the relevant Registrar and the Delegate or by the Registrars with the prior written approval of the Delegate. A copy of the current regulations will be mailed (free of charge to the Certificateholder by uninsured first class mail (airmail if overseas)) by the relevant Registrar to any Certificateholder who requests in writing a copy of such regulations.

4. Status and Limited Recourse

4.1 Status

The Certificates represent an undivided beneficial ownership interest in the relevant Trust Assets and are direct, unsecured and limited recourse obligations of the Trustee. Each Certificate shall, save for such exceptions as may be provided by applicable legislation that is both mandatory and of general application, at all times rank *pari passu* and without any preference or priority with all other Certificates of the relevant Series.

4.2 Limited Recourse

Save as provided in this Condition 4.2, the Certificates do not represent an interest in or obligation of any of the Trustee, the Delegate, the Obligor (acting in any capacity), any of the Agents or any of their respective affiliates. The proceeds of the relevant Trust Assets are the sole source of payments on the Certificates of each Series. The net proceeds of the realisation of, or enforcement with respect to, the relevant Trust Assets may not be sufficient to make all payments due in respect of the Certificates. Certificateholders, by subscribing for or acquiring the Certificates, acknowledge that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

- (a) no payment of any amount whatsoever shall be made by the Trustee or the Delegate or any shareholders, directors, officers, employees, agents or affiliates on their behalf except to the extent funds are available therefor from the relevant Trust Assets. The Certificateholders further acknowledge and agree that no recourse shall be had for the payment of any amount due and payable hereunder or under any Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee or the Delegate to the extent the relevant Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished;
- (b) the Trustee may not sell, transfer, assign or otherwise dispose of the Trust Assets or any part thereof (save as permitted pursuant to the Transaction Documents) to a third party, and may only realise its interests, rights, title, benefits and entitlements, present and future, in, to and under the Trust Assets in the manner expressly provided in the Transaction Documents;

- (c) if the proceeds of the Trust Assets are insufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (other than the relevant Trust Assets) or the Delegate or the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates, in respect of any shortfall or otherwise and any unsatisfied claims of the Certificateholders shall be extinguished;
- (d) no Certificateholders will be able to petition for, institute, or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee, the Delegate, the Agents or any of their respective directors, officers, employees, agents, shareholders or affiliates as a consequence of such shortfall or otherwise;
- (e) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee or the Delegate arising under or in connection with the Transaction Documents by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, employee, agent, director or corporate services provider of the Trustee or the Delegate in their capacity as such. The obligations of the Trustee and the Delegate under the Transaction Documents are corporate or limited liability obligations of the Trustee or the Delegate (as applicable) and no personal liability shall attach to or be incurred by the officers or directors of the Trustee or the Delegate (as applicable) in their capacity as such, save in the case of the relevant party's wilful default or actual fraud. Reference in this Condition 4.2 to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and
- (f) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Certificates. No collateral is or will be given for the payment obligations of the Trustee under the Certificates.

Pursuant to the terms of the Transaction Documents, the Obligor are obliged to make payments under the relevant Transaction Documents to which they are a party directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and the Delegate will thereby have direct recourse against the Obligor to recover payments due to the Trustee from the Obligor pursuant to such Transaction Documents notwithstanding any other provision of this Condition 4.2. Such right of the Trustee and the Delegate shall constitute an unsecured claim against the relevant Obligor. None of the Certificateholders, the Trustee or the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Obligor in connection with the enforcement of any such claim.

5. The Trust

5.1 Trust Assets

Pursuant to the Trust Deed, the Trustee holds the Trust Assets for each Series upon trust absolutely for and on behalf of the Certificateholders of such Series *pro rata* according to the face amount of Certificates held by each holder. The term "**Trust Assets**" in respect of each Series means the following:

- (a) the cash proceeds of the issue of the Certificates, pending the application thereof in accordance with the terms of the Transaction Documents;
- (b) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Lease Assets from time to time;

- (c) all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the obligations of the Buyer in respect of payment of each Deferred Sale Price under the Master Murabaha Agreement;
- (d) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding any representations given by the Obligor to the Trustee and/or the Delegate pursuant to any of the Transaction Documents or the covenant given to the Trustee pursuant to clause 18.1 (*Reimbursement of Trustee*) of the Master Trust Deed);
- (e) all moneys standing to the credit of the Transaction Account from time to time; and
- (f) all proceeds of the foregoing.

5.2 Application of Proceeds from Trust Assets

On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the relevant Transaction Account in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

- (a) *first*, (to the extent not previously paid) to the Delegate in respect of all amounts payable to it under the Transaction Documents in its capacity as Delegate (including any amounts payable to the Delegate in respect of its Appointees (as defined in the Master Trust Deed)) and to any receiver, manager or administrative receiver or any other analogous officer appointed in respect of the Trust by the Delegate in accordance with the Trust Deed;
- (b) *second*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;
- (c) *third*, only if such payment is due on a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the relevant Dissolution Distribution Amount; and
- (d) *fourth*, only on the Scheduled Dissolution Date (or any earlier date on which the Certificates are redeemed in full) and *provided that* all amounts required to be paid on the Certificates hereunder have been discharged in full, in payment of any residual amount to the Obligor in its capacity as Service Agent as an incentive fee for its performance under the Service Agency Agreement.

5.3 Transaction Account

The Trustee will establish a Transaction Account in London in respect of each Series prior to the relevant Issue Date. The Transaction Account shall be operated by the Principal Paying Agent on behalf of the Trustee for the benefit of Certificateholders into which the Obligor will deposit all amounts payable by it to the Trustee pursuant to the terms of the Transaction Documents.

6. Covenants

6.1 Trustee Covenants

In addition to the Trustee's covenants contained in clause 10.3 (*Trustee Covenants*) of the Master Trust Deed, the Trustee covenants that for so long as any Certificates are outstanding, it shall not (without the prior written consent of the Delegate):

- (a) incur any Indebtedness (including any Sukuk Obligation) in respect of financed, borrowed or raised money whatsoever (whether structured (or intended to be structured) in accordance with the principles of *Shari'a* or otherwise), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares

or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;

- (b) secure any of its present or future Indebtedness by any lien, pledge, charge or other Security Interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) and other than under or pursuant to any of the Transaction Documents);
- (c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by Security Interest, preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interests in any of the Trust Assets except pursuant to any of the Transaction Documents;
- (d) amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms of the Trust Deed) or its constitutional documents;
- (e) except as provided in the Trust Deed, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;
- (f) have any subsidiaries or employees;
- (g) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;
- (h) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
- (i) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or
- (j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or as expressly contemplated, permitted or required thereunder or engage in any business or activity other than:
 - (i) as contemplated, provided for or permitted in the Transaction Documents;
 - (ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
 - (iii) such other matters which are incidental thereto.

7. Periodic Distribution Amounts

7.1 Fixed Rate Certificates Provisions

- (a) *Application:* This Condition 7.1 is applicable to the Certificates only if the Fixed Rate Certificates Provisions are specified in the applicable Final Terms as being applicable.
- (b) *Periodic Distribution Dates:* Each Fixed Rate Certificate bears profit on its outstanding face amount from and including the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date. The amount of profit payable shall be a Fixed Amount, a Broken Amount or an amount determined in accordance with Condition 7.3 (*Calculation of Periodic Distribution Amount*). Each such amount of profit is referred to in these Conditions as a “**Periodic Distribution Amount**”. Periodic Distribution Amounts shall be distributed to Certificateholders by the Principal Paying Agent on behalf of the Trustee, *pro rata* to their

respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5.2 (*Application of Proceeds from Trust Assets*) and Condition 9 (*Payments*).

7.2 Floating Rate Certificate Provisions

- (a) *Application*: This Condition 7.2 is applicable to the Certificates only if the Floating Rate Certificate Provisions are specified in the applicable Final Terms as being applicable.
- (b) *Periodic Distribution Dates*: Each Floating Rate Certificate bears profit on its outstanding face amount from and including the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date. The amount of profit payable per Calculation Amount shall be an amount determined in accordance with Condition 7.3 (*Calculation of Periodic Distribution Amount*). Each such amount of profit is referred to in these Conditions as a “**Periodic Distribution Amount**”. Such Periodic Distribution Date(s) is/are either shown in the applicable Final Terms as Specified Periodic Distribution Dates or, if no Specified Periodic Distribution Date(s) is/are shown in the applicable Final Terms, Periodic Distribution Date shall mean each date which falls the number of months or other period shown in the applicable Final Terms as the Specified Period after the preceding Periodic Distribution Date or, in the case of the first Periodic Distribution Date, after the Profit Commencement Date. Periodic Distribution Amounts shall be distributed to Certificateholders by the Principal Paying Agent on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5.2 (*Application of Proceeds from Trust Assets*) and Condition 9 (*Payments*).
- (c) *Profit Rate for Floating Rate Certificates*: The Profit Rate in respect of Floating Rate Certificates for each Return Accumulation Period shall be determined by Screen Rate Determination in accordance with paragraph (d) or ISDA Determination in accordance with paragraph (e) (as specified in the applicable Final Terms, as the case may be).
- (d) *Screen Rate Determination*: If Screen Rate Determination is specified in the Final Terms as the manner in which the Profit Rate(s) is/are to be determined, the Profit Rate applicable to the Certificates for each Return Accumulation Period will be determined by the Calculation Agent on the following basis:
- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Profit Rate Determination Date;
 - (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Profit Rate Determination Date;
 - (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Profit Rate Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
 - (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial

Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Return Accumulation Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Return Accumulation Period and in an amount that is representative for a single transaction in that market at that time,

and the Profit Rate for such Return Accumulation Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Return Accumulation Period, the Profit Rate applicable to the Certificates during such Return Accumulation Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Certificates in respect of a preceding Return Accumulation Period.

- (e) *ISDA Determination*: If ISDA Determination is specified in the applicable Final Terms as the manner in which the Profit Rate(s) is/are to be determined, the Profit Rate applicable to the Certificates for each Return Accumulation Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” in relation to any Return Accumulation Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under a Swap Transaction (as defined in the ISDA Definitions) if the Calculation Agent were acting as Calculation Agent for that Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the Final Terms; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either: (A) if the relevant Floating Rate Option is based on: (w) the London inter-bank offered rate (“**LIBOR**”); or (x) the Euro zone inter-bank offered rate (“**EURIBOR**”) for a currency, the first day of that Return Accumulation Period; or (B) in any other case, as specified in the Final Terms.
- (f) *Maximum or Minimum Profit Rate*: If any Maximum Profit Rate or Minimum Profit Rate is specified in the applicable Final Terms, then the Profit Rate shall in no event be greater than the maximum or be less than the minimum so specified.
- (g) *Benchmark Replacement*: Notwithstanding the other provisions of this Condition 7.2, if the Obligor determines that a Benchmark Event has occurred in relation to the relevant Reference Rate specified in the applicable Final Terms when any Profit Rate (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:
- (i) the Obligor shall use its reasonable endeavours to appoint and consult with, as soon as reasonably practicable, an Independent Adviser with a view to the Obligor determining (in each case acting in good faith and in a commercially reasonable manner) no later than five Business Days prior to the relevant Profit Rate Determination Date relating to the next succeeding Return Accumulation Period (the “**Initial Obligor Determination Cut-Off Date**”), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate and, in either case and if applicable, an Adjustment Spread, for the purposes of determining the Profit Rate (or the relevant component part thereof) applicable to the Certificates for such next Return Accumulation Period and for all other relevant future Return Accumulation Period

(subject to the subsequent operation of, and to adjustment as provided in, this Condition 7.2(g));

- (ii) if (A) the Obligor is unable to appoint an Independent Adviser; or (B) following consultation with an Independent Adviser so appointed, it fails to determine a Successor Rate or, failing which, an Alternative Reference Rate and/or, in either case, an Adjustment Spread in accordance with this Condition 7.2 prior to the relevant Initial Obligor Determination Cut-Off Date, then the Obligor may determine (in each case acting in good faith and in a commercially reasonable manner) the Successor Rate or, failing which, an Alternative Reference Rate (as applicable) and/or, in either case, an Adjustment Spread itself, no later than three Business Days prior to the Profit Rate Determination Date relating to the next Return Accumulation Period for which the Profit Rate (or any component thereof) is to be determined by reference to the relevant Reference Rate (the “**Final Obligor Determination Cut-off Date**”), for the purposes of determining the Profit Rate (or the relevant component part thereof) applicable to the Certificates for such next Return Accumulation Period and for all other relevant future Return Accumulation Period (subject to the subsequent operation of, and to adjustment as provided in, this Condition 7.2(g)) or, if applicable, any Benchmark Amendments, to ensure the proper operation of such Successor Rate or Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread (with the relevant provisions in this Condition 7.2 applying *mutatis mutandis*) to allow such determinations to be made by the Obligor without consultation with the Independent Adviser. Without prejudice to the definitions thereof, for the purposes of determining any Alternative Reference Rate and/or any Adjustment Spread, the Obligor will take into account any relevant and applicable market precedents as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets;
- (iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined by the Obligor, following consultation with the relevant Independent Adviser (if applicable), in accordance with this Condition 7.2(g):
 - (A) such Successor Rate or, failing which, Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Return Accumulation Periods in respect of such Certificates (subject to the subsequent operation of, and to adjustment as provided in, this Condition 7.2(g));
 - (B) if the Obligor, following consultation with the relevant Independent Adviser (if applicable), (acting in good faith and in a commercially reasonable manner):
 - (1) determines that an Adjustment Spread is required to be applied to such Successor Rate or the Alternative Reference Rate (as the case may be) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to such Successor Rate or Alternative Reference Rate (as the case may be) for all relevant future Return Accumulation Periods in respect of such Certificates (subject to the subsequent operation of, and to adjustment as provided in, this Condition 7.2(g)); or
 - (2) is unable to determine the quantum of, or a formula or methodology for determining, an Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as the case may be), will apply without an Adjustment Spread for all relevant future Return Accumulation Periods in respect of such Certificates (subject to the subsequent operation of, and to adjustment as provided in, this Condition 7.2(g));

- (C) if the Obligor, following consultation with the relevant Independent Adviser (if applicable), (acting in good faith and in a commercially reasonable manner) in its discretion determines that amendments to these Conditions (including, without limitation, amendments to the definitions of Day Count Fraction, Business Day, Business Day Convention, Profit Rate Determination Date or Relevant Screen Page) are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (such amendments, the “**Benchmark Amendments**”), then, at the direction and expense of the Obligor and subject to delivery of a notice in accordance with Condition 7.2(g)(iv), the Trustee, the Obligor, the Delegate and the Agents (at the expense of the Trustee (failing which, the Obligor)) shall vary these Conditions, the Trust Deed, the Agency Agreement and/or any other Transaction Document to give effect to such Benchmark Amendments with effect from the date specified in such notice; *provided that* neither the Delegate nor any Agent shall be required to effect any such Benchmark Amendments if the same would not be operable or impose, in its opinion, more onerous obligations upon it or expose it to any liability against which it is not adequately indemnified and/or secured and/or prefunded to its satisfaction or impose any additional duties, responsibilities or liabilities or reduce or amend its rights and/or the protective provisions afforded to it.

Prior to any such Benchmark Amendments taking effect the Obligor shall provide a certificate signed by an Authorised Signatory of the Obligor to the Trustee, the Delegate and the Principal Paying Agent, certifying that such Benchmark Amendments are: (x) in the Obligor’s reasonable opinion (following consultation with the Independent Adviser), necessary to give effect to any application of this Condition 7.2; and (y) in each case, have been drafted solely to such effect, and the Trustee, the Delegate and the Principal Paying Agent (as the case may be) shall be entitled to rely on such certificates without further enquiry or liability to any person.

No consent of the Certificateholders shall be required in connection with effecting the relevant Successor Rate or Alternative Reference Rate (as applicable) as described in this Condition 7.2(g) or such other relevant changes pursuant to this Condition 7.2(g), including for the execution of any documents or the taking of other steps by the Trustee, the Obligor or any of the other parties to the Transaction Documents (if required).

For the avoidance of doubt, neither the Delegate nor any Agent shall be liable to the Certificateholders or any other person for so acting or relying on such notice, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such Certificateholders or person;

- (iv) the Trustee (failing which, the Obligor) shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) and the specific terms of any Benchmark Amendments, give notice to the Delegate, the Agents and, in accordance with Condition 18 (*Notices*), the Certificateholders confirming: (A) that a Benchmark Event has occurred; (B) the Successor Rate or Alternative Reference Rate (as applicable); (C) any applicable Adjustment Spread; and (D) the specific terms of the Benchmark Amendments (if any);
- (v) if, following the occurrence of a Benchmark Event and in relation to the determination of the Profit Rate (or the relevant component part thereof) on the immediately following Profit Rate Determination Date, no Successor Rate or Alternative Reference Rate (as applicable) is determined pursuant to this provision prior to the relevant Final Obligor Determination Cut-off Date, then the Profit Rate (or the relevant component part thereof) shall be determined as at the last preceding Profit Rate Determination Date

(though substituting, where a different Margin or Maximum Profit Rate or Minimum Profit Rate is to be applied to the relevant Return Accumulation Period from that which applied to the last preceding Return Accumulation Period, the Margin or Maximum Profit Rate or Minimum Profit Rate relating to the relevant Return Accumulation Period, in place of the Margin or Maximum Profit Rate or Minimum Profit Rate relating to that last preceding Return Accumulation Period). For the avoidance of doubt, this Condition 7.2(g)(v) shall apply to the relevant immediately following Return Accumulation Period only and any subsequent Return Accumulation Periods are subject to the subsequent operation of and to adjustment as provided in, this Condition 7.2(g); and

- (vi) the Independent Adviser appointed pursuant to this Condition 7.2(g) shall act pursuant to this Condition 7.2(g) in good faith and the Independent Adviser shall act as an expert. In the absence of bad faith, wilful default or fraud, none of the Independent Adviser, the Trustee or the Obligor shall have any liability whatsoever to the Delegate, the Agents or the Certificateholders in connection with any determination made by the Obligor or, in the case of the Independent Adviser, for any advice given to the Trustee or the Obligor in connection with any determination made by the Obligor pursuant to this Condition 7.2(g).

For the purposes of this Condition 7.2(g):

“Adjustment Spread” means either (i) a spread (which may be positive, negative or zero), or (ii) a formula or methodology for calculating a spread, which the Obligor, following consultation with the relevant Independent Adviser (if applicable) (acting in good faith and in a commercially reasonable manner) determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as the case may be) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Certificateholders as a result of the replacement of the relevant Reference Rate with the relevant Successor Rate or the relevant Alternative Reference Rate (as applicable), and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (b) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Obligor, following consultation with the relevant Independent Adviser (if applicable), (acting in good faith and in a commercially reasonable manner) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by such Successor Rate or Alternative Reference Rate (as applicable); or
- (c) if neither (a) nor (b) applies, the Obligor, following consultation with the relevant Independent Adviser (if applicable), (acting in good faith and in a commercially reasonable manner) in its discretion determines to be appropriate;

“Alternative Reference Rate” means the rate that the Obligor, following consultation with the relevant Independent Adviser (if applicable), (acting in good faith and in a commercially reasonable manner) determines has replaced the Reference Rate in customary market usage in the international debt capital markets for the purposes of determining interest or profit rates (or the relevant component part thereof) in the same Specified Currency as the Certificates and of a comparable duration to the relevant Return Accumulation Period or, if the Independent Adviser or the Obligor (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Obligor (as applicable) determines in their sole discretion is most comparable to the relevant Reference Rate;

“Benchmark Event” means, with respect to a Reference Rate:

- (a) the relevant Reference Rate ceasing to exist or be published; or
- (b) the later of (A) the making of a public statement by the administrator of such Reference Rate that it has ceased or that it will, on or before a specified date, cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate) and (B) the date falling six months prior to the specified date referred to in (b)(A); or
- (c) the making of a public statement by the supervisor of the administrator of such Reference Rate that such Reference Rate has been permanently or indefinitely discontinued; or
- (d) the later of (A) the making of a public statement by the supervisor of the administrator of such Reference Rate that such Reference Rate will, on or before a specified date, be permanently or indefinitely discontinued and (B) the date falling six months prior to the specified date referred to in (d)(A); or
- (e) the later of (A) the making of a public statement by the supervisor of the administrator of such Reference Rate that means such Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case on or before a specified date and (B) the date falling six months prior to the specified date referred to in (e)(A); or
- (f) it has or will prior to the next Profit Rate Determination Date become unlawful for the Trustee, the Obligor, the Delegate, the Agents or any other party specified in the applicable Final Terms as being responsible for calculating the Profit Rate or any Paying Agent to calculate any payments due to be made to any Certificateholder using such Reference Rate;
- (g) the later of (A) the making of a public statement by the supervisor of the administrator of such Reference Rate announcing that such Reference Rate is or will be no longer representative or may no longer be used and (B) the date falling six months prior to the specified date referred to in (g)(A);

“Financial Stability Board” means the organisation established by the Group of Twenty (G20) in April 2009;

“Independent Adviser” means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed under Condition 7.2(g)(i) by the Obligor at its own expense;

“Relevant Nominating Body” means, in respect of a Reference Rate: (i) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of: (A) the central bank for the currency to which the Reference Rate relates; (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; (C) a group of the aforementioned central banks or other supervisory authorities; or (D) the Financial Stability Board or any part thereof; and

“Successor Rate” means the rate that the Obligor, following consultation with the relevant Independent Adviser (if applicable), (acting in good faith and in a commercially reasonable manner) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

7.3 Calculation of Periodic Distribution Amount

The Periodic Distribution Amount payable per Calculation Amount will be calculated by the Calculation Agent by applying the Profit Rate for such Return Accumulation Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to

the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). Where the Specified Denomination of an Individual Certificate is a multiple of the Calculation Amount, the Periodic Distribution Amount payable in respect of such Certificate shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding. For this purpose a “**sub-unit**” means, in the case of any currency other than U.S. dollars, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of U.S. dollars, means one cent.

7.4 **Determination and Publication of Profit Rates, Periodic Distribution Amounts and Dissolution Distribution Amounts**

The Calculation Agent shall, as soon as practicable on or after each Profit Rate Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Periodic Distribution Amounts for the relevant Return Accumulation Period, calculate the relevant Dissolution Distribution Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Profit Rate and the Periodic Distribution Amounts for each Return Accumulation Period and the relevant Periodic Distribution Date and, if required to be calculated, the relevant Dissolution Distribution Amount to be notified to the Delegate, the Trustee, the Obligor, each of the Paying Agents, the Certificateholders, any other Calculation Agent appointed in respect of the Certificates that is to make a further calculation upon receipt of such information and, if the Certificates are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than: (i) the commencement of the relevant Return Accumulation Period, if determined prior to such time, in the case of notification to such exchange of a Profit Rate and Periodic Distribution Amount; or (ii) in all other cases, the fourth Business Day after such determination. Where any Periodic Distribution Date or Profit Period Date is subject to adjustment pursuant to Condition 7.6 (*Business Day Convention*), the Periodic Distribution Amounts and the Periodic Distribution Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Delegate by way of adjustment) without notice in the event of an extension or shortening of the Return Accumulation Period. If the Certificates become due and payable under Condition 12 (*Dissolution Events*), the accrued profit and the Profit Rate payable in respect of the Certificates shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Profit Rate or the Periodic Distribution Amount so calculated need be made unless the Delegate otherwise requires. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 by the Calculation Agent will (in the absence of manifest error) be binding on the Trustee, the Obligor, the Delegate, the Agents and all Certificateholders and (in the absence of manifest error) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

7.5 **Cessation of Entitlement to Profit**

Profit shall cease to accumulate in respect of each Certificate on (a) the due date for redemption unless, upon due presentation, payment is improperly withheld or refused and no sale agreement has been executed pursuant to the Sale Undertaking or the Purchase Undertaking (as the case may be) relating to redemption of the relevant Certificates in full, in which event profit shall, subject to the terms of the Transaction Documents, continue to accumulate (both before and after judgment) at the Profit Rate in the manner provided in this Condition 7 to the Relevant Date; and (b) the date on which a Total Loss Event occurs.

7.6 Business Day Convention

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified in the applicable Final Terms is:

- (a) the “**Following Business Day Convention**”, the relevant date shall be postponed to the first following day that is a Business Day;
- (b) the “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**”, the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day;
- (c) the “**Preceding Business Day Convention**”, the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) the “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**”, each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the applicable Final Terms as the Return Accumulation Period after the calendar month in which the preceding such date occurred *provided, however, that*:
 - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) “**No Adjustment**”, the relevant date shall not be adjusted in accordance with any Business Day Convention.

7.7 Calculation Agent

The Trustee shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Final Terms and for so long as any Certificates are outstanding. Where more than one Calculation Agent is appointed in respect of the Certificates, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Profit Rate for a Return Accumulation Period or to calculate any Periodic Distribution Amount or any Dissolution Distribution Amount, as the case may be, or to comply with any other requirement, the Trustee shall (with the prior approval of the Delegate) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

7.8 **Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of a Return Accumulation Period in the applicable Final Terms, the Profit Rate for such Return Accumulation Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Linear Interpolation Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Return Accumulation Period and the other of which shall be determined as if the Linear Interpolation Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Return Accumulation Period *provided however that* if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

8. **Redemption and Dissolution of the Trust**

8.1 **Dissolution on the Scheduled Dissolution Date**

Unless previously redeemed, purchased and cancelled, as provided below, each Certificate shall be finally redeemed at its Dissolution Distribution Amount on the Scheduled Dissolution Date specified in the applicable Final Terms and following the payment of all such amounts in full and the execution of a sale agreement pursuant to the Purchase Undertaking, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

8.2 **Early Dissolution for Taxation Reasons**

The Certificates shall be redeemed by the Trustee in whole, but not in part, on any Periodic Distribution Date (if the Certificates are Floating Rate Certificates) or at any time (if the Certificates are Fixed Rate Certificates) (such dissolution date being an “**Early Tax Dissolution Date**”), on giving not less than 30 nor more than 90 days’ notice to the Certificateholders (which notice shall be irrevocable) at their Dissolution Distribution Amount if the Trustee satisfies the Delegate immediately before the giving of such notice that:

- (a) the Trustee has or will become obliged to pay additional amounts as described under Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any Relevant Taxing Jurisdiction, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes announced and effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series, and such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or
- (b) the Obligor has or will become obliged to pay additional amounts pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of any Relevant Taxing Jurisdiction, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes announced and effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series, and such obligation cannot be avoided by the Obligor taking reasonable measures available to it,

(the events laid out in Condition 8.2(a) and (b) above each being a “**Tax Event**”) *provided, however, that* no such notice of dissolution shall be given to Certificateholders:

- (i) unless a duly completed Exercise Notice has been received by the Trustee from the Obligor pursuant to the Sale Undertaking; and

- (ii) where the Certificates may be redeemed at any time, earlier than 90 days prior to the earliest date on which the Trustee or the Obligor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Certificates (in the case of the Trustee) or pursuant to any Transaction Document (in the case of the Obligor) then due; or
- (iii) where the Certificates may be redeemed only on a Periodic Distribution Date, earlier than 60 days prior to the earliest date on which the Trustee or the Obligor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Certificates (in the case of the Trustee) or pursuant to any Transaction Document (in the case of the Obligor) then due.

Prior to the publication of any notice of dissolution pursuant to this Condition 8.2, the Trustee shall deliver or procure that there is delivered to the Delegate:

- (A) a certificate signed by an Authorised Signatory of the Trustee (in the case of Condition 8.2(a)) or an Authorised Signatory of the Obligor (in the case of Condition 8.2(b)) stating that the Trustee is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Trustee so to redeem (as set out in Condition 8.2(a) and Condition 8.2(b), as the case may be) have occurred; and
- (B) an opinion of independent legal advisers or other professional advisers, in each case of recognised standing, to the effect that the Trustee or the Obligor, as the case may be, has or will become obliged to pay additional amounts as a result of such change or amendment,

and the Delegate shall be entitled to accept such certificate and legal opinion as sufficient evidence of the satisfaction of the condition precedent set out in Condition 8.2(a) or, as the case may be, Condition 8.2(b) above, in which event it shall be conclusive and binding on Certificateholders.

Upon expiry of any such notice given in accordance with this Condition 8.2, payment in full of the Dissolution Distribution Amount to Certificateholders and execution of a sale agreement pursuant to the Sale Undertaking, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

8.3 **Dissolution at the Option of the Obligor (Optional Dissolution Right)**

If the Optional Dissolution Right is specified in the applicable Final Terms, the Obligor may in its sole discretion deliver to the Trustee a duly completed Exercise Notice in accordance with the provisions of the Sale Undertaking and, on receipt of such notice, the Trustee shall, on giving not less than 15 nor more than 30 days' irrevocable notice to the Certificateholders redeem all or, if so specified in the relevant Exercise Notice, some of the Certificates on any Optional Dissolution Date. Any such redemption of Certificates shall be at their Dissolution Distribution Amount. Any such redemption or exercise must relate to Certificates of a face amount at least equal to the Minimum Optional Dissolution Amount to be redeemed and no greater than the Maximum Optional Dissolution Amount to be redeemed.

All Certificates in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 8.3. If all (and not some only) of the Certificates are to be redeemed on any Optional Dissolution Date in accordance with this Condition 8.3, upon payment in full of the Dissolution Distribution Amount to all Certificateholders and execution of a sale agreement pursuant to the Sale Undertaking, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

In the case of a partial redemption in respect of Individual Certificates, the notice to Certificateholders shall also specify the face amount of Certificates drawn and the holder(s) of such Certificates to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

If the Certificates are to be redeemed in part only on any date in accordance with this Condition 8.3, each Certificate shall be redeemed in part in the proportion which the aggregate face amount of the outstanding Certificates to be redeemed on the relevant Optional Dissolution Date bears to the aggregate face amount of outstanding Certificates on such date.

8.4 **Dissolution at the Option of Certificateholders (Certificateholder Put Right)**

If the Certificateholder Put Right is specified in the applicable Final Terms, the Trustee shall, at the option of the Holder of any Certificates, upon the Holder of such Certificates giving not less than 15 nor more than 30 days' notice to the Trustee, redeem such Certificates on the Certificateholder Put Right Date at its Dissolution Distribution Amount. For the purposes thereof, the Trustee shall deliver to the Obligor a duly completed Exercise Notice in accordance with the provisions of the Purchase Undertaking. If all (and not some only) of the Certificates are to be redeemed on any Certificateholder Put Right Date in accordance with this Condition 8.4, upon payment in full of the Dissolution Distribution Amount to the Certificateholders and execution of a sale agreement pursuant to the Purchase Undertaking, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

To exercise the option in this Condition 8.4 the relevant Holder must, within the relevant notice period, give notice to the Principal Paying Agent of such exercise (a "**Certificateholder Put Exercise Notice**") (in the case of Certificates represented by a Global Certificate, in accordance with the standard procedures of Euroclear, Clearstream and/or DTC in a form acceptable to the relevant clearing system from time to time) which shall, if acceptable to the relevant clearing system (if applicable), be in the form of a duly completed Certificateholder Put Exercise Notice in the form set out in the Agency Agreement and obtainable from any Paying Agent, the relevant Registrar or any Transfer Agent.

Any Certificateholder Put Exercise Notice given by a Holder of any Certificates pursuant to this Condition 8.4 shall be irrevocable except where, prior to the due date for redemption in accordance with this Condition 8.4, a Dissolution Event has occurred and the Delegate has declared the Certificates due and payable pursuant to Condition 12 (*Dissolution Events*), in which event such Certificateholder Put Exercise Notice shall be deemed void.

8.5 **Dissolution at the Option of Certificateholders (Change of Control Put Right)**

The Obligor has agreed in the Master Trust Deed to notify the Trustee and the Delegate promptly upon the Obligor becoming aware that a Change of Control Put Event has occurred and, in any event, within 14 days of the occurrence of the relevant Change of Control Put Event. The Trustee, upon receipt of such notice from the Obligor or otherwise upon having actual knowledge or express notice of the occurrence of a Change of Control Put Event, shall promptly give notice (a "**Change of Control Put Notice**") of the occurrence of a Change of Control Put Event to the Delegate and the Certificateholders in accordance with these Conditions, provided the Change of Control Put Right is specified as being applicable in the applicable Final Terms. The Change of Control Put Notice shall provide a description of the Change of Control Put Event and shall specify the "**Change of Control Put Period**", which shall be the period from (and including) the date of the Change of Control Put Notice to (but excluding) the 30th day following the date of the Change of Control Put Notice.

If Change of Control Put Right is specified as being applicable in the applicable Final Terms and a Change of Control Put Event occurs, and *provided that* Certificateholders elect to redeem their Certificates, in whole or in part, during the Change of Control Put Period in accordance with this Condition 8.5, the Trustee shall redeem such Certificates on the Change of Control Put Date at their

Dissolution Distribution Amount. For the purposes thereof, the Trustee shall deliver to the Obligor a duly completed Exercise Notice in accordance with the provisions of the Purchase Undertaking. If all (and not some only) of the Certificates are to be redeemed on any Change of Control Put Date in accordance with this Condition 8.5, upon payment in full of the Dissolution Distribution Amount to all Certificateholders, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

For the purposes of these Conditions:

A “**Change of Control Put Event**” will be deemed to occur if:

- (a) a Change of Control occurs; and
- (b) on the date (the “**Relevant Announcement Date**”) that is the earlier of (x) the date of the earliest Potential Change of Control Announcement (if any) and (y) the date of the first public announcement of the relevant Change of Control, the Certificates carry:
 - (i) an investment grade credit rating (Baa3/BBB-/BBB- or equivalent or better) from any Rating Agency (provided by such Rating Agency at the invitation or with the consent of the Obligor) and such rating is within the Change of Control Period either downgraded to a non-investment grade credit rating (Ba1/BB+/BB+ or equivalent or worse) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an investment grade credit rating by such Rating Agency; or
 - (ii) a non-investment grade credit rating (Ba1/BB+/BB+ or equivalent or worse) from any Rating Agency (provided by such Rating Agency at the invitation or with the consent of the Obligor) and such rating is within the Change of Control Period downgraded by one or more notches (for illustration, Ba1/BB+/BB+ to Ba2/BB/BB being one notch) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to its earlier credit rating or better by such Rating Agency; or
 - (iii) no credit rating from any Rating Agency (at the invitation or with the consent of the Obligor) and a Negative Rating Event also occurs within the Change of Control Period,and
- (c) in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Obligor that such downgrading and/or withdrawal resulted, directly or indirectly, from the Change of Control. Upon receipt by the Obligor of any such written confirmation, the Obligor shall forthwith give notice of such written confirmation to the Trustee and the Delegate, whereupon the Trustee shall forthwith give notice of such written confirmation Certificateholders in accordance with Condition 18 (*Notices*).

If the rating designations employed by Moody’s, Standard & Poor’s or Fitch (each as defined below) are changed from those which are described in paragraph (b) of the definition of “Change of Control Put Event” above, or if a rating is procured from a Substitute Rating Agency, the Obligor shall determine the rating designations of Moody’s, S&P or Fitch or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Moody’s, S&P or Fitch and this Condition 8.5 (*Dissolution of the Option of Certificateholders (Change of Control Put Right)*) shall be construed accordingly.

To exercise the option in this Condition 8.5, the relevant Holder must, within the relevant notice period, give notice to the Principal Paying Agent of such exercise (a “**Change of Control Exercise Notice**”) (in the case of Certificates represented by a Global Certificate, in accordance with the standard

procedures of Euroclear, Clearstream and/or DTC) in the form obtainable from any Paying Agent, the relevant Registrar or any Transfer Agent (as applicable) within the Change of Control Put Period.

Any Change of Control Exercise Notice given by a Holder of any Certificates pursuant to this Condition 8.5 shall be irrevocable except where, prior to the due date for redemption in accordance with this Condition 8.5, a Dissolution Event has occurred and the Delegate has declared the Certificates due and payable pursuant to Condition 12 (*Dissolution Events*), in which event such Change of Control Exercise Notice shall be deemed void.

8.6 **Dissolution at the Option of Certificateholders (Tangibility Event Put Right)**

The Obligor has agreed in the Service Agency Agreement to notify the Trustee and the Delegate within 10 Kingdom business days of becoming aware of the occurrence of a Tangibility Event. The Trustee, upon receipt of such notice from the Obligor, shall promptly give notice (a “**Tangibility Event Notice**”) of the occurrence of a Tangibility Event to the Delegate and the Certificateholders in accordance with these Conditions. The Tangibility Event Notice shall (i) set forth an explanation of the reasons for, and evidence of, the fall in the Tangibility Ratio, (ii) state that, as determined in consultation with the *Shari’a* Adviser, the Certificates should only be tradable in accordance with the *Shari’a* principles of debt trading, and (iii) specify the “**Tangibility Event Put Period**”, which shall be the period commencing on (and including) the date on which the Tangibility Event Notice is given and ending on (and including) the date which is 30 days after the date on which the Tangibility Event Notice is given during which Certificateholders may elect to have their Certificates redeemed, in whole or in part, on the Tangibility Event Put Date at their Dissolution Distribution Amount; and (iv) state that on the Tangibility Event Delisting Date, the Certificates will be delisted from any stock exchange on which the Certificates have been admitted to listing.

If a Tangibility Event occurs, and *provided that* Certificateholders elect to redeem their Certificates, in whole or in part, during the Tangibility Event Put Period in accordance with this Condition 8.6, the Trustee shall redeem such Certificates on the Tangibility Event Put Date at their Dissolution Distribution Amount. For the purposes thereof, the Trustee shall deliver to the Obligor a duly completed Exercise Notice in accordance with the provisions of the Purchase Undertaking. If all (and not some only) of the Certificates are to be redeemed on any Tangibility Event Put Date in accordance with this Condition 8.6, upon payment in full of the Dissolution Distribution Amount to all Certificateholders, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

To exercise the option in this Condition 8.6, the relevant Holder must, within the relevant notice period, deliver a Certificateholder Put Exercise Notice to the Principal Paying Agent (in the case of Certificates represented by a Global Certificate, in accordance with the standard procedures of Euroclear, Clearstream and/or DTC) in the form obtainable from any Paying Agent, the relevant Registrar or any Transfer Agent (as applicable) within the Tangibility Event Put Period.

Any Certificateholder Put Exercise Notice given by a Holder of any Certificates pursuant to this Condition 8.6 shall be irrevocable except where, prior to the due date for redemption in accordance with this Condition 8.6, a Dissolution Event has occurred and the Delegate has declared the Certificates due and payable pursuant to Condition 12 (*Dissolution Events*), in which event, in each case, such Certificateholder Put Exercise Notice shall be deemed void.

8.7 **Dissolution at the Option of the Obligor (Clean-Up Dissolution Right)**

If 75% or more of the initial aggregate face amount of the Certificates of a Series have been redeemed or, as the case may be, purchased, pursuant to Condition 8.5 (*Dissolution at the Option of Certificateholders (Change of Control Put Right)*) or Condition 8.6 (*Dissolution at the Option of Certificateholders (Tangibility Event Put Right)*), the Obligor may, in its sole discretion, deliver to the Trustee a duly completed Exercise Notice in accordance with the provisions of the Sale Undertaking and, on receipt of such notice, the Trustee shall, on giving not less than 15 nor more than 30 days’

irrevocable notice to the Certificateholders redeem the Certificates in whole, but not in part, on any Clean-Up Dissolution Date. Any such redemption of Certificates shall be at their Dissolution Distribution Amount.

All Certificates in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 8.7. Upon payment in full of the Dissolution Distribution Amount to all Certificateholders and execution of a sale agreement pursuant to the Sale Undertaking, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

8.8 **Dissolution following a Total Loss Event**

The Obligor has agreed in the Service Agency Agreement to notify the Trustee and the Delegate forthwith upon the occurrence of a Total Loss Event and to provide a description of the Total Loss Event. The Trustee, upon receipt of such notice from the Obligor, or otherwise upon having actual knowledge or express notice of the occurrence of a Total Loss Event, shall promptly give notice to Certificateholders in accordance with Condition 18 (*Notices*) of the occurrence of the Total Loss Event and that, from the date of such notice, and until any further notice from the Trustee, as determined in consultation with the *Shari'a* Adviser, the Certificates should only be tradable in accordance with the *Shari'a* principles of debt trading. Unless the relevant Lease Assets have been replaced in accordance with the Service Agency Agreement, which replacement shall, on the date of such replacement be notified by the Trustee to the Certificateholders and such notice shall include a confirmation that the Certificates may be traded at any price from the date of such notice, the Trustee shall redeem all of the Certificates by no later than the close of business in London on the 61st day after the occurrence of the Total Loss Event (a "**Total Loss Event Dissolution Date**"). Any such redemption of Certificates shall be at their Dissolution Distribution Amount using either: (i) the proceeds of insurance payable in respect of the Total Loss Event which are required to be paid into the Transaction Account by no later than the 60th day after the occurrence of the Total Loss Event; or (ii) if the insurance proceeds (if any) standing to the credit of the Transaction Account on the 60th day following the occurrence of a Total Loss Event are less than Insurance Coverage Amount, the amount standing to the credit of the Transaction Account on the 61st day following the occurrence of a Total Loss Event, representing the aggregate of the insurance proceeds paid in respect of any Total Loss Event (if any) and the Total Loss Shortfall Amount funded by the Service Agent in accordance with the terms of the Service Agency Agreement and, in each case, the outstanding amounts payable under the Master Murabaha Agreement. Upon payment in full of the Dissolution Distribution Amount to all Certificateholders, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

8.9 **Dissolution following a Dissolution Event**

Upon the occurrence of a Dissolution Event, the Certificates may be redeemed at the Dissolution Distribution Amount on the Dissolution Event Redemption Date as more particularly described in Condition 12 (*Dissolution Events*).

8.10 **Purchases**

The Obligor, and each of the Obligor's subsidiaries may at any time purchase Certificates in the open market or otherwise and at any price and such Certificates may be held, resold or, at the option of the Obligor, surrendered to the relevant Registrar for cancellation.

8.11 **Cancellation**

Subject to and in accordance with the standard procedures of Euroclear, Clearstream and/or DTC, all Certificates which are redeemed will forthwith be cancelled. All Certificates purchased and surrendered for cancellation by or on behalf of the Obligor or any of the Obligor's subsidiaries shall be cancelled by surrendering the Global Certificate or Individual Certificates representing such Certificates to the

relevant Registrar and by the Obligor delivering to the Trustee a duly completed Cancellation Notice in accordance with the terms of the Sale Undertaking. If all (and not some only) of the Certificates are cancelled in accordance with this Condition 8.11, and upon execution of a sale agreement pursuant to the Sale Undertaking, the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof. All Certificates cancelled pursuant to this Condition 8.11 shall be forwarded to the relevant Registrar and cannot be reissued or resold.

8.12 **No other Dissolution**

The Trustee shall not be entitled to redeem the Certificates or dissolve the Trust other than as provided in this Condition 8 and Condition 12 (*Dissolution Events*). Upon payment in full of all amounts due in respect of the Certificates of any Series and the subsequent dissolution of the Trust as provided in this Condition 8 and/or Condition 12 (*Dissolution Events*) (as the case may be), the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

9. Payments

9.1 **Method of Payment**

Payments of any Dissolution Distribution Amount will only be made against surrender of the relevant Certificates at the Specified Office of any of the Paying Agents. Each Dissolution Distribution Amount and each Periodic Distribution Amount will be paid to the Holder shown on the Register at the close of business on the relevant Record Date upon application by the Holder of such Certificates to the Specified Office of the relevant Registrar, the other Transfer Agents or any Paying Agent before the Record Date, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.

9.2 **Payments on Business Days**

Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated:

- (a) (in the case of payments of any Dissolution Distribution Amount and Periodic Distribution Amounts payable on a Dissolution Date) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, presented and endorsed) at the Specified Office of a Paying Agent; and
- (b) (in the case of payments of Periodic Distribution Amounts payable other than on a Dissolution Date) on the due date for payment.

A Holder of Certificates shall not be entitled to any additional distributions or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.

9.3 **Partial Payments**

If the amount of any Dissolution Distribution Amount or Periodic Distribution Amount is not paid in full when due, the relevant Registrar will annotate the Register with a record of the amount in fact paid.

9.4 **Record Date**

Each payment in respect of Certificates will be made:

- (a) where the Certificate is represented by a Global Certificate, to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System

Business Day before the due date for such payment, where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Certificate is being held is open for business; or

- (b) where the Certificate is in definitive form, to the person shown as the Holder in the Register at the close of business in the place of the Registrar’s Specified Office on the fifteenth day before the due date for such payment (such day described in, as the case may be, Condition 9.4(a) above and in this Condition 9.4(b), the “**Record Date**”).

9.5 **Payments subject to fiscal laws**

All payments in respect of the Certificates are subject in all cases to (a) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of this Condition 9.5 and Condition 10 (*Taxation*) and (b) any deduction or withholding required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof, or any law implementing such an intergovernmental agreement. No commission or expenses shall be charged to the Certificateholders in respect of such payments.

10. **Taxation**

All payments in respect of the Certificates by or on behalf of the Trustee shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld, retained or assessed by or on behalf of the Relevant Taxing Jurisdiction, unless such withholding or deduction is required by law or by the Relevant Taxing Jurisdiction’s interpretation or administration thereof. In that event, the Trustee shall pay such additional amounts as shall result in receipt by the Certificateholders or beneficial owners after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Certificates:

- (a) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Certificates by reason of its having some present or former connection with the Relevant Taxing Jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Certificates or the enforcement or receipt of payment under or in respect of any Certificate; or
- (b) where the relevant Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Certificates would have been entitled to such additional amounts on presenting or surrendering such Certificates for payment on the last day of such period of 30 days;
- (c) where such taxes or duties would not have been so withheld or deducted but for the failure of the holder or the beneficial owner of the Certificate to comply with any certification, identification or other reporting requirements concerning the nationality, residence, identity or other similar attributes of the holder or the beneficial owner of such Certificate or to make any valid or timely declaration of non-residence, which is required in connection with a claim of eligibility for avoidance or reduction of withholding or deduction of tax, *provided that* at least 90 days prior to the first payment date with respect to which the Trustee applies this clause (c) the Trustee has notified the Paying Agent in writing that the holders or beneficial owners of Certificates will be required to comply with such certification, identification, declaration or other reporting requirements;

- (d) in respect of any estate, inheritance, gift, value added, sales, use, excise, transfer, personal property, real estate transaction tax or similar taxes, duties, assessments or other governmental charges;
- (e) where such taxes or duties are payable other than by withholding or deduction;
- (f) in respect of any payment to a holder of a Certificate that is a fiduciary or partnership or any Person other than the sole beneficial owner of such payment or Certificate, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment or Certificate would not have been entitled to the additional amounts;
- (g) in respect of any tax, assessment or other governmental charge which is required to be withheld or deducted by any Paying Agent from payments of principal or profit on any Certificates if such payment can be made without such withholding or deduction by at least one other Paying Agent; or
- (h) any combination of items (a) through (g) above.

If the Trustee becomes resident for tax purposes of any taxing jurisdiction other than or in addition to the Relevant Taxing Jurisdiction, references in these Conditions to the Relevant Taxing Jurisdiction shall be construed as references to the Relevant Taxing Jurisdiction and/or such other jurisdiction.

Notwithstanding anything to the contrary in these Conditions, the Trustee, a Paying Agent or any other person shall be permitted to withhold or deduct any amounts required by Sections 1471 to 1474 of the Code (“**FATCA**”), any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Trustee, a Paying Agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA or any intergovernmental agreement to implement FATCA and none of the Trustee, any Paying Agent or any other person shall be required to pay any additional amounts with respect to any such withholding or deduction imposed on or with respect to any Certificate.

The Transaction Documents each provide that payments thereunder by the Obligor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Taxing Jurisdiction, unless such withholding or deduction is required by law and, in such case, provide for the payment by the Obligor of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.

Further, the Obligor has undertaken in the Master Trust Deed to pay such additional amounts as may be necessary pursuant to this Condition 10 so that the full amount due and payable by the Trustee in respect of the Certificates to the Certificateholders is received by the Trustee for the purposes of payment to the Certificateholders in accordance with and subject to the provisions of this Condition 10.

11. Prescription

Claims against the Trustee for payment in respect of the Certificates shall be prescribed and become void unless made within 10 years (in the case of the Dissolution Distribution Amount) or five years (in the case of Periodic Distribution Amounts) from the appropriate Relevant Date in respect of them.

12. Dissolution Events

12.1 Dissolution Event

Upon the occurrence of a Dissolution Event:

- (a) the Delegate, upon receiving written notice thereof under the Trust Deed, shall (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) promptly give notice of the occurrence of the Dissolution Event to the Certificateholders in accordance with Condition 18 (*Notices*) with a request to Certificateholders to indicate to the Trustee and the Delegate if they wish the Certificates to be redeemed and the Trust to be dissolved; and
- (b) the Delegate in its sole discretion may, and shall if so requested in writing by the holders of at least 25% of the then aggregate face amount of the Series of Certificates outstanding or if so directed by an Extraordinary Resolution, subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction, give notice (a “**Dissolution Notice**”) to the Trustee, the Obligor and the Certificateholders in accordance with Condition 18 (*Notices*) that the Certificateholders elect to declare the Certificates to be immediately due and payable at the Dissolution Distribution Amount. A Dissolution Notice may be given pursuant to this Condition 12.1(b) whether or not notice has been given to Certificateholders as provided in Condition 12.1(a).

Upon receipt of such Dissolution Notice, the Trustee shall: (x) deliver an Exercise Notice to the Obligor under the Purchase Undertaking and thereafter execute the relevant sale agreement for purchase of the Lease Assets; and (y) notify the Obligor that the outstanding Deferred Sale Price is immediately due and payable under the terms of the Master Murabaha Agreement. The Trustee (failing which the Delegate) shall use the proceeds thereof (together with, in the case of a Dissolution Event arising as a result of Partial Loss Termination Event, the aggregate of any insurance proceeds paid in respect of the relevant Partial Loss Event and the Partial Loss Shortfall Amount standing to the credit of the Transaction Account in accordance with the terms of the Service Agency Agreement) to redeem the Certificates at the Dissolution Distribution Amount on the date specified in the relevant Dissolution Notice, which may be the date of such notice (the relevant “**Dissolution Event Redemption Date**”) and the Trust shall be dissolved by the Trustee, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

12.2 Enforcement and Exercise of Rights

Upon the occurrence of a Dissolution Event, to the extent that any amount payable in respect of the Certificates of the relevant Series has not been paid in full on the Dissolution Event Redemption Date, the Delegate may (acting for the benefit of the Certificateholders), and shall if so requested in writing by the holders of at least 25% of the then outstanding aggregate face amount of the Series of Certificates or if so directed by an Extraordinary Resolution, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, take one or more of the following steps:

- (a) enforce the provisions of the Purchase Undertaking and the Master Murabaha Agreement against the Obligor; and/or
- (b) start or join in legal proceedings against the Obligor, to recover from the Obligor any amounts owed to the Trustee; and/or
- (c) start or join in any other legal proceedings or take such other steps as the Trustee or the Delegate may consider necessary.

13. Realisation of Trust Assets

- 13.1 Neither the Delegate nor the Trustee shall be bound in any circumstances to take any action to enforce or to realise the relevant Trust Assets or take any action or steps or proceedings against (as applicable)

the Trustee and/or the Obligor under any Transaction Document to which either of the Trustee and/or the Obligor is a party unless directed or requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 25% of the then outstanding aggregate face amount of the relevant Series of Certificates and, in either case, only if it is indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may, in its opinion, thereby render itself liable or which it may, in its opinion, incur by so doing.

- 13.2 No Certificateholder shall be entitled to proceed directly against the Trustee or through the Trustee against, the Obligor under the Certificates of any Series or any Transaction Document to which either of them is a party unless the Delegate, having become bound so to proceed, (i) fails to do so within a reasonable period or (ii) is unable to do so by reason of an order of a court having competent jurisdiction, and such failure or inability is continuing. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee or the Obligor shall be to enforce their respective obligations under the Transaction Documents to which they are a party.
- 13.3 Conditions 12.2 (*Enforcement and Exercise of Rights*), 13.1 and 13.2 are subject to this Condition 13.3. After enforcing or realising the Trust Assets in respect of the Certificates of the relevant Series and distributing the net proceeds of the Trust Assets in accordance with Condition 5.2 (*Application of Proceeds from Trust Assets*) and the Trust Deed, the obligations of the Trustee in respect of the Certificates of the relevant Series shall be satisfied and the Trustee shall not be liable for any further sums in respect of such Series and, accordingly, no Certificateholder may take any further steps against the Trustee (to the extent that the Trust Assets have been exhausted) (or any steps against the Delegate) or any other person (including the Obligor (to the extent that it fulfils all of its obligations under the Transaction Documents)) to recover any further sums in respect of the Certificates of the relevant Series and the right to receive from the Trustee or the Delegate any such sums remaining unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

14. Replacement of Certificates

If any Global Certificate or Individual Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the relevant Registrar (and, if the Certificates are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Principal Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Trustee may reasonably require. A mutilated or defaced Global Certificate or Individual Certificate must be surrendered before replacements will be issued.

15. Agents

In acting under the Agency Agreement and in connection with the Certificates, the Agents act solely as agents of the Trustee (and solely to the extent set out in the Agency Agreement, the Delegate) and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders.

The Agents and their Specified Offices are set out in the Agency Agreement. In respect of each Series of Certificates, the relevant Agents are specified in the applicable Final Terms. The Trustee reserves the right at any time with the prior written approval of the Delegate to terminate the appointment of any Agent and to appoint additional or successor Agents; *provided, however, that*:

- (a) the Trustee shall at all times maintain a principal agent, a registrar and a transfer agent;

- (b) if a Calculation Agent is specified in the applicable Final Terms, the Trustee shall at all times maintain a Calculation Agent; and
- (c) if and for so long as the Certificates are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Trustee shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Certificateholders.

16. Meetings of Certificateholders, Modification, Substitution and Waiver

16.1 Meetings of Certificateholders

The Trust Deed contains provisions for convening meetings of the Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Certificates, the Conditions, or any of the provisions of the Trust Deed. Such a meeting may be convened by the Trustee, the Obligor or the Delegate, and shall be convened by the Trustee, or, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, the Delegate, if the Trustee or the Delegate (as the case may be) receives a request in writing from Certificateholders holding not less than 10% in aggregate face amount of the Certificates of any Series for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50% in aggregate face amount of the Certificates for the time being outstanding, or at any adjourned meeting one or more persons being or representing not less than 10% in aggregate face amount of the Certificates of any Series for the time being outstanding, unless the business of such meeting includes consideration of proposals to (each a “**Reserved Matter**”):

- (a) amend any Dissolution Date in respect of the Certificates or any date for payment of Periodic Distribution Amounts on the Certificates;
- (b) reduce or cancel the face amount of, or any premium payable on redemption of, the Certificates;
- (c) to reduce the rate or rates of profit in respect of the Certificates or to vary the method or basis of calculating the rate or rates or amount of profit or the basis for calculating any Periodic Distribution Amount in respect of the Certificates (other than as provided for in these Conditions);
- (d) if a Minimum Profit Rate and/or a Maximum Profit Rate is shown in the applicable Final Terms, to reduce any such Minimum Profit Rate and/or Maximum Profit Rate;
- (e) vary any method of, or basis for, calculating the Dissolution Distribution Amount;
- (f) vary the currency of payment or denomination of the Certificates;
- (g) modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution;
- (h) modify or cancel the payment obligations of the Obligor (in any capacity) and/or the Trustee under the Transaction Documents and/or the Certificates (as the case may be);
- (i) amend the order of application of monies set out in Condition 5.2 (*Application of Proceeds from Trust Assets*); or
- (j) amend this definition,

in which case the necessary quorum shall be one or more persons holding or representing not less than 75% in aggregate face amount of the Certificates for the time being outstanding, or at any adjourned

such meeting one or more persons holding or representing not less than 25% in aggregate face amount of the Certificates for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Certificateholders shall be binding on all the Certificateholders, whether or not they are present at the meeting.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75% in aggregate face amount of the Certificates outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders. An Extraordinary Resolution may also be passed by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Delegate) by or on behalf of not less than 75% in nominal amount of the Certificates outstanding.

16.2 **Modification**

The Delegate may (but shall not be obliged to), without the consent of the Certificateholders:

- (a) agree to any modification of any of the provisions of the Trust Deed or the Transaction Documents that is, in the sole opinion of the Delegate, (i) of a formal, minor or technical nature or (ii) made to correct a manifest error or (iii) is not materially prejudicial to the interests of the outstanding Certificateholders *provided that* such modification is, in the case of (iii), other than in respect of a Reserved Matter; or
- (b) (A) agree to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or any other Transaction Document; or (B) determine that any Dissolution Event shall not be treated as such, *provided that* such waiver, authorisation or determination is: (i) in the sole opinion of the Delegate not materially prejudicial to the interests of the outstanding Certificateholders; (ii) in each case, other than in respect of a Reserved Matter; and (iii) not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25% of the outstanding aggregate face amount of that Series.

Any such modification, authorisation, determination or waiver shall be binding on all Certificateholders and, unless the Delegate agrees otherwise, such modification, waiver, authorisation or determination shall be notified by the Trustee (or the Obligor on its behalf) to the Certificateholders in accordance with Condition 18 (*Notices*) as soon as practicable thereafter.

Pursuant to Condition 16.3 (*Substitution*) and the Master Trust Deed, certain changes may be made to the provisions of the Certificates without the consent of Certificateholders to give effect to the substitution by the Delegate of the Trustee with a Successor Trustee (as defined in the Master Trust Deed) at any time.

In addition, pursuant to Condition 7.2(g) (*Benchmark Replacement*), certain changes may be made to the profit calculation provisions of the Certificates without the consent of Certificateholders.

16.3 **Substitution**

At any time, upon receiving a written request from the Obligor to such effect, the Delegate shall, without the consent of the Certificateholders, promptly agree with each of the Trustee and the Obligor to the substitution of the Trustee (or of any previous successor trustee under this Condition 16.3) as issuer of the Certificates and trustee for the Certificateholders under the Certificates and the Trust Deed with a successor trustee, subject to certain conditions set out in the Master Trust Deed being complied with.

Immediately on and from any applicable Time of Substitution Trustee (as defined in the Master Trust Deed), any reference in these Conditions and the Transaction Documents to: (i) the "Trustee" shall be construed as a reference to the relevant Successor Trustee (as defined in the Master Trust Deed); and (ii) the "Relevant Taxing Jurisdiction" shall, in respect of the Trustee, be construed to include the

jurisdiction in which the relevant Successor Trustee is incorporated, domiciled or resident in for tax purposes.

16.4 **Entitlement of the Delegate**

In connection with the exercise of its powers, authorities and discretions (including but not limited to those referred to in this Condition 16.4) the Delegate shall have regard to the general interests of the Certificateholders as a class and shall not have regard to the consequences of such exercise for individual Certificateholders and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim, from the Trustee, the Obligor or the Delegate any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.

17. **Delegate**

17.1 **Delegation of Powers**

The Trustee will in the Trust Deed irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deeds, to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Trust Deed, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, exercise all of the rights of the Trustee under the Transaction Documents, take such other steps as the Trustee or the Delegate may consider necessary to recover amounts due to the Certificateholders and make such distributions from the relevant Trust Assets as the Trustee is bound to make in accordance with the Trust Deed (together the “**Delegation**” of the “**Relevant Powers**”), *provided that* no obligations, duties, liabilities or covenants of the Trustee pursuant to the Trust Deed or any other Transaction Document shall be imposed on the Delegate by virtue of this Delegation and *provided further that* in no circumstances will such Delegation result in the Delegate holding on trust or managing the relevant Trust Assets and *provided further that* such Delegation and the Relevant Powers shall not include any power, trust, authority, rights or discretion to dissolve any of the trusts constituted by the Trust Deed following the occurrence of a Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Trust Deed, the Delegate also has certain powers which are vested solely in it from the date of the Master Trust Deed.

The appointment of a delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee’s continuing role and obligations as sole trustee.

17.2 **Indemnification**

The Trust Deed contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction. In particular, but without limitation, in connection with the exercise of any of its rights in respect of the relevant Trust Assets or any other right it may have pursuant to the Trust Deed or the other Transaction Documents, the Delegate shall in no circumstances be bound to take any action unless directed to do so in accordance with Condition 12 (*Dissolution Events*) or 13 (*Realisation of Trust Assets*), and then only if it shall also have been indemnified and/or secured and/or pre-funded to its satisfaction.

17.3 **No Liability**

The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Obligor or the Trustee under the Transaction Documents to which it is a party and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payments which should have been paid by the Obligor but are not so paid and shall not in any circumstances have any liability arising from the relevant Trust Assets other than as expressly provided in these Conditions or in the relevant Trust Deed.

17.4 **Reliance on Certificates and/or Reports**

The Delegate may rely, without liability to any Certificateholder or any other person, on any certificate or report of the auditors or insolvency officials (as applicable) of the Trustee, the Obligor or any other person called for by or provided to the Delegate (whether or not addressed to the Delegate) in accordance with or for the purposes of the relevant Trust Deed or the other Transaction Documents and such certificate or report may be relied upon by the Delegate as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Delegate in connection therewith contains a monetary or other limit on the liability of the auditors of the Trustee, the Obligor or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by an engagement or similar letter or by the terms of the certificate or report itself and the Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failure to do so.

17.5 **Proper Performance of Duties**

Nothing shall, in any case in which the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee or delegate, in the case of the Trustee (having regard to the provisions of the relevant Trust Deed conferring on it any trusts, powers, authorities or discretions) or as donee and delegate, in the case of the Delegate (having regard to the powers, authorities and discretions conferred on it by the relevant Trust Deed and to the Relevant Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any Liability for gross negligence, wilful default or fraud of which either of them may be guilty in relation to their respective duties under the relevant Trust Deed.

17.6 **Notice of Events**

The Delegate shall not be responsible for monitoring or ascertaining whether or not a Dissolution Event has occurred or exists and, unless and until it shall have received express written notice to the contrary, it will be entitled to assume that no such event or circumstance exists or has occurred (without any liability to Certificateholders or any other person for so doing).

18. **Notices**

18.1 **Notices to Certificateholders while Certificates are held in Global Form**

So long as any Certificates are evidenced by a Global Certificate and such Global Certificate is held by or on behalf of DTC, Euroclear or Clearstream, notices to Holders may be given by delivery of such notice to the relevant clearing systems for communication by them to entitled account holders; *provided that*, so long as the Certificates are listed on any stock exchange, notice will also be published or otherwise given in accordance with the rules of such stock exchange and, in such case, such notices shall be deemed to have been given to Holders on the date of publication. In respect of Certificates listed on the Official List of the FCA, notice will be published on the website of Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

18.2 Notices to Holders of Individual Certificates

Notices to Holders of Individual Certificates shall be given by publication in a leading English-language daily newspaper published in London, *provided that*, so long as the Certificates are listed on any stock exchange, notice will also be published or otherwise given in accordance with the rules of such stock exchange. In respect of Individual Certificates listed on the Official List of the FCA, notice will be published on the website of Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

19. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the applicable Final Terms): (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005% being rounded up to 0.00001%); (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up); (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount; and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

20. Further Issues

The Trustee shall be at liberty from time to time without the consent of the Certificateholders to create and issue additional trust certificates having terms and conditions the same as the Certificates or the same in all respects (or in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue) and so that the same shall be consolidated and form a single Series with the outstanding Certificates. Any additional trust certificates which are to form a single Series with the outstanding Certificates previously constituted by the relevant Trust Deed shall be constituted by a deed supplemental to the relevant Trust Deed.

21. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Certificates under the Contracts (Rights of Third Parties) Act 1999.

22. Governing Law and Dispute Resolution

22.1 Governing Law

The relevant Trust Deed, the Agency Agreement and the Certificates (including these Conditions) and any non-contractual obligations arising out of or in connection with the relevant Trust Deed, the Agency Agreement and the Certificates (including the remaining provisions of this Condition 22) are and shall be governed by, and construed in accordance with, English law.

22.2 Agreement to Arbitrate

Any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Certificates, the relevant Trust Deed and the Agency Agreement (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a “**Dispute**”) shall be referred to and finally resolved by arbitration in accordance with the

Arbitration Rules of the LCIA, in force as at the date of these Conditions (the “**Rules**”), which Rules are deemed to be incorporated by reference into this Condition 22.2. For these purposes:

- (a) the seat of arbitration shall be London;
- (b) there shall be three arbitrators, each of whom shall have no personal interest in the arbitration and each of whom shall have no connection with any party thereto;
- (c) the parties to the Dispute shall each nominate one arbitrator in accordance with the Rules and both party-nominated arbitrators shall nominate a further arbitrator who shall be the presiding arbitrator if appointed by the LCIA. In cases where there are multiple claimants and/or multiple respondents, the claimants jointly, and the respondents jointly shall each nominate one arbitrator. In the event that any party fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the party-nominated arbitrators fail to nominate an arbitrator to be the presiding arbitrator within 15 days of the appointment of the second party nominated arbitrator, the presiding arbitrator shall be selected and appointed by the LCIA;
- (d) the language of the arbitration shall be English; and
- (e) Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

22.3 **Waiver of Immunity**

In relation to any proceedings in any jurisdiction with respect to these Conditions, the Obligor waives generally all immunity it or its assets or revenues may otherwise have in such jurisdiction, including immunity in respect of:

- (a) the giving of any relief by way of injunction or order for specific performance or for the recovery of assets or revenues; and
- (b) the issue of any process against its assets or revenues for the enforcement of a judgment or, in an action in rem, for the arrest, detention or sale of any of its assets and revenues.

22.4 **Waiver of Interest**

- (a) If any Proceedings are brought by or on behalf of any party under any of the Transaction Documents, each party agrees it will:
 - (i) not claim interest under, or in connection with, such Proceedings; and
 - (ii) to the fullest extent permitted by law, waive all and any entitlement it may have to interest awarded in its favour by any arbitrator or court as a result of such Proceedings.
- (b) For the avoidance of doubt, nothing in this Condition 22.4 shall be construed as a waiver of rights in respect of any Periodic Distribution Amounts, Dissolution Distribution Amounts, Exercise Price, Optional Dissolution Exercise Price, Certificateholder Put Right Exercise Price, Change of Control Put Right Exercise Price, Tangibility Event Put Right Exercise Price, Insurance Coverage Amount, Total Loss Shortfall Amount, Partial Loss Shortfall Amount, Rental, Murabaha Profit, Murabaha Profit Instalment, Deferred Sale Price or profit or principal of any kind howsoever described payable by the Obligor (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or the Conditions, howsoever such amounts may be described or re-characterised by any arbitrator or court.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Certificates issued under the Programme.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS]— The Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “**Prospectus Regulation**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[MIFID II product governance / Professional investors and ECPs only target market] – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a “**distributor**”) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS] – The Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Certificates or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[UK MIFIR product governance / Professional investors and ECPs only target market] – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a “**distributor**”) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

[Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”), the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the Certificates are [“prescribed capital markets products”]/[capital markets products other than “prescribed capital markets products”] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and [“**Excluded Investment Products**”]/[“**Specified Investment Products**”] (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]¹

Final Terms dated [●]

SA Global Sukuk Limited

Legal Entity Identifier (LEI): 5493007DFAVKU7UOGR47

Issue of [Aggregate face amount of Series] [Title of Certificates]

under the Trust Certificate Issuance Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Certificates (the “**Conditions**”) set forth in the base prospectus dated 7 June 2021 [and the supplement(s) to it dated [date]] ([together,] the “**Base Prospectus**”). This document constitutes the Final Terms with respect to the Certificates described herein and must be read in conjunction with the Base Prospectus. Full information on the Trustee, the Obligor, and the offer of the Certificates is only available on the basis of the combination of this Final Terms and the Base Prospectus. The Base Prospectus [(including the Supplement[s] thereto)] [is] [are] available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> and during normal business hours at the office of the Principal Paying Agent at [●.] [This Final Terms is available for viewing in electronic form on the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> (*include only for listed notes*).]

- | | | |
|----|--|--|
| 1. | Trustee: | SA Global Sukuk Limited |
| 2. | Obligor and Service Agent: | Saudi Arabian Oil Company (Saudi Aramco) |
| 3. | (a) Series Number: | [●] |
| | (b) [Tranche Number: | [●]] |
| | (c) [Date on which the Certificates will be consolidated and form a single Series: | [The Certificates will be consolidated and form a single Series with [●] on [the Issue Date]/[the date that is 40 days after the Issue Date]/[Not Applicable]] |
| 4. | Specified Currency or Currencies: | [●] |
| 5. | Aggregate Face Amount: | |
| | (a) Series: | [●] |
| | (b) [Tranche: | [●]] |

¹ To be included for offers of Certificates into Singapore. Relevant Dealer(s) to consider whether it / they have received the necessary product classification from the Trustee prior to the launch of the offer, pursuant to Section 309B of the SFA.

6. (i) Issue Price: [●]% of the Aggregate Face Amount
(ii) Murabaha Cost Price: [●]
(iii) Murabaha Profit: [●]
(iv) Asset Purchase Price: [●]
7. (a) Specified Denominations: [●]
(b) Calculation Amount: [●]
8. (a) Issue Date: [●]
(b) Profit Commencement Date: [●]/[Issue Date][Not Applicable]
9. Scheduled Dissolution Date: [●]
10. Dissolution Basis: The Certificates will be redeemed at [100]% of their aggregate face amount
11. Put/Call Options: [Not Applicable]
[Certificateholder Put Right]
[Optional Dissolution Right]
[Change of Control Put Right]
12. (a) Status: The Certificates are direct, unsecured and limited recourse obligations of the Trustee
The payment obligations of the Obligor (in any capacity) under the Transaction Documents are direct, unsecured and unsubordinated obligations
- (b) Date of Trustee board approval for issuance of Certificates and entry into the related Transaction Documents obtained: [●]
- (c) Date of the Obligor board approval for entry into the related Transaction Documents to which it is a party obtained: [●]

PROVISIONS RELATING TO PERIODIC DISTRIBUTIONS PAYABLE

13. Fixed Rate Certificate Provisions: [Applicable]/[Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Profit Rate(s): [●]% per annum
- (b) Periodic Distribution Date(s): [●] [and [●]] in each year up to and including the Scheduled Dissolution Date
- (c) Fixed Amount(s): [●] per Calculation Amount

- (d) Broken Amount(s): [[●] per Calculation Amount, payable on the Periodic Distribution Date falling [in]/[on] [●]]/[Not Applicable]
- (e) Day Count Fraction: [Actual/Actual (ICMA)]
 [Actual/Actual (ISDA)]
 [Actual/365 (Fixed)]
 [Actual/360]
 [30/360]
 [30E/360]
 [Eurobond Basis]
 [30E/360 (ISDA)]
- (f) Profit Rate Determination Date(s): [[●] in each year]/[Not Applicable]
14. Floating Rate Certificate Provisions: [Applicable]/[Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Specified Period(s)/Specified Periodic Distribution Dates: [[●] [, [●] and [●]] in each year up to and including the Scheduled Dissolution Date]/[, [in each case] subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Following Business Day Convention]/[Modified Following Business Day Convention]/[Modified Business Day Convention]/[Preceding Business Day Convention]/[FRN Convention]/[Floating Rate Convention]/[Eurodollar Convention]/[Not Applicable]
- (c) Additional Business Centre(s): [Not Applicable]/[●]
- (d) Screen Rate Determination: [Applicable]/[Not Applicable]
- (i) Reference Rate: [●] [currency][number] months(s) [LIBOR/EURIBOR]
- (ii) Profit Rate Determination Date(s): [●]
- (iii) Relevant Screen Page: [●]
- (iv) Relevant Time: [●]
- (v) Relevant Financial Centre: [●]
- (e) ISDA Determination: [Applicable]/[Not Applicable]
- (i) Floating Rate Option: [●]

- (ii) Designated Maturity: [●]
- (iii) Reset Date: [●]
- (iv) ISDA Benchmarks Supplement: [Applicable]/[Not Applicable]
- (f) Linear Interpolation: [Not Applicable]/[Applicable] – [The Profit Rate for the [[long][short]][[first][last]] Return Accumulation Period shall be calculated using Linear Interpolation]
- (g) Margin(s): [●]% per annum
- (h) Minimum Profit Rate: [[●]% per annum]/[Not Applicable]
- (i) Maximum Profit Rate: [[●]% per annum]/[Not Applicable]
- (j) Day Count Fraction: [Actual/Actual (ICMA)]
[Actual/Actual (ISDA)]
[Actual/365 (Fixed)]
[Actual/360]
[30/360]
[30E/360]
[Eurobond Basis]
[30E/360 (ISDA)]
- (k) Calculation Agent (party responsible for calculating the Profit Rate(s) and/or Periodic Distribution Amount(s)): [Principal Paying Agent]/[●]

PROVISIONS RELATING TO DISSOLUTION

- 15. Optional Dissolution Right: [Applicable]/[Not Applicable]
(if not applicable, delete remaining sub-paragraphs of this paragraph)
- (a) Dissolution Distribution Amount(s) of each Certificate: [Dissolution Distribution Amount][[●] per Calculation Amount]
- (b) Optional Dissolution Date(s): [Any Periodic Distribution Date]/[●]
- (c) If redeemable in part:
 - (i) Minimum Optional Dissolution Amount: [●]/[Not Applicable]
 - (ii) Maximum Optional Dissolution Amount: [●]/[Not Applicable]
- 16. Certificateholder Put Right: [Applicable]/[Not Applicable]
(if not applicable, delete remaining sub-paragraphs of this paragraph)

- (a) Certificateholder Put Right Date(s): [Any Periodic Distribution Date]/[●]
- (b) Dissolution Distribution Amount(s) of each Certificate: [Dissolution Distribution Amount][[●] per Calculation Amount]
17. Change of Control Put Right: [Applicable]/[Not Applicable]
(if not applicable, delete remaining sub-paragraphs of this paragraph)
- (a) Dissolution Distribution Amount(s) of each Certificate: [Dissolution Distribution Amount][[●] per Calculation Amount]
18. Dissolution following a Tax Event:
- (a) Dissolution Distribution Amount(s) of each Certificate: [Dissolution Distribution Amount][[●] per Calculation Amount]
19. Dissolution Distribution Amount on Scheduled Dissolution Date or following the occurrence of a Dissolution Event: [Dissolution Distribution Amount][[●] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE CERTIFICATES

20. Form of Certificates: Registered Form Certificates
[Unrestricted Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Unrestricted Global Certificate]
[Restricted Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Restricted Global Certificate]
[Reg S Compliance Category [2]]/[Rule 144A]
21. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable]/[●]

PROVISIONS IN RESPECT OF THE TRUST ASSETS

22. Details of Transaction Account: Transaction Account No: [●] with [●] for Series No.: [●]
23. Other Transaction Document Information:
- (a) Supplemental Trust Deed: Supplemental Trust Deed dated [●] between the Trustee, the Obligor and the Delegate
- (b) Supplemental Purchase Agreement: Supplemental Purchase Agreement dated [●] between the Purchaser and the Obligor
- (c) Declaration of Commingling of Assets: [Declaration of Commingling of Assets dated [●] executed by the Trustee]/[Not Applicable]
- (d) [●]: [●]

THIRD PARTY INFORMATION

[[●] has been extracted from [●]. The Trustee and the Obligor each confirm that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]/[Not Applicable]

Signed on behalf of **SA Global Sukuk Limited**

By:

Duly Authorised

Signed on behalf of **Saudi Arabian Oil Company (Saudi Aramco)**

By:

Duly Authorised

By:

Duly Authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (a) Listing: [London Stock Exchange]
- (b) Admission to trading: [Application [has been][is expected to be] made by the Trustee (or on its behalf) for the Certificates to be admitted to [the London Stock Exchange’s main market and to be listed on the Official List of the FCA] / [●] with effect from [●].] / [Not Applicable.]
- (c) Estimate of total expenses related to admission to trading: [●]

2. RATINGS

[[The Certificates to be issued [have been/are expected to be] rated]:

[Fitch: [●]]

[[Other]: [●]]

Option 1—CRA established in the EEA and registered under the CRA Regulation

[●] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”). [●] appears on the latest update of the list of registered credit rating agencies (as of [insert date of most recent list]) on the ESMA website:

<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>

Option 2—CRA not established in the EEA but relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation

[●] is not established in the EEA but the rating it has given to the Certificates is endorsed by [●], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”). [●] appears on the latest update of the list of registered credit rating agencies (as of [insert date of most recent list]) on the ESMA website:

<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>

Option 3—CRA established in the UK but relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation

[●] is established in the UK and is registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the “**UK CRA Regulation**”). [●] is not established in the EEA but the rating it has given to the Certificates is endorsed by [●], which is established in the EEA and

registered under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”). [●] appears on the latest update of the list of registered credit rating agencies (as of [*insert date of most recent list*]) on the ESMA website:

<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>

Option 4— CRA established in the UK, relevant rating is not endorsed under the CRA Regulation but CRA is certified under the CRA Regulation

[●] is established in the UK and is registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the “**UK CRA Regulation**”). [●] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”).

Option 5— CRA established in the UK but is not certified under the CRA Regulation and relevant rating is not endorsed under the CRA Regulation

[●] is established in the UK and is registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the “**UK CRA Regulation**”). [●] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”) and the rating it has given to the Certificates is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

In general, European regulated investors are restricted from using a rating for regulator purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

Option 6—CRA is not established in the EEA and relevant rating is not endorsed under the CRA Regulation but CRA is certified under the CRA Regulation

[●] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”).

Option 7—CRA neither established in the EEA nor certified under the CRA Regulation and relevant rating is not endorsed under the CRA Regulation

[•] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the “**CRA Regulation**”) and the rating it has given to the Certificates is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

In general, European regulated investors are restricted from using a rating for regulator purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

Option 8—Not Applicable

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

[Save for any fees payable to the [Manager[s]],[Dealer[s]], so far as the Trustee and the Obligor are aware, no person involved in the issue of the Certificates has an interest material to the offer. The [Manager[s]],[Dealer[s]] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for the Trustee or the Obligor or their affiliates in the ordinary course of business for which they may receive fees.]

4. USE OF PROCEEDS

[General corporate purposes]/[•]

5. ESTIMATED NET PROCEEDS

[•]

6. [PROFIT OR RETURN

Indication of profit or return: [•]% per annum

The profit or return is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future profit or return.]/[Not Applicable]

7. HISTORIC RATES

Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters.]/[Not Applicable]

8. OPERATIONAL INFORMATION

(a) ISIN: [•]

(b) Common Code: [•]

(c) CUSIP: [•]

- (d) FISN: [See/[●], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/[Not Applicable]/[Not Available]
- (e) CFI: [See/[●], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/[Not Applicable]/[Not Available]
- (If the CFI and/or FISN is not required, requested or available, it/they should be specified to be “Not Applicable”)*
- (f) Any clearing system(s) other than DTC, Euroclear and Clearstream and the relevant identification number(s): [Not Applicable]/[●]
- (g) Delivery: Delivery [against]/[free of] payment
- (h) Names and addresses of additional Paying Agent(s) (if any): [●]/[Not Applicable]
- (i) Stabilisation Manager(s): [●]/[Not Applicable]

8. DISTRIBUTION

- (a) Method of distribution: [Syndicated/Non-syndicated]
- (b) If syndicated, names of Managers: [●]/[Not Applicable]
- (c) Date of Subscription Agreement: [●]/[Not Applicable]
- (d) If non-syndicated, name of relevant Dealer: [●]/[Not Applicable]
- (e) U.S. Selling Restrictions: [Reg S Compliance Category [2]]/[Rule 144A]
- (f) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
- (g) Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]

FORM OF THE CERTIFICATES

The Certificates of each Series will be in registered form. The Certificates will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or otherwise in private transactions that are exempt from the registration requirements of the Securities Act.

Global Certificates

Form of Certificates

The Certificates of each Series offered and sold in reliance on Regulation S, which will be sold to persons who are not U.S. persons outside the United States, will initially be represented by beneficial interests in a global certificate in registered form (an “**Unrestricted Global Certificate**”). See further “*Subscription and Sale*”.

The Certificates of each Series offered and sold in the United States or to U.S. persons may only be offered and sold in private transactions to QIBs who are also QPs, in each case acting for their own account or for the account of one or more QIBs who are also QPs. The Certificates of each Series sold to QIBs who are also QPs in reliance on Rule 144A will initially be represented by a global certificate in registered form (a “**Restricted Global Certificate**”, the Restricted Global Certificate and the Unrestricted Global Certificate, each a “**Global Certificate**”). By the acquisition of a beneficial interest in such certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and also a QP and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Restricted Global Certificate.

No beneficial interest in an Unrestricted Global Certificate may be transferred to a person who takes delivery in the form of a beneficial interest in a Restricted Global Certificate unless: (i) the transfer is to a person that is both a QIB and a QP, (ii) such transfer is made in reliance on Rule 144A, and (iii) the transferor provides the relevant Registrar with a written certification to the effect that the transferee reasonably believes that the transferee is a QIB that is also a QP, that the transfer is being made in a transaction meeting the requirements of Rule 144A and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. No beneficial interest in the Restricted Global Certificates may be transferred to a person who takes delivery in the form of a beneficial interest in an Unrestricted Global Certificate unless the transfer is to a non-U.S. person in an offshore transaction in reliance on Regulation S and the transferor provides the relevant Registrar with a written certification to the effect that the transfer is being made to a person who is a non-U.S. person in accordance with Regulation S.

Individual Certificates will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under “*Transfer Restrictions*”. The Global Certificates and the Individual Certificates will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Global Certificates will either: (i) be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC; or (ii) be deposited with a common depository for, and registered in the name of a nominee of, Euroclear and Clearstream, as specified in the applicable Final Terms. Persons holding beneficial interests in Global Certificates will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Individual Certificates in fully registered form.

For so long as any of the Certificates are represented by a Global Certificate held on behalf of Euroclear, Clearstream and/or DTC ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear, Clearstream and/or DTC and their respective participants. Each person (other than the relevant clearing system) who is for the time being shown in such records as the holder of a particular face amount of Certificates (in which regard any certificate or other document issued by the relevant clearing system as to the face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of such face amount of such certificates for all purposes other than with respect to payment in respect of such Certificates, for which purpose the registered holder of the Global Certificate shall be treated as the holder of such face amount of such Certificates in accordance with and subject to the terms of the relevant Global Certificate.

Payments

Each payment in respect of the Global Certificates will be made to the person shown as the holder in the relevant Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Certificates are being held is open for business. None of the Trustee, the Obligor, the Delegate, the Agents or any Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Exchange for Individual Certificates

Interests in Global Certificates will be exchangeable (free of charge), in whole but not in part, for Individual Certificates of a particular Series only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that: (i) a Dissolution Event has occurred and is continuing; (ii) in the case of Certificates registered in the name of Cede & Co as nominee for DTC, either DTC has notified the Trustee that it is unwilling or unable to continue to act as depository for the Certificates or DTC has ceased to constitute a clearing agency registered under the Exchange Act and, in either case, no alternative clearing system is available; (iii) in the case of Certificates registered in the name of a nominee for a common depository for Euroclear and Clearstream, the Trustee has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of fourteen (14) days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available; or (iv) the Trustee has or will become subject to adverse tax consequences which would not be suffered were the Certificates represented by the Global Certificates in definitive form and a certificate to that effect signed by two Directors of the Trustee is given to the Delegate. The Trustee will promptly give notice to Certificateholders in accordance with Condition 18 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream or any person acting on their behalf (acting on the instructions of any holder of an interest in such Global Certificates) may give notice to the relevant Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) and (iii) above, the Trustee may also give notice to the relevant Registrar requesting exchange. Any such exchange shall occur not later than ten (10) days after the date of receipt of the first relevant notice by the relevant Registrar. Individual Certificates issued in exchange for a beneficial interest in the Restricted Global Certificate shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under “*Transfer Restrictions*”.

Delivery

Upon the transfer, exchange, or replacement of an Individual Certificate bearing the legend referred to under “*Transfer Restrictions*”, or upon specific request for removal of the legend on an Individual Certificate, the Trustee will deliver only Individual Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Trustee and the relevant Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Trustee, that neither the legend nor the restrictions on transfer set out therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act. The same transfer restrictions outlined herein and in “*Transfer Restrictions*” are applicable to any Individual Certificates.

Cancellation

Cancellation of any Certificate represented by a Global Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the aggregate face amount of the relevant Global Certificate in the relevant register of the Certificateholders, whereupon the face amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Put options

If the Certificateholder Put Right or the Change of Control Put Right is specified as applicable in the applicable Final Terms, or if a Tangibility Event occurs, the Certificateholder Put Right, the Change of Control Put Right

or the Tangibility Event Put Right, as the case may be, may be exercised by the holder of the Global Certificate giving notice to the relevant Registrar or the relevant Transfer Agent of the face amount of Certificates in respect of which the option is exercised and presenting the Global Certificate within the time limits specified in Condition 8.4 (*Dissolution at the Option of the Certificateholders (Certificateholder Put Right)*), Condition 8.5 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*) or Condition 8.6 (*Dissolution at the Option of Certificateholders (Tangibility Event Put Right)*), as the case may be.

Notices

So long as any Certificates are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, notices to the Certificateholders of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the Certificateholders of that Series. Any such notice shall be deemed to have been given to the Certificateholders on the day on which such notice is delivered to the relevant clearing system as aforesaid. The Trustee shall also ensure that notices are duly published in a manner that complies with any relevant rules of any stock exchange or other relevant authority on which the Certificates are for the time being, or by which they have for the time being been, admitted to trading.

Transfer of Interests

Interests in a Global Certificates may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Global Certificate. No beneficial owner of an interest in a Global Certificates will be able to transfer such interest, except in accordance with the applicable procedures of DTC and/or Euroclear and/or Clearstream, in each case to the extent applicable.

The Certificates are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see “*Transfer Restrictions*”

General

Any reference herein to Euroclear and/or Clearstream and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Trustee, the Obligor, the Delegate and the Principal Paying Agent.

No Certificateholder shall be entitled to proceed directly against, or provide instructions to the Delegate to proceed against the Trustee or the Obligor under any Transaction Document to which either of them is party unless the Delegate, having become bound so to proceed, (i) fails so to do within a reasonable period or (ii) is unable by reason of an order of a court having competent jurisdiction, and such failure or inability is continuing. In addition, holders of interests in such Global Certificate credited to their accounts with DTC may require DTC to deliver Individual Certificates in registered form in exchange for their interest in such Global Certificate in accordance with DTC’s standard operating procedures. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets and the sole right of the Delegate and the Certificateholders against the Trustee and the Obligor shall be to enforce their respective obligations under the Transaction Documents.

The Trustee may agree with any Dealer that relevant Certificates may be issued in a form not contemplated by the Terms and Conditions of the Certificates in which event a new Base Prospectus, drawdown prospectus or a supplement to this Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Certificates.

USE OF PROCEEDS

The proceeds of each Series of Certificates issued under the Programme will be applied by the Trustee pursuant to the terms of the relevant Transaction Documents to acquire:

- (a) the relevant Lease Assets from the Obligor; and
- (b) Commodities to be sold to the Obligor,

in each case as specified in the applicable Final Terms and in the Master Purchase Agreement, the relevant Supplemental Purchase Agreement and the Murabaha Contract for the relevant Series, such assets to form part of the Trust Assets for the relevant Series.

The proceeds of each Series of Certificates subsequently received by the Obligor in consideration for the transactions entered into with the Trustee as set out above, as applicable, which include the proceeds received by the Obligor from (i) the sale of the Lease Assets and (ii) the on-sale of the Commodities by the Obligor, will be applied by the Obligor for its general corporate purposes or as otherwise described in the applicable Final Terms.

DESCRIPTION OF THE TRUSTEE

General

The Trustee is an exempted company incorporated with limited liability on 3 May 2021 under the Companies Act (As Revised) of the Cayman Islands with company registration number 375160. The Trustee has been established for the sole purpose of issuing the Certificates and entering into the transactions contemplated by the Transaction Documents to which it is a party. The registered office of the Trustee is c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands and its telephone number is +1 345 945 7099.

Share Capital

The authorised share capital of the Trustee is U.S.\$50,000 divided into 50,000 ordinary shares of U.S.\$1.00 par value each, 250 of which have been issued. All of the issued shares (the "**Shares**") are fully-paid and are held by MaplesFS Limited as share trustee (in such capacity, the "**Share Trustee**") under the terms of the Share Declaration of Trust under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Share Declaration of Trust) and may only dispose or otherwise deal with the Shares in accordance with the Share Declaration of Trust. Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has power to benefit Qualified Charities (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Certificates are outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

Business of the Trustee

The Trustee has no prior operating history or prior business and will not have any substantial liabilities other than in connection with the Certificates to be issued. The Certificates are the obligations of the Trustee alone and not the Share Trustee.

The objects for which the Trustee is established are set out in clause 3 of its Memorandum of Association as registered or adopted on 3 May 2021.

Financial Statements

Since the date of incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

Directors of the Trustee

The Directors of the Trustee are as follows:

<u>Name:</u>	<u>Principal Occupation:</u>	<u>Date of Appointment:</u>
Olena Mykhailenko	Vice President, Fiduciary at Maples Fund Services (Middle East) Limited	3 May 2021
Linval Stewart	Vice President at MaplesFS Limited	3 May 2021

The business address of Olena Mykhailenko is c/o Maples Fund Services (Middle East) Limited, Level 14, Burj Daman, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.

The business address of Linval Stewart is c/o MaplesFS Limited, P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

The Trustee's Articles of Association provide that the board of directors of the Trustee will consist of at least one director.

Secretary

The Trustee's secretary is Maples Secretaries (Cayman) Limited of P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

Conflicts

There are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Trustee.

The Trustee Administrator

MaplesFS Limited also acts as the administrator of the Trustee (in such capacity, the “**Trustee Administrator**”). The office of the Trustee Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of the Corporate Services Agreement, the Trustee Administrator has agreed to perform in the Cayman Islands and/or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee and to provide certain clerical, administrative and other services until termination of the Corporate Services Agreement. The Trustee Administrator will also provide registered office services to the Trustee in accordance with its standard terms and conditions for the provision of registered office services (the “**Registered Office Terms**”). In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement and the Registered Office Terms provide that either the Trustee or the Trustee Administrator may terminate such appointments upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement and the Registered Office Terms provide that either party shall be entitled to terminate such agreements by giving at least three months' notice in writing to the other party.

The Trustee Administrator will be subject to the overview of the Trustee's board of directors. The Trustee Administrator's principal office is P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1 - 1102, Cayman Islands.

The directors of the Trustee are all employees or officers of the Trustee Administrator or an affiliate thereof.

CAPITALISATION

The table below sets forth Saudi Aramco’s cash and cash equivalents and capitalisation as at 31 March 2021. Prospective investors should read this table in conjunction with “*Selected Consolidated Financial Information*”, “*Management’s Discussion and Analysis of Financial Position and Results of Operations*” and the Financial Statements.

	As at 31 March 2021	
	SAR	U.S.\$
	(in millions)	
Cash and cash equivalents	203,010	54,136
Current borrowings	66,528	17,740
Non-current borrowings	472,308	125,949
Total equity:		
Share capital.....	60,000	16,000
Additional paid-in capital	26,981	7,195
Treasury shares.....	(3,123)	(833)
Retained earnings.....		
Unappropriated.....	915,077	244,021
Appropriated.....	6,000	1,600
Other reserves.....	5,474	1,460
	1,010,409	269,443
Non-controlling interests	113,100	30,160
Total equity	1,123,509	299,603
Total capitalisation	1,662,345	443,292

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The financial information of Saudi Aramco set forth below as at and for the years ended 31 December 2018, 2019 and 2020 and as at and for the three months ended 31 March 2020 and 2021 has been derived from the Financial Statements contained elsewhere in this Base Prospectus.

Prospective investors should read the selected financial information in conjunction with the information presented under the headings “Risk Factors” and “Management’s Discussion and Analysis of Financial Position and Results of Operations” and the Financial Statements and other financial data included elsewhere in this Base Prospectus.

Consolidated Statement of Income Data

	Year Ended 31 December				Three Months Ended 31 March		
	2018	2019	2020	2020	2020	2021	2021
	SAR	SAR	SAR	U.S.\$	SAR	SAR	U.S.\$
	(in millions)						
Revenue.....	1,194,376	1,105,696	768,109	204,829	225,567	272,072	72,553
Other income related to sales.....	152,641	131,089	93,982	25,062	24,778	28,085	7,489
Revenue and other income related to sales.....	1,347,017	1,236,785	862,091	229,891	250,345	300,157	80,042
Royalties and other taxes ⁽³⁾	(208,505)	(182,141)	(89,964)	(23,991)	(29,045)	(24,055)	(6,415)
Purchases.....	(201,176)	(225,170)	(181,116)	(48,297)	(50,649)	(73,910)	(19,709)
Producing and manufacturing.....	(56,202)	(58,249) ⁽¹⁾	(74,350)	(19,827)	(17,530)	(15,707)	(4,189)
Selling, administrative and general.....	(31,250)	(36,647) ⁽¹⁾	(46,970)	(12,525)	(6,302)	(12,403)	(3,307)
Exploration.....	(7,928)	(7,291)	(7,293)	(1,945)	(1,685)	(1,053)	(281)
Research and development.....	(2,217)	(2,150)	(2,830)	(755)	(415)	(878)	(234)
Depreciation and amortisation.....	(41,334)	(50,266) ⁽¹⁾	(76,208)	(20,322)	(14,987)	(20,264)	(5,404)
Operating costs.....	(548,612)	(561,914)	(478,731)	(127,662)	(120,613)	(148,270)	(39,539)
Operating income.....	798,405	674,871	383,360	102,229	129,732	151,887	40,503
Share of results of joint ventures and associates.....	(1,415)	(9,455)	(3,554)	(948)	(1,585)	1,787	477
Finance and other income.....	3,865	7,351	3,182	849	1,171	329	88
Finance costs.....	(2,959)	(6,026) ⁽¹⁾	(10,564)	(2,817)	(1,583)	(2,623)	(700)
Income before income taxes and zakat.....	797,896	666,741	372,424	99,313	127,735	151,380	40,368
Income taxes and zakat ⁽²⁾	(381,378)	(336,048)	(188,661)	(50,310)	(65,257)	(69,940)	(18,651)
Net income.....	416,518	330,693	183,763	49,003	62,478	81,440	21,717
Net income/(loss) attributable to:							
Shareholder’s equity.....	416,196	330,816	184,926	49,313	63,532	78,590	20,957
Non-controlling interests.....	322	(123)	(1,163)	(310)	(1,054)	2,850	760
	416,518	330,693	183,763	49,003	62,478	81,440	21,717

- (1) Saudi Aramco adopted IFRS 16 on 1 January 2019 using a modified retrospective approach. As a result, in the preparation of the 2019 Financial Statements, Saudi Aramco applied prospectively, starting 1 January 2019, the new classification and measurement models for lease contracts and consequently 2018 financial information was not restated. For further information on the impact of IFRS 16 on Saudi Aramco’s financial statements, see page F-102.
- (2) Effective 1 January 2020, the tax rate applicable to Saudi Aramco’s downstream activities is the general corporate tax rate of 20% that applies to all similar domestic downstream companies under the Income Tax Law. See “Management’s Discussion and Analysis of Financial Position and Results of Operations—Factors Affecting Saudi Aramco’s Financial Position and Results of Operations—Fiscal Regime Changes”.
- (3) Effective 1 January 2020, the Obligor and the Government executed an amendment to the Concession which: (i) reduced the royalty rate on crude oil and condensate production to 15% (from 20%) on Brent prices up to \$70 per barrel; (ii) increased the marginal royalty rate to 45% (from 40%) on Brent prices above \$70 per barrel up to \$100 per barrel; and (iii) increases the marginal royalty rate to 80% (from 50%) on Brent prices above \$100 per barrel.

Selected Consolidated Balance Sheet Data

	As at 31 December				As at 31 March	
	2018	2019	2020	2020	2021	2021
	SAR	SAR	SAR	U.S.\$	SAR	U.S.\$
	(in millions)					
Cash and cash equivalents.....	183,152	177,706	207,232	55,262	203,010	54,136
Property, plant and equipment ⁽¹⁾	873,827	982,014	1,209,460	322,523	1,215,284	324,076
Total assets.....	1,346,892	1,494,126	1,914,261	510,470	1,951,492	520,398
Total borrowings ⁽¹⁾	101,318	175,585	536,077	142,954	538,836	143,689
Total liabilities.....	318,457	447,891	813,167	216,845	827,983	220,795
Total equity.....	1,028,435	1,046,235	1,101,094	293,625	1,123,509	299,603

- (1) Saudi Aramco adopted IFRS 16 on 1 January 2019 using a modified retrospective approach. As a result, in the preparation of the 2019 Financial Statements, Saudi Aramco applied prospectively, starting 1 January 2019, the new classification and measurement models for lease contracts and consequently 2018 financial information was not restated. For further information on the impact of IFRS 16 on Saudi Aramco’s financial statements, see page F-102.

Selected Consolidated Statement of Cash Flows Data

	Year Ended 31 December				Three Months Ended 31 March		
	2018	2019	2020	2020	2020	2021	2021
	SAR	SAR	SAR	U.S.\$	SAR	SAR	U.S.\$
Net cash provided by/(used in):							
Operating activities.	453,701	416,529	285,297	76,079	84,067	99,299	26,479
Investing activities..	(131,205)	(177,144)	(20,899)	(5,573)	19,573	(30,457)	(8,122)
Financing activities.	(220,586)	(244,831)	(234,872)	(62,632)	(45,911)	(73,064)	(19,483)

ALTERNATIVE PERFORMANCE MEASURES

Prospective investors should read the below information in conjunction with the information presented under the headings “Risk Factors”, “Selected Consolidated Financial Information” and “Management’s Discussion and Analysis of Financial Position and Results of Operations” and the Financial Statements and other financial data included elsewhere in this Base Prospectus.

Saudi Aramco supplements its use of IFRS financial measures with non-IFRS financial measures, including Free Cash Flow, Gearing, ROACE and EBIT. These non-IFRS financial measures do not have a standardised definition and other companies may calculate them differently. Therefore, Saudi Aramco’s non-IFRS financial measures may not be comparable to similarly titled measures presented by other companies and should not be relied upon to the exclusion of IFRS financial measures. Saudi Aramco believes that the historical non-IFRS financial measures are useful as an additional tool to help management and investors make informed decisions about Saudi Aramco’s financial position and operating performance or liquidity.

Unaudited information for the 12 months ended 31 March 2021 is calculated as the sum of the results of operations for the three months ended 31 March 2021 and year ended 31 December 2020 less the results of operations for the three months ended 31 March 2020. The unaudited financial information for the 12 months ended 31 March 2021 (i) is a non-IFRS financial measure, (ii) has been prepared solely for the purposes of this Base Prospectus, (iii) is not prepared in the ordinary course of Saudi Aramco’s financial reporting, (iv) is not necessarily indicative of the results that may be expected for the year ending 31 December 2021, (v) should not be used as the basis for or a prediction of an annualised calculation and (vi) has not been audited.

Saudi Aramco sells certain hydrocarbons within the Kingdom at regulated prices mandated by the Government. Pursuant to an equalisation mechanism, the Government compensates Saudi Aramco for the revenue it directly forgoes as a result of Saudi Aramco’s compliance with the mandates related to crude oil and certain refined products. Additionally, effective 1 January 2020, the tax rate applicable to Saudi Aramco’s downstream activities is the general corporate tax rate of 20% that applies to all similar domestic downstream companies under the Income Tax Law, rather than the 50% to 85% multi-tiered structure of income tax rates that previously applied to domestic oil and hydrocarbons production companies in the Kingdom, on the condition that Saudi Aramco separates its downstream activities (from the oil and other hydrocarbon production activities) into an independent legal entity before 31 December 2024. These changes impact net income, net cash provided by operating activities and cash and cash equivalents, and therefore impact Saudi Aramco’s non-IFRS financial measures. See “*Management’s Discussion and Analysis of Financial Position and Results of Operations—Factors Affecting Saudi Aramco’s Financial Position and Results of Operations—Fiscal Regime Changes*”.

Furthermore, Saudi Aramco adopted IFRS 16 on 1 January 2019. This adoption impacts operating expenses, current and non-current liabilities, net cash used in financing activities, net cash from operating activities and property, plant and equipment and related depreciation, and therefore impacts Saudi Aramco’s non-IFRS financial measures.

Recent events related to COVID-19 have had an impact on Saudi Aramco’s results of operations and financial position and Saudi Aramco cannot predict the effects of COVID-19 going forward. See “*Risk Factors—The outbreak of COVID-19 pandemic and its impact on business and economic conditions could negatively affect Saudi Aramco’s business, financial position, cash flow, results of operations and price of its securities*” and “*Management’s Discussion and Analysis of Financial Position and Results of Operations—Factors Affecting Saudi Aramco’s Financial Position and Results of Operations—Supply, Demand and Price for Hydrocarbons*”.

Free Cash Flow

Saudi Aramco uses Free Cash Flow to evaluate Saudi Aramco’s cash available for financing activities, including dividend payments. Saudi Aramco defines Free Cash Flow as net cash provided by operating activities less capital expenditures.

The following table sets forth Saudi Aramco's Free Cash Flow for the years ended 31 December 2018, 2019 and 2020, the three months ended 31 March 2020 and 2021:

	Year Ended 31 December				Three Months Ended 31 March		
	2018	2019	2020	2020	2021	2021	
	SAR	SAR	SAR	U.S.\$	SAR	U.S.\$	
Net cash provided by operating activities.....	453,701	416,529	285,297	(in millions) 76,079	84,067	99,299	26,479
Capital expenditures.....	(131,766)	(122,882)	(101,030)	(26,942)	(27,740)	(30,750)	(8,200)
Free Cash Flow.....	321,935	293,647	184,267	49,137	56,327	68,549	18,279

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 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. Saudi Aramco operates within a conservative financial framework and strives to maintain its Gearing ratio within its long-term targeted range of 5% to 15%; however, following the acquisition of the PIF's 70% equity interest in SABIC, Saudi Aramco's Gearing ratio was 23.0% as at 31 March 2021.

The following table sets forth Saudi Aramco's Gearing as at 31 December 2018, 2019 and 2020 and as at 31 March 2021:

	As at 31 December				As at 31 March	
	2018	2019	2020	2020	2021	2021
	SAR	SAR	SAR	U.S.\$	SAR	U.S.\$
				<i>(in millions, except percentages)</i>		
Current borrowings.....	29,989	24,895 ⁽¹⁾	99,157	26,442	66,528	17,740
Non-current borrowings.....	71,329	150,690 ⁽¹⁾	436,920	116,512	472,308	125,949
Total borrowings.....	101,318	175,585	536,077	142,954	538,836	143,689
Cash and cash equivalents.....	(183,152)	(177,706)	(207,232)	(55,262)	(203,010)	(54,136)
Net debt/(cash).....	(81,834)	(2,121)	328,845	87,692	335,826	89,553
Net debt/(cash).....	(81,834)	(2,121)	328,845	87,692	335,826	89,553
Total equity.....	1,028,435	1,046,235	1,101,094	293,625	1,123,509	299,603
Net debt/(cash) and total equity.....	946,601	1,044,114	1,429,939	381,317	1,459,335	389,156
Gearing.....	(8.6)%	(0.2)%	23.0%	23.0%	23.0%	23.0%

- (1) Saudi Aramco adopted IFRS 16 on 1 January 2019 using a modified retrospective approach. As a result, in the preparation of the 2019 Financial Statements, Saudi Aramco applied prospectively, starting 1 January 2019, the new classification and measurement models for lease contracts and consequently 2018 financial information was not restated. For further information on the impact of IFRS 16 on Saudi Aramco's financial statements, see page F-102.

Return on Average Capital Employed

ROACE measures the efficiency of Saudi Aramco's utilisation 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 Saudi Aramco's total borrowings plus total equity at the beginning and end of the applicable period. Saudi Aramco utilises ROACE to evaluate management's performance and demonstrate to its shareholder that capital has been used effectively.

The following table sets forth Saudi Aramco's ROACE for the years ended 31 December 2018, 2019 and 2020 and the twelve months ended 31 March 2021:

	Year Ended 31 December				Twelve Months Ended 31 March	
	2018	2019	2020	2020	2021 ⁽²⁾	2021
	SAR	SAR	SAR	U.S.\$	SAR	U.S.\$
	<i>(in millions, except percentages)</i>					
Net income.....	416,518	330,693	183,763	49,003	202,725	54,059
Finance costs, net of incomes taxes and zakat.....	1,480	3,013	5,282	1,409	5,802	1,548
Net income before finance costs, net of income taxes and zakat.....	417,998	333,706	189,045	50,412	208,527	55,607
As at period start:						
Current borrowings.....	8,906	29,989	24,895	6,639	30,783	8,209
Non-current borrowings.....	68,692	71,329	150,690	40,184	154,466	41,191
Total equity.....	826,314	1,028,435	1,046,235	278,996	1,079,539	287,877
Capital employed.....	903,912	1,129,753	1,221,820	325,819	1,264,788	337,277
As at period end:						
Current borrowings.....	29,989	24,895 ⁽¹⁾	99,157	26,442	66,528	17,740
Non-current borrowings.....	71,329	150,690 ⁽¹⁾	436,920	116,512	472,308	125,949
Total equity.....	1,028,435	1,046,235	1,101,094	293,625	1,123,509	299,603
Capital employed.....	1,129,753	1,221,820	1,637,171	436,579	1,662,345	443,292
Average capital employed.....	1,016,833	1,175,787	1,429,496	381,199	1,463,567	390,285
ROACE.....	41.1%	28.4%	13.2%	13.2%	14.2%	14.2%

- (1) Saudi Aramco adopted IFRS 16 on 1 January 2019 using a modified retrospective approach. As a result, in the preparation of the 2019 Financial Statements, Saudi Aramco applied prospectively, starting 1 January 2019, the new classification and measurement models for lease contracts and consequently 2018 financial information was not restated. For further information on the impact of IFRS 16 on Saudi Aramco's financial statements, see page F-102.
- (2) Calculated as the sum of three months ended 31 March 2021 and year ended 31 December 2020, less three months ended 31 March 2020.

EBIT

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

The following table sets forth Saudi Aramco's EBIT for the years ended 31 December 2018, 2019 and 2020, the three months ended 31 March 2020 and 2021:

	Year Ended 31 December				Three Months Ended 31 March		
	2018	2019	2020	2020	2020	2021	2021
	SAR	SAR	SAR	U.S.\$	SAR	SAR	U.S.\$
	<i>(in millions)</i>						
Net income.....	416,518	330,693	183,763	49,003	62,478	81,440	21,717
Finance income.....	(2,840)	(5,534)	(2,771)	(739)	(1,060)	(323)	(86)
Finance costs.....	2,959	6,026	10,564	2,817	1,583	2,623	700
Income taxes and zakat.....	381,378	336,048	188,661	50,310	65,257	69,940	18,651
EBIT.....	798,015	667,233	380,217	101,391	128,258	153,680	40,982

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of Saudi Aramco's financial position and results of operations should be read in conjunction with the information presented under the heading "Selected Consolidated Financial Information" and the Financial Statements and other financial data included elsewhere in this Base Prospectus. This management's discussion and analysis contains forward-looking statements, which involve risks and uncertainties. See "Forward-Looking Statements". Saudi Aramco's future actual results could differ materially from those anticipated in the forward-looking statements contained herein for several reasons, including those presented under the heading "Risk Factors" and elsewhere in this Base Prospectus.

The financial information of Saudi Aramco set forth below as at and for the years ended 31 December 2018, 2019 and 2020 and as at and for the three months ended 31 March 2020 and 2021 has been derived from, and should be read in conjunction with, the Financial Statements contained elsewhere in this Base Prospectus.

Overview

Saudi Aramco is the world's largest integrated oil and gas company. In 2020, Saudi Aramco produced 12.4 million barrels per day of oil equivalent, including 9.2 million barrels per day of crude oil (includes AGOC's oil production, blended condensate and excludes the Kingdom of Bahrain's entitlement to volumes produced from the Abu Sa'fah field). Saudi Aramco's crude oil production accounted for approximately one in every eight barrels of crude oil produced globally from 2016 to 2020. As at 31 December 2020, Saudi Aramco's proved liquids reserves were 224.1 billion barrels, gross refining capacity amounted to 6.4 million barrels per day and net refining capacity amounted to 3.6 million barrels per day. Saudi Aramco is focussed on maintaining its pre-eminent upstream position and continued strategic integration of its downstream operations to secure demand for its crude oil and to capture value across the hydrocarbon chain.

Saudi Aramco's upstream operations are predominantly based in the Kingdom, and it operates a global downstream business. As at 31 March 2021, Saudi Aramco had two reportable segments, upstream and downstream, which are supported by corporate activities.

The majority of Saudi Aramco's revenues have historically been derived from its upstream segment. However, the percentage has been decreasing as a result of Saudi Aramco's recent expansions of its downstream operations. The following table highlights Saudi Aramco's revenue and other income related to sales by business segment for the years ended 31 December 2018, 2019 and 2020 and the three months ended 31 March 2020 and 2021, excluding inter-segment revenue:

	Year Ended 31 December						Three Months Ended 31 March							
	2018		2019		2020		2020		2021		2021			
	SAR		SAR		SAR		U.S.\$		SAR		U.S.\$			
Revenue and other income related to sales	<i>(in millions, except percentages)</i>													
Upstream.....	825,661	61%	743,696	60%	449,834	52%	119,956	52%	145,119	58%	140,867	47%	37,565	47%
Downstream.....	520,027	39%	491,742	40%	410,891	48%	109,571	48%	104,830	42%	159,003	53%	42,401	53%
Corporate.....	1,329	—	1,347	—	1,366	—	364	—	396	0%	287	0%	76	0%
Total⁽¹⁾	1,347,017	100%	1,236,785	100%	862,091	100%	229,891	100%	250,345	100%	300,157	100%	80,042	100%

(1) Total does not include inter-segment revenue.

In addition, certain of Saudi Aramco's downstream products sold in the Kingdom are sold at regulated prices mandated by the Government. The regulated prices often are lower than the prices at which Saudi Aramco could otherwise have sold such refined products. Pursuant to an equalisation mechanism, the Government compensates Saudi Aramco for the revenue it directly forgoes as a result of Saudi Aramco's compliance with the mandates related to crude oil and certain refined products, with equalisation compensation recorded as other income related to sales. Effective 1 January 2020, the Government expanded the equalisation mechanism to include LPGs and certain other products. See "—Factors Affecting Saudi Aramco's Financial Position and Results of Operations—Fiscal Regime Changes". For sales of downstream products that are not subject to Government pricing mandates, prices are based on unregulated prices for the relevant product and are updated periodically, depending on the product.

However, Saudi Aramco believes that diversifying its operations and capturing value across the hydrocarbon chain will expand its sources of earnings and reduce exposure to the volatility of crude oil prices. Accordingly, Saudi Aramco is focussed on increasing the strategic integration of its upstream and downstream businesses, creating an integrated global downstream refining and chemicals business and enhancing its domestic and global marketing businesses. The integration of Saudi Aramco's upstream and downstream segments provides a unique opportunity for Saudi Aramco to secure crude oil demand by selling to its captive system of domestic and international wholly owned and affiliated refineries. As a result of Saudi Aramco's recent expansions of its downstream operations, including through its acquisition of the PIF's 70% equity interest in SABIC in June 2020, Saudi Aramco expects that the downstream segment will constitute a larger component of its business in the future. See "*Factors Affecting Saudi Aramco's Financial Position and Results of Operations—Investments and Acquisitions in Expansion of Downstream Segment*". At the same time, Saudi Aramco intends to maintain its position as the world's largest crude oil producer by production volume to supply its customers, including its growing downstream operations, and expects the upstream segment to continue to be the primary contributor to Saudi Aramco's net income and cash flow.

Factors Affecting Saudi Aramco's Financial Position and Results of Operations

The following is a discussion of the most significant factors that have affected, or are expected to affect, Saudi Aramco's financial position and results of operations.

Supply, Demand and Price for Hydrocarbons

Saudi Aramco's upstream segment results of operations are driven primarily by its sales of crude oil, condensate and NGL and depend on global demand and prices for these products. Sales of crude oil are the largest component of Saudi Aramco's consolidated revenue and other income related to sales, accounting for 56.8%, 57.3% and 49.1% of its consolidated revenue and other income related to sales for the years ended 31 December 2018, 2019 and 2020, respectively and 46.0% for the three months ended 31 March 2021. Accordingly, Saudi Aramco's results of operations and cash flow are significantly impacted by the price at which it sells crude oil.

International crude oil prices have fluctuated significantly in the past and may remain volatile. Between January 2016 and March 2021, Brent prices generally fluctuated between \$40.0 and \$65.0 per barrel. However, Brent prices fell below \$23.0 per barrel in mid-March 2020 in response to the COVID-19 pandemic's impact on worldwide demand for oil and economic activity, as well as other supply and demand factors, and did not recover to above \$60.0 per barrel until February 2021. Fluctuations in the price at which Saudi Aramco is able to sell crude oil could cause Saudi Aramco's results of operations and cash flow to vary significantly. In addition, decreases in the price at which Saudi Aramco is able to sell its crude oil could have a material adverse effect on Saudi Aramco's results of operations and cash flow.

The COVID-19 pandemic and measures taken to combat it have severely impacted economic activity and led to lower demand for crude oil, natural gas, refined products and petrochemicals, which resulted in significant volatility in crude oil prices and refining and chemicals margins — key drivers of Saudi Aramco's results of operations and cash flows.

The price of crude oil significantly impacts the upstream segment's results of operations and is linked to Saudi Aramco's formulas to determine selling prices. Factors affecting the market price for crude oil, condensate and NGL include, but are not limited to:

- market expectations with respect to future supply of petroleum and petroleum products, demand and price changes, including future demand for petroleum products in Asia;
- global economic and political conditions and geopolitical events, including any that impact international trade (including trade routes);
- decisions regarding production levels by the Kingdom or other producing states (the Kingdom is a member country of OPEC) (see "*Business—Relationship with the Kingdom*");

- the impact of natural disasters and public health pandemics or epidemics (such as the novel strain of coronavirus causing COVID-19) on supply and demand for crude oil, general economic conditions and the ability to deliver crude oil;
- the development of new crude oil exploration, production and transportation methods or technological advancements in existing methods, including hydraulic fracturing or “fracking”;
- capital investments of oil and gas companies relating to the exploration, development and production of crude oil reserves;
- the impact of climate change on the demand for, and price of, hydrocarbons (see “*Risk Factors—Risks Related to Macro-Economic Environment and External Factors—Climate change concerns and impacts could reduce global demand for hydrocarbons and hydrocarbon-based products and could cause Saudi Aramco to incur costs or invest additional capital*”);
- changes to environmental or other regulations or laws applicable to crude oil and related products or the energy industry (see “*Risk Factors—Legal and Regulatory Risks—Saudi Aramco’s operations are subject to environmental protection, health and safety laws and regulations and increased concerns regarding the safe use of chemicals and plastics and their potential impact on the environment have resulted in more restrictive regulations and could lead to new regulations*”);
- prices of alternative energies, including renewable energy;
- the electrification of transportation, technological developments in the cost or endurance of fuel cells for electric vehicles and changes in transportation-mode preferences, including ride-sharing;
- weather conditions affecting supply and demand;
- fluctuations in the value of the U.S. Dollar, the currency in which crude oil is priced globally; and
- crude oil trading activities.

Crude oil is also a major component of the cost of production of refined products and chemicals that use hydrocarbons as a feedstock. However, because prices for refined products and chemicals may not timely adjust to reflect movements in crude oil prices, such movements could, in the short-term, positively or negatively impact margins for downstream products that use hydrocarbons as a feedstock. The prices for refined products and chemicals are also impacted by changes in supply and demand and economic cycles.

In the Kingdom, the Government regulates the oil and gas industry and establishes the Kingdom’s maximum level of hydrocarbon production in the exercise of its sovereign prerogative. Accordingly, the Government may in its sole discretion increase or decrease the Kingdom’s maximum hydrocarbon production at any time based on its strategic energy security goals or for any other reason. Therefore, Saudi Aramco’s results of operations may depend in part on sovereign decisions with respect to production levels that are made by the Government.

In addition, the Concession requires Saudi Aramco to meet domestic demand for certain hydrocarbons, petroleum products and LPGs. See “*Material Agreements—The Concession*”. Saudi Aramco’s downstream product mix includes a high proportion of low margin refined products, such as fuel oil, to satisfy domestic demand for such products. As domestic demand for hydrocarbon products grows and new dedicated outlets for crude oil production in Saudi Aramco’s downstream segment become operational, such as the 400,000 barrel per day Jazan refinery, volumes of crude oil available for export may decrease.

The supply, demand and price for hydrocarbon products also affects the results of operations of ATC, Saudi Aramco’s in-house trading business, which trades internationally and delivers Saudi Aramco’s refined products to customers outside the Kingdom using spot-chartered and time-chartered vessels.

Upstream Liquids Sales

Almost all of the crude oil that Saudi Aramco produces in a given year is sold within that year. Saudi Aramco sells crude oil to its downstream wholly owned and affiliated refineries under long-term sales or offtake

agreements. Saudi Aramco’s crude oil sales agreements with its third-party customers generally have a term of one year and are automatically renewed if not terminated. These agreements are typically for a specified volume and grade of crude oil at a price based on a formula that reflects the market prices in the relevant geographical region in which the oil will be delivered. The pricing formulas use “marker crudes” in each geographical region to determine a market-based price. The formulas also include price differentials for each grade in each region, which are set by Saudi Aramco on a monthly basis, and reflect crude oil quality differences vis-à-vis the marker crude and other factors, such as the value of competing crudes, in-transit losses, freight allowances and other commercial considerations. These formula prices are also used for sales of Saudi Aramco’s crude oil to its in-Kingdom and international wholly owned and affiliated refineries. As a result, because Saudi Aramco’s crude oil prices are tied to global crude oil market prices, Saudi Aramco’s results of operations for any given period will reflect volatility in those prices. See “*Business—Operating Segments—Crude Oil and Condensate—Sales and Marketing*”.

In 2020, 39% of Saudi Aramco’s crude oil production volumes were sold to its downstream refining system. Saudi Aramco maintains seven international offices as part of Saudi Aramco’s crude oil sales and marketing function. In anticipation of expected growth in oil demand from Asia, Saudi Aramco is focussed on crude oil exports to Asia. In 2018, 2019 and 2020, customers in Asia, including Saudi Aramco’s affiliated refineries located in Asia, purchased 71%, 77% and 77%, respectively, of Saudi Aramco’s crude oil exports.

The following table highlights the destinations of Saudi Aramco’s crude oil deliveries for each of the years ended 31 December 2018, 2019 and 2020:

	Year Ended December 31		
	2018	2019	2020
	<i>(in thousand barrels per day)</i>		
Region:			
Asia (excluding the Kingdom).....	5,211	5,436	5,102
North America.....	1,013	563	546
Europe.....	864	802	759
Other.....	240	248	258
Total international crude oil deliveries	7,328	7,049	6,665
Total in-Kingdom crude oil deliveries	2,977	2,886	2,552
Total crude oil deliveries ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	10,305	9,935	9,217

(1) Includes condensate blended with crude oil.

(2) Excludes AGOC’s oil production, which resumed operation in February 2020.

(3) Excludes loss in volumes measured upon loading and unloading of crude oil shipments.

(4) Excludes volumes produced from Abu Sa’ fah and delivered to the Kingdom of Bahrain.

Upstream Gas Sales

Pursuant to the Concession, Saudi Aramco is the exclusive supplier of natural gas in the Kingdom. All natural gas produced by Saudi Aramco is sold in-Kingdom. From 2003 to 2020, Saudi Aramco significantly expanded its gas processing capacity from 9.3 billion standard cubic feet per day to 18.4 billion standard cubic feet per day. Saudi Aramco intends to continue to expand its capacity over the next few years to meet domestic demand for low-cost cleaner/low-carbon energy and swing production capacity in the peak summer season. Saudi Aramco expects that the Kingdom will increasingly rely on natural gas as a feedstock for its power generation facilities, reducing the volumes of crude oil used by power generators. This displacement of crude oil by gas used domestically is expected to increase crude oil volumes available for export. Saudi Aramco is pursuing investment and joint venture opportunities outside the Kingdom in natural gas and LNG projects and may pursue additional opportunities elsewhere in the near future. In addition, Saudi Aramco expects demand for natural gas to be driven by petrochemical production and other industrial consumption.

Saudi Aramco sells natural gas within the Kingdom at regulated prices mandated by the Government and is obligated under the Concession to meet domestic hydrocarbon demand through either domestic production or imports. Effective 27 March 2018, the Government implemented a mechanism under which regulations passed by the Council of Ministers empower the Ministry of Energy, in agreement with the Ministry of Finance, to enable Saudi Aramco to receive a commercial rate of return suitable for the development and exploitation of the gas resources of the Kingdom. See “*—Fiscal Regime Changes*”.

In-Kingdom Downstream Product Sales

Saudi Aramco's downstream products sold domestically through sales agreements include gasoline, diesel, fuel oil, LPG, asphalt, kerosene, naphtha and jet fuels. Sales agreements generally have a term of one year, except for sales agreements with customers in the utility and aviation sectors which generally have a longer term. Typically, these agreements are automatically renewed if not terminated. In the Kingdom, gasoline, diesel, fuel oil, LPG, asphalt and kerosene are sold at regulated prices mandated by the Government. The regulated prices often are lower than the prices at which Saudi Aramco could otherwise have sold such refined products. Pursuant to an equalisation mechanism, the Government compensates Saudi Aramco for the revenue it directly forgoes as a result of Saudi Aramco's compliance with the mandates related to crude oil and certain refined products, with equalisation compensation recorded as other income related to sales. Effective 1 January 2020, the Government expanded the equalisation mechanism to include LPGs and certain other products. See "*—Fiscal Regime Changes*". For sales of downstream products that are not subject to Government pricing mandates, prices are based on unregulated prices for the relevant product and are updated on a weekly or monthly basis, depending on the product.

Investments and Acquisitions in Expansion of Downstream Segment

The downstream segment's activities consist primarily of refining and petrochemical manufacturing and supply, trading and marketing operations. A significant portion of the downstream business is conducted through affiliates. Saudi Aramco has expanded its downstream operations by undertaking expansion projects at its existing downstream facilities and increasing control in existing downstream investments, as well as entering new downstream ventures and acquiring new downstream assets.

The integration of Saudi Aramco's upstream and downstream segments provides a unique opportunity for Saudi Aramco to secure crude oil demand by selling to its captive system of domestic and international wholly owned and affiliated refineries. For the years ended 31 December 2018, 2019 and 2020, the downstream segment consumed 38%, 38% and 39% of the upstream segment's total crude oil production in those periods, respectively, making Saudi Aramco's downstream business the largest single customer of its upstream business in those years. Expansion of the downstream segment's refining capacity increases Saudi Aramco's ability to place more of its crude oil volumes with its downstream operations globally. As Saudi Aramco's refining capacity at its dedicated outlets for its crude oil increases, Saudi Aramco expects to deliver more crude oil volumes to these customers. Saudi Aramco believes an integrated global downstream business, coupled with future downstream investments, will facilitate the placement of Saudi Aramco's crude oil in larger offtake volumes in assets designed specifically to economically process Arabian crude oil, allow it to capture additional value across the hydrocarbon chain, expand its sources of earnings and provide resilience to market volatility. Saudi Aramco has expanded and intends to continue to expand its downstream business, including through acquisitions, affiliates and international investments.

On 16 June 2020, Saudi Aramco acquired a 70% equity interest in SABIC. This transaction led to SABIC being consolidated into Saudi Aramco's financial statements and SABIC's results of operations being consolidated with Saudi Aramco's from the date of the acquisition.

In addition, Saudi Aramco has undertaken significant expansion projects at its downstream facilities. Saudi Aramco's capital expenditures in its downstream segment were SAR 32.7 billion in 2018, SAR 26.7 billion in 2019 and SAR 26.1 billion (\$7 billion) in 2020, which includes capital expenditures incurred by SABIC since the acquisition date. For the three months ended 31 March 2021, Saudi Aramco's capital expenditure in its downstream segment was SAR 5.9 billion (\$1.6 billion). See "*—Liquidity and Capital Resources—Cash Used in Investing Activities—Capital Expenditures*".

Furthermore, Saudi Aramco has recently entered into new downstream ventures and has completed significant transactions to increase its ownership stake in entities that were formerly joint ventures. For example, on 31 December 2018, Saudi Aramco purchased the 50% share of ARLANXEO from Lanxess that it did not already own, which led to Saudi Aramco fully consolidating ARLANXEO into its financial statements from 31 December 2018. Additionally, on 18 September 2019, Saudi Aramco acquired Shell's 50% interest in SASREF that it did not already own.

Moreover, on 17 December 2019, Saudi Aramco acquired a 17% equity interest in Hyundai Oilbank Co. Ltd (“**Hyundai Oilbank**”), an integrated refinery the portfolio of which includes oil refining, base oil, petrochemicals and a network of gas stations. As at 31 March 2021, the integrated refinery had a capacity of 690,000 barrels per day, of which Saudi Aramco’s share was 117,300 barrels per day. On 31 October 2019, Saudi Aramco acquired 100% of the equity interest in Motiva Chemicals, previously known as Flint Hills, which owns and operates a chemical plant located in Port Arthur, Texas, comprised of a mixed feed cracker, a cyclohexane unit, a benzene unit, NGL and ethylene pipelines and storage facilities.

As part of its portfolio optimization programme that is aimed to unlock value from its asset base and maximize shareholder return, on 9 April 2021, Saudi Aramco entered into a share sale and purchase agreement with EIG Pearl Holdings S.a.r.l (an entity controlled by EIG Global Partners) to sell a 49% equity interest in Aramco Oil Pipelines Company (“**AOPC**”), a recently formed wholly-owned subsidiary of Saudi Aramco. Upon closing, Saudi Aramco will receive net proceeds of approximately \$12.4 billion. As part of the transaction, Saudi Aramco and AOPC will enter into a lease and leaseback arrangement, pursuant to which Saudi Aramco will lease its stabilised crude oil pipeline network to AOPC for a 25-year period and, concurrently, AOPC will lease back to Saudi Aramco the exclusive rights to use, operate and maintain the pipeline network. See “*Business—Downstream—Pipelines, Distribution and Terminals*”.

Fiscal Regime Changes

In recent years, the Government has adopted a number of changes to the fiscal regime under which Saudi Aramco operates. Among other things, these changes align the fiscal regime to which Saudi Aramco and other domestic hydrocarbon producers are subject to tax and royalty rates that are customary in other hydrocarbon producing jurisdictions. Below is a summary of these changes and their impact on Saudi Aramco.

- ***Income tax rate.*** Saudi Aramco and its interests in non-publicly-traded in-Kingdom entities are subject to the Kingdom’s Income Tax Law. The Kingdom’s Income Tax Law includes a multi-tiered structure of income tax rates for authorised producers of hydrocarbons, which are based on the amount of in-Kingdom capital investments (with the income tax rate decreasing as the level of in-Kingdom capital investment increases). Under this structure, an income tax of 50% applies to the Obligor. Effective 1 January 2018, a 20% rate applies to the Obligor’s taxable income related to the exploration and production of non-associated natural gas (including gas condensates) as well as the collection, treatment, processing and transportation of associated and non-associated natural gas and their liquids, gas condensates and other associated elements. Further, under the Kingdom’s Income Tax Law, the Obligor’s interests in non-publicly-traded in-Kingdom subsidiaries are generally subject to a 20% tax rate, unless such subsidiary is engaged in the production of oil and its associated hydrocarbon products in which case the 50% to 85% multi-tiered structure of income tax rates applies, except that a 20% rate would apply to such subsidiary’s taxable income related to certain natural gas activities as described above.

Additionally, by Royal Decree No. M/13, dated 18/1/1441 in the Hijri calendar (corresponding to 17 September 2019), Council of Ministers Resolution No. 54, dated 18/1/1441 in the Hijri calendar (corresponding to 17 September 2019) and Ministerial Resolution issued by the Ministry of Finance No. 559, dated 10/2/1441 in the Hijri calendar (corresponding to 9 October 2019), effective 1 January 2020, the tax rate applicable to Saudi Aramco’s downstream activities is the general corporate tax rate of 20% that applies to all similar domestic downstream companies under the Income Tax Law, rather than the 50% to 85% multi-tiered structure of income tax rates that previously applied to domestic oil and hydrocarbons production companies in the Kingdom, on the condition that Saudi Aramco separates its downstream activities (from the oil and other hydrocarbon production activities) into an independent legal entity before 31 December 2024. If Saudi Aramco does not comply in separating its downstream activities by 31 December 2024, Saudi Aramco’s downstream business will be taxed retroactively on an annual basis for such five-year period in accordance with the multi-tiered tax rates applicable to domestic oil and hydrocarbon production companies. In such case, Saudi Aramco will be required to pay the difference in taxes due to the Government.

Moreover, by Royal Decree No. M/153 dated 05/11/1441 in the Hijri calendar (corresponding to 26 June 2020), the Income Tax Law was further amended to provide that companies listed on Tadawul

are not subject to corporate income tax with respect to shares owned (directly or indirectly) by companies engaged in oil and hydrocarbon activities and instead are subject to Zakat, including their indirect interest in those companies (at the level of the investee/subsidiary of such listed companies). As a result, Saudi Aramco's ownership interests in certain entities, including SABIC, Petro Rabigh and Saudi Electricity Company are now subject to Zakat instead of income taxes.

- *Royalties.* Royalties are payable on crude oil and condensate, natural gas, ethane and NGL and are based on their production value. See “*Material Agreements—The Concession*”. Accordingly, the amount of royalties payable is recognised as an expense at the time of production and in Saudi Aramco's consolidated statement of income as “production royalties”.

Crude oil and condensate production value is based each month on Saudi Aramco's official selling prices for each destination. Prior to 1 January 2020, the effective royalty rate was determined based on a baseline rate of 20% applied to Brent prices up to \$70.0 per barrel, increasing to 40% applied to Brent prices above \$70.0 per barrel up to \$100.0 per barrel and 50% applied to Brent prices above \$100 per barrel. Effective 1 January 2020, the Concession Amendment, entered into on 19 September 2019, resulted in a change to the effective royalty rates payable to the Government with respect to Saudi Aramco's production of crude oil and condensates, including those used by Saudi Aramco in its operations. Based on the Concession Amendment, after 1 January 2020, the effective royalty is determined based on a baseline rate of 15% applied to Brent prices up to \$70.0 per barrel, increasing to a marginal rate of 45% applied to Brent prices above \$70.0 per barrel up to \$100.0 per barrel and a marginal rate of 80% applied to Brent prices above \$100.0 per barrel.

Pursuant to the Ministry of Energy's authority under the Concession, on 25 February 2018, the Ministry of Energy decided not to collect royalties from the Obligor on condensate production for a grace period of five years beginning on 1 January 2018. On 17 September 2019, the Ministry of Energy issued Ministerial Resolution No. 1/422/1441, dated 18/1/1441 in the Hijri calendar (corresponding to 17 September 2019), which extends the period for which the Obligor will not be obligated to pay royalties on condensate production for an additional 10-year period from 1 January 2023, the day following the expiration of the five-year grace period extendable for an additional 10-year period, and may be further extended for subsequent 10-year periods, unless the Government determines the economics impacting gas field development do not warrant such an extension.

Production royalties due on natural gas, ethane and NGL, excluding those volumes used by Saudi Aramco for upstream operations and related operations (including transportation, pipelines and storage and export facilities, fractionation plants, gas and NGL plants) are calculated based on a flat royalty rate of 12.5% applied to a factor established by the Ministry of Energy. As at 31 March 2021, the factor to which this royalty is applied is \$0.035 per mMBTU for NGL (propane, butane and natural gasoline) and \$0.00 per mMBTU for natural gas (methane) and ethane.

In light of the change of royalties from sales-based to production-based, volumes of crude oil and condensate and natural gas and NGL that were produced towards the end of 2016 and held on the balance sheet as inventory as at 31 December 2016 were not subject to royalties in 2016 as those volumes were not sold under the prior sales-based royalty regime. In 2017, revenue was reduced by royalties of SAR 5.5 billion on these volumes, which were paid in 2018.

- *Price Equalisation.* Pursuant to the Concession, Saudi Aramco possesses the exclusive right to sell crude oil and refined products in the Kingdom. In connection with this exclusive right, the Government mandates that crude oil and certain refined products sold to third parties in the Kingdom are sold at regulated prices that are typically lower than the prices at which Saudi Aramco could otherwise have sold such products. Pursuant to an equalisation mechanism, the Government compensates Saudi Aramco for the revenue it directly forgoes as a result of Saudi Aramco's compliance with the mandates related to crude oil and certain refined products. Effective 1 January 2020, the Government expanded the equalisation mechanism to include LPGs and certain other products. Saudi Aramco records the equalisation amount as other income related to sales on its consolidated statement of income and such amount is subject to income tax. Saudi Aramco may offset its income taxes payable by the equalisation amount in the period in which such taxes are due. If the income taxes payable to the Government are

not adequate to offset the equalisation amount, Saudi Aramco may offset any other amounts it owes to the Government against the equalisation amount. The offsetting mechanism occurs on a monthly basis when payments to the Government are due. In the event the equalisation price is less than the regulated price, the difference would be due from Saudi Aramco to the Government. See “*Regulation of the Oil and Gas Industry in the Kingdom—Regulated Domestic Pricing of Certain Hydrocarbons*”.

The Government has publicly announced its intention to gradually modify the regulated prices at which refined products are sold in the Kingdom. The regulated prices will be linked as a percentage to the reference equalisation price of the relevant product and will fluctuate according to fluctuations in global markets. As regulated prices increase, Saudi Aramco expects that equalisation compensation will decrease and that, in turn, the amount of other income related to sales recorded by Saudi Aramco will decrease, with an offsetting increase in revenue from product sales.

- *Gas Price System.* Gas sales in the Kingdom are regulated by the Government, including the Ministry of Energy, which allocates volumes for sales of Regulated Gas Products in the Kingdom to domestic customers pursuant to the GSPR. The price that domestic customers pay for natural gas and ethane is traditionally set by the Council of Ministers. Effective on 27 March 2018, the Council of Ministers empowered the Ministry of Energy, in agreement with the Ministry of Finance, to specify the Blended Price in order to provide licencees making gas investments a suitable rate of return for these products in the Kingdom. The Council of Ministers also decided that the domestic prices for Regulated Gas Products (excluding any Government fees or VAT) shall not be lower than the Blended Price. If Domestic Prices are higher than the Blended Price, licencees shall pay the difference to the Government. Subsequently, the Ministry of Energy in agreement with the Ministry of Finance issued a ministerial decision setting such Blended Price at a level they determined would permit licencees to achieve reasonable internal rates of return on existing non-associated gas projects and on future non-associated projects.

Effective as at 17 September 2019, the Government implemented an equalisation mechanism to compensate licencees for revenue they directly forgo as a result of the licencees’ compliance with the mandates related to Regulated Gas Products. This equalisation mechanism replaced the prior system, which required that Government-mandated prices for domestic supply of Regulated Gas Products could not be lower than the corresponding Blended Prices. Under the new system, when licencees sell any Regulated Gas Products domestically at a Domestic Price below the corresponding Blended Price, the licencees are entitled to compensation from the Government in an amount equal to the cost of the revenues directly forgone as a result of the licencees’ compliance with the Kingdom’s current pricing mandates. Saudi Aramco may offset the compensation it is due against any taxes payable, and in the event taxes are insufficient, any other amounts due and payable by Saudi Aramco to the Government, such as royalties. See “*Regulation of the Oil and Gas Industry in the Kingdom—Regulated Domestic Pricing of Certain Hydrocarbons—Gas Pricing*”.

Government guarantee. Saudi Aramco sells hydrocarbon products to various Government and semi-Government entities, including ministries and other branches of the Government, and separate legal entities in which the Government has share ownership or control. The Government guarantees amounts due to Saudi Aramco from certain Government and semi-Government entities, including ministries of the Government and separate legal entities in which the Government has share ownership or control that are unable to settle within terms agreed with Saudi Aramco, subject to limits on the amount of the guarantee for each entity. The aggregate amount guaranteed in respect of 2018, 2019 and 2020 was SAR 32.7 billion, SAR 26.7 billion and SAR 26.7 billion (\$7.1 billion), respectively.

Pursuant to certain governmental resolutions as further described in “*Regulation of the Oil and Gas Industry in the Kingdom—Regulated Domestic Pricing of Certain Hydrocarbons—Government Guarantee*”, Saudi Aramco may offset any amounts owed by Government or semi-Government entities under any agreement with such customers from its income taxes payable to the Government. This includes amounts due to Saudi Aramco from sales of crude oil and refined products to Government-affiliated companies. If the amounts of the income taxes payable to the Government are not adequate to offset the amounts owed by such customers, Saudi Aramco may offset such amounts against any other amounts Saudi Aramco owes to the Government.

- *Compensation for Saudi Strategic Storage Program.* Under the Saudi Strategic Storage Program, the Government requires Saudi Aramco to maintain reserves of certain petroleum products. Pursuant to Council of Ministers Resolution No. 56, dated 18/1/1441 in the Hijri calendar (corresponding to 17 September 2019), effective 1 January 2020, the Government compensates Saudi Aramco for carrying costs associated with maintaining Government-mandated petroleum product reserves in an amount of \$41.2 million per month. Council of Ministers Resolution No. 56 requires that this amount be reviewed by the Ministry of Energy, the Ministry of Finance and Saudi Aramco every five years.

Seasonality

The operating results of Saudi Aramco’s upstream and downstream segments may fluctuate slightly from quarter to quarter as a result of a variety of seasonal factors affecting energy demand. For example, there is generally an increase in natural gas demand for the utilities sector during the summer months in the Kingdom (June, July and August). As such, Saudi Aramco’s upstream segment produces and sells more natural gas during this period. In addition, there is usually an increased demand for diesel, gasoline and jet fuel in the Kingdom around its major holidays, including Eid al-Fitr, Hajj season and Eid al-Adha, the timing of which varies from year to year as determined by the Hijri calendar. During this time, Saudi Aramco’s downstream segment sells more diesel, gasoline and jet fuel. Saudi Aramco expects these trends to continue in future years. While seasonality continued to impact the demand for natural gas during the summer months in 2020, the COVID-19 pandemic and measures taken to combat it have had a significant impact on travel and tourism in the Kingdom, which has reduced the impact of seasonality on the demand for diesel, gasoline and jet fuel during the Kingdom’s major holidays.

Components of Results of Operations

Revenue

Revenue primarily consists of sales of crude oil, natural gas, refined products and petrochemicals products. Revenue also includes services provided to third parties, joint operations, joint ventures, associates and government agencies, such as the operation and maintenance of facilities for third parties.

In 2020, Saudi Aramco delivered Arabian crude oil to customers located in 36 countries. However, for accounting purposes, Saudi Aramco records its revenue by geographical area based on the location of the entity that generated the revenue. Saudi Aramco sells crude oil, gas, refined products and petrochemical products under different sales incoterms. Saudi Aramco’s sales are primarily made on a free on board basis at the point of shipment, pursuant to which the buyer assumes all costs and liabilities once the goods are placed onto a ship for delivery. A smaller portion of Saudi Aramco’s sales are made on a free in pipe basis, pursuant to which the buyer assumes all costs and liabilities once the product passes into the buyer’s receiving pipeline system. The balance of Saudi Aramco’s sales is made on a cost, insurance and freight basis, pursuant to which the seller assumes all costs and liabilities until the goods are received by the buyer, or another sales incoterm. As Saudi Aramco produces all its crude oil in the Kingdom and the sales are recorded by an entity located in the Kingdom, free on board export sales of crude oil are recorded as in-Kingdom revenue for segment reporting in Saudi Aramco’s financial statements.

Other Income Related to Sales

Other income related to sales reflects the equalisation payments received from the Government to compensate Saudi Aramco for the difference between the equalisation prices and the regulated prices for the sales of certain hydrocarbon and refined products within the Kingdom. See “—*Factors Affecting Saudi Aramco’s Financial Position and Results of Operations—Fiscal Regime Changes—Price Equalisation*”.

Royalties and Other Taxes

Royalties and other taxes primarily consist of the royalties attributable to the production of crude oil, natural gas and NGL. Royalties are accounted for as an expense. Other taxes consist of amounts paid by Motiva based on its operations in the United States. See “—*Factors Affecting Saudi Aramco’s Financial Position and Results of Operations—Fiscal Regime Changes—Royalties*”.

Purchases

Purchases primarily consist of refined products, chemicals, crude oil and NGL purchased from third parties for use in Saudi Aramco's downstream operations and to meet demand for products in the Kingdom when it exceeds Saudi Aramco's production of the relevant product. Saudi Aramco also purchases products from third parties when it is cost effective. For example, various downstream operations from time to time purchase crude oil and NGL from third parties to use as a feedstock. Purchases also include ATC's procurement of refined products and chemicals as part of its trading operations and purchases by Motiva under its buying and selling arrangements and for its trading operations.

Producing and Manufacturing

Producing and manufacturing costs consist primarily of the operating expenses related to producing hydrocarbons and refined and chemical products. Producing and manufacturing costs also include the upstream segment's and downstream segment's support services expenses, including engineering and operational services. In addition, producing and manufacturing costs include labour and employee-related expenses directly related to producing Saudi Aramco's products.

Selling, Administrative and General

Selling, administrative and general expenses consist of costs related to supporting the operations and services of Saudi Aramco and certain other expenses. Costs related to supporting the operations and services of Saudi Aramco include:

- pipeline, distribution and terminal expenses;
- selling and administrative expenses; and
- corporate, support and administrative services (such as human resources, finance, corporate affairs and legal) and expenses related to Saudi Aramco's employee home ownership programme.

Other expenses included in selling, administrative and general expenses consist of:

- freight and storage expenses; and
- costs related to corporate citizenship projects and initiatives.

Saudi Aramco engages in a range of corporate citizenship projects and initiatives outside Saudi Aramco's core business to support the communities and environment in which it operates. Saudi Aramco initiates some of these projects and initiatives and others are undertaken in coordination with, and at the direction of, the Government. Government-directed projects and initiatives have generally been of national importance to the Kingdom and support Saudi Aramco's long-term commercial interests. The Concession requires that all Saudi Aramco contracts with any Government agency or any arrangement for the furnishing of Hydrocarbons, services or otherwise shall be on a commercial basis. In addition, on 5 September 2019, Saudi Aramco and the Government entered into a framework agreement to govern the furnishing of services by Saudi Aramco to the Government. The Government previously compensated Saudi Aramco for its efforts relating to such activities by either allowing Saudi Aramco to reduce its taxable income by the amount of costs incurred or directly reimbursing Saudi Aramco through a tax deduction. See "*Business—Corporate Citizenship*".

Costs related to Saudi Aramco-initiated projects and initiatives are expensed as incurred and reflected in selling, administrative and general expenses. Costs related to Government-directed projects and initiatives are treated in different ways by Saudi Aramco. For certain projects directed by the Government, the Government provides a ministerial decree from the relevant Government ministry which allows Saudi Aramco to deduct its costs related to these projects against Saudi Aramco's tax liability. For example, certain major infrastructure projects undertaken at the direction of the Government for which the Government reimburses Saudi Aramco's costs in full are not reflected in Saudi Aramco's financial statements because they have neither a positive nor negative impact on Saudi Aramco's financial position or results of operations. See "*Related Party Transactions—Other Transactions*".

Costs related to other Government-directed projects are primarily expensed as incurred, deductible for tax purposes and reflected in selling, administrative and general expenses. The only such projects currently impacting Saudi Aramco’s Financial Statements are the operating costs related to KAUST and KAPSARC, the capital costs for which were primarily incurred prior to 2017. See “*Business—Corporate Citizenship*”.

Saudi Aramco expects to continue to engage in a range of corporate citizenship projects and initiatives in the future.

Exploration

Exploration expenses consist of the costs for the evaluation of subsurface geological areas for hydrocarbon resources, including geological and geophysical surveys, and write-offs related to unsuccessful exploratory wells.

Research and Development

Research and development expenses consist of the costs incurred to research new technologies. If development costs are expected to generate probable future economic benefits, they are capitalised as intangible assets.

Depreciation and Amortisation

Depreciation is attributable to property, plant and equipment. Amortisation is attributable to capitalised costs (primarily drilling costs), which are intangible assets and thus amortised rather than depreciated.

Impairments

Impairments are recognised when events or changes in circumstances indicate that the carrying amount of certain assets on Saudi Aramco’s balance sheet may not be recoverable, which occurs when the assets’ carrying value is greater than the discounted future cash flows the asset is expected to generate over its remaining useful life.

Share of Results of Joint Ventures and Associates

Share of results of joint ventures and associates includes Saudi Aramco’s share of profit or loss related to entities that are accounted for using the equity method. A significant portion of Saudi Aramco’s downstream business is conducted through joint ventures and associate companies. On 31 December 2018, Saudi Aramco purchased the 50% equity interest in ARLANXEO from Lanxess that it did not already own, which led to Saudi Aramco fully consolidating ARLANXEO onto its balance sheet from 31 December 2018 and its results of operations from 1 January 2019. Prior to the full acquisition, Saudi Aramco’s stake in ARLANXEO was accounted for as an investment in associate. For further information, see “—*Summary of Significant Accounting Policies—Principles of Consolidation and Equity Accounting—Joint Arrangements*”.

Finance and Other Income

Finance and other income includes interest income, gains or losses on derivative transactions, dividend income, gains or losses on disposal of equity investments and insurance settlements.

Finance Costs

Finance costs include interest expense incurred in connection with Saudi Aramco’s finance lease liabilities and borrowing liabilities, including its revolving credit facility agreement, the deferred consideration on acquisition of SABIC, issuance of Senior Unsecured Notes and Sukuk Programme.

Consolidated Statement of Income for the Years Ended 31 December 2018, 2019 and 2020 and the Three Months Ended 31 March 2020 and 2021

The following table sets forth Saudi Aramco’s consolidated statement of income for the years ended 31 December 2018, 2019 and 2020 and the three months ended 31 March 2020 and 2021:

Year Ended 31 December				Three Months Ended 31 March		
2018	2019	2020	2020	2020	2021	2021

	SAR	SAR	SAR	U.S.\$	SAR	SAR	U.S.\$
				(in millions)			
Revenue	1,194,376	1,105,696	768,109	204,829	225,567	272,072	72,553
Other income related to sales	152,641	131,089	93,982	25,062	24,778	28,085	7,489
Revenue and other income related to sales	1,347,017	1,236,785	862,091	229,891	250,345	300,157	80,042
Royalties and other taxes ⁽³⁾	(208,505)	(182,141)	(89,964)	(23,991)	(29,045)	(24,055)	(6,415)
Purchases	(201,176)	(225,170)	(181,116)	(48,297)	(50,649)	(73,910)	(19,709)
Producing and manufacturing	(56,202)	(58,249) ⁽¹⁾	(74,350)	(19,827)	(17,530)	(15,707)	(4,189)
Selling, administrative and general	(31,250)	(36,647) ⁽¹⁾	(46,970)	(12,525)	(6,302)	(12,403)	(3,307)
Exploration	(7,928)	(7,291)	(7,293)	(1,945)	(1,685)	(1,053)	(281)
Research and development	(2,217)	(2,150)	(2,830)	(755)	(415)	(878)	(234)
Depreciation and amortisation	(41,334)	(50,266) ⁽¹⁾	(76,208)	(20,322)	(14,987)	(20,264)	(5,404)
Operating costs	(548,612)	(561,914)	(478,731)	(127,662)	(120,613)	(148,270)	(39,539)
Operating income	798,405	674,871	383,360	102,229	129,732	151,887	40,503
Share of results of joint ventures and associates	(1,415)	(9,455)	(3,554)	(948)	(1,585)	1,787	477
Finance and other income	3,865	7,351	3,182	849	1,171	329	88
Finance costs	(2,959)	(6,026) ⁽¹⁾	(10,564)	(2,817)	(1,583)	(2,623)	(700)
Income before income taxes and zakat	797,896	666,741	372,424	99,313	127,735	151,380	40,368
Income taxes and zakat ⁽²⁾	(381,378)	(336,048)	(188,661)	(50,310)	(65,257)	(69,940)	(18,651)
Net income	416,518	330,693	183,763	49,003	62,478	81,440	21,717
Net income/(loss) attributable to:							
Shareholder's equity	416,196	330,816	184,926	49,313	63,532	78,590	20,957
Non-controlling interests	322	(123)	(1,163)	(310)	(1,054)	2,850	760
	416,518	330,693	183,763	49,003	62,478	81,440	21,717

- (1) Saudi Aramco adopted IFRS 16 on 1 January 2019 using a modified retrospective approach. As a result, in the preparation of the 2019 Financial Statements, Saudi Aramco applied prospectively, starting 1 January 2019, the new classification and measurement models for lease contracts and consequently 2018 financial information was not restated. For further information on the impact of IFRS 16 on Saudi Aramco's financial statements, see page F-102.
- (2) Effective 1 January 2020, the tax rate applicable to Saudi Aramco's downstream activities is the general corporate tax rate of 20% that applies to all similar domestic downstream companies under the Income Tax Law. See "Management's Discussion and Analysis of Financial Position and Results of Operations—Factors Affecting Saudi Aramco's Financial Position and Results of Operations—Fiscal Regime Changes".
- (3) Effective 1 January 2020, the Obligor and the Government executed an amendment to the Concession which: (i) reduced the royalty rate on crude oil and condensate production to 15% (from 20%) on Brent prices up to \$70 per barrel; (ii) increased the marginal royalty rate to 45% (from 40%) on Brent prices above \$70 per barrel up to \$100 per barrel; and (iii) increases the marginal royalty rate to 80% (from 50%) on Brent prices above \$100 per barrel.

Comparison of Three Months Ended 31 March 2021 and Three Months Ended 31 March 2020

Revenue and Other Income Related to Sales

For the three months ended 31 March 2021 and 2020, Saudi Aramco's revenue and other income related to sales was SAR 300.2 billion (\$80.0 billion) and SAR 250.3 billion, respectively. This 20% increase was primarily attributable to higher prices of crude oil and refined and chemicals products, and the consolidation of SABIC's revenue into Saudi Aramco's financial statements. The increase was partly offset by lower volumes of crude oil sold. See "—Factors Affecting Saudi Aramco's Financial Position and Results of Operations—Supply, Demand and Price for Hydrocarbons" and "—Factors Affecting Saudi Aramco's Financial Position and Results of Operations—Fiscal Regime Changes".

Upstream

For the three months ended 31 March 2021 and 2020, the upstream segment's external revenue was SAR 130.8 billion (\$34.9 billion) and SAR 136.3 billion, respectively. This 4% decrease was primarily due to lower volumes of crude oil sold, partially offset by higher crude oil prices. For the periods ended 31 March 2021 and 2020, the upstream segment's other income related to sales was SAR 10.0 billion (\$2.7 billion) and SAR 8.8 billion, respectively. This 14% increase was primarily due to higher reference equalisation prices of crude oil sold in the Kingdom at regulated prices. See "—Revenue and Other Income Related to Sales" and "—Royalties and Other Taxes".

Downstream

For the three months ended 31 March 2021 and 2020, the downstream segment's external revenue was SAR 140.9 billion (\$37.6 billion) and SAR 88.9 billion, respectively. This 58% increase was primarily due to the consolidation of SABIC's revenue, higher trading volumes and improved prices of refined and chemicals products. For the periods ended 31 March 2021 and 2020, the downstream segment's other income related to

sales was SAR 18.1 billion (\$4.8 billion) and SAR 16.0 billion, respectively. This 13% increase was primarily due to higher reference equalisation prices of refined products sold in the Kingdom at regulated prices.

Corporate

For the three months ended 31 March 2021 and 2020, Saudi Aramco's corporate activities' external revenue was SAR 0.3 billion (\$0.1 billion) and SAR 0.4 billion, respectively. The corporate activities primarily support the upstream segment's and downstream segment's activities.

Royalties and Other Taxes

For the three months ended 31 March 2021 and 2020, Saudi Aramco recorded royalties and other taxes of SAR 24.1 billion (\$6.4 billion) and SAR 29.0 billion, respectively. This 17% decrease was primarily due to lower volumes of crude oil sold by the upstream segment, partially offset by higher crude oil prices. See “—*Factors Affecting Saudi Aramco's Financial Position and Results of Operations—Fiscal Regime Changes*” and “*Business—Relationship with the Kingdom—The Concession*”.

Purchases

For the three months ended 31 March 2021 and 2020, Saudi Aramco purchases totalled SAR 73.9 billion (\$19.7 billion) and SAR 50.6 billion, respectively. This 46% increase was primarily due to the consolidation of SABIC's purchases, and higher prices of crude oil and refined products purchased.

Producing and Manufacturing

For the three months ended 31 March 2021 and 2020, producing and manufacturing expenses were SAR 15.7 billion (\$4.2 billion) and SAR 17.5 billion, respectively. This 10% decrease was primarily due to inventory valuation gains recognised in the first quarter of 2021, compared to inventory valuation losses for the same period in 2020, primarily reflecting the movement in the prevailing market prices during both periods. This was partially offset by the consolidation of SABIC's results of operations.

Selling, Administrative and General

For the three months ended 31 March 2021 and 2020, Saudi Aramco incurred selling, administrative and general expenses of SAR 12.4 billion (\$3.3 billion) and SAR 6.3 billion, respectively. This 97% increase was primarily due to the consolidation of SABIC's results of operations.

Exploration

For the three months ended 31 March 2021 and 2020, Saudi Aramco incurred exploration expenses of SAR 1.1 billion (\$0.3 billion) and SAR 1.7 billion, respectively. This 35% decrease was primarily due to a decrease in write-offs of dry-hole costs and lower exploration costs.

Research and Development

For the three months ended 31 March 2021 and 2020, Saudi Aramco incurred research and development expenses of SAR 0.9 billion (\$0.2 billion) and SAR 0.4 billion, respectively.

Depreciation and Amortisation

For the three months ended 31 March 2021 and 2020, Saudi Aramco recognised depreciation and amortisation expenses of SAR 20.3 billion (\$5.4 billion) and SAR 15.0 billion, respectively. This 35% increase was primarily attributable to additional depreciation incurred following the consolidation of SABIC's assets into Saudi Aramco's financial statements, and the capitalisation of additional assets by Saudi Aramco.

Share of Results of Joint Ventures and Associates

Saudi Aramco recorded an income of SAR 1.8 billion (\$0.5 billion) and a loss of SAR 1.6 billion in its share of results of joint ventures and associates for the three months ended 31 March 2021 and 2020, respectively. This

213% increase was primarily due to higher earnings recorded by the joint ventures and associates in the first quarter of 2021, compared to a loss for the same period in 2020.

Finance and Other Income

For the three months ended 31 March 2021 and 2020, Saudi Aramco had finance and other income of SAR 0.3 billion (\$0.1 billion) and SAR 1.2 billion, respectively. This 75% decrease was primarily due to a decrease in time deposits and short-term investments, which resulted in lower interest income.

Finance Costs

For the three months ended 31 March 2021 and 2020, Saudi Aramco incurred finance costs of SAR 2.6 billion (\$0.7 billion) and SAR 1.6 billion, respectively. This 63% increase was primarily due to additional interest incurred in connection with the deferred consideration on acquisition of SABIC and the issuance of Senior Unsecured Notes in November 2020, partially offset by the capitalisation of certain borrowing costs.

Income Taxes and Zakat

For the three months ended 31 March 2021 and 2020, Saudi Aramco incurred income taxes and zakat expenses of SAR 69.9 billion (\$18.7 billion) and SAR 65.3 billion, respectively. This 7% increase was primarily attributable to an increase in income.

Net Income

For the three months ended 31 March 2021 and 2020, Saudi Aramco's net income was SAR 81.4 billion (\$21.7 billion) and SAR 62.5 billion, respectively. This 30% increase was primarily driven by higher crude oil prices, improved downstream margins and the consolidation of SABIC's results, partly offset by lower volumes of crude oil sold.

Comparison of Fiscal Year Ended 31 December 2020, Fiscal Year Ended 31 December 2019 and Fiscal Year Ended 31 December 2018

Revenue and Other Income Related to Sales

For the years ended 31 December 2020 and 2019, Saudi Aramco's revenue and other income related to sales was SAR 862.1 billion (\$229.9 billion) and SAR 1,236.8 billion, respectively. This 30% decrease was primarily attributable to lower prices and volumes of crude oil and refined products sold, partially offset by the consolidation of SABIC's revenue into Saudi Aramco's financial statements from 16 June 2020.

Other income related to sales in 2020 decreased by 28% from 2019 primarily attributable to lower reference equalisation prices for refined products and crude oil sold in the Kingdom at regulated prices following the reduction in prevailing market prices, partially offset by the inclusion of certain gas products in the price equalisation mechanism from 1 January 2020. See "*—Factors Affecting Saudi Aramco's Financial Position and Results of Operations—Fiscal Regime Changes*".

For the years ended 31 December 2019 and 2018, Saudi Aramco's revenue and other income related to sales was SAR 1,236.8 billion and SAR 1,347.0 billion, respectively. This 8% decrease was primarily attributable to a decrease in the average realised prices per barrel of crude oil, as well as a decrease in other income related to sales, partially offset by a marginal increase in crude oil sales volumes.

Other income related to sales in 2019 decreased by 14% from 2018 primarily attributable to a reduction in equalisation prices following the reduction in prevailing market prices. See "*—Factors Affecting Saudi Aramco's Financial Position and Results of Operations—Fiscal Regime Changes*".

Upstream

For the years ended 31 December 2020 and 2019, the upstream segment's external revenue was SAR 411.0 billion (\$109.6 billion) and SAR 709.3 billion, respectively. This 42% decrease was primarily driven by a decrease in average realised sales prices and volumes of crude oil sold. For the years ended 31 December 2019 and 2018, the upstream segment's external revenue was SAR 709.3 billion and

SAR 788.5 billion, respectively. This 10% decrease was primarily due to lower crude oil sales volumes, in line with lower upstream crude oil production compared to prior year, and a decrease in average realised sales prices per barrel of crude oil. For the years ended 31 December 2020 and 2019, the upstream segment's other income related to sales was SAR 38.9 billion (\$10.4 billion) and SAR 34.4 billion, respectively. This 13% increase was primarily due to the inclusion of certain gas products in the price equalisation mechanism from 1 January 2020, partly offset by lower reference equalisation prices for crude oil sold in the Kingdom at regulated prices. For the years ended 31 December 2019 and 2018, the upstream segment's other income related to sales was SAR 34.4 billion and SAR 37.2 billion, respectively. This 7% decrease was primarily due to a decrease in the reference equalisation price for crude oil. See “—Revenue and Other Income Related to Sales” and “—Royalties and Other Taxes”.

Downstream

For the years ended 31 December 2020 and 2019, the downstream segment's external revenue was SAR 355.8 billion (\$94.9 billion) and SAR 395.1 billion, respectively. This 10% decrease was primarily due to lower prices and volumes of refined products sold, partially offset by the consolidation of SABIC's results and an increase in crude oil trading volumes. For the years ended 31 December 2019 and 2018, the downstream segment's external revenue was SAR 395.1 billion and SAR 404.6 billion, respectively. This 2% decrease was primarily due to a reduction in the average price of refined products, partially offset by the consolidation of ARLANXEO's results of operations into Saudi Aramco's financial statements from 1 January 2019 and an increase in international crude sales reported in the downstream segment attributed to ATC and Motiva. For the years ended 31 December 2020 and 2019, the downstream segment's other income related to sales was SAR 55.1 billion (\$14.7 billion) and SAR 96.6 billion, respectively. This 43% decrease was primarily due to lower reference equalisation prices and a decrease in the volumes of refined products sold in the Kingdom. For the years ended 31 December 2019 and 2018, the downstream segment's other income related to sales was SAR 96.6 billion and SAR 115.5 billion, respectively. This 16% decrease was primarily due to a decrease in the reference equalisation prices for refined products.

Corporate

For the years ended 31 December 2018, 2019 and 2020, Saudi Aramco's corporate activities' external revenue was SAR 1.3 billion, SAR 1.3 billion and SAR 1.4 billion (\$0.4 billion), respectively. The corporate activities primarily support the upstream segment's and downstream segment's activities.

Royalties and Other Taxes

For the years ended 31 December 2020 and 2019, Saudi Aramco recorded royalties and other taxes of SAR 90.0 billion (\$24.0 billion) and SAR 182.1 billion, respectively. This 51% decrease was mainly due to a decrease in crude oil prices, the baseline royalty rate from 20% to 15% and crude volumes produced and sold by the upstream segment. For the years ended 31 December 2019 and 2018, Saudi Aramco recorded royalties and other taxes of SAR 182.1 billion and SAR 208.5 billion, respectively. This 13% decrease was primarily due to a decrease in crude oil prices, the average effective royalty rate and crude volumes produced and sold by the upstream segment. See “—Factors Affecting Saudi Aramco's Financial Position and Results of Operations—Fiscal Regime Changes” and “Business—Relationship with the Kingdom—The Concession”.

Purchases

For the years ended 31 December 2020 and 2019, Saudi Aramco made purchases of SAR 181.1 billion (\$48.3 billion) and SAR 225.2 billion, respectively. This 20% decrease was principally attributable to lower prices of crude oil and refined products, partially offset by the consolidation of SABIC's purchases.

For the years ended 31 December 2019 and 2018, Saudi Aramco made purchases of SAR 225.2 billion and SAR 201.2 billion, respectively. This 12% increase was primarily attributable to an increase in purchase volumes of crude oil from third parties by Motiva and ATC, an increase in purchases resulting from the consolidation of ARLANXEO into Saudi Aramco's financial statements from 1 January 2019 and an increase in purchases of additional chemical products by Aramco Chemicals Company. This increase was partially offset by a decline in prevailing market prices of crude oil and refined products as well as a decrease in the volumes of refined products purchased by Saudi Aramco.

Producing and Manufacturing

For the years ended 31 December 2020 and 2019, producing and manufacturing expenses were SAR 74.4 billion (\$19.8 billion) and SAR 58.2 billion, respectively. This 28% increase was primarily due to the consolidation of SABIC's results of operations.

For the years ended 31 December 2019 and 2018, producing and manufacturing expenses were SAR 58.2 billion and SAR 56.2 billion, respectively. This 4% increase was primarily due to ARLANXEO being consolidated into Saudi Aramco's financial statements from 1 January 2019, partially offset by a decline in operating lease costs due to the reclassification of such costs to depreciation and amortisation and finance costs following the implementation of IFRS 16 from 1 January 2019.

Selling, Administrative and General

For the years ended 31 December 2020 and 2019, Saudi Aramco incurred selling, administrative and general expenses of SAR 47.0 billion (\$12.5 billion) and SAR 36.6 billion, respectively. This 28% increase was mainly due the consolidation of SABIC's results of operations.

For the years ended 31 December 2019 and 2018, Saudi Aramco incurred selling, administrative and general expenses of SAR 36.6 billion and SAR 31.3 billion, respectively. This 17% increase was primarily attributable to ARLANXEO being consolidated into Saudi Aramco's financial statements from 1 January 2019 and an increase in ATC's selling, administrative and general expenses.

Exploration

For the years ended 31 December 2020 and 2019, Saudi Aramco incurred exploration expenses of SAR 7.3 billion (\$1.9 billion) and SAR 7.3 billion, respectively.

For the years ended 31 December 2019 and 2018, Saudi Aramco incurred exploration expenses of SAR 7.3 billion and SAR 7.9 billion, respectively. This 8% decrease was primarily due to lower geological and geophysical survey costs during the year ended 31 December 2019, partially offset by an increase in write-offs of dry-hole costs related to gas exploration activities.

Research and Development

For the years ended 31 December 2020 and 2019, Saudi Aramco incurred research and development expenses of SAR 2.8 billion (\$0.8 billion) and SAR 2.2 billion, respectively.

For the years ended 31 December 2019 and 2018, Saudi Aramco incurred research and development expenses of SAR 2.2 billion and SAR 2.2 billion, respectively.

Depreciation and Amortisation

For the years ended 31 December 2020 and 2019, Saudi Aramco recognised depreciation and amortisation expenses of SAR 76.2 billion (\$20.3 billion) and SAR 50.3 billion, respectively. This 51% increase was principally attributable to depreciation incurred on additional assets capitalised during 2020 and the consolidation of SABIC's assets.

For the years ended 31 December 2019 and 2018, Saudi Aramco recognised depreciation and amortisation expenses of SAR 50.3 billion and SAR 41.3 billion, respectively. This 22% increase was primarily attributable to depreciation incurred on additional assets capitalised in the period, the consolidation of ARLANXEO's results of operations into Saudi Aramco's financial statements from 1 January 2019 and the adoption of IFRS 16, which resulted in right of use assets being recognised on the balance sheet and therefore subject to depreciation.

Share of Results from Joint Ventures and Associates

Saudi Aramco recorded a loss of SAR 3.6 billion (\$0.9 billion) and SAR 9.5 billion in its share of results from joint ventures and associates for the years ended 31 December 2020 and 2019, respectively. This 62% decrease in loss was primarily attributable to the absence of Saudi Aramco's share of an impairment charge recognised

by Sadara in 2019, and the recognition of the share of results of SABIC's joint ventures and associates on consolidation of SABIC.

Saudi Aramco had a loss of SAR 9.5 billion and SAR 1.4 billion in its share of results from joint ventures and associates for the years ended 31 December 2019 and 2018, respectively. The increase in loss was primarily due to Saudi Aramco's share of an impairment charge recognised by Sadara of SAR 6.0 billion (\$1.6 billion), in addition to lower earnings at Petro Rabigh, Marafiq and FREP.

Finance and Other Income

For the years ended 31 December 2020 and 2019, Saudi Aramco had finance and other income of SAR 3.2 billion (\$0.8 billion) and SAR 7.4 billion, respectively. This 57% decrease was mainly due to a decrease in time deposits and short-term investments, which resulted in lower interest income, and the absence of a gain recognised in 2019 following the re-measurement of SASREF's investment at fair value following the increase in Saudi Aramco's ownership interest in SASREF.

For the years ended 31 December 2019 and 2018, Saudi Aramco had finance and other income of SAR 7.4 billion and SAR 3.9 billion, respectively. This 90% increase was primarily attributable to an increase in time deposits and short-term investments, mainly due to the investment of cash receipts following the issuance of Senior Unsecured Notes in April 2019, resulting in an increase in interest income and an accounting gain of SAR 1.3 billion (\$0.3 billion) following the de-recognition of the previous equity investment in SASREF.

Finance Costs

For the years ended 31 December 2020 and 2019, Saudi Aramco incurred finance costs of SAR 10.6 billion (\$2.8 billion) and SAR 6.0 billion, respectively. This 77% increase was principally due to additional interest incurred in connection with the deferred consideration on acquisition of SABIC, the Senior Unsecured Notes and, the drawdown of a term loan facility entered into during 2020, in addition to the consolidation of SABIC's finance costs.

For the years ended 31 December 2019 and 2018, Saudi Aramco incurred finance costs of SAR 6.0 billion and SAR 3.0 billion, respectively. This 100% increase was primarily due to additional interest incurred by Saudi Aramco following the issuance of the Senior Unsecured Notes and the impact of additional interest expense being charged following the adoption of IFRS 16.

Income Taxes

For the years ended 31 December 2020 and 2019, Saudi Aramco incurred income tax expenses of SAR 188.7 billion (\$50.3 billion) and SAR 336.0 billion, respectively, a decrease of SAR 147.3 billion or 44%. This decrease was largely attributable to lower earnings in 2020.

For the years ended 31 December 2019 and 2018, Saudi Aramco incurred income tax expenses of SAR 336.0 billion and SAR 381.4 billion, respectively, a decrease of SAR 45.3 billion or 12%. This decrease was primarily attributable to the lower level of profit in 2019, partially offset by the deferred tax impact of the fiscal regime changes in both years.

Net Income

For the years ended 31 December 2020 and 2019, Saudi Aramco's net income was SAR 183.8 billion (\$49.0 billion) and SAR 330.7 billion, respectively. This 44% decrease primarily reflects the impact of lower crude oil prices and volumes sold, and weakened refining and chemicals margins.

For the years ended 31 December 2019 and 2018, Saudi Aramco's net income was SAR 330.7 billion (\$88.2 billion) and SAR 416.5 billion, respectively. This 21% decrease was primarily due to lower crude oil prices, declining refining and chemical margins, and an increase in Saudi Aramco's share of losses of joint ventures and associates, primarily due to an impairment charge recognised by Sadara.

Liquidity and Capital Resources

The following table sets forth Saudi Aramco's cash flow for the years ended 31 December 2018, 2019 and 2020, the three months ended 31 March 2020 and 2021:

	Year Ended 31 December				Three Months Ended 31 March		
	2018	2019	2020	2020	2020	2021	2021
	SAR	SAR	SAR	U.S.\$	SAR	SAR	U.S.\$
				(in millions)			
Net cash provided by/(used in):							
Operating activities.	453,701	416,529	285,297	76,079	84,067	99,299	26,479
Investing activities..	(131,205)	(177,144)	(20,899)	(5,573)	19,573	(30,457)	(8,122)
Financing activities.	(220,586)	(244,831)	(234,872)	(62,632)	(45,911)	(73,064)	(19,483)

Saudi Aramco primarily funds its operations with cash generated from operating activities. Saudi Aramco's primary current uses of cash are ongoing operating expenses, capital expenditures and payments to, and settlements with, the Government of royalties, income, zakat and other taxes and cash distributions.

Saudi Aramco's future capital requirements will depend on many factors, including the capacity expansion of the MGS and further strategic integration and diversification of its downstream operations. Additionally, payments in connection with the acquisition of a 70% equity interest in SABIC could have an impact on Saudi Aramco's future capital requirements. For further information on Saudi Aramco's acquisition of the equity interest in SABIC and the payments in connection therewith, see "*Business—Operating Segments—Downstream—Acquisition of 70% Equity Interest in SABIC*".

Cash Provided by Operating Activities

Saudi Aramco's cash flow is primarily generated from its operations. Net cash provided by operating activities for the year ended 31 December 2020 amounted to SAR 285.3 billion (\$76.1 billion) as compared to SAR 416.5 billion for the year ended 31 December 2019 and SAR 453.7 billion for the year ended 31 December 2018. The 32% decrease from 2019 to 2020 primarily reflects the impact of lower earnings, mainly resulting from lower crude oil prices and volumes sold and weaker refining and chemicals margins, partially offset by a decrease in cash utilised in the settlement of income, zakat and other taxes. The 8% decrease from 2018 to 2019 primarily reflects the impact of a lower oil price environment, partially offset by favourable movements in working capital, lower payments for income and other taxes and the change in classification of lease rentals to financing activities upon the adoption of IFRS 16. Cash provided by operating activities for the year ended 31 December 2018 includes a settlement of income and tax and royalty obligations.

Net cash provided by operating activities for the three months ended 31 March 2021 amounted to SAR 99.3 billion (\$26.5 billion) as compared to SAR 84.1 billion for the three months ended 31 March 2020. This 18% increase was primarily due to improved earnings and lower cash paid for the settlement of income, zakat and other taxes, partially offset by unfavourable movements in working capital.

Cash Used in Investing Activities

Net cash used in investing activities amounted to SAR 20.9 billion (\$5.6 billion) for the year ended 31 December 2020 as compared to SAR 177.1 billion for the year ended 31 December 2019 and SAR 131.2 billion for the year ended 31 December 2018. The 88% decrease from 2019 to 2020 was due to the implementation of capital optimisation and efficiency programs. In addition, net cash was also impacted by cash inflows on the maturity of short-term investments, compared to net purchases of short-term investments in 2019, and cash acquired upon the acquisition of SABIC. The 35% increase from 2018 to 2019 was primarily due to the investment of cash receipts following the issuance of the SAR 45.0 billion (\$12.0 billion) of Senior Unsecured Notes, in addition to an increase in cash paid for acquisitions, including Saudi Aramco's acquisition of the 50% share of SASREF from Shell that it did not already own, the acquisition of a 17% equity interest in Hyundai Oilbank and the acquisition of 100% of the equity interest in Motiva Chemical. This increase was partially offset by a decrease in capital expenditures.

Net cash used in investing activities for the three months ended 31 March 2021 amounted to SAR 30.5 billion (\$8.1 billion) as compared to net cash provided by investing activities of SAR 19.6 billion for the three months ended 31 March 2020. This 256% decrease was primarily due to the absence of maturities of short term investments' positive impact during the three months ended 31 March 2021.

Capital Expenditures

The following table sets forth Saudi Aramco's capital expenditures for each of its business segments for the years ended 31 December 2018, 2019 and 2020 and the three months ended 31 March 2020 and 2021:

	Year Ended 31 December				Three Months Ended 31		
	2018	2019	2020	2020	2020	2021	2021
	SAR	SAR	SAR	U.S.\$	SAR	SAR	U.S.\$
				(in millions)			
Upstream ⁽¹⁾	96,768	93,927	73,651	19,641	20,533	24,355	6,495
Downstream.....	32,677	26,696	26,097	6,959	6,900	5,864	1,564
Corporate.....	2,321	2,259	1,282	342	307	531	141
Total	131,766	122,882	101,030	26,942	27,740	30,750	8,200

(1) Includes exploration capital expenditures of SAR 9,034 million, SAR 9,685 million, SAR 6,341 million (\$1,691 million) and SAR 1,673 million (\$446 million) for the years ended 31 December 2018, 2019 and 2020 and the three months ended 31 March 2021, respectively, and development capital expenditures of SAR 38,944 million, SAR 42,834 million, SAR 36,924 (\$9,846 million) and SAR 8,599 million (\$2,293 million) for the years ended 31 December 2018, 2019 and 2020 and the three months ended 31 March 2021, respectively.

Saudi Aramco's capital expenditures were SAR 101.0 billion (\$26.9 billion) for the year ended 31 December 2020, SAR 122.9 billion for the year ended 31 December 2019 and SAR 131.8 billion for the year ended 31 December 2018. The 18% decrease from 31 December 2019 to 31 December 2020 was primarily due to the implementation of optimization and efficiency programs. The 7% decrease from 2018 to 2019 was primarily due to the completion of the S-Oil upgrade and reduced spending on the Jazan Refinery Complex, Fadhili Gas Plant and MGS Phase II as they approached completion. This was partially offset by higher spending at PRefChem and Motiva as well as an increase in upstream capital projects to maintain and expand productions. Saudi Aramco's capital expenditures for the three months ended 31 March 2021 amounted to SAR 30.8 billion (\$8.2 billion) as compared to SAR 27.7 billion for the three months ended 31 March 2020. This 11% increase was primarily due to higher capital expenditures relating to upstream increment projects, partially offset by lower downstream capital spending. Saudi Aramco had committed capital expenditures as at 31 December 2020 of SAR 153.3 billion and had previously expected capital expenditures to be between \$35.0 billion and \$40.0 billion for the year ending 31 December 2020, which included capital expenditures budgeted to be incurred by SABIC, however, the economic impact of COVID-19 and other factors impacting oil demand and pricing led Saudi Aramco to reduce its capital expenditures for 2020. Capital expenditures are expected to be approximately \$35.0 billion for the year ending 31 December 2021, which includes capital expenditures expected to be incurred by SABIC. This compares to \$32.8 billion and \$26.9 billion for the years ended 31 December 2019 and 2020, respectively, which amounts do not include capital expenditures incurred by SABIC. See "Risk Factors—Risks related to Saudi Aramco, its Operations and Industry—Saudi Aramco's ability to achieve its strategic growth objectives depends on the successful delivery of current and future projects" and "Risk Factors—Risks Related to Macro-Economic Environment and External Factors—The outbreak of COVID-19 and its impact on business and economic conditions could negatively affect Saudi Aramco's business, financial position, cash flow, results of operations and price of its securities".

Cash Used in Financing Activities

Net cash used in financing activities amounted to SAR 234.9 billion (\$62.6 billion) for the year ended 31 December 2020, as compared to net cash used in financing activities of SAR 244.8 billion for the year ended 31 December 2019, and net cash used in financing activities of SAR 220.6 billion for the year ended 31 December 2018. The 4% decrease in cash used in financing activities from 31 December 2019 to 31 December 2020 was primarily due to the impact of cash inflows from the drawdown of a new term loan facility and the issuance of Senior Unsecured Notes. This was partially offset by the repayment of borrowings, largely in respect of deferred consideration related to the acquisition of a 70% equity interest in SABIC. The 11% increase in cash used in financing activities from 31 December 2018 to 31 December 2019 was primarily

due to higher dividends and distributions paid in 2019 of SAR 274.4 billion compared to SAR 217.5 billion in 2018, an increase of SAR 56.9 billion. In addition, repayments of borrowings and interest paid increased by 35% following the reclassification of certain cash flows from operating activities to financing activities upon the adoption of IFRS 16, and further, Saudi Aramco purchased treasury shares of SAR 3.75 billion (\$1.0 billion) from the Government following Saudi Aramco's initial public offering. The increase in cash used was partially offset by the proceeds from the issuance of Senior Unsecured Notes.

Net cash used in financing activities for the three months ended 31 March 2021 amounted to SAR 73.1 billion (\$19.5 billion) as compared to SAR 45.9 billion for the three months ended 31 March 2020. This increase primarily reflects the higher dividends paid and a decrease in proceeds from borrowings, which was offset by a decrease in borrowing repayments.

Dividends and Distributions

In accordance with the Obligor's dividend policy, the Obligor's Board of Directors intends to declare regular and interim dividends at any time at its discretion, as well as specifying the amount or percentage of net profit to be distributed as dividends. For the years ended 31 December 2018, 2019 and 2020 and the three months ended 31 March 2021, Saudi Aramco's dividend payments totalled SAR 217.5 billion, SAR 274.4 billion, SAR 261.2 billion (\$69.6 billion) and SAR 70.3 billion (\$18.8 billion), respectively.

Royal Order No. A/42, dated 26/1/1441 in the Hijri calendar (corresponding to 25 September 2019) provides that, to the extent that the Board of Directors determines that the amount of any quarterly cash dividend declared with respect to calendar years 2020 through 2024 would have been less than \$0.09375 per ordinary share (based on 200,000,000,000 ordinary shares outstanding) but for the Government forgoing its rights to such dividend as follows, the Government will forgo its right to receive the portion of cash dividends on its ordinary shares equal to the amount necessary to enable the Obligor to first pay the minimum quarterly cash dividend amount described above to holders of ordinary shares other than the Government. The remaining amount of the declared dividend as determined by the Board of Directors in its discretion will be paid to the Government. In addition, dividends forgone will not accrue or otherwise be paid to the Government and the waiver applies to all ordinary shares not held by the Government from time to time and held from 2020 to 2024.

Liquidity

Saudi Aramco believes that its existing cash and cash equivalents balance, together with amounts available under its borrowing arrangements and cash generated from operations, will be sufficient to meet its working capital requirements for at least the next 12 months. Saudi Aramco currently has access to a revolving credit facility, its GMTN Programme and its Domestic Sukuk Programme. Certain of Saudi Aramco's subsidiaries also have entered into and have access to credit facilities, sukuk or other financing.

As at 31 December 2020, Saudi Aramco had a total of SAR 95.0 billion (\$25.3 billion) of undrawn amounts from SAR 614.3 billion (\$163.8 billion) in total borrowing financing arrangements. Cash that may be temporarily available as surplus to Saudi Aramco's immediate needs is carefully managed based on counterparty quality and investment guidelines to ensure it is secure and readily available to meet Saudi Aramco's cash requirements.

Revolving Credit Facilities

On 26 March 2015, the Obligor entered into revolving credit facilities with various financial institutions for up to \$10.0 billion in aggregate commitments, which includes both conventional and Shari'a compliant Murabaha facilities. The facilities comprise a \$6.0 billion five-year conventional revolving credit facility, a \$1.0 billion one-year conventional revolving credit facility, a SAR 7.5 billion five-year Murabaha facility and a SAR 3.75 billion one-year Murabaha facility. The facilities provide for certain limits on the creation of liens and other security interests over the assets of the Obligor, and on the sale, lease or transfer, of all or substantially all of its assets to third parties. The total amounts of the five-year facilities are fully available through the end of the fifth year and, pursuant to the terms of each facility, the Obligor has exercised two one-year extension options under both facilities extending the five-year facilities to seven years. The facilities are therefore available until one month before the maturity date of 26 March 2022. As at 31 December 2020, there was an unused balance of SAR 43.6 billion (\$11.6 billion) on the Obligor's revolving credit facilities.

On 9 June 2020, the Obligor amended and restated certain agreements with respect to its \$6.0 billion five-year conventional revolving credit facility to incorporate a \$2.0 billion swingline sub-facility in support of the Obligor’s establishment of a U.S. commercial paper programme. As at 31 March 2021, no debt has been issued under the Obligor’s U.S. commercial paper programme.

Term Loan Facility

On 7 May 2020, the Obligor entered into a \$10.0 billion one-year term loan facility with various financial institutions. The facility provides for certain limits on the sale, lease, or transfer of all or substantially all of its assets. The one-year term loan facility was set to terminate on 6 May 2021, however, the Obligor exercised its option to extend the facility maturity date by 364 days to 5 May 2022. As of 31 March 2021, the facility was fully utilised with the outstanding loan balance of \$10.0 billion.

Domestic Sukuk Programme

On 10 April 2017, SAR 11.3 billion Sukuk were issued under the Domestic Sukuk Programme. The Sukuk mature on 10 April 2024 and, subject to early redemption, the principal is payable in full upon the final redemption date.

GMTN Programme

On 1 April 2019, the Obligor established a global medium term note programme (the “**GMTN Programme**”) pursuant to which it may from time to time issue notes. On 16 April 2019, the Obligor issued \$12.0 billion in aggregate principal amount of senior unsecured notes under the GMTN Programme 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 (collectively, the “**Senior Unsecured Notes**”). Interest is payable semi-annually on 16 April and 16 October. After deducting fees and expenses related to the Senior Unsecured Notes, the Obligor’s net proceeds were \$11.9 billion. The Senior Unsecured Notes constitute direct obligations of the Obligor and are not guaranteed. On 24 November 2020, the Obligor issued \$8.0 billion in aggregate principal amount of new Senior Unsecured Notes under the GMTN Programme comprising five tranches, all of which are payable semi-annually in arrear: \$0.5 billion 1.250% senior notes due 2023; \$1.0 billion 1.625% senior notes due 2025; \$2.0 billion 2.250% senior notes due 2030; \$2.25 billion 3.250% senior notes due 2050 and \$2.25 billion 3.500% senior notes due 2070.

Contractual Obligations

The following table sets forth Saudi Aramco’s contractual obligations as at 31 December 2020:

	Payments Due Per Period			Total SAR
	Less than 1	1 – 5 years	More than	
	year		5 years	
	SAR	SAR	SAR	SAR
		<i>(in millions)</i>		
Long-term borrowings and debentures ⁽¹⁾	101,505	244,553	242,929	588,987
Leases ⁽¹⁾	11,228	26,051	23,854	61,133
Purchase obligations.....	93,740	-	-	93,740
Decommissioning liabilities ⁽²⁾	64	1,497	15,778	17,339
Environmental liabilities ⁽²⁾	420	520	-	940
Total	206,957	272,621	282,561	762,139

(1) Maturities at contractual value of long-term borrowings and debentures and leases, including interest payments due under such instruments.

(2) Represents Present value of expenditures required to settle the obligations.

Saudi Aramco’s off-balance sheet arrangements primarily relate to commitments and contingencies under guarantees issued by Saudi Aramco in connection with financing arrangements at Sadara and Petro Rabigh.

On 25 March 2021, Saudi 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 Saudi Aramco. These also include a gradual increase in

Saudi 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, Saudi Aramco and Dow agreed to guarantee up to an aggregate of SAR 13.9 billion (\$3.7 billion) in principal amount of senior debt 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 a principal repayment grace period until 15 June 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.

In connection with Petro Rabigh, in March 2015, Saudi Aramco entered into a guarantee of 50% of the payment obligations to the credit providers of Petro Rabigh under its SAR 19.4 billion financing arrangements related to the Rabigh II Project. This guarantee was released on 30 September 2020, the completion date of the Rabigh II Project. Concurrently with the guarantee release, Saudi Aramco and Sumitomo entered into a debt service undertaking with the Rabigh II lenders, whereby each of them severally undertakes to pay 50% of any shortfalls in Rabigh II debt service 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 million. Saudi Aramco and Sumitomo also arranged equity bridge loans in an aggregate amount of SAR 11.3 billion which they have severally guaranteed to meet the equity financing requirements under the senior finance agreements. The final maturity date of the equity bridge loans is 1 October 2022. Petro Rabigh has drawn SAR 11.3 billion under the equity bridge loans as of 31 March 2021.

Quantitative and Qualitative Disclosure About Market Risk

General

Saudi Aramco is exposed to a number of market risks arising from its normal business activities. Such market risks principally involve the possibility that changes in commodity prices, currency exchange rates or interest rates will adversely affect the value of its financial assets and liabilities or future cash flows and earnings.

Commodity Price Risk

Saudi Aramco manages commodity price risks by using commodity swaps as a means of managing price and timing of risks arising from its trading in refined products, NGL and petrochemicals. Saudi Aramco operates within policies and procedures designed to ensure that risks, including those related to the default of counterparties, are managed within authorised limits.

Risk Management

Saudi Aramco uses derivative financial instruments with limited complexity to manage certain risk exposures and does not enter into financial instruments, including derivative financial instruments, for speculative purposes.

Foreign Currency Exchange Risk

Although Saudi Aramco operates internationally, it has limited exposure to the risk of foreign currency exchange rates as all significant transactions are based in the U.S. dollar, its functional currency, or hedged. Saudi Aramco's limited foreign exchange risk is based on future commercial transactions or recognised assets or liabilities denominated in a currency that is not its functional currency. In addition, a substantial portion of Saudi Aramco's indebtedness and operating expenses are, and Saudi Aramco expects them to continue to be, denominated in or indexed to U.S. dollars.

Management actively monitors the fluctuations in foreign currency exchange rates, and Saudi Aramco engages in hedging activities through the use of currency forward contracts and designated time deposits to manage up to 85% of its foreign exchange exposure. Saudi Aramco hedges significant transactions that are not based in its functional currency.

Interest Rate Risk

Saudi Aramco is exposed to interest rate risk from long-term borrowings which are issued at variable and fixed rates. Saudi Aramco's income and operating cash flows are not subject to interest rate risks because they are substantially independent of changes in the market as Saudi Aramco's interest-bearing assets consists primarily of short-term time deposits and debt securities classified as fair value through other comprehensive income financial assets.

Interest rate risk of borrowings issued at variable rates is offset by cash and cash equivalents and short-term investments held at variable rates. Saudi Aramco is exposed to fair value interest rate risk for borrowings issued at fixed rates.

Securities Price Risk

Saudi Aramco is exposed to a limited amount of risk arising from investments in securities carried out at fair value. Saudi Aramco regularly reviews its positions in investment in securities considering current and expected future economic trends.

Summary of Significant Accounting Policies

The 2019 Financial Statements and 2020 Financial Statements were prepared in accordance with IFRS. The 2021 Three Month Interim Period Financial Statements were prepared in accordance with IAS 34. Below is a summary of significant accounting policies applied by Saudi Aramco in preparing the Financial Statements:

Principles of Consolidation and Equity Accounting

Subsidiaries

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

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

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

Saudi Aramco recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Non-controlling interests in the results and equity of subsidiaries are shown separately in

the consolidated statements of income and comprehensive income, the consolidated statement of changes in equity and the consolidated balance sheet, respectively.

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

Joint Arrangements

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

Joint Operations

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

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

Joint Ventures

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

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

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

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

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

Associates

Associates are entities over which Saudi Aramco has significant influence. Significant influence is the power to participate in financial and operating policy decisions but with no control or joint control over those policies

and is generally reflected by a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The accounting policies for joint ventures detailed above are also applied by Saudi Aramco to its associates.

(1) Significant Accounting Judgments and Estimates

Judgments are applied in the determination of whether control, joint control or significant influence is present with respect to investments in non-wholly owned subsidiaries, joint arrangements or associates, respectively. For control, judgment is applied when determining if an entity is controlled by voting rights, potential voting rights or other rights granted through contractual arrangements and includes considering an entity's purpose and design. For joint control, judgment is applied when assessing whether the arrangement is jointly controlled by all of its parties or by a group of the parties by taking decisions about relevant activities through unanimous consent of the parties sharing control. For joint control, judgment is also applied as to whether the joint arrangement is classified as a joint venture or joint operation taking into account specific facts and circumstances, such as the purpose and design of the arrangement, including with respect to its output, its relationship to the parties and its source of cash flows. For significant influence, judgment is applied in its determination by assessing factors such as representation on the board of directors, participation in policy-making processes, material transactions with the entity, interchange of managerial personnel and provision of essential technical information. See Notes 8, 38 and 39 to the 2020 Financial Statements.

Intangible Assets

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

Intangible assets other than exploration and evaluation costs and those with indefinite useful lives such as goodwill and brand acquired on acquisition of SABIC, consist primarily of brands and trademarks, franchise/customer relationships and computer software. See Notes 2(g) and 4 to the 2020 Financial Statements. If acquired in a business combination, these intangible assets are recognised at their fair value at the date of acquisition and, if acquired separately, these intangible assets are recognised at cost. All these intangible assets are subsequently amortised on a straight-line basis over their estimated useful lives.

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

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

Amortisation is recorded in depreciation and amortisation in Saudi Aramco's consolidated statement of income.

Exploration and Evaluation

Exploration and evaluation costs are recorded under the successful efforts method. Under the successful efforts method, geological and geophysical costs are recognised as an expense when incurred and exploration costs associated with exploratory wells are initially capitalised on Saudi Aramco's consolidated balance sheet as an intangible asset until the drilling of the well is complete and the results have been evaluated. If potential commercial quantities of hydrocarbons are found, these costs continue to be capitalised, subject to further appraisal activities that would determine the commercial viability and technical feasibility of the reserves. If potentially commercial quantities of hydrocarbons have not been found, and no alternative use of the well is determined, the previously capitalised costs are written off to exploration in Saudi Aramco's consolidated statement of income.

Exploratory wells remain capitalised while additional appraisal drilling on the potential oil and/or gas field is performed or while optimum development plans are established. All such capitalised costs are not subject to amortisation, but at each reporting date are subject to regular technical and management review to confirm the

continued intent to develop, or otherwise extract value from, the well. Where such intent no longer exists, the costs are immediately written off to exploration in Saudi Aramco's consolidated statement of income. Capitalised exploratory expenditures are not subject to amortisation but, at each reporting date, are subject to review for impairment indicators.

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

Property, Plant and Equipment

Property, plant and equipment is stated on Saudi Aramco's consolidated balance sheet at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the construction and/or acquisition of the asset. Land and construction-in-progress are not depreciated. When a construction-in-progress asset is deemed ready for use as intended by management, depreciation commences.

Subsequent expenditures, including major renovations, are included in an asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to Saudi Aramco and the cost of the item can be measured reliably. The carrying amount of the replaced item is derecognised. All other repair and maintenance expenditures are expensed as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. See Note 2(v) to the 2020 Financial Statements.

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

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

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

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

Net gains and losses on disposals of depreciable assets are recognised in net income. Property, plant and equipment held under a finance lease is depreciated over the life of the asset or the lease term, if shorter. See Note 2(j) to the 2020 Financial Statements.

Impairment of Non-Financial Assets

Saudi Aramco assesses, at each reporting date, whether there is an indication that a non-financial asset may be impaired, except that assets with indefinite useful lives such as goodwill and brand acquired (See Note 4 to the 2020 Financial Statements) are reviewed for impairment on an annual basis. If an indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal or value in use ("VIU"). The fair value less costs of disposal calculation is based on either post-tax discounted cash flow models or available data from binding arm's length sales transactions for similar assets, or observable market prices less incremental costs for disposing of the asset. The VIU calculation is based on a post-tax risk adjusted discounted cash flow model. The use of post-tax discount rates in determining VIU does not result in a materially different determination of the need for, or the amount of, impairment that would be required if pre-tax discount rates had been used.

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

Significant Accounting Judgments and Estimates

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

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

Leases

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

Saudi Aramco recognises right-of-use assets and lease liabilities at the lease commencement date. Right-of-use assets are initially measured at cost, which comprises lease liabilities at initial measurement, any initial direct costs incurred, any lease payments made at or before the commencement date, and restoration costs less any lease incentives received. Subsequent to initial recognition the right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis unless the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the asset reflects the exercise of the purchase option, in which case right of use assets are depreciated over the useful life of the underlying asset. Depreciation expense is recorded in the Consolidated Statement of Income. Right-of-use assets are included under property, plant and equipment. See Note 6 to the 2020 Financial Statements.

Lease liabilities are initially measured at the present value of lease payments. Lease payments include fixed lease payments, variable lease payments that depend on an index or rate, amounts payable for guaranteed residual values and payments to be made under extension or purchase or termination options, where applicable. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily

determined, which is generally the case, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Subsequent to initial recognition, the lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and adjusted for remeasurement to reflect any reassessments or lease modifications. Lease liabilities are included under borrowings. See Note 21 to the 2020 Financial Statements. Lease payments are allocated between the principal and finance costs. Finance costs are recorded as an expense in Saudi Aramco's consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Saudi Aramco has elected not to recognise right-of-use assets and lease liabilities for short-term and low-value leases. Lease payments under short-term and low-value leases are recorded as an expense in Saudi Aramco's consolidated statement of income on a straight-line basis over the lease term.

Significant accounting judgments and estimates

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

Accounting policies applied until 31 December 2018

Agreements under which Saudi Aramco made payments to third parties in return for the right to use an asset for a period of time were accounted for as leases. Leases that transferred substantially all the risks and rewards of ownership to Saudi Aramco were recorded at commencement as finance leases. Such leases were capitalised on Saudi Aramco's consolidated balance sheet at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The interest element of leases was recorded in net income using the effective interest method over the term of the lease. Contingent rentals were recognised as an expense in the periods in which they were incurred. All other leases were recorded as operating leases and the associated costs were recorded in net income on a straight-line basis over the period of the lease.

Where Saudi Aramco was the lessor in a finance lease, the present value of the lease payments was recognised as a receivable. The interest element of the lease receivable was recognised in net income using the effective interest method.

Investments and Other Financial Assets

Classification

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

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

For financial assets measured at fair value, gains and losses are recorded either in net income or other comprehensive income. For investments in debt securities, this depends on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this depends on whether Saudi Aramco has made an irrevocable election at the time of initial recognition, due to the strategic nature of these investments, to account for such equity investments at fair value through other comprehensive income. Saudi Aramco reclassifies debt securities when and only when its business model for managing those assets changes. Certain revenue contracts provide for provisional pricing at the time of shipment with the final pricing

based on an average market price for a particular future period. Such trade receivables are measured at fair value because the contractual cash flows are not solely payments of principal and interest. All other trade receivables meet the criteria for amortised cost measurement under IFRS 9.

Recognition and derecognition

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

Measurement

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

Equity Investments:

Saudi Aramco subsequently measures all equity investments at fair value. Where Saudi Aramco has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to net income following the derecognition of the investment. Dividends from such investments continue to be recognised as a component of net income when Saudi Aramco's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised as a component of net income.

Debt Securities:

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

(1) Amortised cost:

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

(2) Fair value through other comprehensive income (“FVOCI”):

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

(3) Fair value through profit or loss (“FVPL”):

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised as a component of net income in the period in which it arises. Financial assets at FVPL are

included in non-current assets unless management intends to dispose of the asset within 12 months from the end of the reporting period, in which case the asset is included in current assets.

Other Financial Assets:

Other financial assets are classified into the following categories:

(1) Amortised cost:

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

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

(2) Fair value through profit or loss:

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

Impairment

Saudi Aramco assesses on a forward-looking basis, the expected credit losses associated with debt securities carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, Saudi Aramco applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Derivative Instruments and Hedging Activities

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

Derivative Instruments Classified as Held for Trading

Saudi Aramco uses commodity swap derivative financial instruments to manage exposure to price fluctuations which arise on purchase and sale transactions for physical deliveries of various refined products. The swaps are initially recognised, and subsequently re-measured, at fair value and recorded as an asset when the fair value is positive or liability when the fair value is negative, under trade receivables or trade and other payables in Saudi Aramco's consolidated balance sheet, respectively.

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

Derivative Instruments Designated as Hedges

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

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

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

Fair Value Hedges:

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

Cash Flow Hedges:

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

Gains and losses deferred through other comprehensive income are reclassified to net income at the time the hedged item affects net income. However, when a hedged item is a forecast transaction resulting in the recognition of a non-financial asset or non-financial liability, the gains and losses deferred through other comprehensive income, if any, are included in the initial cost or other carrying amount of the asset or liability.

When a hedging instrument expires, any cumulative gain or loss deferred through other comprehensive income will remain until the forecast transaction is recognised. When a forecast transaction is no longer expected to occur, the cumulative gain or loss deferred through other comprehensive income is immediately reclassified to net income.

Income Tax and Zakat

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

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

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

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

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

Significant Accounting Judgments and Estimates

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

Detailed taxation information, including current expense and deferred income tax assets and liabilities, is presented in Note 9 to the 2020 Financial Statements.

Inventories

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

Due from the Government

The Government compensates Saudi Aramco through price equalisation and for the past due trade receivables of specified Government, semi-Government and other entities with Government ownership or control to whom Saudi Aramco supplies specified products and services. See Note 2(z) to the 2020 Financial Statements.

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

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

Cash and Cash Equivalents

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

Treasury shares

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

Financial Liabilities

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

Saudi Aramco's financial liabilities are:

Financial Liabilities at FVPL

Derivative financial liabilities are categorised as held for trading unless they are designated as hedges. See Note 2(1) to the 2020 Financial Statements. Derivative financial liabilities held for trading are included in current liabilities under trade and other payables, with gains or losses recognised in net income.

Financial Liabilities at Amortised Cost

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

Financial liabilities at amortised cost include trade and other payables and borrowings. Financial liabilities are disclosed separately from financial assets in Saudi Aramco's consolidated balance sheet unless there is a right to offset.

Borrowing Costs

Any difference between borrowing proceeds and the redemption value is recognised as finance costs in Saudi Aramco's consolidated statement of income over the term of the borrowing using the effective interest method.

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

Post-Employment Benefit Plans

Pension Plans

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

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

Past service costs, representing plan amendments, are recognised immediately as pension costs in Saudi Aramco's consolidated statement of income, regardless of the remaining vesting period.

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

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

Other Post-Employment Benefits

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

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

Significant Accounting Judgments and Estimates

The costs of defined benefit pension plans and post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions, which are reviewed annually. Key assumptions include discount rates, future salary increases, future healthcare costs, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. Information about amounts reported in respect of defined benefit plans, assumptions applicable to the plans and their sensitivity to changes are presented in Note 22 to the 2020 Financial Statements included elsewhere in this Base Prospectus.

Share-based compensation

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

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

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

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

Provisions and Contingencies

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

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

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

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where the inflow of economic benefits is probable.

Significant accounting judgments and estimates

Most of Saudi Aramco's well plugging and abandonment activities are many years into the future with technology and costs constantly changing. Estimates of the amounts of a provision are recognised based on current legal and constructive requirements and costs associated to abandon using existing technologies. Actual costs are uncertain and estimates can vary as a result of changes in the scope of the project and/or relevant laws and regulation. The estimated timing of decommissioning may change due to certain factors, such as reserve life, a decision to terminate operations or changes in legislation. Changes to estimates related to future expected costs, discount rates and timing may have a material impact on the amounts presented. As a result, significant judgment is applied in the initial recognition and subsequent adjustment of the provision and the capitalised cost associated with decommissioning, plugging and abandonment obligations. Any subsequent adjustments to the provision are made prospectively. Detail on the particular assumptions applied when making certain non-current provisions is included in Note 23 to the 2020 Financial Statements.

Foreign Currency Translation

The U.S. Dollar is the functional currency of Saudi Aramco and most of its subsidiaries.

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

Significant accounting judgments and estimates

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

Presentation Currency

The Financial Statements are presented in Saudi Riyal. The financial position and results of operations of Saudi Aramco, subsidiaries, joint arrangements and associates that have a functional currency which is different from the presentation currency are translated at reporting date exchange rates and the average exchange rates that approximate the cumulative effect of rates prevailing at the transaction dates, respectively. All resulting exchange differences are recognised through other comprehensive income.

On disposal of a foreign operation, the component of other comprehensive income relating to the particular foreign operation is recognised in net income.

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

Translations from SAR to USD presented as supplementary information in the Financial Statements 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.

Revenue Recognition and Sales Prices

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

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

Other income related to sales

The Government compensates Saudi Aramco through price equalisation for revenue directly foregone as a result of Saudi Aramco's compliance with local regulations governing domestic sales and distribution of certain liquid products. See Note 2(b)(ii) of the 2020 Financial Statements. This compensation, described as other income related to sales, is calculated by Saudi Aramco as the difference between the product's equalisation price and the corresponding domestic regulated price, net of Government fees, in accordance with the implementing regulations issued by the Government in 2017 and 2019.

This compensation is recorded as other income related to sales, that is taxable, when Saudi Aramco has satisfied its performance obligations through transfer of the title to the buyer, which occurs when product is physically transferred. The compensation due from the Government is characterised as a due from the Government current receivable and is recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method less impairment losses, if any. See Note 2(o) to the 2020 Financial Statements.

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

Production Royalties

Royalties to the Government are calculated based on a progressive scheme applied to crude oil and condensate production. An effective royalty rate is applied to production based on Saudi Aramco's official selling prices. The effective royalty rate is determined based on a baseline marginal rate of 15% applied to prices up to \$70.0 per barrel, increasing to 45% applied to prices above \$70.0 per barrel and 80% applied to prices above \$100.0 per barrel. See Note 2(b)(i) to the 2020 Financial Statements. All such royalties are accounted for as an expense in Saudi Aramco's consolidated statement of income and are deductible costs for Government income tax calculations.

Research and Development

Development costs that are expected to generate probable future economic benefits are capitalised as intangible assets and amortised over their estimated useful life. All other research and development costs are recognised in net income as incurred.

Dividends

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

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

Diluted earnings per share

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

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

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 1 January 2021:

IBOR reform represents the reform and replacement of interest rate benchmarks such as the London Interbank Offered Rate (“LIBOR”) by global regulators. On 5 March 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 30 June 2023.

On 27 August 2020, the IASB issued amendments to IAS 39, Financial Instruments: Recognition and Measurement, IFRS 4, Insurance Contracts, IFRS 7, Financial Instruments: Disclosures, IFRS 9, Financial Instruments, and IFRS 16, Leases as part of phase 2 of a two-phase project for Interbank Offered Rate (“**IBOR**”) reform, which address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. These amendments, effective 1 January 2021, include: (1) providing practical expedients in relation to accounting for instruments to which the amortised cost measurement applies by updating the effective interest rate to account for a change in the basis for determining the contractual cash flows without adjusting the carrying amount; (2) additional temporary exceptions from applying specific hedge accounting requirements, including permitted changes to hedge designation without the hedging relationship being discontinued when Phase 1 reliefs cease; and (3) additional disclosures related to IBOR reform, including managing the transition to alternative benchmark rates, its progress and the risks arising from the transition,

quantitative information about financial instruments that have yet to transition to new benchmarks and changes in the entity's risk management strategy where this arises.

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

Interbank Offered Rate reform – Phase 1

In September 2019, the IASB amended IAS 39, Financial Instruments: Recognition and Measurement, IFRS 7, Financial Instruments: Disclosures, and IFRS 9, Financial Instruments, which modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform in which the LIBOR interest benchmark will cease after 2021. The amendments, part of Phase 1 of a two-phase project for IBOR reform, also require companies to provide additional information about their hedging relationships that are directly affected by these uncertainties. IBOR reforms and expectation of cessation of LIBOR will impact Saudi Aramco's current risk management strategy and possibly accounting for certain financial instruments used for hedging. Saudi Aramco has recognised the following hedging instruments at fair value (see Note 3(d) to the 2020 Financial Statements) which are exposed to the impact of LIBOR with a nominal value of SAR 12,075 million:

Financial Liabilities as at 31 December 2020: SAR 874 million

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

Amendments to IFRS 3, Business Combinations

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

Amendments to IAS 1 and IAS 8 – Definition of Material

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

IBOR reform – Phase 2

On 27 August 2020, the IASB issued amendments to IAS 39, Financial Instruments: Recognition and Measurement, IFRS 4, Insurance Contracts, IFRS 7, Financial Instruments: Disclosures, IFRS 9, Financial Instruments, and IFRS 16, Leases as part of Phase 2 of a two-phase project for IBOR reform, which address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. These amendments, effective 1 January 2021, include: (1) providing practical expedients in relation to accounting for instruments to which the amortised cost

measurement applies by updating the effective interest rate to account for a change in the basis for determining the contractual cash flows without adjusting the carrying amount; (2) additional temporary exceptions from applying specific hedge accounting requirements, including permitted changes to hedge designation without the hedging relationship being discontinued when Phase 1 reliefs cease; and (3) additional disclosures related to IBOR reform, including managing the transition to alternative benchmark rates, its progress and the risks arising from the transition, quantitative information about financial instruments that have yet to transition to new benchmarks and changes in the entity's risk management strategy where this arises. Saudi Aramco is currently assessing the impact of these Phase 2 amendments.

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

INDUSTRY OVERVIEW

Unless otherwise stated, the data in this section is derived from the information prepared by the Industry Consultant for Saudi Aramco. See “Presentation of Financial, Reserves and Certain Other Information—Industry and Other Information”. The analysis and forecasts provided by the Industry Consultant are based on integrating data and analytics from multiple disciplines, including macroeconomics, geopolitics, technology, policy, social and technical fields. Using this information and historical data, the Industry Consultant creates integrated long-term forecasts for supply, demand and pricing of a wide range of energy and petrochemicals products. The forecast data is drawn from the Industry Consultant’s base case scenario which represents a continuation of industry drivers, trends and enacted policies as at the date of this Base Prospectus. The Industry Consultant has developed alternative scenarios dated July 2020 which forecast future supply and demand trajectories which may be higher or lower than those provided herein.

The Industry Consultant provides research, data and advisory services to major international companies as well as public institutions. It operates in several fields and sectors, principally energy, finance, transportation and petrochemicals. The Industry Consultant is listed on The New York Stock Exchange, has its headquarters in London, United Kingdom and has approximately 20,000 employees.

Overview

- **Global demand for crude oil is expected to continue growing, with global GDP growth being a key driver.** Real global GDP grew at a CAGR of 3.1% from 2009 to 2019. Due to the economic impact of the COVID-19 pandemic and measures taken to combat it, the global economy went into a state of temporary dislocation in 2020. A recovery in the market is expected in 2021 with real global GDP expected to grow by 5.1% between 2020 and 2021. After an expected stabilisation in the market, real global GDP is expected to grow at a CAGR of 3.1% from 2021 to 2030. Future growth is expected to be led primarily by non-OECD Asia Pacific, with an anticipated real GDP growth at a CAGR of 5.0% from 2021 to 2030. Global crude oil demand is expected to grow at a CAGR of 0.8% from 2021 to 2030. Growth in demand from non-OECD Asia Pacific and other developing countries is expected to help mitigate any reduction in demand for crude oil in OECD countries caused by the increasing availability of alternative energy sources, greater energy efficiency and the emergence of new technologies in energy consumer markets, such as electric vehicles.
- **Global demand for refined products and chemicals, including ethylene, is expected to grow.** Global demand for refined products is expected to increase at a CAGR of 1.1% from 2021 to 2030, driven by an increase in demand in Latin America, Africa, the Middle East and Asia Pacific. Between 2021 and 2030, global demand for ethylene is expected to grow at a CAGR of 3.2%, primarily due to an anticipated growth in demand from China and other Asian markets. During this same period, global demand for all types of polyethylene, including high density, low density and linear low density-polyethylene, are expected to grow at a CAGR of 3.6%, with nearly half of the increased demand coming from Northeast Asia, driven mainly by an increase in demand from China.
- **In-Kingdom demand for natural gas is expected to grow significantly.** The Kingdom’s demand for natural gas is expected to grow at a CAGR of 3.7% from 2021 to 2030, primarily due to an increase in demand from the power generation and industrial sectors.

Global GDP as a Primary Driver of Oil Demand

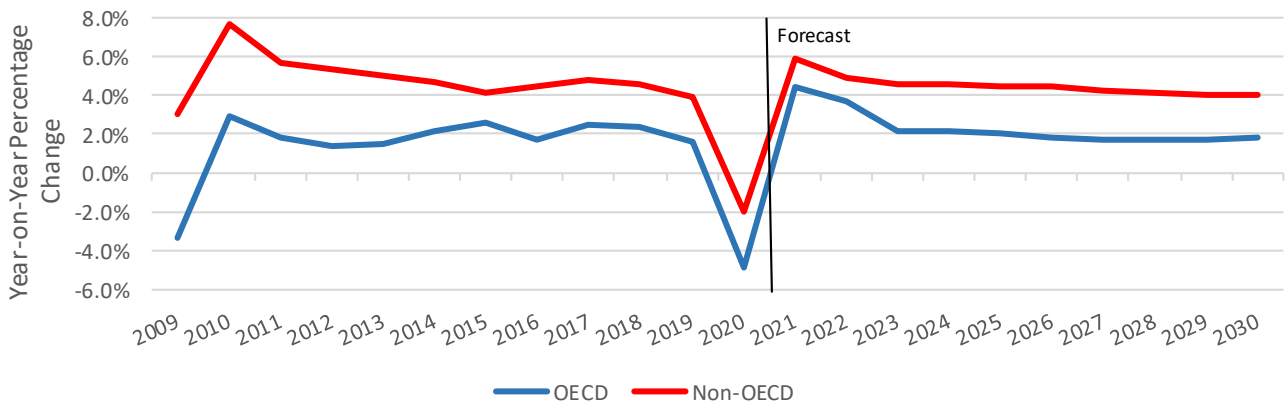
GDP

Real global GDP is a key driver of oil demand. From 2009 to 2019, real global GDP grew at a CAGR of 3.1%. Due to the economic impact of the COVID-19 pandemic and measures taken to combat it, the global economy went into a state of temporary dislocation in 2020, with GDP growth expected to be (3.7)% between 2019 and 2020. A recovery is expected in 2021, with real global GDP expected to grow by 5.1% between 2020 and 2021. After an expected stabilisation in the market, real global GDP is expected to grow at a CAGR of 3.1% from 2021 to 2030.

In recent years, non-OECD countries have been the main drivers of real global GDP growth. From 2009 to 2019, the real GDP of non-OECD countries increased at a CAGR of 5.0%, while the real GDP of OECD countries increased at a CAGR of 2.1%. Non-OECD Asia Pacific accounted for a large portion of the growth within non-OECD countries, with a CAGR of 6.8% from 2009 to 2019.

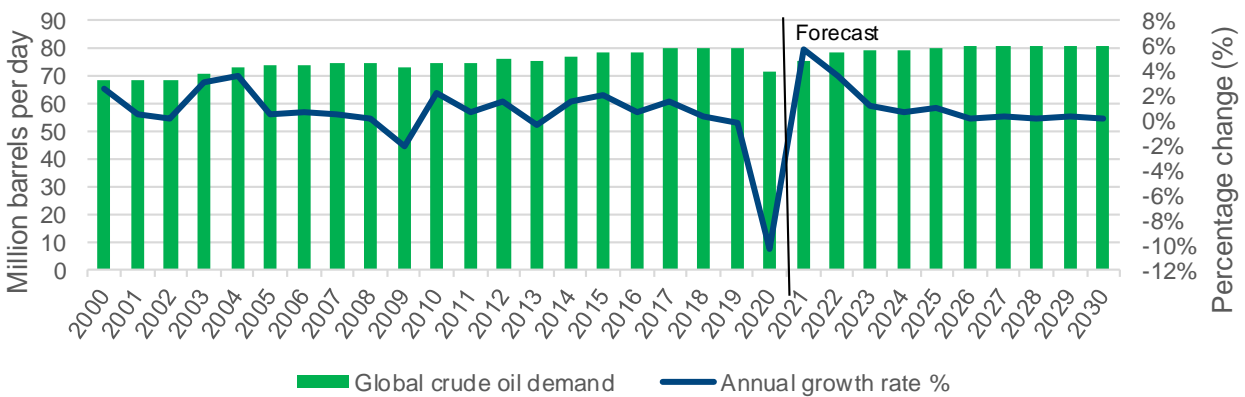
The real GDP of non-OECD countries generally, and in Asia Pacific specifically, is forecast to grow at CAGRs of 4.4% and 5.0% respectively from 2021 to 2030, while the real GDP of OECD countries is expected to grow at a CAGR of 2.1% during that period. The anticipated growth in non-OECD Asia Pacific is primarily due to population growth, increasing per capita wealth (real GDP per capita in non-OECD Asia Pacific is expected to grow at a CAGR of 4.3% from 2021 to 2030), a rising number of middle-class consumers and increased urbanisation (the population living in urban areas is projected to grow from 46% in 2018 to 53% in 2030).

The following chart shows real GDP annual growth rates in OECD and non-OECD countries from 2009 to 2020 and expected annual growth rates from 2021 to 2030.



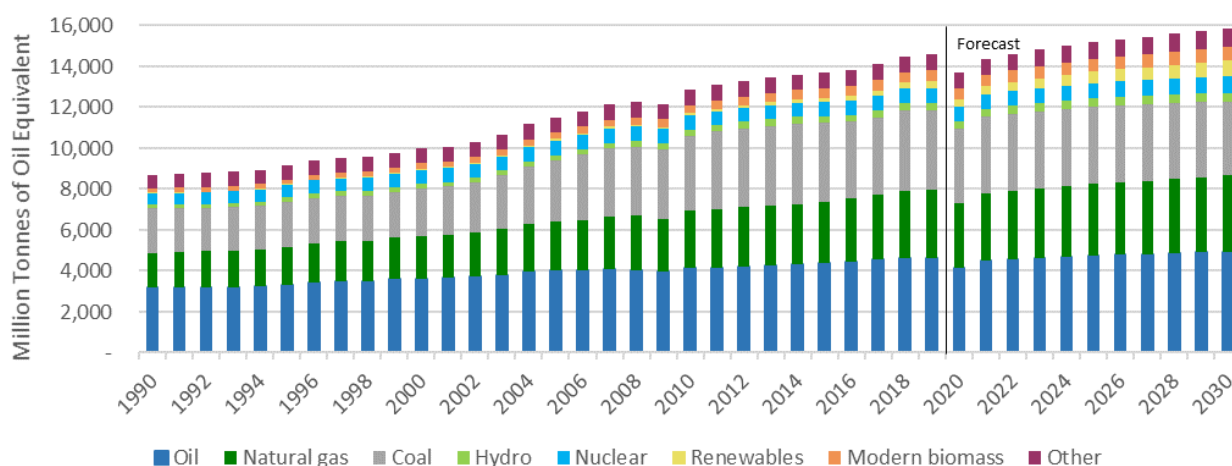
Crude Oil Demand

Historically, global crude oil demand growth has generally tracked global GDP growth trends. Global crude oil demand increased at a CAGR of 0.8% between 2000 and 2019. Due to the economic impact of the COVID-19 pandemic and measures taken to combat it, global crude oil demand fell by 10.3% between 2019 and 2020. As the demand for refined products is expected to recover in 2021, global crude oil demand is expected to increase by 5.6% between 2020 and 2021 and is expected to recover to 2019 levels by 2025, with further growth expected thereafter. Global crude oil demand is expected to grow at a CAGR of 0.8% from 2021 to 2030. The following chart illustrates global annual crude oil demand and growth rates from 2000 to 2020, and expected annual crude oil demand and growth rates from 2021 to 2030.



Demand for oil is influenced by its use for energy. Oil is the world’s leading energy source, accounting for 31.7% of global primary energy demand in 2019. Through 2030, oil is expected to remain the leading primary energy source despite anticipated increases in energy efficiency, increased use of natural gas and renewable

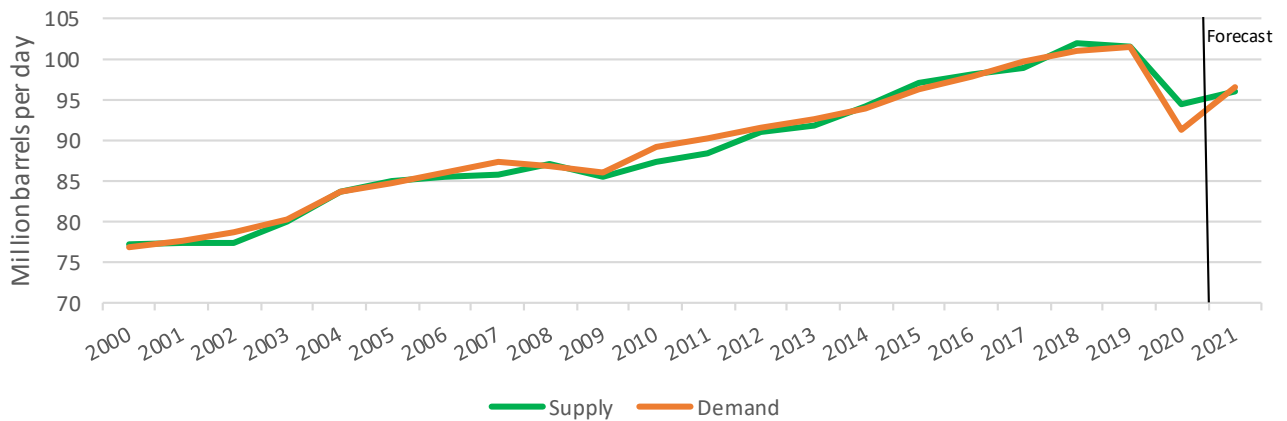
energy sources, such as solar and wind power, and the introduction of new technologies, such as electric vehicles. In 2030, oil is expected to account for approximately 31.1% of total energy consumption. The following chart sets forth the sources of energy from 1990 to 2019 and expected global sources of energy from 2020 to 2030 (based on analysis dated November 2020).



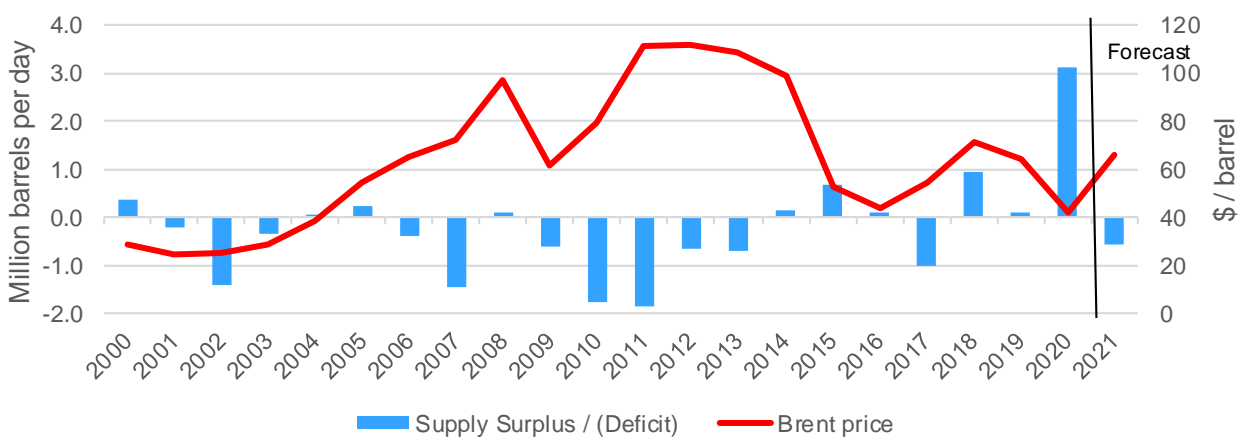
Liquids Supply-Demand Balance

Liquids balance is an indicator of how the global oil market is performing in terms of supply-demand dynamics. The global supply of liquids products relies on feedstock supply from hydrocarbons, including crude oil, condensate, and NGLs. Conversely, the demand for liquids products, which include refined products, blended biofuels, synthetic fuels, liquid petroleum gases and ethane, differs by region. In non-OECD countries generally, and in non-OECD Asia Pacific specifically, liquids demand increased at CAGRs of 3.0% and 4.5% respectively, from 2009 to 2019, while liquids demand in OECD countries increased at a CAGR of 0.3%. Due to the economic impact of the COVID-19 pandemic and measures taken to combat it, global liquids demand declined by 10.1% between 2019 and 2020. During this same period, demand for liquids in OECD countries contracted by 12.5% while liquids demand in non-OECD countries declined by 8.2%. A recovery in the market is expected in 2021, with global liquids demand expected to grow by 5.9% between 2020 and 2021. During this same period, liquids demand in non-OECD countries generally, and in non-OECD Asia Pacific specifically, is anticipated to grow 6.4% and 8.0%, respectively, while liquids demand in OECD countries is anticipated to grow 5.3%. After an expected stabilisation in the market, global liquids demand is expected to grow at a CAGR of 1.2% from 2021 to 2030, with demand in non-OECD countries generally, and in non-OECD Asia Pacific specifically, is anticipated to grow at CAGRs of 1.8% and 2.0%, respectively during that period. In contrast, between 2021 and 2030, liquids demand in OECD countries which have sizeable, yet stable demand, is expected to grow at a lower CAGR of 0.3%, primarily due the maturity of their economies and the increased use of alternative energy sources and more fuel efficient vehicles.

Any movement in supply or demand for liquids products affects the liquids supply-demand balance and, correspondingly, impacts oil prices and production decisions. Among the most significant recent imbalances were an excess supply in liquids during the period between 2014 and 2016 and a large inventory build-up during the first half of 2020, each of which exerted downward pressure on oil prices. The following chart shows the liquids supply-demand dynamic from 2000 to 2021.

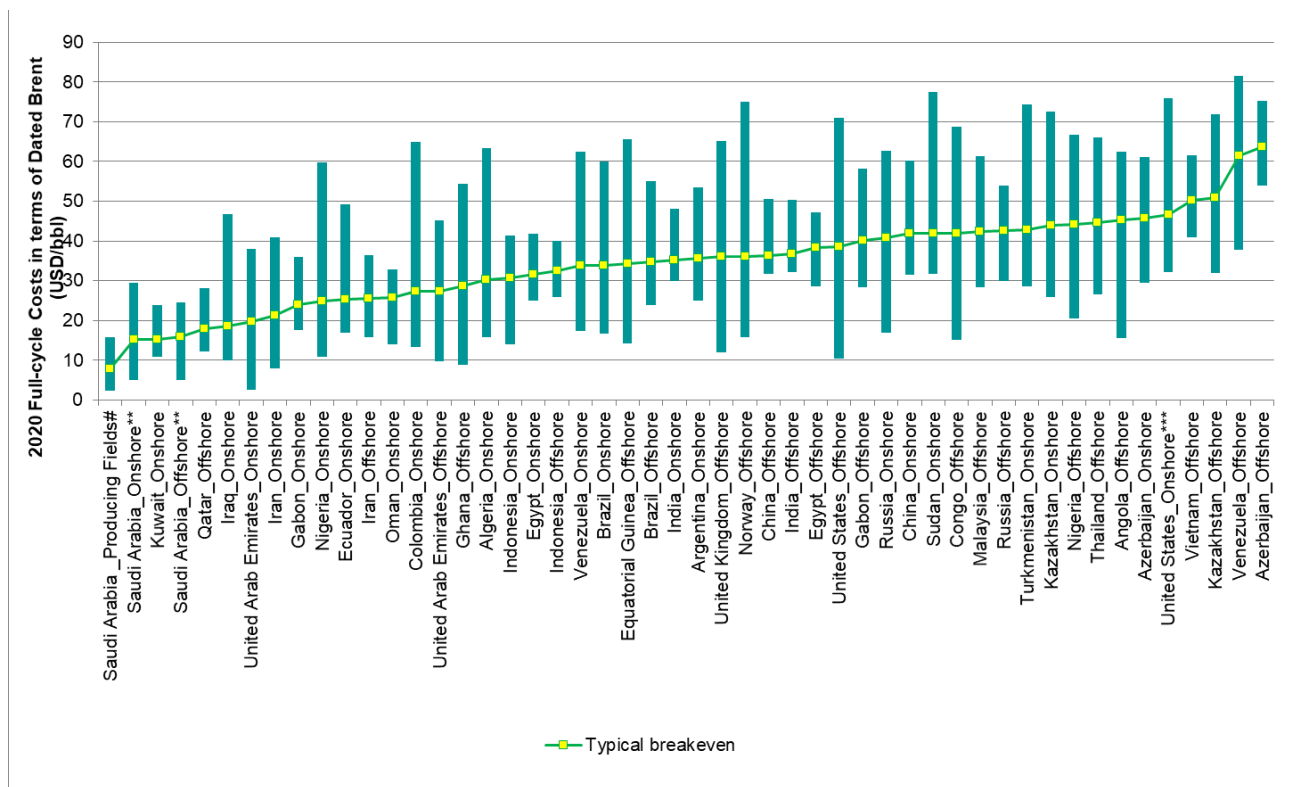


Liquids supply and demand growth rates both began to slow in 2016, with supply growth slowing to a greater degree than demand growth. The annual supply growth rates fell from 3.0% to 1.1% between 2015 and 2016, while the annual demand growth rates fell from 2.4% to 1.7% between 2015 and 2016. The slowdown in supply growth was a result of the market reaction to excess inventory and the corresponding steep fall in prices starting in 2014. In 2017, demand for liquids outpaced supply, which led to a rise in oil prices, with Brent price averaging \$54 per barrel in 2017 and \$71 per barrel in 2018. In 2019, Brent prices fell to an average of \$64 per barrel as a result of a drop in demand growth. Due to the COVID pandemic, Brent prices continued to decline in 2020 as a result of a steep fall in demand and a resulting significant inventory build-up in the first half of 2020. This inventory build-up is expected to gradually decline in 2021. The following chart sets forth the relationship between global liquids balance and Brent price from 2000 to 2020.



Additionally, as oil prices fell from 2014 to 2016, producers began to reduce oil and gas exploration and production capital expenditures, with North America experiencing the most significant drop. Global annual oil and gas exploration and production capital expenditures fell from \$712 billion to \$354 billion during that period. Since 2016, global capital expenditures have been increasing steadily and rose to \$454 billion in 2018. Notably, between 2016 and 2018, onshore unconventional resources exploration and production spending increased from \$51 billion to \$121 billion, the most significant increase in capital expenditures during that period. Despite global volatility since 2014, capital expenditures in the Middle East have remained relatively stable and reached \$40 billion in 2019. However, due to a fall in demand for oil and a corresponding fall in oil prices resulting

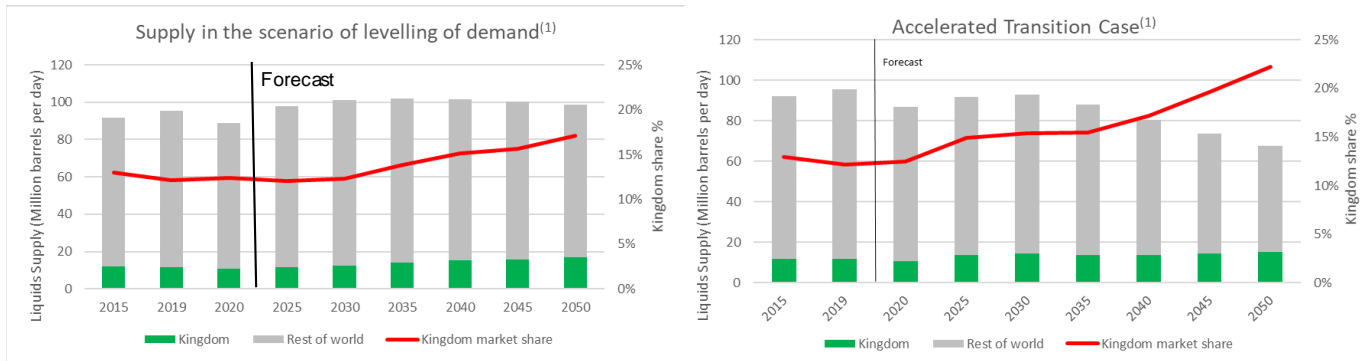
from the economic impact of the COVID-19 pandemic and measures taken to combat it, global capital expenditures fell by 30% between 2019 and 2020. However, as oil prices continue to recover, global exploration and production capital expenditures are expected to rise and exceed 2019 levels by 2023. Saudi Arabia has an advantage as competing on the cost of supply curve is more relevant than ever as oil demand growth slows over the coming decade. The following chart sets forth post-tax breakeven costs for new oil projects at a 10% rate of return by country and field type through 2030.



(*) A typical project is not a weighted or arithmetic average but a selection of what a typical new oil project in that country would cost in today's market. New oil projects selected by country from 2020-onwards.
 # The breakeven price for producing fields in Saudi Arabia is forward looking hence it excludes all exploration and development cost. The breakeven price for Saudi Arabia (for the three categories – producing fields, onshore and offshore) is calculated assuming an income tax rate of 50%.
 ** The break-even price for Saudi Arabia (for the three categories – producing fields, onshore and offshore) is calculated assuming an income tax rate of 50%. The analysis is carried out for typical new projects starting in 2020.
 *** The break-even for US Onshore excludes land acquisition costs.

Global demand for liquids is expected to level off around 2033 and eventually peak in 2037. Global supply is expected to move in line with demand, with an expected increase in market share for lower cost producers, including the Kingdom. Consequently, between 2015 and 2050, the Kingdom's daily liquids supply volumes are expected to increase at a CAGR of 1.0%.

Alternatively, in a scenario representing a more rapid transition away from fossil fuels, global demand for liquids is expected to have peaked in 2019. However, even in this scenario, the Kingdom's share of global supply is expected to increase through 2050, with the Kingdom's daily liquids supply volumes expected to increase at a CAGR of 0.7% between 2015 and 2050. The following chart illustrates estimated, actual and expected supply of liquids from 2015 to 2050 under both demand scenarios.

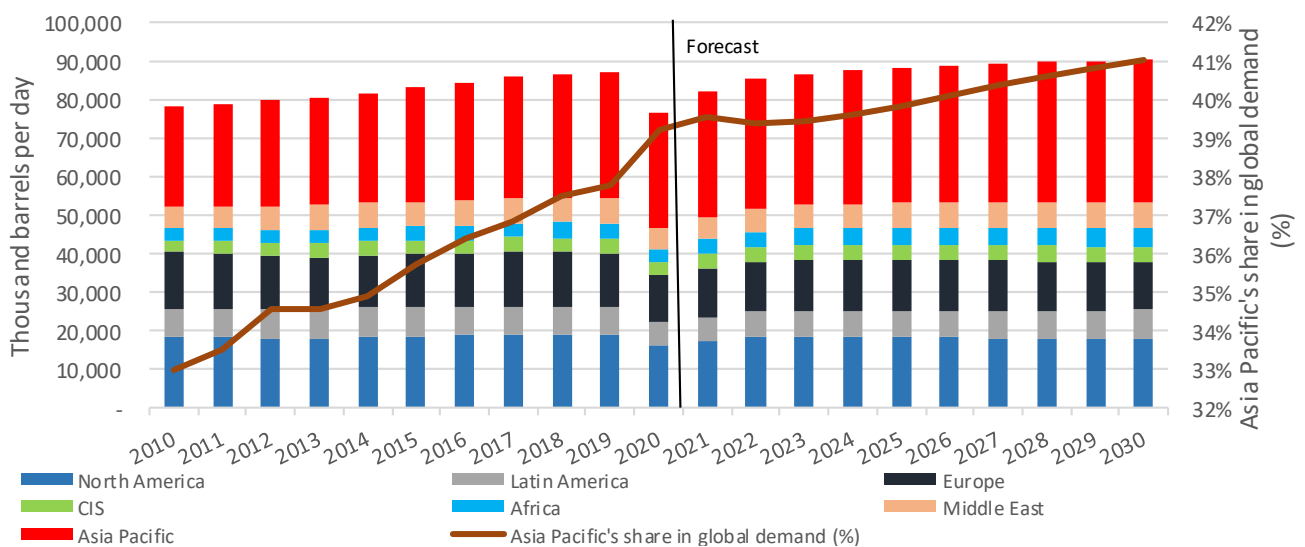


(1) The Kingdom's market share projections in these two scenarios are based on a number of assumptions regarding government policies, technology developments and market responses.

Growth in Global Demand for Refined Products and Chemicals

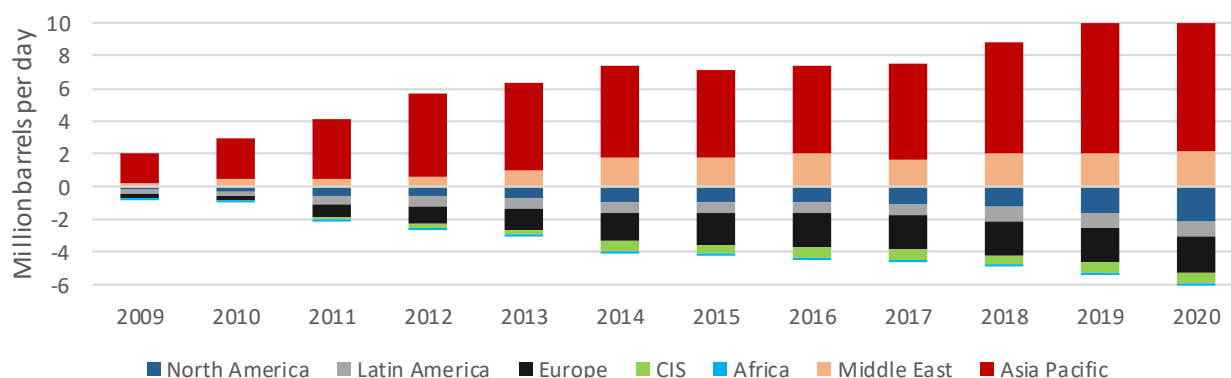
Between 2010 and 2019, refined product demand increased globally at a CAGR of 1.2%, mainly driven by growth in CIS, Africa, the Middle East and Asia Pacific, which saw refined product demand increase at CAGRs of 2.0%, 2.6%, 1.0% and 2.7%, respectively, between 2010 and 2019.

Global demand for refined products declined by 11.8% between 2019 and 2020 due to the economic impact of the COVID-19 pandemic and measures taken to combat it. However, a recovery in the market is expected in 2021, with global demand for refined products expected to increase by 6.8% between 2020 and 2021. Between 2021 and 2030, global demand for refined products is expected to increase at a CAGR of 1.1%, driven by continuing demand from Africa, the Middle East and Asia Pacific, which are expected to grow at CAGRs of 2.8%, 2.0% and 1.5%, respectively. In the same period, Asia Pacific's share of global demand for refined products is expected to increase from 39.5% to 41.0%. Demand growth for refined products in North America and Europe is expected to level off in 2023. The following chart illustrates refined product demand by region from 2010 to 2020 and expected refined product demand by region from 2021 to 2030.



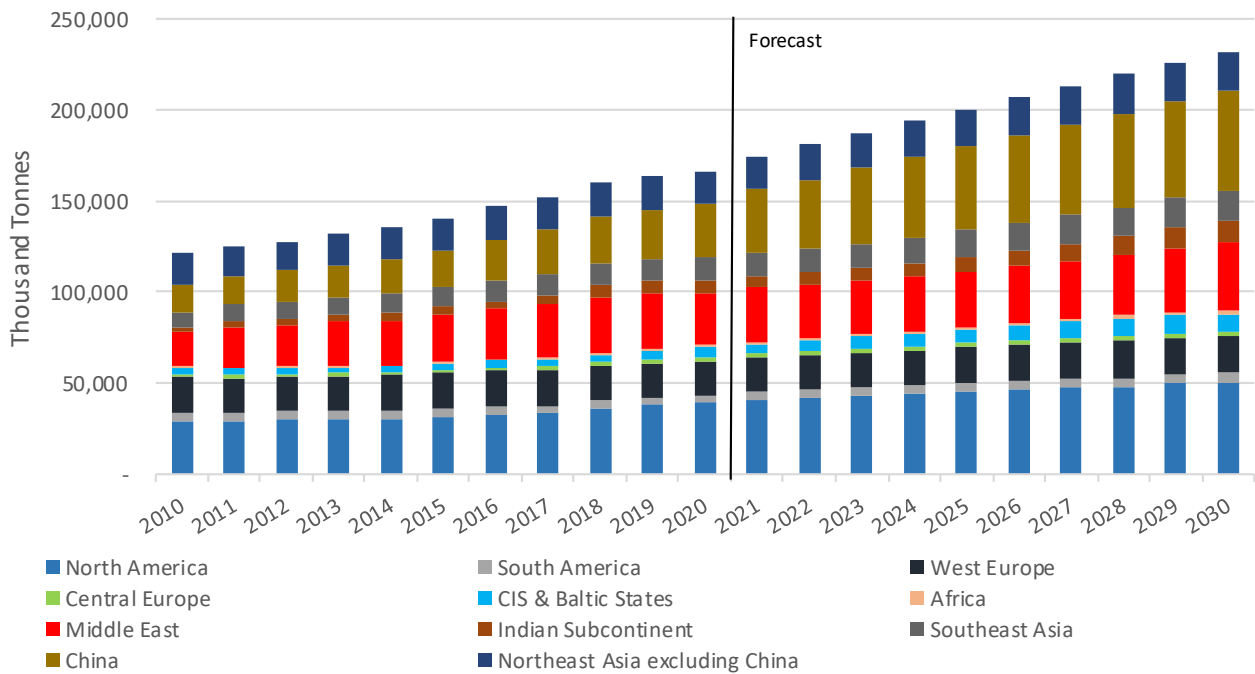
Regional changes in the demand for refined products have led to a geographical shift in refining operations, with more new, large and increasingly complex refineries opening in Asia Pacific and the Middle East and aging uneconomical and operationally inefficient refineries closing in OECD countries, particularly in Europe. These

new, larger and increasingly complex refineries integrated with petrochemicals have superior crude diet flexibility and greater efficiency. The following chart depicts net cumulative refinery capacity additions and (closures) between 2009 and 2020, with net cumulative refinery additions in the Middle East and Asia Pacific and net cumulative refinery closures in North America, Africa, Latin America, the CIS and Europe.

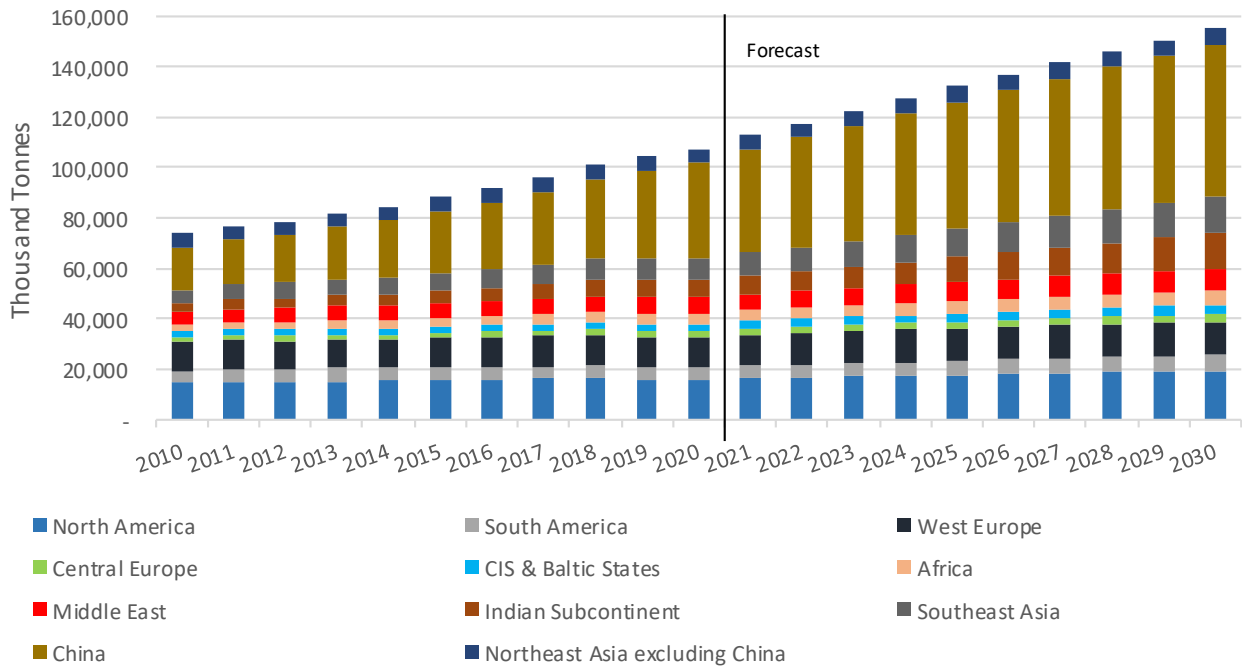


Due to stricter regulatory requirements and increasingly strict emissions standards, refineries are generally shifting to the production of higher-specification fuels, such as gasoline, jet fuel and certain types of diesel, and converting fuel oil into higher value products. The proliferation of electric vehicles has also had an impact on the demand for refined products. Further, as demand growth for gasoline and diesel slows in the long term, jet fuel and naphtha are expected to drive refined product demand growth with the increase in demand for naphtha being driven by feedstock requirement from the chemicals sector.

Demand for chemicals is expected to increase at a greater rate than the increase in demand for crude oil and refined products. Demand for ethylene, a key base product for chemicals, grew at a CAGR of 3.3% globally from 2010 to 2019 and is forecast to grow at 3.2% annually from 2021 to 2030. The COVID-19 pandemic had a limited impact on global ethylene demand in 2020, which increased by 1.7% between 2019 and 2020. From 2021 to 2030, an increase in demand for ethylene is expected to be mainly driven by an increase in demand from China and North America at CAGRs of 5.2% and 2.2%, respectively. Annual growth rates in the CIS & Baltic States and Indian Subcontinent will be 7.1% and 6.1% respectively, which is roughly equivalent to the incremental increase in demand volume in North America over the same period. The following chart sets forth the global demand for ethylene by region from 2010 to 2020 and expected demand for ethylene from 2021 to 2030.



As an ethylene derivative, polyethylene comprised 63.4% of the global demand for ethylene in 2020, with demand for polyethylene growing at a CAGR of 3.8% globally from 2010 to 2020. The economic impact of the COVID-19 pandemic and measures taken to combat it had very minor effect on the overall demand for polyethylene in 2020, which increased by 3.0% between 2019 and 2020. Demand for polyethylene is forecast to grow at a CAGR of 3.6% from 2021 to 2030, mainly driven by an increase in demand from Northeast Asia generally, and in China specifically, where demand is expected to grow at CAGRs of 4.1% and 4.5% respectively. Demand from China represented 87% of Northeast Asia’s demand in 2020. The following chart sets forth the global demand for polyethylene by region from 2010 to 2020 and expected demand for polyethylene from 2021 to 2030.

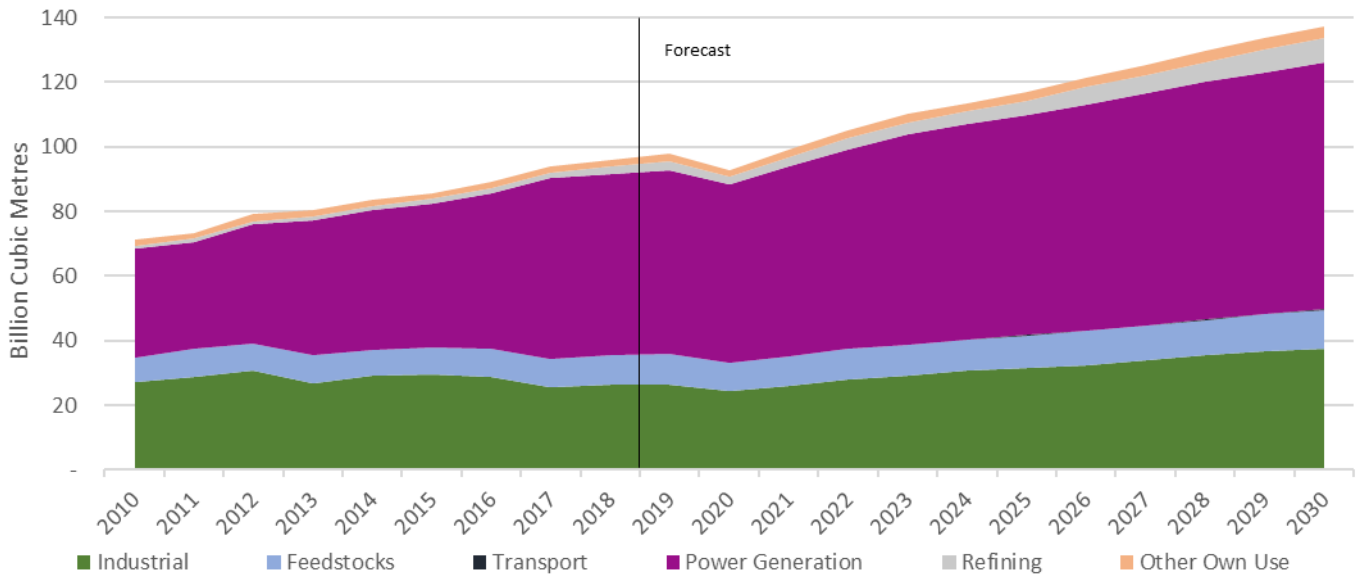


In-Kingdom Natural Gas Demand*

Between 2010 and 2019, in-Kingdom natural gas demand grew at a CAGR of 3.6%, driven by the increased use of gas in power generation, as compared to a CAGR of 2.1% for global natural gas demand.

As a result of the economic impact of the COVID-19 pandemic and measures taken to combat it, between 2019 and 2020, global and in-Kingdom natural gas demand is expected to decline by 5.4% and 5.0%, respectively. However, a recovery in the market is expected in 2021, with global and in-Kingdom natural gas demand expected to grow by 2.5% and 6.7% respectively, between 2020 and 2021. From 2021 to 2030, in-Kingdom natural gas demand is expected to grow at a CAGR of 3.7%, and is expected to continue to outpace growth of global demand for gas, which is expected to grow at a CAGR of 1.7% during the same period. The Kingdom's domestic use of natural gas has historically been constrained by available supply. However, over the past decade, development of non-associated natural gas resources in the Kingdom has significantly increased domestic natural gas production capacity. For a discussion on the expansion of the Master Gas System ("MGS"), see "*Business—Operating Segments—Gas and NGL*".

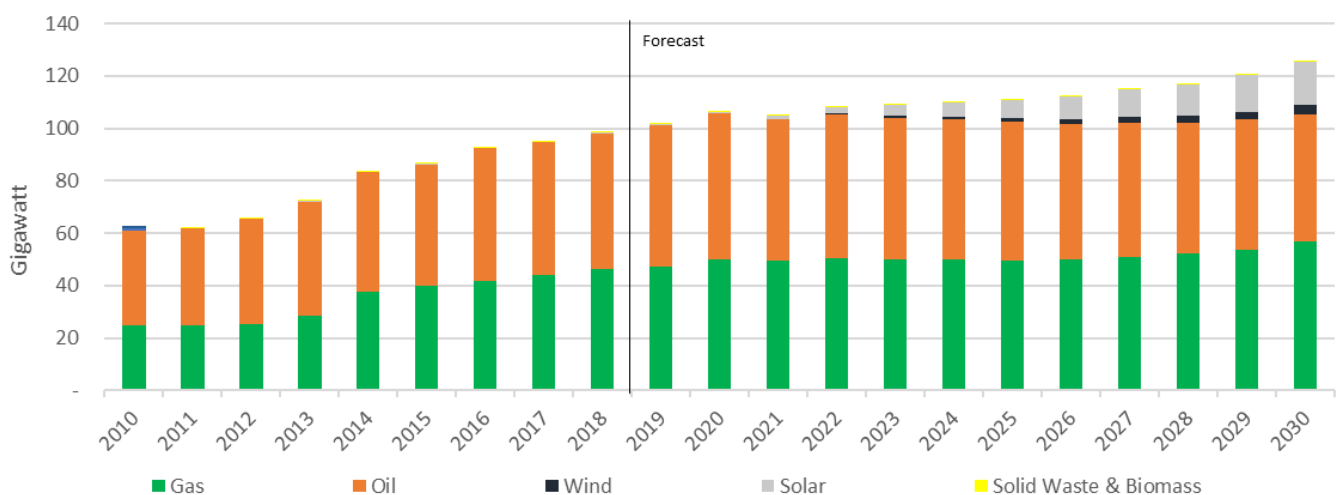
Future in-Kingdom demand for natural gas is expected to be driven primarily by expected growth in demand for power generation and the refining and industrial sectors, including chemical feedstocks. The following chart sets forth the Kingdom’s natural gas demand by sector from 2010 to 2018 and expected natural gas demand by sector from 2019 to 2030.



(1) Volumes exclude ethane use as petrochemicals feedstock and other NGL demand.

(*) Based on analysis dated Nov 2020

As additional natural gas is produced in the Kingdom, the Kingdom is expected to rely more on natural gas for power generation, which in turn is expected to be the primary driver of gas demand in the Kingdom through 2030. The following chart shows power capacity growth by fuel (including natural gas) used in the Kingdom from 2010 to 2018 and expected power capacity growth by fuel (including natural gas) used in the Kingdom from 2019 to 2030.



The economic impact of the COVID-19 pandemic and measures taken to combat it is expected to impact power demand negatively leading to a 4.1% decrease in natural gas-fuelled power generation in 2020. Natural gas-fuelled power capacity is expected to increase in 2020 as projects that were under development are commissioned. Natural gas-fuelled power capacity is expected to grow at a CAGR of 1.5% from 2021 to 2030, and natural gas-fuelled power generation at a CAGR of 3.1% for the same period. In 2030, power generation

using natural gas as feedstock is expected to constitute approximately 72% of the country's electricity generation output, up from 64% in 2018, while oil's share is expected to decline from 36% to 18% over the same period.

Although most of the additional natural gas supply is expected to be used to meet new power demand, some natural gas volumes will displace existing oil-based power generation. Overall, these steps are expected to lead to a reallocation of the use of crude oil from a feedstock for power generation to being available for export.

The refining and industrial sectors are expected to be secondary drivers of natural gas demand in the Kingdom through 2030. Due to the economic impact of the COVID-19 pandemic and measures taken to combat it, between 2019 and 2020, gas demand by the Kingdom's refining and industrial sectors is expected to fall by 15.0% and 7.6%, respectively. However, as economic activity recovers, gas demand by the refining and industrial sectors is expected to increase by 23.6% and 5.6%, respectively, between 2020 and 2021. From 2021 to 2030, gas demand by the Kingdom's refining and industrial sectors is expected to grow at a CAGR of 10.5% and 4.3%, respectively.

BUSINESS

Overview

Saudi Aramco is the world's largest integrated oil and gas company. In 2020, Saudi Aramco produced 12.4 million barrels per day of oil equivalent, including 9.2 million barrels per day of crude oil (includes AGOC's oil production, blended condensate and excludes the Kingdom of Bahrain's entitlement to volumes produced from the Abu Sa'fah field). Saudi Aramco's crude oil production accounted for approximately one in every eight barrels of crude oil produced globally from 2016 to 2020. As at 31 December 2020, Saudi Aramco's proved liquids reserves were 224.1 billion barrels. As at 31 December 2020, Saudi Aramco had a gross refining capacity of 6.4 million barrels per day and net refining capacity of 3.6 million barrels per day. Saudi Aramco is focussed on maintaining its pre-eminent upstream position and continued strategic integration of its downstream operations to secure demand for its crude oil and to capture value across the hydrocarbon chain.

Saudi Aramco's heritage dates back to 1933 as an upstream venture founded by predecessors to Chevron and ExxonMobil. Saudi Aramco's upstream operations are predominantly based in the Kingdom, and it operates a global downstream business. As at 31 March 2021, Saudi Aramco had two reportable segments, upstream and downstream, which are supported by corporate activities.

For the three months ended 31 March 2021, Saudi Aramco generated SAR 99.3 billion (\$26.5 billion) in net cash provided by operating activities and SAR 68.5 billion (\$18.3 billion) of Free Cash Flow. For the year ended 31 December 2020, Saudi Aramco generated SAR 285.3 billion (\$76.1 billion) in net cash provided by operating activities and SAR 184.3 billion (\$49.1 billion) of Free Cash Flow. Saudi Aramco operates within a conservative financial framework and strives to maintain its Gearing ratio to within its long-term targeted range of 5% to 15%, however, following the acquisition of the PIF's 70% equity interest in SABIC, Saudi Aramco's Gearing ratio was 23.0% as at 31 March 2021. Free Cash Flow and Gearing are non-IFRS financial measures. For a definition of Free Cash Flow and Gearing and a reconciliation to the nearest financial measures calculated in accordance with IFRS, see "*Alternative Performance Measures—Free Cash Flow*" and "*Alternative Performance Measures—Gearing*".

Upstream

Saudi Aramco is a major producer of crude oil and condensate. In the three months ended 31 March 2021, Saudi Aramco produced on average 11.5 million barrels per day of oil equivalent, including 8.6 million barrels per day of crude oil (including AGOC's oil production, blended condensate and excludes the Kingdom of Bahrain's entitlement to volumes produced from the Abu Sa'fah field). In 2020, Saudi Aramco produced 12.4 million barrels per day of oil equivalent, including 9.2 million barrels per day of crude oil (including AGOC's oil production, blended condensate and excludes the Kingdom of Bahrain's entitlement to volumes produced from the Abu Sa'fah field), an additional 0.2 million barrels per day of unblended condensate, 1.0 million barrels per day of NGL, 9.0 billion standard cubic feet per day of natural gas and 1.0 billion standard cubic feet per day of ethane. Saudi Aramco reached a record level of production of 12.1 million barrels per day of crude oil on 2 April 2020 and 10.7 billion standard cubic feet per day of natural gas on 6 August 2020. Saudi Aramco manages the Kingdom's unique reserves and resources base to optimise production and maximise long-term value pursuant to the Hydrocarbons Law, which mandates that Saudi Aramco's hydrocarbon operations promote long-term productivity of the Kingdom's reservoirs and support the prudent stewardship of its hydrocarbon resources.

As at 31 December 2020, the Kingdom's reserves in the fields Saudi Aramco operates consisted of 336.9 billion barrels of oil equivalent, including 261.6 billion barrels of crude oil and condensate, 36.0 billion barrels of NGL and 238.8 trillion standard cubic feet of natural gas.

Pursuant to the Concession, effective 24 December 2017, Saudi Aramco's exclusive right to explore, develop and produce the Kingdom's hydrocarbon resources, except in the Excluded Areas, was limited to an initial period of 40 years, which will be extended by the Government for 20 years provided Saudi Aramco satisfies certain conditions commensurate with current operating practices. In addition, the Concession may be extended for an additional 40 years beyond the prior 60-year period subject to Saudi Aramco and the Government

agreeing on the terms of the extension. See “*Material Agreements—The Concession*”. The provision of a specified term in the Concession impacts the calculation of Saudi Aramco’s reserves as compared to the Kingdom’s reserves in the fields Saudi Aramco operates. The Concession also requires Saudi Aramco to meet domestic demand for certain hydrocarbons, petroleum products and LPGs through domestic production or imports.

Based on the initial 40-year period and 20-year extension of the Concession, as at 31 December 2020, Saudi Aramco’s reserves were 255.2 billion barrels of oil equivalent. Saudi Aramco’s oil equivalent reserves were sufficient for proved reserves life of 56 years, consisting of 198.8 billion barrels of crude oil and condensate, 25.2 billion barrels of NGL and 191.6 trillion standard cubic feet of natural gas.

Saudi Aramco’s average upstream lifting cost was SAR 11.3 (\$3.0) per barrel of oil equivalent produced in 2020. In addition, Saudi Aramco’s upstream capital expenditures for the year ended 31 December 2020 averaged SAR 15.0 (\$4.0) per barrel of oil equivalent produced. Saudi Aramco’s low cost position is due to the unique nature of the Kingdom’s geological formations, favourable onshore and shallow water offshore environments in which Saudi Aramco’s reservoirs are located, synergies available from Saudi Aramco’s use of its large infrastructure and logistics networks, its low depletion rate operational model and its scaled application of technology. Given the quality of most of Saudi Aramco’s reservoirs, and its operational model, it is possible to achieve high recovery factors while maintaining relatively low water cut levels for long periods of time.

The Government determines the Kingdom’s maximum level of crude oil production in the exercise of its sovereign prerogative and requires Saudi Aramco to maintain MSC in excess of its then current production in accordance with the Hydrocarbons Law. MSC refers to 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. MSC was 12.0 million barrels of crude oil per day from 1 January 2019 to 31 December 2020. However, on 11 March 2020, the Government (acting through the Ministry of Energy) directed Saudi Aramco to increase MSC from 12.0 to 13.0 million barrels of crude oil per day. Saudi Aramco is proceeding with engineering evaluations and assessing its options for implementing the Government’s directive to increase MSC. The spare capacity afforded by maintaining MSC enables Saudi Aramco to increase its crude oil production above planned levels rapidly in response to changes in global crude oil supply and demand. Saudi Aramco also uses this spare capacity as an alternative supply option in case of unplanned production outages at any field and to maintain its production levels during routine field maintenance.

Saudi Aramco’s gas portfolio is rich in liquids, demonstrated by the production of 1.0 million barrels per day of NGL and 0.2 million barrels per day of unblended condensate in 2020. Saudi Aramco is the exclusive supplier of natural gas in the Kingdom and supplied 9.0 billion standard cubic feet per day of natural gas and 1.0 billion standard cubic feet per day of ethane to the Kingdom in 2020. It owns and operates the MGS, which is an extensive network of pipelines that connects Saudi Aramco’s key gas production and processing sites throughout the Kingdom. Saudi Aramco expects to further expand its gas reserves through new field discoveries, new reservoir additions in existing fields and delineation and reassessment of existing reservoirs and fields.

Downstream

Saudi Aramco has a large, strategically integrated global downstream business. The downstream segment’s activities consist primarily of refining and petrochemical manufacturing, supply and trading, distribution and power generation. As at 31 December 2020, Saudi Aramco had a gross refining capacity of 6.4 million barrels per day and net refining capacity of 3.6 million barrels per day. The strategic integration of Saudi Aramco’s upstream and downstream segments provides an opportunity for Saudi Aramco to secure crude oil demand and capture incremental value from the oil supply chain by selling to its dedicated system of domestic and international wholly owned and affiliated refineries. The downstream segment’s other business activities include base oils, lubricants and retail operations.

Saudi Aramco’s downstream business is the single largest customer for the upstream business’ crude oil production, consuming 39% of its crude oil production in 2020. Saudi Aramco’s upstream business produces all the crude oil supplied to and processed by Saudi Aramco’s wholly owned and affiliated refineries in the

Kingdom and the majority of crude oil used by its international wholly owned and affiliated refineries. In 2020, Saudi Aramco's weighted average ownership percentage in Saudi Aramco's international refineries was 41%, but it supplied an average of 54% of the crude oil used by those refineries. This crude placement provides significant benefits to Saudi Aramco's downstream operations, including a secure and reliable supply of high-quality crude oil, which helps to ensure a secure and reliable supply of refined products to its downstream customers.

As the sole supplier to the large domestic marketplace, Saudi Aramco's refining operations in the Kingdom, including its domestic affiliates, accounted for 59% of its net refining capacity in 2019 and 2020. In addition to its domestic focus, Saudi Aramco is focusing its downstream investments in areas of high-growth, including China, India and Southeast Asia, while maintaining its current participation in material demand centres, such as the United States, and countries that rely on importing crude oil, such as Japan and South Korea.

Saudi Aramco also has an integrated petrochemicals business within its downstream segment, which enables it to capture incremental margin in the hydrocarbon value chain. Saudi Aramco's chemicals business spans from production of basic chemicals such as aromatics, olefins and polyolefins to more complex products such as polyols, isocyanates and synthetic rubber. Saudi Aramco's chemicals business continues to grow through capacity expansions in the Kingdom, increasing ownership positions in affiliates and new investments, including its acquisition of the PIF's 70% equity interest in SABIC on 16 June 2020. Saudi Aramco's investment in SABIC makes it a major global producer of petrochemicals and expands its capabilities in procurement, manufacturing, marketing and sales. With the acquisition of a 70% equity interest in SABIC, as at 31 March 2021, Saudi Aramco's chemicals business operates in over 50 countries and produces a range of chemicals. Saudi Aramco expects that SABIC will benefit from Saudi Aramco's downstream chemicals feedstock production, and its ability to invest in and execute large scale projects.

Saudi Aramco continues to evaluate a number of additional large-scale investment opportunities in high-growth geographies globally, as well as organic initiatives, to improve the operational and financial performance of its downstream assets, including capacity increases, asset upgrades, improvements in product yield and capturing additional petrochemical integration.

Saudi Aramco's downstream segment includes its crude oil and product sales, distribution and trading platforms. These platforms support Saudi Aramco's upstream and downstream operations by enabling it to optimise crude oil sales and product placement through its significant infrastructure network of pipelines and terminals and access to shipping and logistics resources. Saudi Aramco also maintains flexibility to respond to fluctuations in demand through its five crude grades and MSC. This flexibility contributes to Saudi Aramco's ability to meet its customer's needs and its reputation as one of the most reliable crude oil suppliers, meeting 99.8%, 99.2% and 99.9% of its delivery obligations on time in 2018, 2019 and 2020, respectively.

Corporate

Saudi Aramco's corporate activities primarily support the activities of its upstream and downstream segments. The corporate activities include technical services that are essential to the success of Saudi Aramco's core activities, as well as human resources, finance, corporate affairs and legal.

Corporate History and Evolution

On 29 May 1933, the Government granted a concession to Socal giving it the right to explore for oil within the Kingdom's borders. Later that year, Socal incorporated CASOC as a subsidiary to manage the concession. Texaco acquired a 50% interest in CASOC in 1936. CASOC's first commercial success came in 1938 at a drill site in Dhahran, which quickly began producing more than 1,500 barrels of crude oil per day. In 1944, CASOC was renamed Arabian American Oil Company. In 1948, Standard Oil Company of New Jersey, which later became Exxon, purchased 30% of Arabian American Oil Company, and Socony-Vacuum Oil Company, which later became Mobil, purchased 10% to help provide market outlets and capital for the Kingdom's hydrocarbon reserves. In 1952, Arabian American Oil Company's headquarters moved from New York to Dhahran, and in 1973, the Government acquired an initial 25% participating interest in the concession, which increased to 60% in the following year. Arabian American Oil Company continued to grow and had become the world's largest oil producer in terms of volume produced in a single year by 1976. Between 1980 and 1981, the Government

increased its participation interest in Arabian American Oil Company's crude oil concession rights, production and facilities to 100%. During the 1980s, Arabian American Oil Company increased its production volumes and expanded its infrastructure with the construction of the East-West pipeline, a 1,200 kilometre pipeline dedicated to transporting crude oil from Dhahran to Yanbu' on the Red Sea. In the 1980s and 1990s, Arabian American Oil Company established refining and marketing joint ventures in strategic geographies around the globe in order to further expand its market and product offerings.

In 1988, Saudi Arabian Oil Company, also known as Saudi Aramco, was established as a company with limited liability by virtue of Royal Decree No. M/8, dated 4/4/1409 in the Hijri calendar (corresponding to 13 November 1988), to assume the privileges and rights of Arabian American Oil Company.

In 1993, Saudi Aramco assumed the assets and operations of Saudi Arabian Marketing and Refining Company (also known as Samarec), a Government-owned in-Kingdom refining and international product marketing organisation which included joint ventures with Shell (SASREF) and Mobil, which later became ExxonMobil (SAMREF). Subsequently, Saudi Aramco entered into additional ventures with: Dow (Sadara), Lanxess (ARLANXEO), Petronas (PRefChem), Sinopec (YASREF), Sumitomo (Petro Rabigh), Total (SATORP), Shell (Motiva) and Mobil (Luberef). Saudi Aramco acquired full ownership of Motiva (formerly a joint venture with Shell) on 1 May 2017 and ARLANXEO (formerly an associate in partnership with Lanxess) on 31 December 2018. Saudi Aramco's historical association with major hydrocarbons companies has provided it with dedicated outlets for its crude oil, technical expertise and operational and financial discipline. Additionally, on 18 September 2019, Saudi Aramco acquired the 50% share of SASREF from Shell that it did not already own.

On 1 January 2018, the Obligor was converted into a joint stock company pursuant to Council of Ministers Resolution No. 180 dated 1/4/1439 in the Hijri calendar (corresponding to 19 December 2017) and registered in the city of Dhahran under commercial registration No. 2052101150 dated 11/07/1439 in the Hijri calendar (corresponding to 28 March 2018) with Saudi Arabian Oil Company (Saudi Aramco) as its official name. The Obligor's registered office is P.O. Box 5000, Dhahran 31311, Kingdom of Saudi Arabia and its telephone number is +966 13 872 0115. The Obligor's website is www.aramco.com.

As at 31 March 2021, the share capital of the Obligor was SAR 60,000,000,000, which is fully paid, consisting of two hundred billion (200,000,000,000) ordinary shares with no par value, 98.2% of which are owned by the Government.

The Obligor has been assigned a long-term issuer rating of A1 by Moody's and A by Fitch.

Business Strategies

Maintain its position as the world's largest crude oil producer by production volume and one of the lowest cost producers, while providing reliable, low carbon intensity crude oil supply to customers

Saudi Aramco intends to maintain its position as the world's largest crude oil producer by production volume. Its reserves, operational capabilities and spare capacity allow it to increase production in response to demand. Saudi Aramco maintains its desired level of crude oil production by balancing production between maturing areas and newer production sources, tapping into new reservoirs when required to optimise the depletion rate of its fields. It also maintains its low cost position due to the unique nature of the Kingdom's geological formations, favourable onshore and shallow water offshore environments in which Saudi Aramco's reservoirs are located, synergies available from Saudi Aramco's use of its large infrastructure and logistics networks, its low depletion rate operational model and its scaled application of technology. For the year ended 31 December 2020, Saudi Aramco's average upstream lifting costs and upstream capital expenditures were SAR 11.3 (\$3.0) per barrel of oil equivalent produced and SAR 15.0 (\$4.0) per barrel of oil equivalent produced, respectively.

In addition, Saudi Aramco seeks to maintain its position as one of the world's most reliable crude oil suppliers. The Government determines the Kingdom's maximum level of crude oil production in the exercise of its sovereign prerogative and requires Saudi Aramco to maintain MSC in excess of its then current production in accordance with the Hydrocarbons Law. The spare capacity afforded by maintaining MSC provides operational flexibility to respond rapidly to changes in global crude oil supply and demand. Though Saudi Aramco has a

robust field maintenance philosophy that emphasises the reliability of its upstream operations, MSC also provides an alternative supply option in the event of unplanned production outages at any field. Moreover, Saudi Aramco utilises term agreements for selling crude oil to major consumers globally. These agreements provide supply predictability to customers by standardising price and delivery terms to major regional demand centres. Saudi Aramco continues to invest in and develop a sophisticated and extensive crude oil distribution and dispatch system which maintains Saudi Aramco's supply reliability.

Moreover, Saudi Aramco seeks to preserve the low carbon intensity of its crude oil production, which places it among the world's least carbon intense sources of crude oil.

Capture value from further strategic integration and diversification of its operations

Saudi Aramco intends to continue the strategic integration of its upstream and downstream businesses to facilitate the placement of Saudi Aramco's crude oil in larger offtake volumes through a captive system of domestic and international wholly owned and affiliated refineries, allow it to capture additional value across the hydrocarbon chain, expand its sources of earnings and provide resilience to oil price volatility. For example, Saudi Aramco's acquisition of a 70% equity interest in SABIC on 16 June 2020 supports the significant expansion of Saudi Aramco's downstream activities, particularly in its chemicals business, and provides additional opportunities for Saudi Aramco to supply mixed feedstock of crude oil, refinery products and gas to manufacture petrochemicals products. In addition, the integration of Saudi Aramco's upstream and downstream segments provides a unique opportunity for Saudi Aramco to secure crude oil demand by selling to refineries designed specifically to economically process Arabian crude oil. Furthermore, Saudi Aramco intends to enhance its domestic and global marketing businesses to support the position of its upstream business in key, high-growth geographies, including China, India and Southeast Asia, which are integral to Saudi Aramco's existing business and future expansion strategy. Moreover, Saudi Aramco intends to maintain its presence in key large countries, such as the United States, and in countries that rely on importing crude oil, such as Japan and South Korea.

Expand gas activities

Saudi Aramco plans to expand its gas business to meet large and growing domestic demand for low-cost clean energy by increasing production and investing in additional infrastructure. This demand is driven by power generation, water desalination, petrochemical production and other industrial consumption in the Kingdom. Saudi Aramco's gas production also yields NGL (including ethane) and condensate, which supplement its crude oil production and provide feedstock to the refining and petrochemical industries. Furthermore, Saudi Aramco seeks over time to develop an integrated global gas portfolio and continues to evaluate investment and joint venture opportunities outside the Kingdom in natural gas and LNG projects.

Expand global recognition of Saudi Aramco's brands

Saudi Aramco intends to expand global recognition of its brands in the energy sector. One aspect of this strategy is to introduce its brands to existing domestic and international marketing businesses, including at retail service stations, and further develop its petrochemicals and base oil brands. In addition, as new marketing activities are added to its business portfolio, Saudi Aramco intends to use its own brands and thereby build recognition of its position as a leader in the global energy sector. For example, in March 2020, Saudi Aramco announced that it had signed a long-term global sponsorship partnership with Formula 1 for the 2020-2029 racing seasons, providing immediate brand exposure to a global audience of 500 million fans over 23 international races per season.

Efficiently allocate capital and maintain a prudent and flexible balance sheet

Saudi Aramco has a comprehensive and disciplined internal approval process for capital expenditures, new projects and debt incurrence. It analyses future projects based on strategic, operational, commercial and financial targets. Saudi Aramco's unique reserves and resources base, operational flexibility, field management and strong cash flow generation serve as a foundation for its low Gearing and flexibility to allocate capital. Moreover, on 23 August 2020, Saudi Aramco established an integrated corporate development organisation to create value, assess and divest of certain existing assets and secure greater access to growth markets and technologies through portfolio optimisation and strategic alignment. Saudi Aramco operates within a

conservative financial framework and strives to maintain its Gearing ratio to within its long-term targeted range of 5% to 15%, however, following the acquisition of the PIF's 70% equity interest in SABIC, Saudi Aramco's Gearing ratio was 23.0% as at 31 March 2021. Gearing is a non-IFRS financial measure. For a definition of Gearing and a reconciliation to the nearest financial measure calculated in accordance with IFRS, see "*Alternative Performance Measures—Gearing*".

Deliver sustainable dividends through crude oil price cycles

The Obligor intends to deliver sustainable dividends to its shareholders through crude oil price cycles. After consideration of a number of factors, the Board of Directors, at its discretion, declared aggregate ordinary cash dividends of \$75.0 billion with respect to calendar year 2020. In addition, Royal Order No. A/42, dated 26/1/1441 of the Hijri Calendar (corresponding to 25 September 2019) provides that, to the extent that the Board of Directors determines that the amount of any quarterly cash dividend declared with respect to calendar years 2020 through 2024 would have been less than \$0.09375 per share (based on 200,000,000,000 shares outstanding) but for the Government forgoing its rights to such dividend as follows, the Government will forgo its right to receive the portion of cash dividends on its shares equal to the amount necessary to enable the Obligor to first pay the minimum quarterly cash dividend amount described above to holders of shares other than the Government. The remaining amount of the declared dividend as determined by the Board of Directors in its discretion will be paid to the Government.

Operate sustainably by leveraging technology and innovation

Saudi Aramco's climate change strategy aims to grow its business sustainably by leveraging technology and innovation to lower its climate impact. Saudi Aramco intends to maintain its position as a leader in Scope 1 and Scope 2 upstream carbon intensity, with one of the lowest carbon footprints per unit of hydrocarbons produced. It is also pursuing a wide range of initiatives to further lower its carbon intensity. For example, Saudi Aramco's natural gas programme is increasing the percentage of gas used to meet the Kingdom's energy needs. Saudi Aramco is also a founding member of the Oil and Gas Climate Initiative (OGCI) and uses this platform for sharing best practices and devising common solutions to climate change with other major companies. In January 2020, Saudi Aramco joined the Hydrogen Council as a steering member. The Hydrogen Council is a CEO-led organisation that promotes collaboration between governments, industry and investors to provide guidance on accelerating the deployment of hydrogen solutions globally. Moreover, in September 2020, Saudi Aramco and the Institute of Energy Economics, Japan (IEEJ), in partnership with SABIC, successfully completed the world's first shipment of high-grade blue ammonia, which involved the conversion of hydrocarbons to hydrogen and then to ammonia, as well as the capture of associated carbon dioxide emissions. Forty tonnes were dispatched from Saudi Arabia to Japan to generate power with a zero-carbon footprint. Saudi Aramco also intends to improve its resilience and long term efficiency in the face of changing patterns of energy consumption and to promote further development of the in-Kingdom supply-chain ecosystem by investing in businesses that promote and develop new areas of sustainable hydrocarbon demand and solutions, such as decarbonisation.

Competitive Strengths

Upstream Competitive Strengths

Unrivalled scale of crude oil and condensate production and conventional proved reserves

In 2020, Saudi Aramco produced 12.4 million barrels per day of oil equivalent, including 9.2 million barrels per day of crude oil (includes AGOC's oil production, blended condensate and excludes the Kingdom of Bahrain's entitlement to volumes produced from the Abu Sa'fah field) and its total liquids production was 10.4 million barrels per day. As at 31 December 2020, Saudi Aramco's proved liquids reserves were 224.1 billion barrels. Saudi Aramco believes that its portfolio includes the world's largest discovered conventional onshore oil field (Ghawar) and largest discovered conventional offshore oil field (Safaniyah).

Long reserves life, with long-term track record of low-cost reserves replacement

Based on the initial 40-year period and 20-year extension of the Concession, as at 31 December 2020, Saudi Aramco's reserves were 255.2 billion barrels of oil equivalent. Saudi Aramco's oil equivalent reserves were

sufficient for proved reserves life of 56 years. Saudi Aramco has historically replaced the Kingdom's reserves in a low-cost manner and on an organic basis through revisions of reserve estimates at existing fields and through delineation and exploration to identify new fields.

Unique ability to capture value through active management of the world's largest conventional hydrocarbons reserves base

Saudi Aramco actively manages its prolific reserves base in accordance with the Kingdom's laws and regulations to maximise long-term value while optimising ultimate recovery from its fields. Because of the size and number of its fields and spare capacity, Saudi Aramco is able to maintain its desired level of overall production by tapping into new reservoirs when required to improve long-term value through portfolio capacity optimisation. This approach, which differs from the typical industry practice of maximising production rates per field, is more capital efficient given the nature of the resources available and leads to more stable production and higher ultimate oil recoveries.

Unique operational flexibility to respond to changes in supply and demand

The spare capacity afforded by maintaining MSC enables Saudi Aramco to increase its crude oil production above planned levels rapidly in response to changes in global crude oil supply and demand. This spare capacity also provides Saudi Aramco operational flexibility, providing an alternative supply option in the event of unplanned production outages at any field and allowing it to maintain its production levels during routine field maintenance.

Multiple crude grades and global crude oil delivery points

The five grades of Arabian crude oil Saudi Aramco produces are highly compatible with most refineries globally. In addition, Saudi Aramco's multiple in-Kingdom and international crude oil delivery points comprise an established network of access points to the global marketplace, enabling it to maximise delivery options based on variations in demand and position it as the major base load crude supplier. Furthermore, Saudi Aramco's MSC and integrated logistics network, including crude oil in storage facilities, allow it to vary crude oil production, which combined with their compatibility with global refining systems, provides Saudi Aramco with a unique ability to respond to changes in demand for Saudi Aramco's crude oil grades.

Extensive high-quality gas reserves with exclusive access to the Kingdom's large and growing domestic marketplace

As at 31 December 2020, Saudi Aramco had 191.6 trillion standard cubic feet of proved natural gas reserves. In 2020, Saudi Aramco's natural gas production was 9.0 billion standard cubic feet per day and 1.0 billion standard cubic feet per day of ethane with an additional 0.2 million barrels per day of unblended condensate and 1.0 million barrels per day of NGL. The liquids stemming from gas enhance the value of production since condensate and NGL generally command a higher margin than natural gas.

Saudi Aramco is the exclusive supplier of natural gas in the Kingdom. This increase is primarily due to demand from power generation and the refining and industrial sectors. As a result, from 2003 to 2020, Saudi Aramco significantly expanded its gas processing capacity and intends to continue to expand its capacity over the next few years.

Crude oil extraction with a low average carbon intensity

Climate change concerns may cause demand for crude oil with lower average carbon intensities to increase relative to those with higher average carbon intensities. Saudi Aramco has a commitment to emissions reduction and a GHG emissions management programme. The Kingdom has a small number of large and productive oil reservoirs, low per barrel gas flaring rates and low water production, resulting in less mass lifted per unit of oil produced and less energy used for fluid separation, handling, treatment and reinjection, all of which contribute to low upstream carbon intensity. The upstream carbon intensity of Saudi Aramco's domestic wholly owned and operated assets (excluding the Fadhili gas plant) was 10.5 kilograms of carbon dioxide equivalent per barrel of oil equivalent for 2020 (upstream carbon intensity values for 2020 are subject to change upon completion of data validation and third-party verification on the absolute 2020 GHG emission inventory). Saudi Aramco is

also pursuing initiatives to manage GHG emissions from its operations and assets by investing in cost-effective and efficient low emission technologies, including carbon capture, utilization and storage, energy efficiency programs and energy mix diversification.

Low lifting costs and capital expenditures per barrel of oil equivalent

Saudi Aramco's lifting costs are among the lowest in the world due to the unique nature of the Kingdom's geological formations, favourable onshore and shallow water offshore environments in which its reservoirs are located, synergies available from Saudi Aramco's use of its large infrastructure and logistics networks, its low depletion rate operational model and its scaled application of technology. For the year ended 31 December 2020, Saudi Aramco's average upstream lifting cost was SAR 11.3 (\$3.0) per barrel of oil equivalent produced. For the year ended 31 December 2020, Saudi Aramco's upstream capital expenditures averaged SAR 15.0 (\$4.0) per barrel of oil equivalent produced. This low-cost base enables Saudi Aramco to generate material cash flow from operations during periods of relatively high crude oil prices, while enabling it to maintain positive cash flow from operations during periods of relatively low prices.

Downstream Competitive Strengths

Ability to monetise upstream production into a high-quality external customer base and through a captive downstream system

Saudi Aramco maintains its longstanding strategic customer supply relationships through the unique level of volumes it makes available to the market, its supply reliability and crude quality. In addition, the integration of Saudi Aramco's upstream and downstream segments provides the opportunity to place crude oil into Saudi Aramco's downstream system, which is optimally designed to process Arabian crude oils. In 2020, 39% of crude oil produced by Saudi Aramco was delivered into this captive downstream system.

Strong track record of supply reliability

Saudi Aramco has a strong track record as a reliable crude oil supplier, meeting 99.8%, 99.2% and 99.9% of its delivery obligations on time in 2018, 2019 and 2020 respectively, and 100.0% of its delivery obligations on time in the first three months of 2021.

Largest customer for Saudi Aramco's upstream production

Saudi Aramco's upstream business provides the substantial majority of crude oil processed by its downstream business, making the downstream business the biggest customer of the upstream business and securing feedstock for the downstream business. For the years ended 31 December 2018, 2019 and 2020, the downstream segment consumed 38%, 38% and 39% of the upstream segment's total crude oil production in those periods. Saudi Aramco specifically designs and configures its refining system to optimise production using Saudi Aramco's crude grades, which helps improve supply chain cost and operational efficiency in its refining operations and therefore supply of refined products to the downstream markets Saudi Aramco serves. Saudi Aramco's upstream business provides all the crude oil processed by Saudi Aramco's wholly owned and affiliated refineries in the Kingdom. In addition, Saudi Aramco supplies a higher percentage of the crude oil used by its international refineries than its aggregate equity ownership. In 2020, Saudi Aramco's weighted average ownership percentage in its international refineries was 41%, but it supplied an average of 54% of the crude oil used by those refineries.

Major integrated refiner with a global network of complex, reliable assets in key regional markets and hubs

As at 31 December 2020, Saudi Aramco had a gross refining capacity of 6.4 million barrels per day and net refining capacity of 3.6 million barrels per day. As the sole supplier to the large domestic marketplace, Saudi Aramco's refining operations in the Kingdom, including its domestic affiliates, accounted for 59% of its net refining capacity in 2019 and 2020. In addition to its domestic focus, Saudi Aramco is focusing its downstream investments in areas of high-growth, including China, India and Southeast Asia, while maintaining its current participation in material demand centres, such as the United States, and countries that rely on importing crude oil, such as Japan and South Korea.

On 16 June 2020, Saudi Aramco acquired the PIF’s 70% equity interest in SABIC for \$69.1 billion. Saudi Aramco’s investment in SABIC makes it a major global producer of petrochemicals and expands its capabilities in procurement, manufacturing, marketing and sales. As a result of the acquisition of a 70% equity interest in SABIC, as at 31 March 2021, Saudi Aramco’s chemicals business operates in over 50 countries and produces a range of chemicals. Saudi Aramco expects that SABIC will benefit from Saudi Aramco’s downstream chemicals feedstock production, and its ability to invest in and execute large scale projects

Scale and complexity advantage with one of the largest refining portfolios globally

Saudi Aramco’s in-Kingdom affiliated refineries and international refineries have been designed to have both scale and significant product upgrading capabilities, resulting in high refining complexity metrics.

Refineries with higher complexity are generally more technically advanced and able to extract higher value from the crude oil they process by producing greater yields of high-margin products. This refining complexity, together with Saudi Aramco’s global integrated petrochemical production capacity, provides Saudi Aramco with competitive refining assets in the geographies it serves and enables Saudi Aramco to produce greater yields of high-margin downstream products than less complex refineries. These refining assets also provide an important platform upon which Saudi Aramco expects to grow its integrated refining and petrochemicals business.

World class partners that provide access to additional geographies, technological expertise, operational know-how and marketing capabilities

Saudi Aramco’s partners in its joint ventures, joint operations and associate companies include Dow, ExxonMobil, Petronas, Sinopec, Sumitomo and Total. These partnerships provide Saudi Aramco’s joint ventures and joint operations with access to additional geographies, technological expertise, operational know-how and marketing capabilities.

Major petrochemicals producer globally

Saudi Aramco’s chemicals business continues to grow through capacity expansions in the Kingdom, increasing ownership positions in affiliates and new investments, including the acquisition of the PIF’s 70% equity interest in SABIC on 16 June 2020. Saudi Aramco’s investment in SABIC makes it a major global producer of petrochemicals and expands its capabilities in procurement, manufacturing, marketing and sales. With the acquisition of a 70% equity interest in SABIC, as at 31 March 2021, Saudi Aramco’s chemicals business operates in over 50 countries and produces a range of chemicals. Saudi Aramco expects that SABIC will benefit from Saudi Aramco’s downstream chemicals feedstock production, and its ability to invest in and execute large scale projects.

Saudi Aramco Financial Competitive Strengths

High Operating cash flow, Free Cash Flow, EBIT and ROACE

As shown below, Saudi Aramco has a high operating cash flow, Free Cash Flow, EBIT, and ROACE.

	Year Ended
	31 December 2020
Net cash provided by operating activities ⁽¹⁾	SAR 285.3 (\$76.1)
Free Cash Flow ⁽¹⁾⁽²⁾	SAR 184.3 (\$49.1)
EBIT ⁽¹⁾⁽²⁾	SAR 380.2 (\$101.4)
ROACE ⁽²⁾	13.2%

(1) SAR and \$ in billions.

(2) Free Cash Flow, EBIT and ROACE are non-IFRS financial measures. For a definition of Free Cash Flow, EBIT and ROACE and a reconciliation to the nearest financial measures calculated in accordance with IFRS, see “Alternative Performance Measures—Free Cash Flow”, “Alternative Performance Measures—EBIT” and “Alternative Performance Measures—Return on Average Capital Employed”.

Low Gearing

Saudi Aramco operates within a conservative financial framework and strives to maintain its Gearing ratio to within its long-term targeted range of 5% to 15%, however, following the acquisition of the PIF’s 70% equity

interest in SABIC, Saudi Aramco’s Gearing ratio was 23.0% as at 31 March 2021. Gearing is a non-IFRS financial measure. For a definition of Gearing and a reconciliation to the nearest financial measure calculated in accordance with IFRS, see “*Alternative Performance Measures—Gearing*”.

Ability to execute some of the world’s largest upstream and downstream capital projects

Saudi Aramco has a long track record of successfully executing some of the world’s largest upstream and downstream capital projects in the oil, gas and petrochemical industries.

Operating Segments

Saudi Aramco’s primary operating segments are its upstream segment and downstream segment. The upstream segment’s activities consist of exploring for, developing and producing crude oil, condensate, gas and NGL. The downstream segment’s activities consist primarily of refining and petrochemical manufacturing and supply, trading and marketing operations. Saudi Aramco’s business support activities are included within its corporate activities.

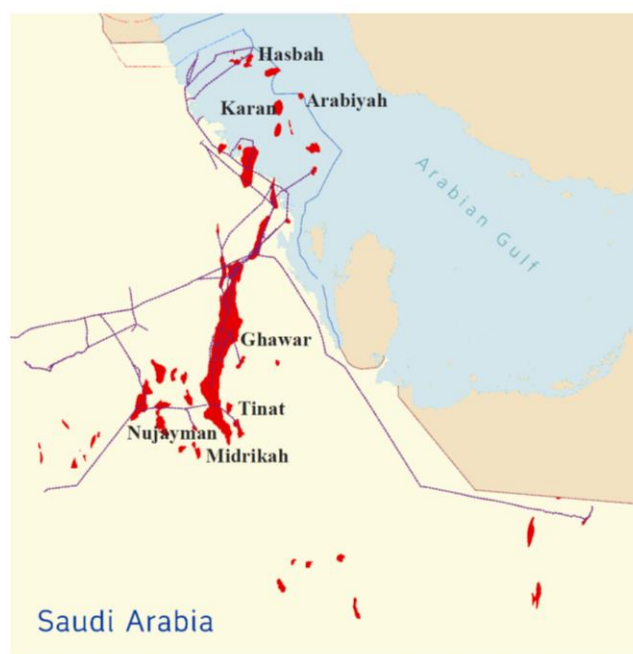
Upstream

The upstream segment’s activities consist of exploring for, developing and producing crude oil, condensate, natural gas and NGL. Pursuant to the Concession, Saudi Aramco has exclusive access to all hydrocarbons within the Kingdom, except the Excluded Areas. See “*Material Agreements—The Concession*”. The majority of Saudi Aramco’s reservoirs are geographically clustered in the Eastern Province of the Kingdom and adjacent Arabian Gulf. The following maps illustrate the location of Saudi Aramco’s key fields in the Kingdom.

Major Oil Fields



Major Gas Fields



Oil field Oil/Gas pipelines

Gas field Oil/Gas pipelines

Based on the initial 40-year period and 20-year extension of the Concession, as at 31 December 2020, Saudi Aramco’s reserves were 255.2 billion barrels of oil equivalent (sufficient for proved reserves life of 56 years). Saudi Aramco’s proved crude oil and condensate reserves were 198.8 billion barrels. In addition, as at 31 December 2020, Saudi Aramco had proved NGL reserves of 25.2 billion barrels and proved natural gas reserves of 191.6 trillion standard cubic feet. As at 31 December 2020, Saudi Aramco’s proved liquids reserves were 224.1 billion barrels.

In the three months ended 31 March 2021, Saudi Aramco produced on average 11.5 million barrels per day of oil equivalent, including 8.6 million barrels per day of crude oil (including blended condensate and AGOC’s share of the partitioned territory and its adjoining offshore areas in accordance with the agreements between the

Kingdom and the State of Kuwait). Saudi Aramco reached a record level of production of 12.1 million barrels per day of crude oil on 2 April 2020 and 10.7 billion standard cubic feet per day of natural gas on 6 August 2020.

In 2020, Saudi Aramco produced 12.4 million barrels per day of oil equivalent, including 9.2 million barrels per day of crude oil (includes AGOC's oil production, blended condensate and excludes the Kingdom of Bahrain's entitlement to volumes produced from the Abu Sa'fah field), an additional 0.2 million barrels per day of unblended condensate, 1.0 million barrels per day of NGL, 9.0 billion standard cubic feet per day of natural gas and 1.0 billion standard cubic feet per day of ethane. In that year, 84% of Saudi Aramco's aggregate hydrocarbon production consisted of liquids, which generally command a higher margin than natural gas.

Saudi Aramco's lifting costs are among the lowest in the world due to the unique nature of the Kingdom's geological formations, favourable onshore and shallow water offshore environments in which Saudi Aramco's reservoirs are located, synergies available from Saudi Aramco's use of its large infrastructure and logistics networks, its low depletion rate operational model and its scaled application of technology. For the year ended 31 December 2020, Saudi Aramco's lifting costs averaged SAR 11.3 (\$3.0) per barrel of oil equivalent produced using a normalised estimation approach, and its upstream capital expenditures averaged SAR 15.0 (\$4.0) per barrel of oil equivalent produced.

Reserves

As at 31 December 2020, the Kingdom's reserves in the fields Saudi Aramco operates consisted of 336.9 billion barrels of oil equivalent, including 261.6 billion barrels of crude oil and condensate, 36.0 billion barrels of NGL and 238.8 trillion standard cubic feet of natural gas, including 150.2 trillion standard cubic feet of non-associated gas.

Pursuant to the Concession, effective 24 December 2017, Saudi Aramco's exclusive right to explore, develop and produce the Kingdom's hydrocarbon resources, except in the Excluded Areas, was limited to an initial period of 40 years, which will be extended by the Government for 20 years provided Saudi Aramco satisfies certain conditions commensurate with current operating practices. In addition, the Concession may be extended for an additional 40 years beyond the prior 60-year period subject to Saudi Aramco and the Government agreeing on the terms of the extension. See "*Material Agreements—The Concession*". The provision of a specified term in the Concession impacts the calculation of Saudi Aramco's reserves as compared to the Kingdom's reserves in the fields Saudi Aramco operates. The Concession also requires Saudi Aramco to meet domestic demand for certain hydrocarbons, petroleum products and LPGs through domestic production or imports.

Based on the initial 40-year period and 20-year extension of the Concession, as at 31 December 2020, Saudi Aramco's reserves were 255.2 billion barrels of oil equivalent. Saudi Aramco's oil equivalent reserves consisted of 198.8 billion barrels of crude oil and condensate, 25.2 billion barrels of NGL and 191.6 trillion standard cubic feet of natural gas. Saudi Aramco's oil equivalent reserves were sufficient for proved reserves life of 56 years.

Saudi Aramco manages the Kingdom's unique reserves and resources base to optimise production and maximise long-term value pursuant to the Hydrocarbons Law, which mandates that Saudi Aramco's hydrocarbon operations promote long-term productivity of the Kingdom's reservoirs and support the prudent stewardship of its hydrocarbon resources. Saudi Aramco has historically replaced reserves on an organic basis through revisions of reserve estimates at existing fields and through delineation and exploration to identify new fields. As a result, the Kingdom's estimated proved reserves at the largest oil fields operated by Saudi Aramco have increased since the time of original production. The organic crude oil and condensate reserves replacement ratio based on the Kingdom's reserves on a three-year rolling average from 2018 to 2020 was 106.2%. The organic oil equivalent reserves replacement ratio based on the Kingdom's reserves on a three-year rolling average from 2018 to 2020 was 125.1%. Reserves replacement ratios are calculated on reserves changes relative to net reservoir withdrawal from operated fields, rather than production volumes.

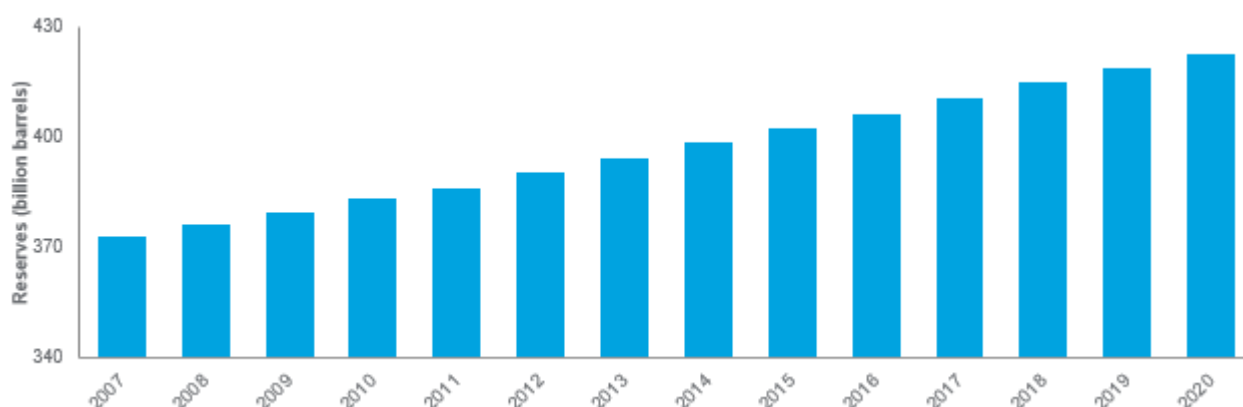
The following table sets forth Saudi Aramco’s estimates of its proved reserves based on the term of the Concession.

	<u>Crude Oil</u>	<u>Condensate</u>	<u>Natural Gas</u>		<u>NGL</u>	<u>Combined</u>
	(mmbbl)	(mmbbl)	(bscf)	(mmboe)	(mmbbl)	(mmboe)
Reserves as at 31 December 2018.....	198,194	3,191	185,726	30,120	25,385	256,890
Reserves as at 31 December 2019.....	198,569	3,338	190,575	30,933	25,723	258,563
Reserves as at 31 December 2020.....	195,444	3,399	191,573	31,086	25,226	255,155

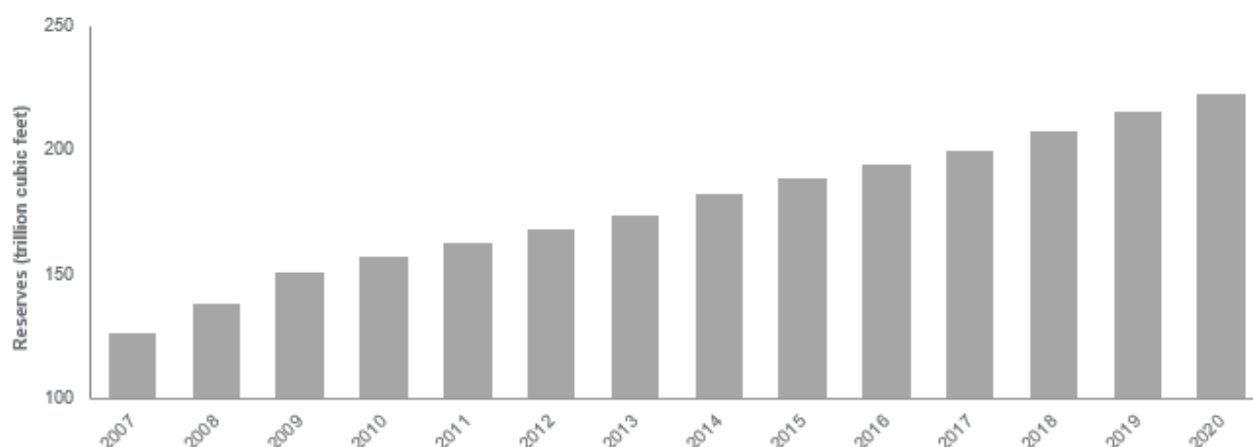
The following table sets forth the Kingdom’s estimates of its proved reserves in the fields Saudi Aramco operates.

	<u>Crude Oil</u>	<u>Condensate</u>	<u>Natural Gas</u>		<u>NGL</u>	<u>Combined</u>
	(mmbbl)	(mmbbl)	(bscf)	(mmboe)	(mmbbl)	(mmboe)
Reserves as at 31 December 2018.....	257,270	4,257	233,766	38,519	36,144	336,190
Reserves as at 31 December 2019.....	257,125	4,410	237,368	39,119	36,043	336,697
Reserves as at 31 December 2020.....	257,063	4,493	238,838	39,345	35,971	336,872

The following chart shows the growth of the Kingdom’s original crude oil and condensate reserves from 2007 to 2020.



The following chart shows the growth of the Kingdom’s original non-associated gas reserves from 2007 to 2020.



Saudi Aramco’s reserve estimates conform to the SPE-PRMS definitions and guidelines, which is the internationally recognised industry standard sponsored by the Society of Petroleum Engineers, the American Association of Petroleum Geologists, the World Petroleum Council, the Society of Petroleum Evaluation Engineers, the Society of Exploration Geophysicists, the Society of Petrophysicists and Well Log Analysts and the European Association of Geoscientists and Engineers. To estimate or update Saudi Aramco’s reserve estimates, the upstream segment employees responsible for reserves calculations perform technical analyses

that are reviewed internally by progressively higher levels of management until finalised at year-end. Saudi Aramco annually updates its estimates as it acquires and interprets new data. For reservoirs that have been producing and have established certain performance trends, Saudi Aramco is typically able to reliably forecast the reservoir's future production. For reservoirs that have little to no production history and new discoveries, Saudi Aramco undertakes further analysis in addition to multidisciplinary evaluation to formulate production forecasts.

Saudi Aramco retained independent petroleum consultants, D&M, to independently evaluate reservoirs Saudi Aramco believes accounted for approximately 85% of Saudi Aramco's proved oil reserves to which Saudi Aramco has rights under the Concession and remain to be produced after 31 December 2019 but before 31 December 2077 (the end of the initial 40-year term of the Concession plus the first 20-year extension). Saudi Aramco chose this scope because of the overall scale of the Kingdom's reserves and the concentration of deposits in the major reservoirs that were assessed. Further independent assessment of Saudi Aramco's smaller reservoirs would have taken several years to complete. D&M's reserves certification of 214.2 billion barrels of oil equivalent reserves was within 1% of Saudi Aramco's internal estimation for the same reservoirs. A copy of the D&M certification letter, which describes its procedures, conclusions and assumptions, appears as Appendix C to this Base Prospectus.

The technical personnel responsible for preparing the certification of the reserve estimates at D&M meet the requirements regarding qualifications, independence, objectivity and confidentiality set forth by the Society of Petroleum Engineers. D&M is an independent consultancy firm and does not own an interest in Saudi Aramco's properties and is not employed on a contingent fee basis.

Upstream Production and Deliveries

The following table highlights Saudi Aramco's upstream production and crude oil deliveries in 2018, 2019 and 2020:

	Year Ended 31 December		
	2018	2019	2020
Upstream production⁽¹⁾:			
Crude oil ⁽²⁾ (mbpd).....	10,315	9,943	9,236
Condensate ⁽³⁾ (mbpd).....	218	202	194
Natural gasoline (mbpd).....	203	222	201
Butane (mbpd).....	328	319	303
Propane (mbpd).....	565	535	500
Total liquids (mbpd).....	11,629	11,221	10,434
Natural gas (mmscfd).....	8,856	8,978	9,034
Ethane (mmscfd).....	993	960	950
Total (mmscfd).....	9,849	9,938	9,984
Combined⁽⁴⁾ (mboed).....	13,567	13,172	12,392
Total in-Kingdom crude oil deliveries (mbpd).....	2,977	2,886	2,552
International crude oil deliveries:			
Asia (excluding the Kingdom) (mbpd).....	5,211	5,436	5,102
North America (mbpd).....	1,013	563	546
Europe (mbpd).....	864	802	759
Other (mbpd).....	240	248	258
Total crude oil deliveries⁽¹⁾⁽²⁾⁽⁵⁾⁽⁶⁾ (mbpd).....	10,305	9,935	9,217

(1) Upstream production includes AGOC's oil production, blended condensate and excludes volumes produced from Abu Sa'fah delivered to the Kingdom of Bahrain.

(2) Includes condensate blended with crude oil.

(3) Stabilised condensate not blended with crude oil.

(4) Combined barrel of oil equivalent volume (mboed) is derived from mmscfd (for natural gas and ethane) by dividing the relevant product production by 5.400 (in the case of natural gas) and 3.330 (in the case of ethane).

(5) Crude oil deliveries exclude AGOC's oil production and volumes produced from Abu Sa'fah and delivered to the Kingdom of Bahrain.

(6) Crude oil deliveries exclude loss in volumes measured upon loading and unloading of crude oil shipments.

Crude Oil and Condensate

Exploration and Development

The majority of Saudi Aramco's current crude oil exploration activities are focussed in the Eastern Province, with lower levels of exploration and expenditures in known hydrocarbon-bearing basins in the Rub' al-Khali, Northwest and Summan regions.

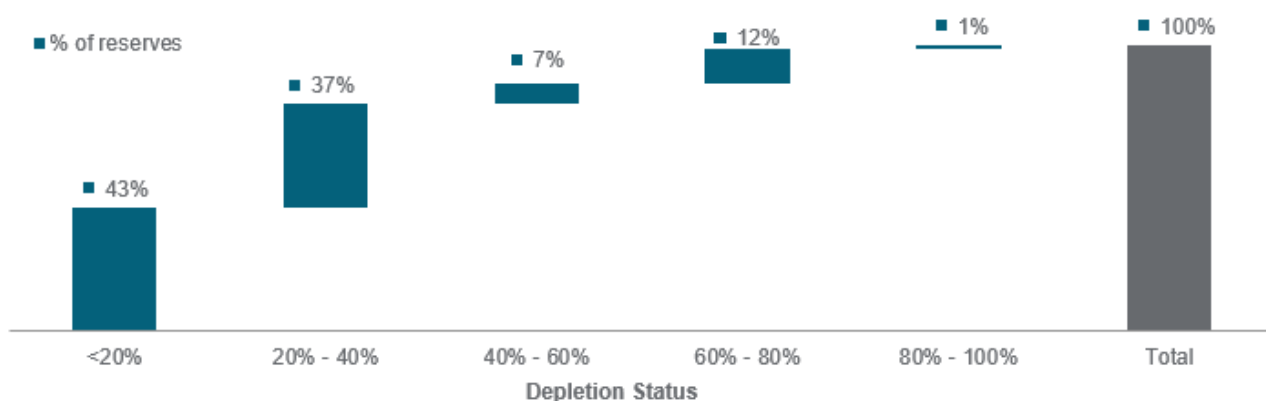
Saudi Aramco places a strong emphasis on operational performance improvement of its drilling operations by applying innovative drilling technologies and benchmarking of key metrics to identify trends and potential areas for improvement. Saudi Aramco believes that its approach to drilling and development has led to high levels of well integrity.

Reservoir Management and Production Strategy

Saudi Aramco actively manages its prolific reserves base in accordance with the Kingdom's laws and regulations to maximise long-term value while optimising ultimate recovery from its fields. Because of the size and number of its fields and spare capacity, Saudi Aramco is able to maintain its desired level of overall production by tapping into new reservoirs when required to improve long-term value through portfolio capacity optimisation. This approach, which differs from the typical industry practice of maximising production rates per field, is more capital efficient given the nature of the resources available and leads to stable production and higher ultimate oil recoveries. Saudi Aramco's reservoir management and production strategy is characterised by its commitment to responsible and sustainable stewardship of its unique fields, ability to optimise supply and value in the event of a market disruption or opportunity and high-quality crude with blend and supply flexibility.

Responsible and Sustainable Stewardship of Unique Fields

Most of Saudi Aramco's crude oil fields have been producing for many decades at low depletion rates of 1% to 2% per year relative to estimated ultimate recovery. As at 31 December 2020, approximately 80% of the Kingdom's proved crude oil reserves were in reservoirs that were less than 40% depleted. The following chart illustrates the depletion stage of the Kingdom's crude oil reservoirs as at 31 December 2020.



Saudi Aramco also aims to optimise recovery of its reserves. As at 31 December 2020, approximately 80% of the Kingdom's crude oil reserves had a recovery factor between 41% and 80% due to the high-quality of the reservoirs.

Saudi Aramco's main recovery mechanism for its oil reservoirs is peripheral water injection, which maintains reservoir pressure, maximises reservoir sweep and minimises water produced over time. In a few fields, Saudi Aramco employs other methods, such as re-injection of produced gas in gas caps. Given its low depletion stage, Saudi Aramco expects to continue to use these recovery mechanisms, combined with advanced technologies (for example, horizontal and multilateral wells, including wells that come into contact with more than five kilometres of the reservoir), to optimise horizontal and vertical reservoir sweep.

Ability to Optimise Supply and Value in the Event of a Market Disruption or Opportunity

The uniqueness of Saudi Aramco's reserves base provides flexibility to optimise its crude mix in response to changes in supply and demand. Saudi Aramco considers the long-term value of different crude grades, medium-term ability to market heavy crude oil grades in strategic markets and near-term requirements to efficiently respond to global market disruptions or opportunities.

The Government determines the Kingdom's maximum level of crude oil production in the exercise of its sovereign prerogative and requires Saudi Aramco to maintain MSC. Saudi Aramco maintains MSC in accordance with the Hydrocarbons Law. MSC was 12.0 million barrels of crude oil per day from 1 January 2019 to 31 December 2020. However, on 11 March 2020, the Government (acting through the Ministry of Energy) directed Saudi Aramco to increase MSC from 12.0 to 13.0 million barrels of crude oil per day. Saudi Aramco is proceeding with engineering evaluations and assessing its options for implementing the Government's directive to increase MSC. As at 31 December 2020, Saudi Aramco's MSC was 12.0 million barrels of crude oil per day. The spare capacity afforded by maintaining MSC enables Saudi Aramco to increase its crude oil production above planned levels rapidly in response to changes in global crude oil supply and demand. Saudi Aramco also uses this spare capacity as an alternative supply option in case of unplanned production outages at any field and to maintain its production levels during routine field maintenance. In addition, Saudi Aramco holds volumes in various storage facilities to supplement operational flexibility and supply reliability.

High Quality Crude with Blend and Supply Flexibility

Saudi Aramco has consistently produced five grades of Arabian crude oil: Arabian Super Light, Arabian Extra Light, Arabian Light, Arabian Medium and Arabian Heavy. Saudi Aramco's five crude grades and the wide range of blends that can be produced from them are compatible with most refineries globally. In addition, Saudi Aramco's MSC and integrated logistics network allows Saudi Aramco to vary crude oil production, which combined with their compatibility with global refining systems, provides Saudi Aramco with a unique ability to respond to changes in demand for Saudi Aramco's crude grades. This flexibility contributes to Saudi Aramco's reputation as one of the most reliable crude oil suppliers, meeting 99.8%, 99.2% and 99.9% of its delivery obligations on time in 2018, 2019 and 2020, and 100.0% of its delivery obligations on time in the first three months of 2021.

Crude oil quality is measured primarily based on density, which is measured as API gravity, and sulphur content. API gravity is the specific gravity scale developed by the American Petroleum Institute. It represents the inverse measure of liquid hydrocarbon density against water, with lighter hydrocarbon liquids having higher API gravities. API gravity is used to classify crude oil by weight (i.e., light, medium and heavy), which is the largest determinant of market value. Crude oil with higher API gravities is more valuable because it allows refineries to produce a greater percentage of high-margin products from the oil, such as gasoline and diesel fuel, than those with lower API gravities. Sulphur content also affects the value of crude oil. Since sulphur must be removed prior to crude oil being refined into other products, crude oil with lower sulphur content has a higher value.

Saudi Aramco classifies Arabian Super Light, Arabian Extra Light and Arabian Light as premium grades given their API gravity and sulphur contents. The following table sets forth the API gravity and sulphur content of each of Saudi Aramco's crude oil grades and the percentage of crude oil reserves each grade accounted for as at 31 December 2020:

	<u>API Gravity</u>	<u>Sulphur Content</u>	<u>% of Crude Oil Reserves</u>
Arabian Super Light.....	More than 40	Less than 0.5	0.8
Arabian Extra Light	36 – 40	0.5 – 1.3	13.2
Arabian Light.....	32 – 36	1.3 – 2.2	34.3
Arabian Medium	29 – 32	2.2 – 2.9	16.6
Arabian Heavy.....	Less than 29	More than 2.9	35.1

Principal Oil Fields

Saudi Aramco's principal fields are linked to an extensive network of integrated facilities that provide it with the flexibility to send crude oil to multiple plants for processing, stabilisation and shipping.

This extensive integration is also reflected in Saudi Aramco's approach to portfolio capacity management. Saudi Aramco actively manages its prolific reserves base to maximise long-term value while optimising ultimate recovery from its fields. Saudi Aramco's resource base allows it to maintain its desired level of overall production by tapping into new reservoirs as costs rise in maturing areas, enhancing capital efficiency, increasing overall stability of production and ultimately improving total oil recoveries. Diversification of supply sources for crude oil from fresh reservoirs has the benefit of allowing lower depletion rates from existing fields and deferring costs for additional wells and facilities to handle higher total fluid displacement rates at such fields. Saudi Aramco's reservoir management and production strategy of producing reservoirs and fields in parallel at low depletion rates allows Saudi Aramco to maintain MSC at 12.0 million barrels of crude oil per day as at 31 December 2020 while controlling field related costs. See "*—Reservoir Management and Production Strategy*".

Recent Upstream Development Projects

Saudi Aramco has a long track record of executing some of the world's largest upstream capital projects in the oil and gas industry. Since the mid-1990s, Saudi Aramco has executed a series of large development projects in a variety of its fields, including Manifa, Karan, Shaybah and Khurais. Additionally, on 9 July 2019, Saudi Aramco entered into various agreements with an aggregate value of \$18.0 billion to increase the combined crude oil and natural gas production capacities at the combined Berri and Marjan fields by 550,000 barrels per day and 2.5 billion standard cubic feet per day, respectively. The Berri expansion will add 250,000 barrels per day of crude oil production capacity through a new processing system at the existing Abu Ali gas oil separation plant and new onshore and offshore wells. The Marjan programme comprises an integrated development of crude oil, associated gas and non-associated gas production capacity. Crude oil production capacity at Marjan will be expanded by 300,000 barrels per day. Furthermore, the new Tanajib gas processing facility will have a gas processing capacity of 2.5 billion standard cubic feet per day. The construction activities have commenced on both Marjan and Berri increment programmes. Significant progress has been achieved in the engineering design work and material procurement phases.

Saudi Aramco took an innovative approach to develop the Manifa field which began production in 2013. The Manifa field is located offshore in shallow waters of the Arabian Gulf where Saudi Aramco was able to construct 27 man-made islands connected by a series of causeways. This network of offshore islands afforded Saudi Aramco the ability to employ lower-cost onshore drilling and production techniques to develop an offshore field. The islands house shallow wells, which allowed capital expenditure to be approximately 27% below a standard offshore development.

For information regarding Shaybah and Khurais, see "*—Principal Oil Fields*". For information regarding Karan, see "*—Upstream—Gas and NGL—Principal Gas Fields*".

Crude Infrastructure

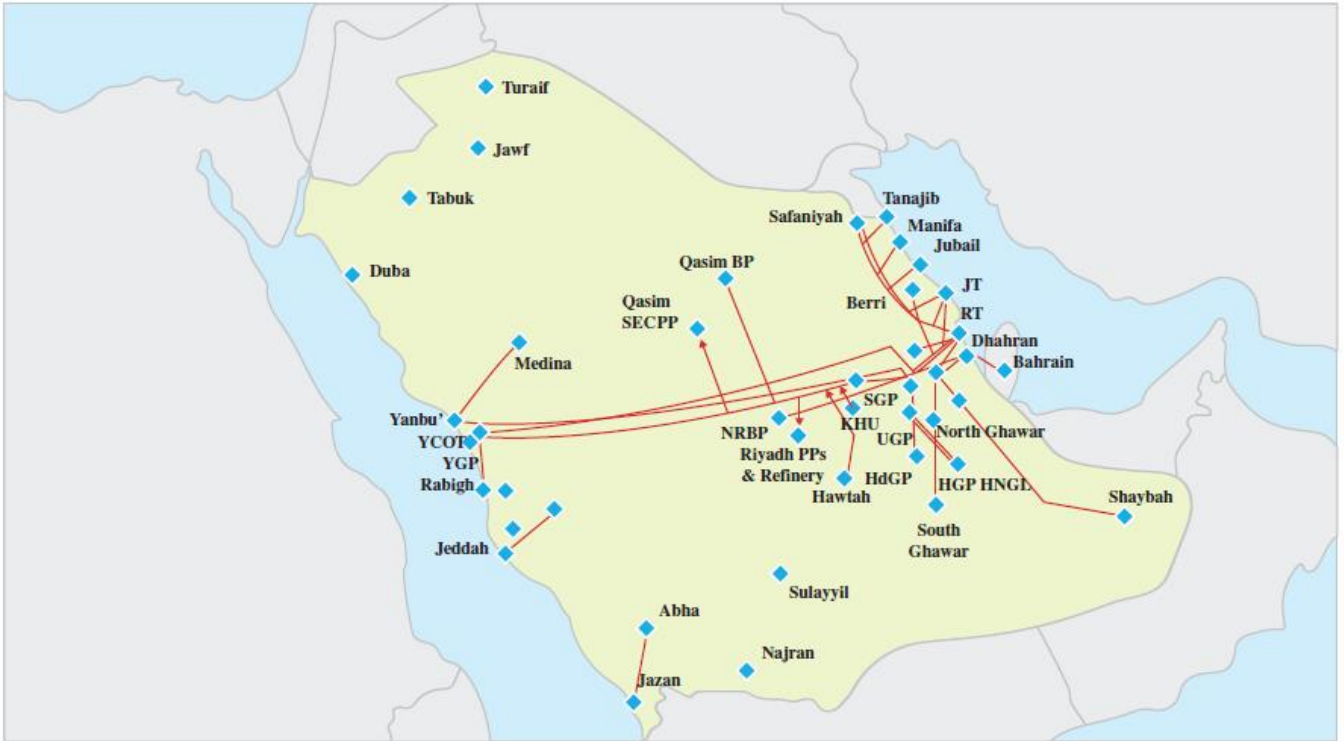
Saudi Aramco's principal fields are located in close proximity to each other within the Central and Eastern Provinces of the Kingdom. An extensive pipeline network connects Saudi Aramco's fields, processing plants and other facilities. The crude oil, condensate, natural gas and NGL Saudi Aramco produces travel through its pipelines to multiple facilities for processing into refined products or to domestic customers or export terminals. For example, Saudi Aramco can send crude oil to any of its domestic refineries or directly to export terminals.

In particular, Saudi Aramco's East-West pipeline is critical in linking oil production facilities in the Eastern Province with Yanbu' on the west coast, and providing flexibility to export from the east and west coast of the Kingdom. In 2020, the East-West pipeline transported an average of 2.1 million barrels per day of crude oil. In 2019, the East-West pipeline successfully achieved temporary mechanical capacity increase from 5.0 million barrels per day to 7.0 million barrels per day through interim conversion of NGL pipelines and use of reducing agents. In addition, the Abqaiq facility processes a significant amount of Saudi Aramco's daily produced crude oil. The Abqaiq facility is Saudi Aramco's largest oil processing facility and the largest crude oil stabilisation

plant in the world. Moreover, Saudi Aramco operates four crude export terminals with a total storage capacity of 66.4 million barrels as at 31 December 2020.

Saudi Aramco closely tracks its hydrocarbons in order to monitor and optimise its deliveries. Saudi Aramco has strategic international delivery points located in Rotterdam (Netherlands), Ain Sukhna (Egypt), Fujairah (United Arab Emirates) and Okinawa (Japan). The following map illustrates the location of Saudi Aramco’s crude oil processing infrastructure in relation to certain Saudi Aramco facilities.

The following map illustrates the location of Saudi Aramco’s crude oil processing infrastructure as at 31 December 2020.



◆ Port / Terminal — Oil and Gas Pipeline

HdGP – Haradh Gas Plant

HGP HNGL – Hawiyah Gas Plant & Hawiyah NGL Recovery Plant

JT – Juaymah Terminal

KHU – Khurais

NRBP – North Riyadh Bulk Plant

Qasim BP – Qasim Bulk Plant

Qasim SEC PP – Qasim Saudi Electric Company Power Plant

Riyadh PPs – Riyadh Power Plants & Refinery

RT – Ras Tanura Terminal

SGP – Shedgum Gas Plant

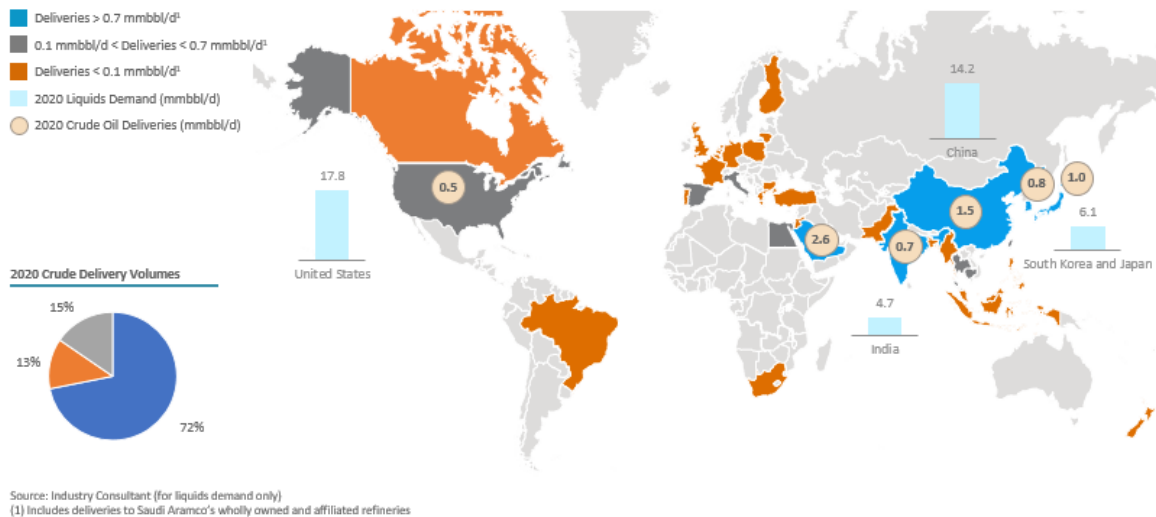
UGP – Uthmaniyah Gas Plant

YCOT – Yanbu Crude Oil Terminal

YGP – Yanbu Gas Plant

Sales and Marketing

The following map illustrates the locations of Saudi Aramco's crude oil deliveries in 2020.

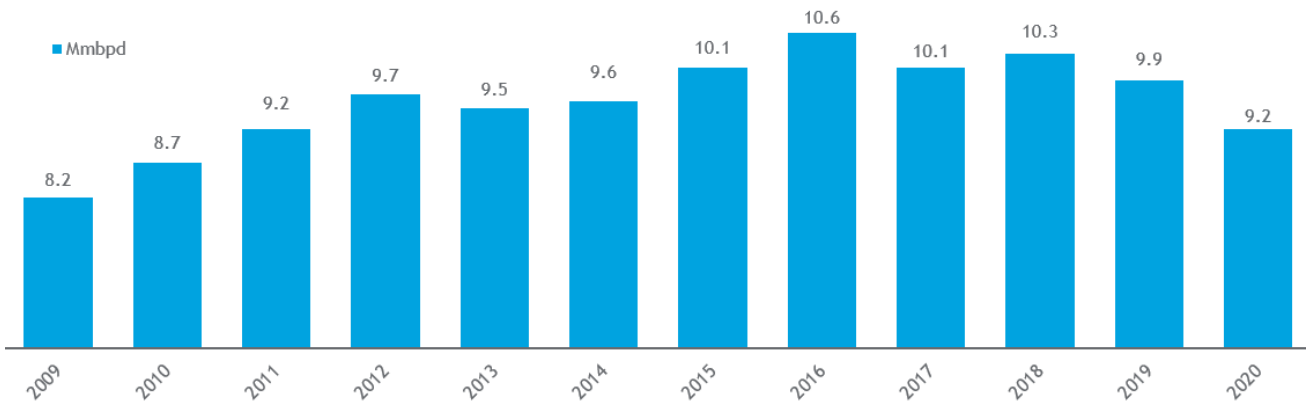


Saudi Aramco: Company General Use

Source: Industry Consultant (for liquids demand only).

(1) Includes deliveries to Saudi Aramco's wholly owned and affiliated refineries.

The integration of Saudi Aramco across its upstream and downstream segments provides a unique opportunity for Saudi Aramco to deliver its crude oil into Saudi Aramco's downstream system, which is optimally designed to process Arabian crudes. Concurrently, Saudi Aramco has maintained its crude oil market share across the commodity price cycle. The following chart illustrates Saudi Aramco's crude oil production from 2010 to 2020.



In 2020, Saudi Aramco produced 9.2 million barrels per day of crude oil (includes AGOC's oil production, blended condensate and excludes the Kingdom of Bahrain's entitlement to volumes produced from the Abu Sa'fah field), of which approximately 5.6 million barrels per day were sold to third-party customers, approximately 1.4 million barrels per day were delivered to Saudi Aramco's wholly owned and affiliated international refineries, approximately 1.3 million barrels per day were delivered to Saudi Aramco's downstream in-Kingdom affiliated refineries and approximately 0.8 million barrels per day were delivered to Saudi Aramco's wholly owned in-Kingdom refineries. As a result, Saudi Aramco's captive system of domestic and international wholly owned and affiliated refineries, consumed 39% of crude oil produced by Saudi Aramco in 2020. Sales prices of Saudi Aramco's crude oil to its in-Kingdom wholly owned refineries are based on reported selling prices for Arabian crude oil grades.

Saudi Aramco's crude oil sales agreements include pricing formulas that reflect the market prices in the relevant geographical region in which the oil will be delivered. The pricing formulas use "marker crudes" in each geographical region to determine a market-based price. The formulas also include price differentials for each grade in each region, which are set by Saudi Aramco on a monthly basis, and reflect crude oil quality differences vis-à-vis the marker crude and other factors, such as the value of competing crudes, in-transit losses, freight allowances and other commercial considerations. These formula prices are also used for sales of Saudi Aramco's crude oil to its in-Kingdom and international wholly owned and affiliated refineries.

In addition, the Concession requires Saudi Aramco to meet domestic demand for certain hydrocarbons, petroleum products and LPGs. See "*Material Agreements—The Concession*". In connection with this exclusive right, the Government mandates that crude oil and other products sold to third parties in the Kingdom are sold at regulated prices that are typically lower than the prices Saudi Aramco could obtain if it exported those products. Pursuant to an equalisation mechanism, the Government compensates Saudi Aramco for the revenue it directly forgoes as a result of Saudi Aramco's compliance with the mandates related to crude oil and certain refined products. Effective 1 January 2020, the Government expanded the equalisation mechanism to include LPGs and certain other products. See "*Management's Discussion and Analysis of Financial Position and Results of Operations—Factors Affecting Saudi Aramco's Financial Position and Results of Operations—Fiscal Regime Changes*".

Gas and NGL

As at 31 December 2020, Saudi Aramco had 191.6 trillion standard cubic feet of proved natural gas reserves and 25.2 billion barrels of proved NGL reserves.

In 2020, Saudi Aramco produced 9.0 billion standard cubic feet per day of natural gas, 1.0 billion standard cubic feet per day of ethane, 1.0 million barrels per day of NGL and an additional 0.2 million barrels per day of unblended condensate. As at 31 December 2020, the total conventional and unconventional gas processing capacity was 18.4 bscfd, compared to 17.4 bscfd in 2019, which primarily feeds into the MGS, an extensive network of pipelines that connects Saudi Aramco's key gas production and processing sites throughout the Kingdom, but also serves power plants in Duba and North Arabia. The liquids stemming from gas enhance the value of Saudi Aramco's natural gas production as liquids generally command higher prices than natural gas for Saudi Aramco.

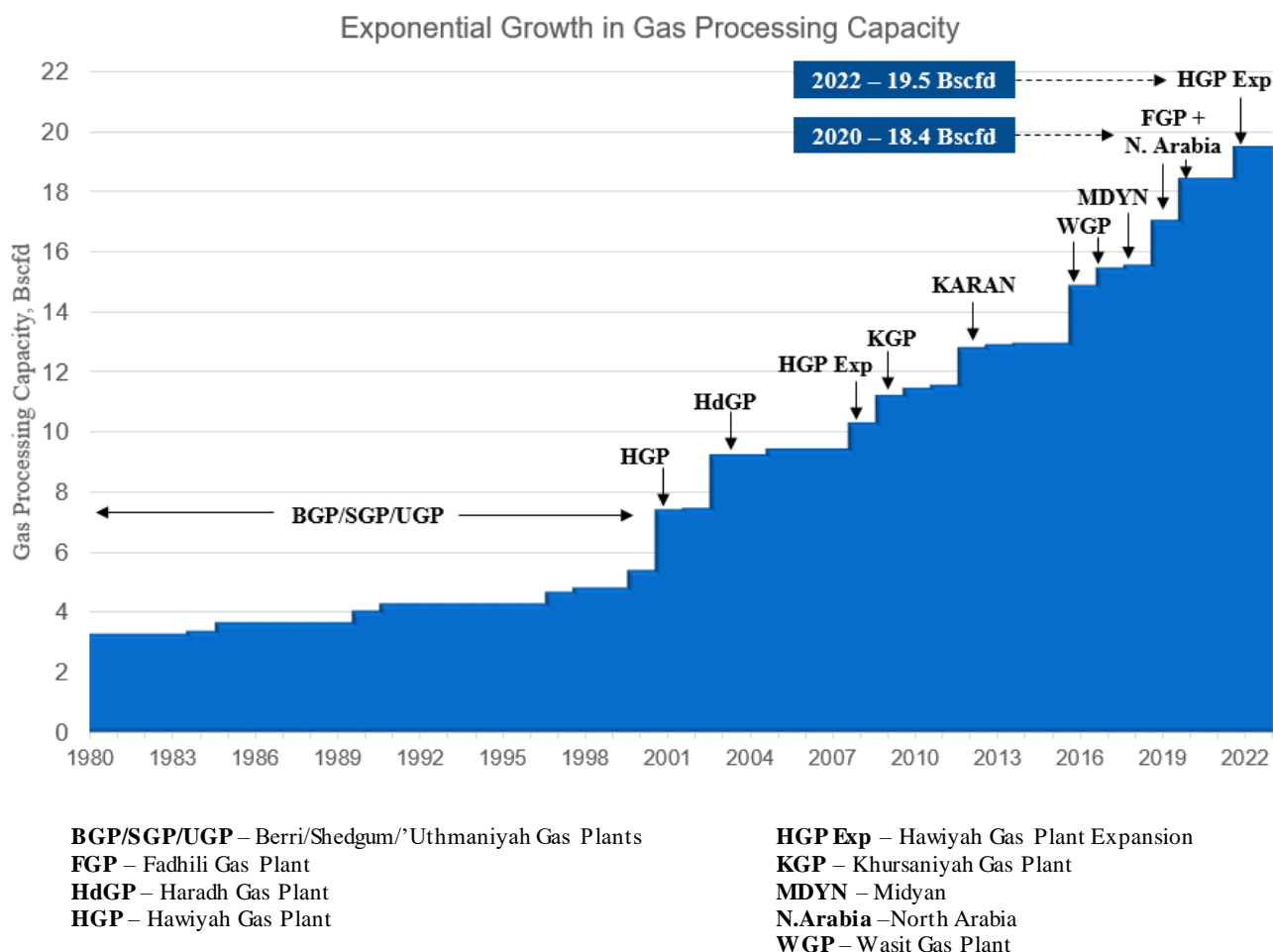
Pursuant to the Concession, Saudi Aramco is the exclusive supplier of natural gas in the Kingdom. Since 1980, Saudi Aramco has produced associated gas from oil production to supply the domestic energy marketplace, and in 1984 began producing non-associated gas to address growing domestic demand. Gas in the Kingdom is currently used primarily for power generation and other industrial uses and demand has increased by a CAGR of 3.8% from 2010 to 2017 and is expected to grow at a CAGR of 3.6% from 2017 to 2030. Between 2009 and 2020, Saudi Aramco completed a number of projects which increased its gas processing capacity and the MGS. Recent examples of projects include the Wasit Gas Plant commissioned in 2016 with a capacity to process 2.5 billion standard cubic feet per day of gas and an adjacent cogeneration power plant. In 2017, Saudi Aramco commissioned the Midyan Gas Plant to supply non-associated gas and condensate to the Saudi Electricity Company's (SEC) power plant in Duba in the Kingdom's Tabuk province, generating opportunities for economic growth in the region. SEC started to receive gas from North Arabia production in 2020. In addition, the Fadhili Gas Plant reached its full gas processing capacity of 2.5 billion standard cubic feet per day during the second quarter of 2020. The Fadhili Gas Plant produces natural gas, sulphur and low BTU natural gas to fuel a cogeneration plant for supplying electricity to the national power grid.

Saudi Aramco's gas and NGL infrastructure currently consists of the following:

- ten gas processing plants—Berri, Shedgum, 'Uthmaniyah, Hawiyah, Haradh, Khursaniyah, Wasit, Midyan, North Arabia and Fadhili;
- two NGL recovery straddle plants—Hawiyah, Shaybah;
- four NGL fractionation plants—Juaymah, Yanbu', Ras Tanura and Wasit; and
- the MGS.

This infrastructure does not include the Shaybah processing capacity, since Shaybah gas capacity is used for NGL recovery but does not contribute natural gas to the MGS. The decision to build the MGS was made in 1975 and the MGS has grown significantly as Saudi Aramco expanded its associated and non-associated gas production. The MGS collects natural gas produced in the Kingdom and distributes it in an efficient manner for domestic power generation and to other end users.

The following chart illustrates the historical increases in gas processing capacity from 1980 to 2020 and planned increases through 2023 (excluding Shaybah gas processing).



Exploration and Production

Saudi Aramco’s non-associated gas exploration activity has yielded a number of major discoveries, with particular success in the Ghawar area and in deep reservoirs in the Arabian Gulf. Currently, the majority of Saudi Aramco’s exploration activities relate to gas. Saudi Aramco has enjoyed high success rates in locating new reserves in known hydrocarbon basins adjacent to its existing fields and production infrastructure, allowing it to meet growing domestic demand at low costs, but exploration in new basins with high potential is also being carried out. Saudi Aramco expects to further expand its proved natural gas reserves through new field discoveries, new reservoir additions in existing fields, and the delineation and reassessment of existing reservoirs and fields.

In addition to its gas exploration activities, Saudi Aramco developed the Flaring Minimisation Programme, which began nearly four decades ago with the introduction of the MGS. The programme provided for Saudi Aramco to capture associated gas from crude oil production and process it into products that can be sold in the Kingdom. This enabled natural recovery and utilisation by capturing associated gas in crude oil and then processing and availing it to industries and utilities across the Kingdom. In 2006, Saudi Aramco developed and deployed its Corporate Flaring Minimisation Roadmap, which established guidelines to further reduce and

minimise its daily flaring and install flare gas recovery systems. Saudi Aramco remains committed to continue its efforts to further reduce flaring levels.

Reservoir Management and Production Strategy

Saudi Aramco's gas management and production strategy focuses on maximising economically recoverable gas using the best available methods and technologies. Saudi Aramco's primary production strategy is focussed on pressure depletion at moderate rates, with no aquifer support and little water production expected. The gas fields also make extensive use of advanced technologies (for example, horizontal, multilateral, extreme reach wells, multi-stage fracturing and underbalanced coiled tubing drilling), with compression projects being planned to extend field plateaus. Due to demand patterns, with higher summer utilisation and lower winter production, there is significant opportunity to optimise value. The spare capacity afforded by low winter demand enables Saudi Aramco to optimise value by balancing production between relatively mature fields with high-value liquids content and newer fields with longer remaining plateau production but lower liquids content. The utilisation pattern also allows efficient maintenance planning for long-term capacity optimisation. Further, optimisation to increase gas plant utilisation and make more gas available during the high demand summer period is planned through the implementation of a gas storage system using a partially depleted gas reservoir in the Ghawar area.

Saudi Aramco expects its associated gas supply to remain stable due to the quality of its fields and ability to replace reserves with low operational cost and risk. Saudi Aramco has experienced a gradual decrease in the gas-to-oil ratio of its production portfolio, due to an increase in heavy oil production.

Saudi Aramco has initiated an unconventional resources programme pursuant to which it is assessing several areas within the Kingdom for their potential to deliver gas and associated liquids to help meet future domestic energy needs as required under its obligations in the Hydrocarbon Law. In particular the Company is moving forward with the appraisal and development of the Jafurah and South Ghawar areas in line with the Company's usual governance processes and obligations. Saudi Aramco plans to further evaluate unconventional resources in other areas.

Principal Gas Fields

Saudi Aramco's crude oil production provides a base load of associated gas, which is rich in liquids. Saudi Aramco's non-associated gas fields vary widely in reservoir properties, depths, pressures and compositions. In general, the southern area around the Ghawar field has rich gas at moderate depths and permeability, while the northern offshore fields (Karan, Arabiyah and Hasbah) have leaner gas in deeper reservoirs with high permeability. Saudi Aramco's gas fields are also generally located in close proximity to its oil fields.

Gas Processing, NGL Recovery and Fractionation Facilities

Saudi Aramco's primary natural gas processing and fractionation facilities are located in three geographical regions: Jubail, Ghawar and the Kingdom's western area. The facilities are strategically located near Saudi Aramco's fields to reduce transportation and pipeline compression costs, as well as the time required to deliver gas products to market.

At the fractionation centres, gas and NGL streams are split into individual components: ethane (C2), propane (C3), butane (C4) and natural gasoline (C5+). The ethane production is currently marketed domestically. Propane, butane and natural gasoline are marketed both domestically and exported.

Delivery Commitments

Pursuant to the Concession, Saudi Aramco is the exclusive supplier of natural gas in the Kingdom. Saudi Aramco sells natural gas to power generation plants primarily pursuant to long-term contracts and to customers in the Kingdom's industrial sector. Saudi Aramco also exports a portion of its NGL production. Saudi Aramco expects to fulfil a portion of these commitments through the development of its proved reserves.

Saudi Aramco's supply of natural gas to domestic customers is regulated by the GSPR and the prices paid by domestic customers are set by resolutions issued from time to time by the Council of Ministers. See "*Regulation*

of the Oil and Gas Industry in the Kingdom—Law of Gas Supplies and Pricing” and “Regulation of the Oil and Gas Industry in the Kingdom—Regulated Domestic Pricing of Certain Hydrocarbons”.

Downstream

Saudi Aramco has a large, strategically integrated global downstream business. The downstream segment’s activities consist primarily of refining and petrochemical manufacturing, supply and trading, distribution and power generation. The downstream segment’s other business activities include base oils, lubricants and retail operations.

Saudi Aramco operates its refining business through its wholly owned operations and affiliated refineries with major global industry partners, and aims to continue growing its downstream business. This growth is reflected in the significant increase in its net refining capacity from 2.2 million barrels per day as at 31 December 2010 to 3.6 million barrels per day as at 31 December 2020. As at 31 December 2020, Saudi Aramco had a gross refining capacity of 6.4 million barrels per day.

In 2020, Saudi Aramco’s downstream operations consumed 39% of Saudi Aramco’s crude oil production. Saudi Aramco specifically designs and configures its refining system to optimise production using the crude oil it produces, which helps improve supply chain cost and operational efficiency in its refining operations and therefore supply of refined products to its downstream customers. Saudi Aramco’s downstream portfolio is highly sophisticated with full conversion refineries operated by Motiva, SATORP and YASREF.

Saudi Aramco’s downstream operations began in 1945 when the Ras Tanura refinery started operations and expanded with the acquisition of an in-Kingdom refining network from Samarec in 1993. Following these acquisitions, which included joint ventures with Mobil (later ExxonMobil) (SAMREF) and Shell (SASREF), the most significant growth phase of the downstream business started in the mid-2000s in the Kingdom and has continued through the present with the development of a number of international investments, mega refineries and chemicals projects. Saudi Aramco has entered into downstream ventures in and out of the Kingdom with major international refining and chemical companies, such as Mobil (Luberef) in 1998, Sumitomo (Petro Rabigh) in 2005, Total (SATORP) in 2008, Sinopec (YASREF) in 2010, Dow (Sadara) in 2011, Petronas (PRefChem) in 2018 and Hyundai Oilbank in 2019. Each of Saudi Aramco and the relevant joint venture partner assumes an equity interest and managerial role in the relevant downstream joint venture company, and the relevant refinery or chemicals project is operated by the joint venture company. Saudi Aramco believes these downstream investments diversify its revenue by integrating its oil and gas operations to optimise value across the hydrocarbon chain, supporting crude oil and gas demand and, in the case of international refining operations, facilitate the placement of Saudi Aramco’s crude oil in large offtake volumes relative to Saudi Aramco’s equity interest and capital costs.

In recent years, Saudi Aramco has begun to increase its equity interests and management participation in its affiliates in order to ensure that they are operated efficiently and profitably. For example, in 2015, Saudi Aramco increased its 34.2% equity interest in S-Oil to a 61.6% economic interest (63.4% on a non-diluted basis) and gained greater control over the company. Saudi Aramco also has entered into transactions to fully acquire certain downstream assets formerly held as part of joint ventures. For example, on 1 May 2017, Saudi Aramco completed a transaction to separate and transfer the assets, liabilities and businesses of its former Motiva joint venture with Shell and transferred certain assets and liabilities to a wholly owned subsidiary of Saudi Aramco. This transaction allowed Saudi Aramco to assume sole ownership of the largest crude oil refinery in the U.S. Gulf Coast with refining scale, access strategic infrastructure and a material scale marketing network and pursue its independent downstream ambitions in the U.S. Moreover, on 31 December 2018, Saudi Aramco acquired full ownership in ARLANXEO (an associate in partnership with Lanxess). Additionally, on 18 September 2019, Saudi Aramco acquired the 50% share of SASREF from Shell that it did not already own.

Furthermore, on 16 June 2020, Saudi Aramco acquired the PIF’s 70% equity interest in SABIC, which significantly expanded Saudi Aramco’s chemicals business. As at 31 March 2021, Saudi Aramco’s chemicals business operates in over 50 countries and produces a range of chemicals. These transactions in Saudi Aramco’s downstream business are meant to secure outlets for Saudi Aramco’s crude oil and gas and advance Saudi Aramco’s strategy to further diversify operations to capture value from strategic integration.

Moreover, on 17 December 2019, Saudi Aramco acquired a 17% equity interest in Hyundai Oilbank, an integrated refinery the portfolio of which includes oil refining, base oil, petrochemicals and a network of gas stations. As at 31 March 2021, the integrated refinery had a capacity of 690,000 barrels per day, of which Saudi Aramco's share was 117,300 barrels per day. On 31 October 2019, Saudi Aramco acquired 100% of the equity interest in Motiva Chemical, previously known as Flint Hills, which owns and operates a chemical plant located in Port Arthur, Texas, comprised of a mixed feed cracker, a cyclohexane unit, a benzene unit, NGL and ethylene pipelines and storage facilities.

Saudi Aramco continues to play an active managerial role in other ventures in its global downstream portfolio. Saudi Aramco also is exploring new opportunities for downstream investments globally.

Saudi Aramco has initiatives in place to improve operational and financial performance of its downstream business, such as capacity increases, asset upgrades, improvements in product yield and petrochemical integration. Saudi Aramco believes it can achieve a number of these improvements with low capital requirements. These increases can be safely achieved at existing refining assets as key units demonstrate an operational track record that allows Saudi Aramco to increase throughput. Moreover, Saudi Aramco's ongoing initiatives are also focussed on optimising petrochemicals integration at existing facilities and develop new integrated facilities. Further projects are under consideration to increase this level of integration and capture additional value across the hydrocarbon chain, with a focus on integration of Saudi Aramco's refining assets.

Acquisition of 70% Equity Interest in SABIC

On 16 June 2020, Saudi Aramco acquired the PIF's 70% equity interest in SABIC for total consideration of \$69.1 billion. SABIC operates in over 50 countries and produces a range of chemicals. According to its public filings, in 2020, SABIC's total production was 60.9 million tonnes, including 48.3 million tonnes of petrochemical and specialty products.

Saudi Aramco believes that purchasing this majority interest in SABIC advances its strategy to increase the proportion of petrochemicals production in its downstream portfolio and supports Saudi Aramco's downstream growth ambitions. In addition, Saudi Aramco believes that the acquisition facilitates the application of SABIC's expertise in the chemicals industry to Saudi Aramco's existing and future integrated downstream facilities.

The 27 March 2019 purchase agreement provided that the purchase price for the acquisition would be paid on the closing date in the form of a cash payment equal to 50% of the purchase price (to be adjusted for certain expenses) and a seller loan in an amount equal to 50% of the purchase price with the last payment due on or before 31 December 2021. On 6 October 2019, Saudi Aramco and the PIF agreed to amend the payment terms to provide that, on the closing date, 36% of the purchase price (to be adjusted for certain expenses) would be paid in cash and 64% would be paid in the form of a seller loan with the last payment due on or before 30 September 2025. On 16 June 2020, the Obligor and the PIF agreed to further amend the payment terms to provide that the entire purchase price would be paid over several instalments pursuant to a seller loan provided by the PIF. A loan payment of \$7.0 billion was paid on 2 August 2020 and another loan payment of \$5.0 billion was made on 7 April 2021. Future loan payments, which are represented by promissory notes, are payable between 7 April 2022 and 7 April 2028 (the last payment) as follows:

- (i) on or before 7 April 2022, an amount equal to \$8.5 billion plus a loan charge of \$500.0 million (subject to reduction by \$300.0 million in the event that the accelerated payment described below is made);
- (ii) on or before 7 April 2023, an amount equal to \$10.5 billion plus a loan charge of \$500.0 million;
- (iii) on or before 7 April 2024, an amount equal to \$10.5 billion plus a loan charge of \$600.0 million;
- (iv) on or before 7 April 2025, an amount equal to \$10.5 billion plus a loan charge of \$800.0 million;
- (v) on or before 7 April 2026, an amount equal to \$17.1 billion (provided that (a) \$3.0 billion of such amount is subject to acceleration as described below and (b) such amount will be reduced by the amount of any withholding taxes and similar amounts that the Obligor incurs with respect to

payments made under any promissory note as a result of the PIF’s transfer thereof to a transferee who is not tax resident in the Kingdom) plus a loan charge of \$1.5 billion;

- (vi) on or before 7 April 2027, a loan charge of \$1.0 billion (subject to reduction to reflect certain withholding amounts as described above); and
- (vii) on or before 7 April 2028, a loan charge of \$1.0 billion (subject to reduction to reflect certain withholding amounts as described above).

In the event that the average Brent price during 2021 meets or exceeds \$60.0 per barrel and the Obligor’s average daily production of crude oil during 2021 exceeds 10 million barrels per day, the Obligor will be required to pay \$3.0 billion of the payment otherwise due in April 2026 on 7 April 2022 (the “**Early Payment Event**”).

Subject to the exceptions set forth below, the promissory notes are freely transferable and assignable and may be pledged by the PIF. However, if the PIF receives any offer or commitment of financing which would include a transfer of any promissory note, Saudi Aramco may within 30 days of receiving notice of the offer or commitment, notify the PIF in writing of its intent to purchase all or a portion of the promissory notes to be transferred on the same terms. To the extent Saudi Aramco does not elect to purchase the promissory notes to be transferred, the PIF may transfer such promissory note during the subsequent 120 day period. In addition, the PIF may not transfer, assign or pledge prior to 8 April 2022 promissory notes with aggregate initial principal outstanding balances of (i) \$300.0 million and a payment date of 7 April 2022 and (ii) \$3.0 billion and a payment date of 7 April 2026; *provided that*, if the Obligor determines that the Early Payment Event will not occur by 8 April 2022, it is required to notify the PIF and the restrictions on transfer will terminate. Each such promissory note must be surrendered for cancellation in the event the accelerated payment described above is made. Furthermore, the PIF may not transfer, assign or pledge at any time promissory notes with aggregate initial principal outstanding balances of (i) \$3.5 billion and a payment date of 7 April 2026, (ii) \$250.0 million and a payment date of 7 April 2027 and (iii) \$250.0 million and a payment date of 7 April 2028. Saudi Aramco currently intends to repay the promissory notes in a phased manner through cash from operations, external debt financing or a combination thereof.

As part of the 16 June 2020 amendment to the purchase agreement, the Obligor agreed to enter into foreign exchange transactions with banking institutions mutually agreed to between Obligor and the PIF to exchange U.S. Dollars for Saudi Riyals. The aggregate amount of these foreign exchange transactions is (i) up to \$2.0 billion between 16 June and 2 August 2020, (ii) up to \$3.0 billion in 2021 and (iii) up to \$2.0 billion in 2022. In connection therewith, between 16 June and 2 August 2020, the Obligor exchanged an aggregate amount of \$2.0 billion for Saudi Riyals.

Refining

Saudi Aramco operates one of the world’s largest refining businesses, with gross refining capacity of 6.4 million barrels per day for 2020. Saudi Aramco’s refining operations allow it to transform its crude oil and natural gas into refined products and chemicals for sale within the Kingdom and internationally. Saudi Aramco specifically designs and configures its refining system to optimise production using the crude grades Saudi Aramco produces, which helps improve supply chain cost and operational efficiency in its refining operations and therefore supply of refined products to its downstream customers.

Saudi Aramco’s refining operations are conducted in the Kingdom and internationally through wholly owned and affiliated refineries. The following table sets forth the gross refining capacity of Saudi Aramco’s refineries as at 31 December 2020:

	<u>Capacity</u>
	<i>(mbpd)</i>
Domestic wholly owned.....	1,235
Domestic affiliated.....	1,670
International.....	3,519

Saudi Aramco’s strategy is to continue increasing its domestic refining capability and expand its strategically integrated downstream business in high-growth economies, such as China, India and Southeast Asia, while maintaining its current participation in material demand centres, such as the United States, and countries that rely on importing crude oil, such as Japan and South Korea. Consistent with Saudi Aramco’s downstream

strategy, Saudi Aramco has invested in two refining and petrochemical joint ventures with Petronas, the Malaysian national oil company, collectively known as PRefChem. The PRefChem joint ventures include a 300,000 barrel per day refinery, an integrated steam cracker with capacity to produce 1.3 million tonnes of ethylene with associated propylene, butadiene, benzene, polyolefins and ethylene glycol facilities, all of which are located in Johor, Malaysia, adjacent to Singapore, Asia's refined products trading hub. These facilities have commenced start-up in the second half of 2019; however, following a fire incident in March 2020, operations were put on hold and are expected to restart-up in the second half of 2021. Saudi Aramco will provide a significant portion of PRefChem's crude supply under a long-term supply agreement. Saudi Aramco believes this presents an expansion opportunity in Southeast Asia and offers new geographies for its crude oil production.

Other recent investments in Saudi Aramco's refining portfolio include Jazan, which is expected to be ready for full operations in the first half of 2021, and a residue upgrading and petrochemicals complex project at S-Oil which was commissioned in 2018.

Saudi Aramco seeks to optimise its production of refined products and maximise refinery and petrochemical utilisation and margins. The following table sets forth Saudi Aramco's consolidated and equity share of production volume for its principal refined products for each of 2018, 2019 and 2020:

	Year Ended 31 December		
	2018	2019	2020
Consolidated basis⁽¹⁾:		(mbpd)	
Diesel	762	700	691
Gasoline	416	396	340
Jet fuel/kerosene	156	132	106
Fuel oil	315	176	258
Other ⁽²⁾	235	258	172
Total domestic refinery production⁽³⁾	1,884	1,661	1,567
Diesel	447	424	448
Gasoline	312	335	331
Jet fuel/kerosene	194	184	163
Fuel oil	97	73	69
Other ⁽²⁾	306	293	357
Total international refinery production⁽⁴⁾	1,356	1,309	1,369
Total production – consolidated basis	3,239	2,970	2,936
Equity basis⁽⁵⁾:			
Total domestic refinery production	1,884	1,804	1,671
Total international refinery production ⁽⁶⁾	1,193	1,240	1,287
Total production – equity basis	3,077	3,043	2,958

(1) Represents production from Saudi Aramco and its affiliated entities on the same basis that such entities are consolidated in the Financial Statements.

(2) Primarily includes naphtha, LPG and asphalt, in addition to lubricants and chemicals for certain international affiliates.

(3) On a consolidated basis, in 2018, Saudi Aramco recognised its equity share of production from all in-Kingdom domestic refineries. 2019 includes certain reclassifications to reflect presentational changes in the 2019 Financial Statements. Please see Note 2(dd) to the 2019 Financial Statements.

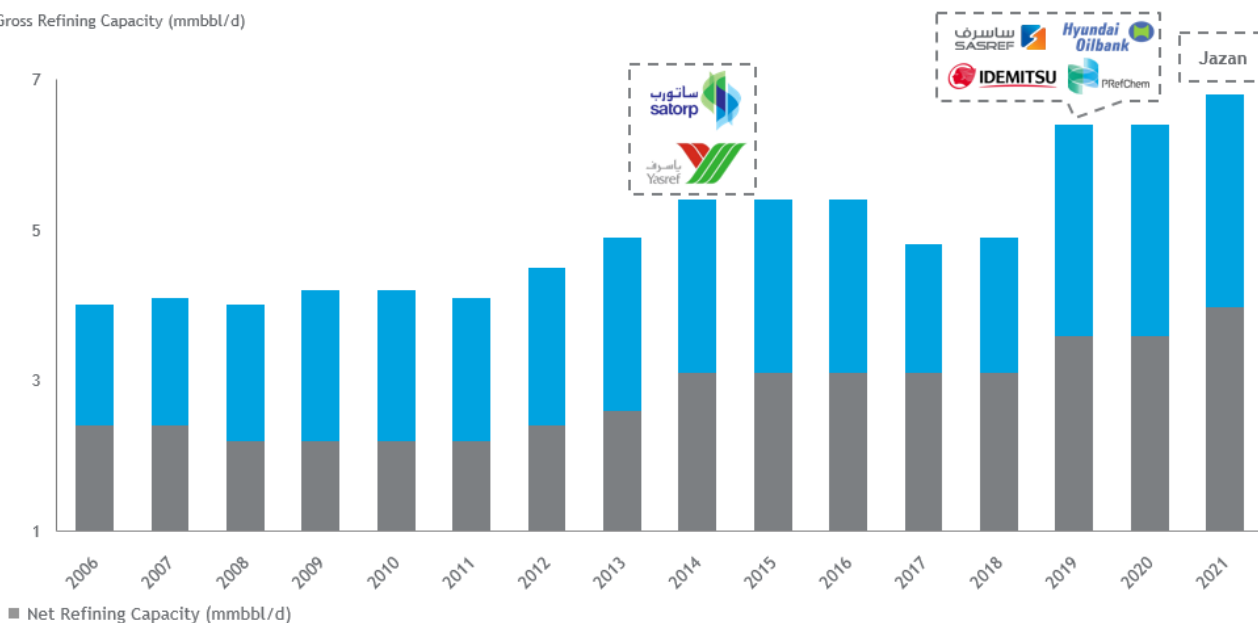
(4) Includes 100% of S-Oil production for all periods presented.

(5) Represents production from Saudi Aramco and its affiliated entities on the basis of Saudi Aramco's equity stake in such entities.

(6) Idemitsu Kosan and Hyundai Oilbank production volumes are based on estimates.

The following chart illustrates the changes in Saudi Aramco's refining capacity from 2006 to 2020 and expected expansion to 2021.

Gross Refining Capacity (mmbbl/d)



Saudi Aramco’s consolidated share of its global refining system produced 2.9 million barrels per day of refined products in 2020. In general, with respect to Saudi Aramco’s international joint ventures, the joint venture company handles all or a portion of the local marketplace sales and each joint venture partner offtakes its equity share of refined products that are not sold by the joint venture. Saudi Aramco takes its full equity share of the refined products produced in the Kingdom and, in the case of Petro Rabigh, 100% of the refinery products, into its wholly owned distribution and trading system.

Domestic Refining

The majority of Saudi Aramco’s refining operations are located in the Kingdom. Saudi Aramco’s domestic wholly owned and affiliated refineries receive all their crude oil, NGL and natural gas supply from Saudi Aramco’s upstream production. As a result, in 2020, Saudi Aramco placed 23% of its crude oil production, or 2.1 million barrels per day, to its domestic refineries. In addition, 0.1 million barrels per day of condensate were placed to Saudi Aramco’s domestic refineries in 2020. Saudi Aramco’s equity share of refined products and the refined products it produces through its wholly owned refineries located within the Kingdom are primarily distributed wholesale to domestic fuels retailers and industrial customers through Saudi Aramco’s pipelines, distribution and terminals system. The balance of Saudi Aramco’s share of domestically refined products is exported internationally by its sales and trading arm. For further information regarding Saudi Aramco’s supply and trading, see “—Supply and Trading”.

Domestic Wholly Owned Refining Operations

Once Jazan becomes fully operational, Saudi Aramco will have five wholly owned refineries within the Kingdom, three of which were built specifically to supply transportation and utility fuels for the domestic marketplace. In November 2017, Saudi Aramco closed the Jeddah refinery and converted the complex to a distribution hub.

The following table provides data about Saudi Aramco’s domestic wholly owned refineries as at 31 December 2020:

	<u>Asset Type</u>	<u>Capacity</u> (mbpd)	<u>Throughput</u> (mbpd)	<u>Utilisation</u> (%)
Ras Tanura	Refining	550	402	73
Yanbu’	Refining	250	216	86
Riyadh	Refining	130	84	65
SASREF	Refining	305	250	82

Total/average	<u>1,235</u>	<u>952</u>	<u>77</u>
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Domestic Affiliated Operations

Saudi Aramco has four domestic affiliated refineries within the Kingdom. These refineries are highly competitive with other world-class facilities based on scale, configurations and product yields. Through its long-term supply agreements with these ventures, Saudi Aramco has the right to supply all crude processed at these refineries. In 2020, Saudi Aramco placed 14% of its crude oil production, or 1.3 million barrels per day, to its domestic affiliated refineries. All four of these domestic refineries manufacture products both for domestic consumption and export.

The following table provides data about Saudi Aramco's domestic affiliated refineries as at 31 December 2020:

	<u>Asset Type</u>	<u>Capacity</u> <i>(mbpd)</i>	<u>Throughput</u> <i>(mbpd)</i>	<u>Economic Interest</u> <i>(%)</i>	<u>Utilisation</u> <i>(%)</i>	<u>Partner</u>
SATORP.....	Refining and petrochemical	440	396	62.5	90	Total
YASREF.....	Refining and petrochemical	430	338	62.5	79	Sinopec
SAMREF.....	Refining	400	316	50.0	79	ExxonMobil
Petro Rabigh.....	Refining and petrochemical	<u>400</u>	<u>273</u>	37.5	<u>68</u>	Sumitomo
Total/average		<u>1,670</u>	<u>1,323</u>		<u>79</u>	

International Refining

Saudi Aramco's international refining footprint is focussed in key growth geographies, particularly in Asia, that offer an opportunity for Saudi Aramco to place its crude oil and reach new customers in growing economies that are net importers of crude oil. In 2020, Saudi Aramco's net refining capacity for its operational international wholly owned and affiliated refineries was 1.5 million barrels per day. That year, Saudi Aramco supplied 1.4 million barrels per day of crude oil to its international wholly owned and affiliated refineries. Product sales by Saudi Aramco's international ventures are generally facilitated by a distribution system owned by the respective joint venture through over 17,000 branded company-owned company-operated or dealer-owned dealer-operated retail networks.

The following table provides data about Saudi Aramco's international refining and marketing operations as at 31 December 2020:

	Asset type	Location	Gross Refining Capacity (mbpd)	Throughput (mbpd)	Economic Interest (%)	Utilisation (%)	Partner	Retail sites
Motiva (Port Arthur Refinery)	Refining and petrochemical	U.S.	635	539	100.0	85	—	5,300
S-Oil	Refining and petrochemical	South Korea	669	637	61.6 ⁽¹⁾	95	—	>2,100
Hyundai Oilbank.....	Refining and petrochemical	South Korea	690	N/A ⁽³⁾	17.0	N/A ⁽³⁾	Hyundai Oilbank	>2,400
FREP.....	Refining and petrochemical	China	280	207	25.0	74	Sinopec, ExxonMobil	N/A
SSPC.....	Marketing	China			22.5		Sinopec, ExxonMobil	900
Idemitsu Kosan.....	Refining and petrochemical	Japan	945	N/A ⁽³⁾	7.8 ⁽²⁾	N/A ⁽³⁾		6,300
PRefChem	Refining and petrochemical	Malaysia	300	48	50.0	16	Petronas	N/A
Total/average			3,519	1,431⁽⁴⁾				

- (1) Economic interest in S-Oil on a fully diluted basis. On a non-diluted basis, Saudi Aramco's shareholding in S-Oil is 63.4%.
(2) On 1 April 2019, Idemitsu Kosan consummated a merger with Showa Shell Sekiyu, resulting in Saudi Aramco having a 7.8% equity interest in Idemitsu Kosan.
(3) Throughput and therefore utilisation for Hyundai Oilbank and Idemitsu Kosan are not publicly available.
(4) Excluding Hyundai Oilbank and Idemitsu Kosan, the figures for which are not publicly available.

Base Oil Products

In 2017, Saudi Aramco created, developed and registered three new brand names for its base oils: aramcoDURA for Group I base oil, aramcoPRIMA for Group II base oil, and aramcoULTRA for Group III base oil. Saudi Aramco supplies its products under these trademarks, to customers all over the globe through its strategically and geographically positioned affiliated companies (Luberef, Motiva, and S-Oil).

Three of Saudi Aramco's downstream facilities, Luberef, Motiva and S-Oil, are major producers of Group I, Group II and Group III base oils. In 2020, Saudi Aramco sold 4.1 million tonnes of base oils. Saudi Aramco-affiliated companies formed an alliance with a mission to deliver high quality technically differentiated products to its customer. This is achieved by ensuring products pass stringent technical quality tests conducted by The American Petroleum Institute (API), the Technical Association of the European Lubricants Industry (ATIEL), and the European Automobile Manufacturers' Association (ACEA).

Retail Operations

In 2020, Saudi Aramco continued to grow its fuel retail presence through its affiliates. Through Saudi Aramco's ownership in Motiva, Saudi Aramco has the right to place fuel in 5,300 service stations located in the United States. In addition, through its other subsidiaries, affiliates and investments, Saudi Aramco has an interest in and supplies refined products to more than 5,400 service stations in China and South Korea and 6,300 service stations in Japan.

On 14 February 2019, Saudi Aramco grew its service stations business and increased access to in-Kingdom retail customers by entering into a 50:50 joint venture with Total to operate service stations in the Kingdom. On 17 June 2019, Saudi Aramco and Total also entered into an agreement to acquire a network of 270 service stations and a fuel tanker fleet in the Kingdom under the "Sahel" brand name. Saudi Aramco and Total intend to rebrand these newly acquired service stations in the future.

Chemicals

Saudi Aramco's chemicals business represents an extension of the hydrocarbon value chain and strategically complements its refining operations. As at 31 March 2021, Saudi Aramco's chemicals business (including through its interests in SABIC) operates in over 50 countries and produces a range of chemicals.

The recent acquisition of a 70% equity interest in SABIC helps support Saudi Aramco's long-term chemicals growth strategy.

SABIC's other remaining business units comprise (i) the specialties strategic business unit, focussing on specialty plastics, (ii) the agri-nutrients strategic business unit, relating to fertilisers and specialty agri-nutrients, and (iii) Hadeed, a wholly-owned manufacturing business, which supplies iron, steel and aluminium products principally to customers in the Kingdom.

Saudi Aramco Chemicals Facilities

The following table provides data and descriptions concerning Saudi Aramco's standalone chemicals facilities as at 31 December 2020. Saudi Aramco uses the term standalone chemicals facilities to refer to chemicals production facilities in which refined products are not also produced.

	Equity Interest	Location	Chemicals Production / Product Family
SABIC.....	70.0%	Kingdom	Acrylonitrile Butadiene Styrene (ABS), Acrylonitrile Styrene Acrylate (ASA), Carbon black, Metallocene polyethylene (MPE), Polybutylene terephthalate (PBT), Polycarbonate (PC), PC-ABS, PC-PBT, Polyethylene, Polyethylene Terephthalate, Polymethyl Methacrylate, Polypropylene, Polystyrene, Polyoxymethylene, Polyvinyl Chloride, Synthetic Rubbers, Xylex™ Resins, Aromatics, Chlor-Alkali, Ethanolamines, Ethoxylates, Gases, Glycols, Linear alpha olefins, Natural detergent alcohol, Olefins & Gases, OXO alcohols & performance monomers, Oxygenates
Sa dara	65.0%	Kingdom	Olefins, polyethylene, ethylene oxide, butyl glycol, amines, propylene oxide, propylene glycol, polyols, isocyanates
ARLANXEO	100.0%	Netherlands	Synthetic rubber and elastomers

In addition to its standalone chemicals facilities, Saudi Aramco's integrated refining and chemicals business includes the following operations as at 31 December 2020.

	Equity Interest	Location	Chemicals Production / Product Family
Domestic Operations:			
SATORP	62.5%	Kingdom	Benzene, Paraxylene, Propylene
YA SREF	62.5%	Kingdom	Benzene
SASREF	100.0% ⁽¹⁾	Kingdom	Benzene
Petro Rabigh	37.5%	Kingdom	Ethylene, Propylene, Polyethylene, Polypropylene, Propylene Oxide, Paraxylene, Benzene, Monoethylene glycol, Phenol/acetone, Poly-methyl-methacrylate, Nylon, Elastomers
International Operations:			
Motiva.....	100%	U.S.	Benzene, Cyclohexane, Debutanized Aromatic Concentrate, Propylene, Ethylene
S-Oil.....	61.6% ⁽²⁾	South Korea	Paraxylene, Benzene, Toluene, Xylene, Propylene, Polypropylene, Propylene oxide
PRefChem	50.0%	Malaysia	Propylene, Ethylene, Benzene, MTBE, Butadiene, Polyethylene, Polypropylene, Ethylene glycol
FREP.....	25.0%	China	Olefins, Butadiene, Polyethylene, Polypropylene, Glycols, Benzene, Paraxylene, Mixed C4s
Hyundai Oilbank.....	17.0%	South Korea	Xylene, Benzene, Paraxylene

(1) On 18 September 2019, Saudi Aramco acquired the 50% share of SASREF from Shell that it did not already own.

(2) Economic interest in S-Oil on a fully diluted basis. On a non-diluted basis, Saudi Aramco's shareholding in S-Oil is 63.4%.

Saudi Aramco's refinery assets are located in close proximity to major industrial and manufacturing hubs and, given their locations, have potential for asset upgrades. Their locations also present significant opportunities to develop petrochemical complexes and associated value parks adjacent to the refining sites, similar to the PlasChem Park adjacent to the Sadara facilities and the PlusTech Park adjacent to the Petro Rabigh facilities. The Petro Rabigh facility includes a 1.58 million tonne per year ethylene cracker, a 0.92 million tonne per year propylene fluid catalytic cracking unit and a 1.34 million tonne per year paraxylene complex, with associated polyethylene, polypropylene, phenol/acetone, ethylene glycol, propylene oxide and speciality polymer plants.

Commodity Petrochemicals (Olefins and Aromatics)

Saudi Aramco produces commodity petrochemicals including ethylene, propylene, paraxylene and benzene, which are either sold to third party customers or used actively to produce downstream derivatives such as polymers or chemicals intermediates. Ethylene is Saudi Aramco's primary chemical product and is the most widely-used chemical in the petrochemical industry.

Differentiated Petrochemicals (Polyolefin, Elastomers and Polyurethanes)

Polyolefin. Saudi Aramco's principal polyolefins are polyethylene and polypropylene. Polyolefins are primarily used in the manufacturing of packaging, automobiles, construction materials and a variety of consumer goods.

Elastomers. Synthetic rubber and elastomers are widely used in the manufacture of tyres, automotive parts, housewares, shoes, toys and other industries. ARLANXEO is a major global supplier of such products.

Polyurethanes. Propylene oxide, polyols and isocyanates are the essential building blocks for the polyurethane industry, with end uses in automobiles, furniture, construction, appliances, coatings and adhesives.

The following table sets forth Saudi Aramco's gross production capacity and net production capacity (excluding SABIC) for each type of its commodity petrochemicals, principal polyolefins, synthetic rubber and elastomers and other chemicals as at 31 December 2020:

	Gross Production Capacity	Net Production Capacity
	<i>(in thousand tonnes per annum)</i>	
Commodity petrochemicals:		
Ethylene.....	6904	3335
Monoethylene glycol.....	1740	695
Propylene.....	6820	3026
Butadiene	353	135
Paraxylene.....	6332	2497
Benzene.....	3371	1499
Other aromatics.....	3357	1187
Principal polyolefins:		
Polyethylene.....	3748	1691
Polypropylene.....	2701	1145
Synthetic rubber and elastomers:		
Synthetic rubber and elastomers	2039	1915
Other chemicals (including polyurethanes):		
Intermediates.....	1515	789
Derivatives (excluding monoethylene glycol).....	6949	3602

Pipelines, Distribution and Terminals

Saudi Aramco supplies oil products to customers throughout the Kingdom, which provides it with reliable demand and allows for high utilisation of its domestic refining system. In order to meet this demand and help ensure high levels of supply reliability, Saudi Aramco has made significant investments in Saudi Aramco's Oil Supply Planning and Scheduling Department ("OSPAS"). OSPAS employs a global distribution system that utilises sophisticated control and monitoring hardware and highly skilled personnel to ensure highly reliable operations that maximise the value of the crude oil and other products produced and sold by Saudi Aramco. OSPAS gains unique domestic market insights from a wide variety of sources, including Saudi Aramco's customers, product supply and price data and trading and marketing networks. OSPAS then conveys these market insights to the upstream and downstream businesses to optimise operations. In addition, Saudi Aramco's Kingdom-wide distribution network includes pipelines, bulk plants, air refuelling sites and terminals that deliver crude oil, NGL, natural gas and refined products. This network provides control and cost optimisation of the entire supply chain from well-head to the end customer.

On 9 April 2021 Saudi Aramco entered into a share sale and purchase agreement with EIG Pearl Holdings S.a.r.l (an entity controlled by EIG Global Partners) to sell a 49% equity interest in AOPC, a recently formed wholly-owned subsidiary of Saudi Aramco. Upon closing, Saudi Aramco will receive net proceeds of approximately \$12.4 billion. As part of the transaction, Saudi Aramco and AOPC will enter into a lease and leaseback arrangement, pursuant to which Saudi Aramco will lease its stabilised crude oil pipeline network to AOPC for a 25-year period and, concurrently, AOPC will lease back to Saudi Aramco the exclusive rights to use, operate and maintain the pipeline network. The end result of this arrangement is that, during the 25-year period, AOPC will receive quarterly, volume-based tariff payments from Saudi Aramco, backed by minimum volume commitments. Saudi Aramco will at all times retain title to, and full operational control of, the crude oil pipeline network, and the transaction will not impose any restrictions on Saudi Aramco's crude oil production volumes. The transaction completion is subject to satisfaction of customary closing conditions and completion is estimated to occur before the end of the second quarter of 2021.

The following map illustrates Saudi Aramco’s key domestic downstream infrastructure as at 31 December 2020.

(1) Jazan is expected to be fully operational in the first half of 2021.

Supply and Trading

In 2020, Saudi Aramco traded an average of 4.7 million barrels per day of crude and refined petroleum products, 3.0 million tonnes of liquid chemical products and 1.2 million tonnes of polymers. Saudi Aramco trades internationally and delivers its refined products to customers using spot-chartered and time-chartered vessels.

With the recent increase in scale of its downstream operations, Saudi Aramco is well positioned to use its production and distribution network to optimise its supply and trading capabilities. By controlling the production, refining and distribution processes and integrating them with its trading business, Saudi Aramco seeks to ensure that customers receive reliable service and consistent products. In addition, there is the potential to optimise product flows on a domestic and international basis across regional and global supply chains to maximise value.

Power Systems

As at 31 December 2020, Saudi Aramco’s power operations comprised 17 captive power plants and associated transmission and distribution assets located across the Kingdom. These assets are primarily designed to provide electricity and steam to Saudi Aramco’s upstream oil and gas production facilities, gas processing plants and wholly owned downstream refineries in a safe, reliable, efficient and profitable manner. Certain of these power assets are wholly owned by Saudi Aramco and some are owned by joint ventures in which Saudi Aramco has an ownership interest. Saudi Aramco also enters into offtake arrangements with independent power producers. In addition, Saudi Aramco currently owns a 6.9% stake in Saudi Electricity Company, the Kingdom’s national electricity utility company, and an effective 42.2% stake in Marafiq, a domestic utility company that serves the industrial areas of Jubail and Yanbu’.

As at 31 December 2020, Saudi Aramco had 8.0 gigawatts of power generation capacity as further detailed in the following table:

Power Supply Model	Total Capacity	Ownership Interest	Offtake Entitlement / Contractual Obligation
Wholly owned by Saudi Aramco	3,948 megawatts	100%	N/A
Joint ventures.....	2,451 megawatts	30% ⁽¹⁾ - 50% ⁽²⁾	1,152 megawatts
Owned by third-party power producers	1,642 megawatts	0% ⁽³⁾	1,642 megawatts

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- (1) These power plants will be transferred in 2039 when Saudi Aramco will obtain a 50% ownership interest in the plants and SEC will obtain the remaining 50% ownership interest.
 - (2) These power plants will be transferred to Saudi Aramco in 2037 pursuant to an agreement among the joint venture partners for no further consideration.
 - (3) These power plants will be transferred to Saudi Aramco in 2026 pursuant to an agreement among the joint venture partners for no further consideration.

In 2020, Saudi Aramco generated 5.4 gigawatts of power, of which 3.3 gigawatts was used to meet internal demand and 1.6 gigawatts of spill power was transferred to the national grid. The remaining 0.5 gigawatts from the Fadhili Power Plant joint venture were supplied to SEC. Saudi Aramco has made recent investments through Fadhili Plant Cogeneration Company, a joint venture arrangement that brought online a total of 1,549 megawatts of capacity from generation facilities at Fadhili Gas Plant. Saudi Aramco believes that cogeneration facilities benefit both its operations and the Kingdom because cogeneration facilities supply cost effective power and steam to Saudi Aramco's operations, with excess power transferred to the national grid.

In 2020, Aramco confirmed that it would proceed with the divestment of the Jazan Integrated Gasification and Combined Cycle plant into a joint venture between Saudi Aramco, Air Products, ACWA Power and Air Products Qudra, integrating the Air Separation Unit into the joint venture.

Saudi Aramco expects its power generation capacity to grow to 12.1 gigawatts by the end of 2022. This capacity is inclusive of affiliated and third-party generation assets where Saudi Aramco has a long-term offtake agreement, an ownership interest, or both. Saudi Aramco anticipates that its power business will continue to pursue other growth opportunities.

Head Office Location

Saudi Aramco's head office is located in the city of Dhahran in the Kingdom.

Technology, Research and Development

Saudi Aramco assesses, develops and incorporates new technology in a manner tailored to Saudi Aramco's operations to ensure the long-term sustainability of its business, enhance its operational efficiency, increase profitability and reduce the environmental impact of its operations. For the year ended 31 December 2020, 683 patents were granted to Saudi Aramco by the United States Patent and Trademark Office. The scale of Saudi Aramco's hydrocarbon reserves and operational capabilities enable it to realise significant benefits and value from technology development and deployment that would otherwise provide only incremental benefits.

Saudi Aramco focusses its technology initiatives in three areas: upstream, downstream and sustainability, and recognises the importance of embedding technology in its strategy and business culture. Upstream technology development is directed primarily to improving methods for discovering new hydrocarbon reserves, improving oil recovery, increasing productivity and reducing lifting costs. Downstream technology development is dedicated primarily to maximising value across the hydrocarbon chain, finding new and improved methods of producing products and diversifying revenue streams. Sustainability technology development is aimed at addressing global energy demand challenges, growing non-fuel applications for crude oil, sustaining low carbon intensity crude oil, advancing sustainable transport and driving high-impact low carbon intensity solutions in response to climate change concerns.

Saudi Aramco manages a global network of research and technology centres aimed at delivering innovative breakthroughs to achieve its recovery, discovery, diversification and sustainability objectives. Key examples of such technologies under development include the following:

- *TeraPOWERS* is Saudi Aramco's proprietary cornerstone modelling technology that is an evolutionary step from giga-cell to terra-cell reservoir simulation. TeraPOWERS uses over one trillion cells to simulate parallel basin and reservoir fluid movement with detail beyond that of other simulator technologies. This technology enables Saudi Aramco to model the physics of its reservoirs to prioritise prospects, reduce exploration risks and costs and sustainably manage its reservoirs.
- *Digital ARC* is a platform that hosts and integrates Saudi Aramco's in-house developed technologies spanning its upstream segment with the goal of maximising the value of these technologies and accelerating the upstream segment's digital transformation. In its next iteration, the Digital Arc is

expected to be able to use artificial intelligence and deep-learning to create solutions from Saudi Aramco's digital data lake with the goal of increasing hydrocarbon discovery and improving production efficiency.

- *GeoDRIVE* is an integrated seismic imaging platform that enables ultra-high resolution subsurface mapping and characterisation for geophysical applications. This platform enables Saudi Aramco to efficiently analyse large amounts of seismic data with state-of-the-art imaging algorithms.
- *Smart Flooding* is a technology designed specifically to increase oil recovery in Saudi Aramco's carbonate reservoirs by optimising the composition and properties of injected water. Saudi Aramco is able to deploy this technology through existing infrastructure.
- *Thermal Crude to Chemicals* involves pre-treating crude oil to enable it to be directly introduced into a steam cracker with the goal of increasing chemical product yields from oil to upwards of 70%, while also reducing capital costs.
- *Catalytic Crude to Chemicals* involves the direct cracking of crude oil in a high severity catalytic cracking reactor after first flashing the crude oil into low and high boiling streams. The aim of this technology is to increase chemical product yields from oil to upwards of 60% at lower capital costs.
- *Advanced Transport Technologies* involve in-house research and collaboration with engine technology developers and major automakers to improve internal combustion engine efficiency and reduce GHG and tailpipe emissions through new engine designs and fuel formulations.
- *Carbon Capture, Utilisation and Storage* includes the development of innovative technologies to capture and store carbon dioxide or utilise it in novel materials.

Saudi Aramco also invests in start-up companies with technologies Saudi Aramco believes are strategic to its operations. These investments are primarily made in technology supporting the upstream and downstream oil and gas, petrochemical, water and renewable energy sectors.

IT and Cybersecurity

Saudi Aramco relies on the security of information technology and operational technology systems. It has programmes, controls and processes in place designed to protect its data and systems, to ensure business continuity and operational recovery and to repel intrusion attempts. To respond to an ever-changing cyber threat landscape, Saudi Aramco has instituted a cybersecurity governance management model for its operations in the Kingdom, led by a Chief Information Security Officer, whose office establishes and maintains cybersecurity policies, directs the cybersecurity programmes and mandates relevant processes, capabilities and technologies. Saudi Aramco addresses cybersecurity at senior levels, including Board of Directors consideration and oversight of Saudi Aramco's cybersecurity posture and assessment of risks.

One of Saudi Aramco's main technology strengths is the communication and computing infrastructure it has built in the Kingdom to provide connectivity and computing solutions to its domestic operations infrastructure, which Saudi Aramco continuously monitors for security events from multiple locations. This infrastructure reaches remote areas and connects Saudi Aramco's upstream and downstream hydrocarbon facilities, including cross-country pipelines. Saudi Aramco's infrastructure also includes satellite services that extend connectivity to both offshore and onshore drilling operations and marine services. Saudi Aramco's infrastructure additionally includes a high availability (Tier-4) Corporate Data Centre, and a remote Disaster Recovery Site to further promote resilience and recovery.

Despite the presence of cybersecurity programmes, controls and processes, attempts to gain unauthorised access to Saudi Aramco networks have been successful in the past, and Saudi Aramco's operations remain potentially vulnerable to additional known or unknown threats. For further information on cybersecurity risks, see "*Risk Factors—Risks related to Saudi Aramco, its Operations and Industry—Saudi Aramco's operations are dependent on the reliability and security of its IT systems*".

Sustainability, Health and Safety and Environment

Sustainability

Saudi Aramco has developed a sustainability framework in effort to embed sustainability considerations into its decision making processes, strategic planning, and investment decisions. The framework helps to identify and prioritise material sustainability issues using a system that complements Saudi Aramco's existing Enterprise Risk Management processes. Saudi Aramco's sustainability efforts are further informed through stakeholder engagement, advocacy and communication.

Saudi Aramco's Sustainability Steering Committee is responsible for ensuring that ESG issues are identified and managed to maximise long-term value creation. The Sustainability Steering Committee's membership is made up of vice presidents of Saudi Aramco representing relevant business lines and administrative areas, and is led by the Senior Vice President for Technical Services. The Sustainability Steering Committee reports to Saudi Aramco's Strategy Council and Management Committee, as appropriate.

SABIC's Sustainability Council is responsible for sustainability. The Sustainability Council is chaired by SABIC's CEO and includes executives from its strategic business units and corporate functions. SABIC's Sustainability Council ensures that sustainability is integrated throughout SABIC's business, in addition to ensuring that SABIC takes a consistent, high-level approach to sustainability in all regions, businesses and functions. SABIC's Sustainability Council is responsible for setting SABIC's sustainability vision, climate change strategy, priorities and goals and is accountable for performance against sustainability metrics.

SABIC's Sustainability Steering Committee and Corporate Sustainability Department are responsible for developing recommendations for the Sustainability Council, executing its decisions and forming cross-functional teams to collaborate on solutions to help achieve SABIC's sustainability key performance indicators.

Health and Safety

An enterprise-wide, organisationally-driven focus on health and safety supports Saudi Aramco's goal of protecting its workforce, preventing property losses and avoiding business interruptions, while adapting to market and operating conditions. This involves establishing and maintaining Saudi Aramco standards that utilise a continuous improvement approach commonly used throughout the industry. Additionally, Saudi Aramco's robust and exacting standards reflect low risk tolerance with rigorously applied operational safety procedures. This is complemented by procedures for crisis management and business continuity designed to provide operational resilience and the ability to quickly respond to internal or external incidents to restore operations safely and efficiently in an orderly manner. The Board of Director's Risk and HSE Committee provides strategic direction and governance on health and safety matters.

Saudi Aramco's Health, Safety, Security and Environmental Committee ("**HSSE Committee**"), which is led by the CEO and includes other selected members of corporate management, establishes Saudi Aramco's safety policy and standards covering key issues, including emergency preparedness, incident reporting and investigation, competency and training, community awareness, off-job safety, risk management and asset integrity. The HSSE Committee actively tracks and monitors the safety performance across the organisation to extend accountability and improve safety performance.

Saudi Aramco has various occupational and environmental health programmes in place to protect its workforce and various communities from hazards that may arise from its operations or activities, including the Occupational Health Hazard Assessment, Hazard Materials Communication, Comprehensive Environmental Health Assessment and Contractor Camp Environmental Health Inspection programmes.

Saudi Aramco employs a Safety Management System ("**SMS**") aligned with Saudi Aramco's safety policy that drives a disciplined approach in establishing specific safety expectations and provides a framework for managers to fulfil their safety and loss prevention obligations. Saudi Aramco continually works proactively to

deliver and improve its safety performance with respect to the expectations and objectives articulated in the SMS and its underlying programmes, processes, procedures, rules, standards and instructions.

As with Saudi Aramco, a core value for SABIC is its focus on environment, health, safety and security (“EHSS”). SABIC is committed to maintaining high EHSS standards throughout its organisation. SABIC’s culture focuses on protecting its workforce, educating customers, creating sustainable product life cycles and protecting the health of the communities where it operates. SABIC’s focus on EHSS is achieved by developing a strong, supportive culture in which EHSS is core to its operations and business.

SABIC’s EHSS Policy provides an overall direction to the whole organisation and forms the basis which drives its efforts towards improvements in EHSS. The EHSS Policy sets out SABIC’s responsibilities, including compliance with all applicable EHSS laws and regulations assessing and managing EHSS risks related to its operations and maintaining openness, transparency and dialogue with its employees, communities, authorities, suppliers, customers and other stakeholders. As part of its commitment to its employees, communities and environment, SABIC has incorporated its EHSS Policy into its Code of Ethics.

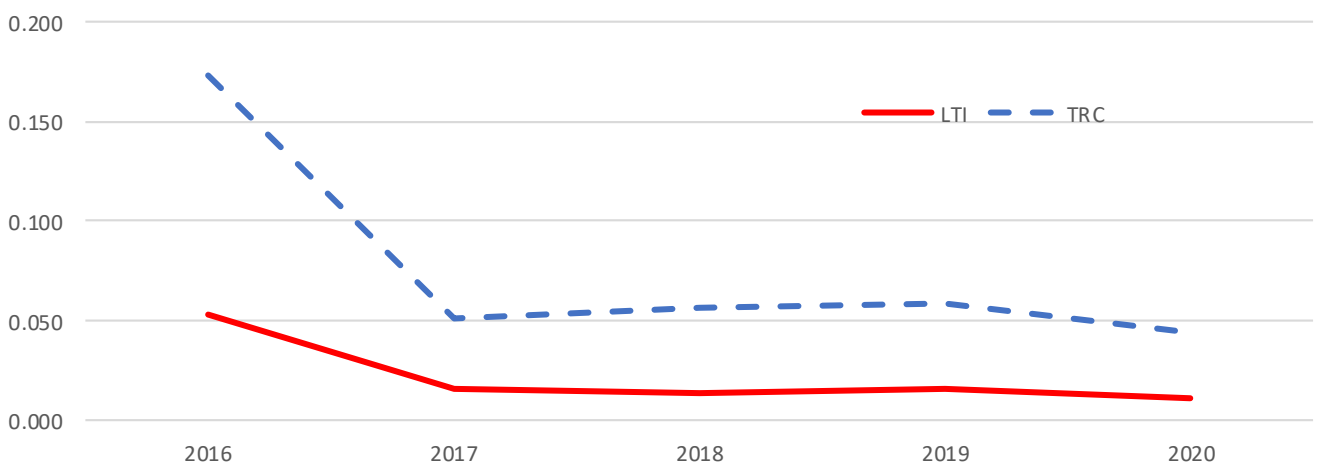
SABIC’s EHSS Executive Council, which consists of its Vice-Chairman and CEO, executive vice presidents, EHSS functional leaders and legal team members, monitors performance, establishes milestones and reviews strategic programmes and company initiatives. A separate EHSS Council, which includes manufacturing-affiliated presidents and site and functional EHSS leaders, meets each quarter to coordinate strategic programmes, strengthen SABIC’s EHSS culture and identify areas in need of special focus. Complimenting this work, SABIC’s Product Stewardship Council advances knowledge and best practices, and reduces the EHSS risks of its product portfolio.

Health and Safety Key Performance Indicators

Saudi Aramco benchmarks its safety performance against industry standards and performance targets that are set in line with industry practices to improve safety performance. Safety performance is measured and tracked through key performance indicators established by the HSSE Committee and reported to the Risk and HSE Committee. Formal and informal safety reviews are conducted by qualified reviewers to assure compliance and assure operational discipline.

In addition, the Obligor monitors its total recordable case (“TRC”) rate, which includes fatalities, lost time injuries/illnesses (“LTI”), restricted duty injuries/illnesses and medical treatment cases. The TRC rate for the Obligor’s total workforce of domestic wholly owned assets, including contractors, from 2016 to 2020 decreased from 0.173 per 200,000 work hours to 0.044 per 200,000 work hours. Similarly, the LTI rate during that period decreased from 0.053 per 200,000 work hours to 0.011 per 200,000 work hours.

The following chart shows the TRC rate and LTI rate for the Obligor’s total workforce, including contractors, from 2016 to 2020.



Moreover, the Obligor monitors the number of unplanned or uncontrolled releases of any material, including non-toxic and non-flammable materials, from a process that results in certain consequences articulated by the American Petroleum Institute Recommended Practice 754 (Process Safety Performance Indicators for the Refining and Petrochemical Industries) (“PSE Tier 1”) and fatalities. The following table shows the TRC Rate, LTI Rate, PSE Tier 1 incidents and fatalities for the Obligor’s total workforce of domestic wholly owned assets.

	2016	2017	2018	2019	2020
TRC Rate (incidents/200,000 workhours)	0.173	0.051	0.056	0.059	0.044
LTI Rate (incidents/200,000 workhours)	0.053	0.016	0.014	0.016	0.011
PSE Tier 1	25	8	7	4	9
Fatalities (number)	16	10	9	6	1

SABIC also measures and tracks a wide variety of EHSS performance metrics at its facilities to enable continual improvement. As a key overall performance indicator, SABIC uses an EHSS rate, which incorporates a comprehensive range of incident types, including accidental releases to the environment, process–safety events, occupational health and safety injuries, illnesses and security incidents. From 2016 to 2020, SABIC’s EHSS rate improved from 0.63 per 200,000 work hours to 0.42 per 200,000 work hours. The following table shows the EHSS rate, total recordable incident rate, occupational illnesses rate, fatalities and Tier 1 process safety incident rate for SABIC’s total workforce from 2016 to 2020.

	2016	2017	2018	2019	2020
EHSS rate (incidents/200,000 work hours).....	0.63	0.50	0.43	0.57	0.42
TRC rate (incidents/200,000 work hours).....	0.14	0.12	0.14	0.14	0.10
Occupational illness rate (incidents/200,000 work hours).....	0.002	0.014	0.003	0.008	0.003
API 754 PSE Tier 1 (incidents).....		7	7	25	10
Fatalities (number).....	14	1	0	0	3

Saudi Aramco Response to the COVID-19 pandemic

In response to the COVID-19 pandemic, Saudi Aramco has taken wide-ranging actions to protect the safety of its employees, communities, and operations including the provision of medical support services. These medical support services include supplying Johns Hopkins Aramco Healthcare (JHAH) with the means to:

- (1) procure over 130,000 polymerase chain reaction (PCR) testing kits;
- (2) increase inpatient negative pressure rooms from 36 rooms to 126 rooms;
- (3) increase the number of ventilators from 126 to 240;
- (4) double oxygen cylinders to 1,500;
- (5) increase negative pressure ICU rooms from 20 rooms to 60 rooms;
- (6) maintain inventory for personal protective equipment for medical staff, including N-95 masks for more than eight months; and
- (7) Set-up quarantine facilities with a capacity of more than 770 rooms.

In addition, effective February 2021, in collaboration with the Ministry of Health and JHAH, Saudi Aramco made COVID-19 vaccines available to all Saudi Aramco employees, their eligible dependents, retirees, trainees and contractors at 16 locations Kingdom-wide. As of 23 May, 2021 over 92,000 people have been vaccinated through this programme.

Environment

Saudi Aramco's operations are subject to a number of environmental laws, regulations, protocols and policies in each of the jurisdictions in which it operates, governing, among other things, the generation, storage, handling, use, disposal and transportation of hazardous materials, the emission and discharge of hazardous materials, ground water use and contamination, discharges of water, soil contamination, hazardous substances and wastes, industrial hygiene and occupational health. Saudi Aramco seeks to comply with all applicable environmental laws, regulations, protocols and policies. The Obligor has established management systems and other internal processes to identify emerging environmental risks and to prepare and execute a response plan to mitigate potential impacts of those risks. In addition, for its operations within the Kingdom for which there are no applicable national environmental regulations, Saudi Aramco has developed environmental standards aligned with leading industry practices to achieve Saudi Aramco's environmental protection objectives. Furthermore, Saudi Aramco also conducts environmental impact assessments when evaluating new projects, including assessments of project design, construction, operations and decommissioning in compliance with applicable environmental laws, regulations, protocols and policies.

The Board of Directors has an established Risk and HSE Committee to oversee the management of environmental risks and key environmental performance indicators, and Saudi Aramco has established a corporate risk management programme focussed on environmental compliance. Saudi Aramco also has established an environmental management system aligned to ISO 14001:2015 standards to manage environmental compliance and enhance environmental performance. Each subsidiary is responsible for establishing its own environmental compliance framework and monitoring ongoing compliance.

Saudi Aramco's environmental master plan provides a framework for achieving its environmental objectives in the Kingdom. For a description of the domestic environmental regulations to which Saudi Aramco is subject and the multilateral environmental agreements to which the Kingdom is a party that are relevant to Saudi Aramco's operations in the Kingdom, see "*Regulation of the Oil and Gas Industry in the Kingdom*".

Saudi Aramco owns or operates, and in the past has owned or operated, various facilities at which releases of oil, oil products or chemicals have occurred or may have occurred, including releases from coastal facilities into the marine environment. Saudi Aramco has measures in place to monitor and assess performance, to prevent releases that might occur and to remediate occurrences from facilities that it owns or operates.

Within the Kingdom, Saudi Aramco works to identify and control sources of contamination in soil and groundwater through site characterisation, monitoring and risk assessment. Since 2007, Saudi Aramco has implemented a groundwater remediation programme to systematically and consistently identify and implement clean-up assessments at impacted wholly owned Saudi Aramco facilities within the Kingdom. This programme quantifies risks that contaminated soil or groundwater pose on human health and the environment and also develops appropriate corrective solutions tailored to specific facilities. A key component of this programme is the prevention stage, which involves addressing soil and groundwater contamination sources, reviewing project designs and environmental impact assessments and conducting field investigations. In 2016, Saudi Aramco completed a chemical spill risk assessment for its wholly owned operations in the Kingdom in order to ensure its response readiness. The assessment evaluated risks associated with potential hazardous onshore and offshore chemical spills.

As at 31 December 2018, 2019 and 2020, Saudi Aramco established provisions of SAR 849.0 million, SAR 937.0 million and SAR 940 (\$251 million), respectively, for environmental liabilities. Saudi Aramco relies on engineering studies, historical and technical experience, generally accepted accounting standards and other factors to identify and evaluate environmental-related reserves. The 2018, 2019 and 2020 provisions primarily relate to liabilities for environmental projects driven by governmental mandates, projects for groundwater remediation and remediation of oil impoundments throughout Saudi Aramco's in-Kingdom wholly owned assets.

Water Management

Saudi Aramco monitors the total volume of water used in its in-Kingdom operations, including treated water, desalinated seawater, groundwater and reused wastewater. In 2011, Saudi Aramco established a water

conservation policy that uses best practices and technologies to promote the use of sustainable sources of water, optimising water demand, maximising wastewater reuse and minimising water loss. Following the definition of freshwater consumption set forth by the IPIECA (an oil and gas industry association), Saudi Aramco consumed 30.5 million cubic metres, 36.2 million cubic metres and 32.9 million cubic metres of freshwater in 2018, 2019 and 2020, respectively.

Additionally, the Obligor monitors its hydrocarbon discharges by deploying online monitoring systems to provide continuous, reliable and accurate measurements of hydrocarbons in wastewater effluents, helping to proactively manage hydrocarbon discharges to the marine environment in a timely manner. For the years ended 31 December 2019 and 2020, the quantity of hydrocarbon discharge to the marine environment for the in-Kingdom wholly owned and operated assets was 15 barrels and 5 barrels, respectively.

SABIC continuously strives to improve its water efficiency, including by installing and modifying hardware, optimising processes, monitoring consumption and promoting a culture of sustainability. SABIC measures freshwater intensity in cubic metres per tonne of product sales. For the years ended 31 December 2019 and 2020, SABIC's freshwater intensity was 2.58 cubic metres per tonne of product sales and 2.53 cubic metres per tonne of product sales, respectively.

Operational Incidents

The Obligor proactively manages its operations in a manner that seeks to avoid hydrocarbon leaks and spills by maintaining asset integrity throughout the asset lifecycle, including by utilising modern technologies to monitor operations in real time and mitigate the risk of leaks. These technologies include high frequency radar, high-tech mooring buoys, intelligent early-warning systems and hydrodynamic modelling capabilities. The quantity of hydrocarbon spills of at least one barrel to the environment for the in-Kingdom wholly owned and operated assets was 18 barrels and 39 barrels, respectively, for the years ended 31 December 2019 and 2020.

SABIC manages accidental releases of hazardous substances into the environment by carefully tracking and categorizing all accidental releases based on severity and works on eliminating emissions of hazardous materials and minimising all others. For the years ended 31 December 2019 and 2020, the total number of hazardous substance release incidents was 31 and 3, respectively.

Air Emissions

SABIC seeks to continually reduce emissions through capital investment and operational improvement. For the years ended 31 December 2019 and 2020, SABIC's volume of hazardous substances released was 224 tonnes and 14.3 tonnes, respectively.

GHG emissions

Saudi Aramco's Sustainability Steering Committee guides and oversees the management of climate change activities, including overseeing the carbon footprint of operations and assets and assessing expectations on future energy, technology and climate change trends. Additionally, the steering committee facilitates collaboration among relevant internal and external parties with respect to climate change matters.

The Kingdom has a small number of large and productive oil reservoirs, low per barrel gas flaring rates and low water production, resulting in less mass lifted per unit of oil produced and less energy used for fluid separation, handling, treatment and reinjection, all of which contribute to low upstream carbon intensity. For the years ended 31 December 2019 and 2020, the Obligor disclosed its direct (Scope 1) and indirect (Scope 2) GHG emission sources (consistent with the Greenhouse Gas Protocol guidelines – the Obligor's GHG emissions reporting is based on the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) GHG Protocol guidelines and the Obligor reports emissions using the operational control basis for measurement) from its wholly owned and operated facilities in the Kingdom, as well as its operationally controlled affiliates SASREF, Motiva and ARLANXEO, by type of emission as set forth in the following table:

Type	2019			2020		
	Methane (thousand tonnes)	Carbon dioxide equivalent (methane) (million tonnes)	Total carbon dioxide equivalent (million tonnes)	Methane (thousand tonnes)	Carbon dioxide equivalent (methane) (million tonnes)	Total carbon dioxide equivalent (million tonnes)
Scope 1 ⁽¹⁾	46.49	1.16	52.0	43.43	1.09	49.1 ⁽²⁾
Scope 2 ⁽¹⁾	0.65	0.02	19.0	0.59	0.02	17.9 ⁽²⁾
Total	47.14	1.18	71.0	44.02	1.10	67

- (1) Absolute GHG emission data reflect the Company's emissions from wholly owned in-Kingdom assets, SASREF, Motiva and ARLANXEO. 2019 absolute GHG emissions figures have undergone limited assurance and updated figures are published herein. 2020 absolute GHG emissions figures are estimates and are subject to change upon completion of data validation and third-party verification in second quarter of 2021.
- (2) Fadhili Gas Plant and the Jazan Refinery are excluded from the 2020 GHG emissions inventory.

The Obligor also commissioned a limited assurance engagement on the 2019 and 2020 GHG emissions in accordance with International Standards for Assurance Engagements 3000 Revised, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

The following table sets forth Scope 1, Scope 2 and total GHG (Scope 1 and Scope 2) emissions from SABIC's operations for the years ended 31 December 2019 and 2020:

	Total carbon dioxide equivalent	
	2019	2020
	<i>(million tonnes of carbon dioxide equivalent)</i>	
Scope 1.....	37	37
Scope 2.....	18	17
Total	55	54

GHG Intensity

The upstream carbon intensity of Saudi Aramco's domestic wholly owned and operated assets (excluding the Fadhili gas plant) was 10.5 kilograms of carbon dioxide equivalent per barrel of oil equivalent for 2020 (upstream carbon intensity values for 2020 are subject to change upon completion of data validation and third-party verification on the absolute 2020 GHG emission inventory).

In 2018, Saudi Aramco's Environmental Protection Department established a GHG emissions management programme. The primary focus of the programme is to account for GHG emissions from Saudi Aramco's operations and assets, develop relevant key performance indicators, establish GHG metric targets and support reporting requirements based on industry guidelines. In 2019, Saudi Aramco developed a Corporate GHG policy document to govern roles and responsibilities related to GHG accounting and reporting, and in support of the GHG emissions management programme. Saudi Aramco is pursuing various initiatives to manage the carbon footprint of its operations and assets. These initiatives include the implementation of flare gas recovery systems, energy efficiency programmes, leak detection and repair programmes and evaluating the potential utilisation of carbon dioxide in various applications, such as enhanced oil recovery. An enhanced leak detection and repair programme for the Obligor's methane emissions in the Kingdom prioritises actions at operating facilities and includes efforts to develop and deploy new, more effective technologies to detect and reduce facility emissions.

Saudi Aramco participates in collaborations that help further its understanding of future energy, technology and potential climate change trends, including through R&D projects related to fuels, engines and new transport technologies. Saudi Aramco is a founding member of the Oil and Gas Climate Initiative, a voluntary, CEO-led initiative composed of 13 global oil and gas companies committed to reducing GHG emissions through technology. Additionally, Saudi Aramco is collaborating within the oil and gas industry through memberships in joint platforms such as the International Petroleum Industry Environmental Conservation Association and the Petroleum Environmental Research Forum. Saudi Aramco also supports the Government's efforts to achieve the objectives set by the United Nations Framework Convention on Climate Change, the Paris Agreement, the United Nations Environment Programme, as well as other climate change mitigation and adaptation efforts.

In connection with SABIC's GHG emissions, SABIC's 2020 GHG gas intensity was 1.144 tonnes of carbon dioxide equivalent per tonne of product sales, a 2.2% reduction from 2019 and a 15.5% reduction from SABIC's 2010 baseline.

In order to further reduce its GHG emissions, SABIC, steered by a cross-functional team, is actively transitioning to renewable energy, evaluating opportunities for its generation, sourcing and storage. In the Kingdom, SABIC is collaborating with the Government to achieve national targets outlined in the Paris Agreement, whereas in Europe, SABIC has climate programmes at all sites to support the EU 2030 climate and energy frameworks.

SABIC also tracks carbon dioxide utilisation as an environmental key performance metric. For the years ended 31 December 2019 and 2020, carbon dioxide utilisation was 3.4 million tonnes and 3.7 million tonnes, respectively.

Flaring

One of Saudi Aramco's long-standing initiatives is to efficiently and sustainably use associated gas. Since the 1970s, Saudi Aramco has acted to mitigate the negative environmental impacts of systematic flaring of associated gas by utilising gas for power generation and petrochemicals production, which also has positive economic benefits to Saudi Aramco. Additionally, the Obligor has grown the MGS which supplies gas for use in the electric power facilities located in the Kingdom and in the Kingdom's rapidly growing petrochemical sector. Development of the MGS reduced the Obligor's environmental impact and GHG emissions arising from flaring, in addition to supporting national economic growth. In order to further improve its environmental performance, Saudi Aramco established a flaring minimisation plan in 2006. For the years ended 31 December 2019 and 2020, the flaring intensity of the Obligor's wholly owned in-Kingdom assets, SASREF, Motiva and ARLANXEO was 5.88 scf per barrel of oil produced and 5.97 scf per barrel of oil produced, respectively. Additionally, the volume of flared gas for the in-Kingdom wholly owned and operated assets, SASREF, Motiva and ARLANXEO for the years ended 31 December 2019 and 2020 was 28.2 bscf and 27.0 bscf, respectively.

With an aim to further improve its environmental performance, in August 2019, Saudi Aramco formally endorsed and signed the World Bank's initiative of "Zero Routine Flaring by 2030" with the objective of sharing best practices and knowledge in flaring minimisation, report progress and demonstrate its efforts in reaching zero routine flaring. As of 31 December 2020, Saudi Aramco had less than 1% flaring of its gas production.

SABIC has also reduced emissions from flaring in recent years. Emissions from flaring, compared to baseline 2010 levels, fell by 48% and 56% for the years ended 31 December 2019 and 2020, respectively. By 2025, SABIC aims to reach a 65% reduction in emissions from flaring as compared to baseline 2010 levels.

Methane Emissions

Throughout 2018, 2019 and 2020, the Obligor implemented a leak detection and repair programme, covering all operating wholly owned facilities in Saudi Arabia. The programme enables a reduction in methane emissions by identifying and mitigating fugitive leaks.

Upstream methane intensity was 0.06% for in-Kingdom wholly owned and operated assets for each of the years ended 31 December 2019 and 2020.

Renewable Energy and Environmental Stewardship Projects

Saudi Aramco is investing in cleaner/low carbon energy and sustainability initiatives throughout its operations both in the Kingdom and abroad with international partners. Saudi Aramco is deploying renewable energy systems in office buildings and industrial facilities such as production wells and bulk plants. For example, in January 2017, Saudi Aramco installed the Kingdom's first wind turbine at Turaif Bulk Plant. Additionally, Saudi Aramco has installed a carpark solar panel system covering a total area of 100,000 square metres with a power generation capacity of 10.5 megawatts.

In the Kingdom, Saudi Aramco's operational areas include vast tracts of land and sea areas that contain important and sensitive habitats and species. This natural biodiversity is considered an important asset to the Kingdom and the Obligor exerts considerable effort to document, protect and enhance the Kingdom's biodiversity. For example, Saudi Aramco has established a wildlife sanctuary near its Shaybah facility to promote and preserve biodiversity.

Saudi Aramco has also invested in sustainability projects, such as artificial reefs deployed in the Arabian Gulf, a fish hatchery in Abu Ali, the planting or restoring of more than five million mangrove trees and reserving areas with significant biodiversity as Saudi Aramco Biodiversity Projection Areas.

The Obligor has developed an environmental stewardship programme where staff and communities are encouraged to participate in protecting the environment. The stewardship programme also extends outside the Kingdom where Saudi Aramco operates with its international joint venture partners, and through collaboration with leading international conservation entities whom Saudi Aramco is assisting in the protection of biodiversity globally.

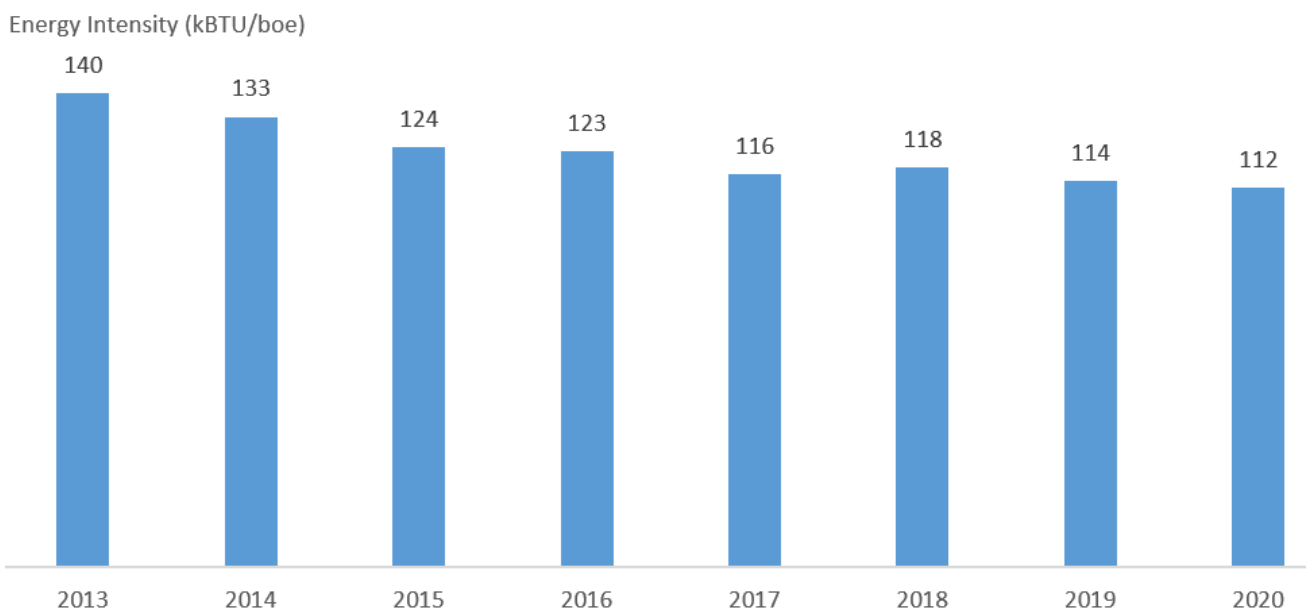
SABIC similarly engages in various renewable energy and sustainability projects. In terms of renewable energy strategy, SABIC aspires to achieve 100% renewable energy, with interim goals of installing four gigawatts of wind and solar energy capacity by 2025 and 12 gigawatts by 2030. In addition to various other renewable energy projects, in 2019, SABIC installed solar panels at two sites, leading to a 200 tonne reduction in GHG emissions.

Energy Efficiency

The Obligor has been adopting and implementing energy efficient technologies and practices to reduce its energy consumption, reduce its GHG emissions, improve its plant and facility operations, and promote an environmentally conscious corporate culture. As part of its energy efficiency efforts, Saudi Aramco is utilising cogeneration systems to help reduce its dependency on the national electricity grid. As a result, Saudi Aramco became a net-exporter of electricity in 2018.

As part of its energy efficiency efforts, Saudi Aramco monitors the energy intensity of its oil and gas operations and other business activities. The energy intensity of the Obligor’s in-Kingdom wholly owned and operated assets was 118.4 kBTU per boe, 114.1 kBTU per boe and 112.4 kBTU per boe in 2018, 2019 and 2020, respectively.

The following chart illustrates the energy intensity of the Obligor’s in-Kingdom operated facilities from 2013 to 2020.



SABIC’s energy intensity was 16.5 gigajoules of energy used per tonne of product sales and 16.3 gigajoules of energy used per tonne of product sales for each of the years ended 31 December 2019 and 2020, respectively. This reduction of 2% was achieved through a number of efficiency projects at different facilities, which offset increases due to new Government regulations requiring waste to be incinerated at certain in-Kingdom facilities.

Local and Global Citizenship

Saudi Aramco engages in a range of corporate social responsibility projects and initiatives to support the communities and the environment in which it operates and leverages its know-how and operational capabilities to further advance these projects.

Within the Kingdom, projects are undertaken both on Saudi Aramco's own initiative and as directed by the Government. See "*—Corporate Citizenship*". Internationally, Saudi Aramco's citizenship initiatives range from natural disaster relief and educational initiatives in China, habitat preservation programmes in Japan and Southeast Asia and STEM and petrochemical industry education programmes in the U.S. and Europe. Saudi Aramco's international citizenship efforts are governed by Saudi Aramco's Citizenship Executive Committee.

Relationship with the Kingdom

Overview of the Relationship with the Kingdom

All hydrocarbons in the Kingdom are owned by the Kingdom and, upon extraction or recovery of such hydrocarbons by Saudi Aramco, title to such hydrocarbons automatically passes to Saudi Aramco at the ownership transfer point. The Government has the exclusive authority to set production limits and MSC so as to manage the Kingdom's hydrocarbon resources, in accordance with the Hydrocarbons Law. The Government establishes the Kingdom's maximum level of hydrocarbon production in the exercise of its sovereign prerogative. Accordingly, the Government may in its sole discretion increase or decrease the Kingdom's maximum hydrocarbon production at any time based on its sovereign energy security goals or for any other reason. The Government communicates its determination of such production limits to Saudi Aramco from time to time.

Pursuant to the Concession, effective 24 December 2017, Saudi Aramco's exclusive right to explore, develop and produce the Kingdom's hydrocarbon resources, except in the Excluded Areas, was limited to an initial period of 40 years from 6/4/1439 in the Hijri calendar (corresponding to 24 December 2017), which will be extended by the Government for 20 years provided Saudi Aramco satisfies certain conditions commensurate with current operating practices. In addition, the Concession may be extended for an additional 40 years after the initial 20-year extension subject to Saudi Aramco and the Government agreeing on the terms of the extension. See "*Material Agreements—The Concession*".

The Kingdom is a member state of OPEC. OPEC is an intergovernmental organisation whose member countries meet periodically and engage in discussions in respect of crude oil. Any independent, sovereign decision that the Kingdom makes pursuant to such discussions is communicated by the Government to Saudi Aramco and can have a direct impact on Saudi Aramco. For example, a series of meetings recently took place on 9 and 12 April 2020 among OPEC and non-OPEC oil producing countries participating in the Declaration of Cooperation, whereby participants discussed reducing their overall oil production in stages between 1 May 2020 and 30 April 2022. The matter will be reviewed in December 2021. For additional information concerning Saudi Aramco's relationship with the Government, see "*Related Party Transactions*".

The Concession

The Arabian American Oil Company Concession Agreement was ratified on 4/2/1352 in the Hijri calendar (corresponding to 29 May 1933) and granted Saudi Aramco's predecessor certain exclusive rights, including the right to explore, drill, recover and treat crude oil and other hydrogen and carbon compounds in liquid or gaseous state within certain areas of the Kingdom (which were revised and grew over time), with limited territorial exceptions. Pursuant to Royal Decree No. M/8 dated 4/4/1409 in the Hijri calendar (corresponding to 13 November 1988) approving Saudi Aramco's original articles, Saudi Aramco enjoyed all the privileges and rights provided under the Arabian American Oil Company Concession Agreement, and all subsequent supplementary documents, agreements, governmental orders and decisions in connection therewith (collectively, the "**Original Concession**"). Effective 6/4/1439 in the Hijri calendar (corresponding to 24 December 2017), and in accordance with the Hydrocarbons Law, the Government, represented by the Minister of Energy (the "**Minister**"), and Saudi Aramco entered into the revised Concession Agreement (the "**Concession**"), which was adopted under Royal Decree No. (M/12) dated 18/1/1441 in the Hijri calendar (corresponding to 17 September 2019) and replaced and superseded in its entirety the Original Concession on

such date (the “**Concession Effective Date**”). Further, on 20/1/1441 in the Hijri calendar (corresponding to 19 September 2019), and in accordance with the Hydrocarbons Law, the Government, represented by the Minister of Energy, and Saudi Aramco entered into an amendment to the Concession, with effect from 1 January 2020) (the “**Concession Amendment**”).

In return for certain royalty payments determined in accordance with the Concession to be made by Saudi Aramco to the Government, the Government has granted Saudi Aramco the exclusive right to explore, develop and produce the Kingdom’s hydrocarbon resources, except in the Excluded Areas, for an initial period of 40 years from the Concession Effective Date, unless terminated earlier in accordance with its terms. The Government will issue a decision to extend the Concession for a period of 20 years on the 30th anniversary of the Concession Effective Date, unless Saudi Aramco has not met certain specific conditions set forth in the Concession. The Concession can be further extended by an additional 40 years following the 60th anniversary of the Concession Effective Date by mutual agreement between the Government and Saudi Aramco. The Excluded Areas consist of: (a) the boundaries of the Holy Mosques in Makkah Al-Mukarramah and Madinah Al-Munawwarah, (b) the partitioned territory and its adjoining offshore areas in accordance with the agreements between the Kingdom and the State of Kuwait and (c) the common zone in the Red Sea in accordance with the agreement between the Kingdom and the Republic of Sudan.

The Concession requires that all Saudi Aramco contracts with any Government agency or any arrangement for the furnishing of Hydrocarbons, services or otherwise shall be on a commercial basis. The Concession also addresses other areas concerning Saudi Aramco’s relationship with the Kingdom, such as hydrocarbon discoveries and development, local labour requirements and communication of financial information, among other subjects.

For a more detailed summary of the Concession, see “*Material Agreements—The Concession*”.

Corporate Citizenship

Saudi Aramco engages in a range of corporate social responsibility projects and initiatives to support the communities and the environment in which it operates and leverages its know-how and operational capabilities in furtherance of these projects. Saudi Aramco considers these activities to be “corporate citizenship” projects and initiatives. In addition to projects undertaken on its own initiative, the Government has directed, and may in the future direct, Saudi Aramco to undertake projects or provide assistance for initiatives outside Saudi Aramco’s core businesses in furtherance of the Government’s objectives. Prior to 2017, the Government reimbursed Saudi Aramco for its costs incurred relating to certain Government-directed activities by allowing Saudi Aramco to reduce its tax liability or, in some cases, its taxable income by the amount of costs incurred. Beginning on 24 December 2017, the Concession requires that all Saudi Aramco contracts with any Government agency or any arrangement for the furnishing of Hydrocarbons, services or otherwise shall be on a commercial basis.

The largest corporate citizenship project undertaken by Saudi Aramco on its own initiative was the construction of The King Abdulaziz Center for World Culture (“**ithra**”) in Dhahran, which opened in late 2017. **ithra** is the first of its kind in the Kingdom and contains an 16-floor “knowledge tower” with learning facilities, a children’s museum, performing arts theatre library and cinema. Through **ithra**, Saudi Aramco commits resources across the Kingdom to educating and inspiring youth culturally and through development of STEM knowledge and skills.

Other corporate citizenship initiatives have included the following:

- In 2007, the Government directed Saudi Aramco to build a world-class post-graduate university to complement existing universities in the Kingdom. KAUST sponsors and promotes advanced programmes in strategic fields of science research and technology development in an effort to achieve the Kingdom’s strategic, economic and social goals and assist domestic industries in becoming competitive at an international level.
- At the direction of the Government, in 2009 Saudi Aramco took part in the establishment of KAPSARC, an international research and policy centre that investigates issues related to energy economics, the

environment and energy policy. In 2015, KAPSARC moved into its Riyadh headquarters, constructed by Saudi Aramco.

- As a company operating in an industry that depends on STEM fields, Saudi Aramco has committed resources in the Kingdom, including through KAUST, and abroad to educating students in developing STEM skills. For example, Saudi Aramco facilitated the expansion of the Cambridge Chemistry Challenge at the University of Cambridge and assisted The Academy of Mathematics and Systems Science in China to expand its research and training capabilities in engineering and mathematics. Saudi Aramco also supports research on oil and gas in the Middle East and climate change through a fellowship programme at the Oxford Institute for Energy Studies at the University of Oxford.
- Saudi Aramco has taken a leading role in promoting and supporting the right of women to drive in the Kingdom following changes to applicable laws in 2018. Saudi Aramco opened a driving centre with the objective of providing training to its female employees and employees' female family members, as well as encouraging a safer and friendlier driving environment on the Kingdom's roadways.
- Saudi Aramco provided the funds, and a partner provided the land, to construct the Shamah Autism Center in Dammam. This is the first multidisciplinary autism centre for Saudi children in the Eastern Province of the Kingdom. In addition, Saudi Aramco constructed the Ajyal Center for Comprehensive Education & Life Skills. The centre serves children with developmental disabilities, including autism spectrum disorder, behaviour disorders and intellectual disabilities.
- In addition to environmental initiatives directly associated with operating its facilities, Saudi Aramco has established a wildlife sanctuary in the Rub' al-Khali near its Shaybah facility to promote and preserve biodiversity and has planted hundreds of thousands of mangroves along the shores of the Arabian Gulf and established artificial reefs to protect and preserve ecosystems.
- Saudi Aramco partners with various institutions to support research of biodiversity, environmental challenges and climate change.
- Saudi Aramco has established a partnership with Technical & Vocational Training Corp. and other stakeholders to build training academies for young Saudis that provides training in various industry sectors through a sponsorship scheme followed by employment. As at 31 March 2021, Saudi Aramco has established 16 training centres. These training centres contribute to broadening the pool of professional talent in the Kingdom and furthers Saudi Aramco's In-Kingdom Total Value Add Development Programme, which aims to increase the use of in-Kingdom suppliers of goods and services.
- With the goal of igniting entrepreneurship and enhancing the Kingdom's entrepreneurial and innovation ecosystem, Saudi Aramco established The Saudi Aramco Entrepreneurship Center (Wa'ed) in 2011. Wa'ed deploys a suite of programmes, including enterprise development, seed funding, debt financing and equity investments, to assist entrepreneurs in establishing and expanding their ventures. These programmes support the development of small- and medium-sized enterprises capable of diversifying the Kingdom's economy.
- In April 2021, Saudi Aramco launched, in partnership with the Technical & Vocational Training Corporation, the Saudi National Bank, HSBC, Citi Bank, J.P. Morgan, KPMG, Goldman Sachs, Deloitte, EY and Morgan Stanley, the Finance & Accounting Excellence Academy (Altamayyuz Academy). The Altamayyuz Academy offers a world-class finance programme for the Kingdom's top graduates developed in partnership with IE University, which adopts an immersive, interactive and experiential methodology to provide its graduates with real-world experience needed and sought by employers across the Kingdom.

In 2018, Saudi Aramco adopted a new Corporate Citizenship Policy which sets out four target areas for future expenditures: community economic growth and development, protection of the natural environment, community economic empowerment and community-based corporate citizenship initiatives.

Saudi Aramco expects to continue to engage in a range of corporate citizenship projects and initiatives in the future. These include projects and initiatives which Saudi Aramco believes contribute to society in the Kingdom and aid in the development of a skilled workforce.

For additional information about Saudi Aramco's corporate citizenship activities, see "*Management's Discussion and Analysis of Financial Position and Results of Operations—Components of Results of Operations—Selling, Administrative and General*" and "*Related Party Transactions—Corporate Citizenship*".

Business Development Projects

Saudi Aramco engages in business development projects that it believes benefit its core activities and support the development of the Kingdom's energy sector and local supply chain partners in ways that enhance its long-term commercial interests.

In 2013, Saudi Aramco established SADCO as a wholly owned subsidiary to build a portfolio of companies and investments that reduce Saudi Aramco's procurement costs and supply chain risks. These new businesses are intended to serve as competitive suppliers for Saudi Aramco as well as third parties. SADCO has formed the Jasara Program Management Company, a joint venture with Jacobs Engineering Inc. and the PIF, to provide professional programme and construction management services for government, semi-government and Saudi Aramco infrastructure projects in the Kingdom on an arm's length basis and undertake the management and development of these types of projects. See "*Related Party Transactions—Other Transactions*".

Moreover, in 2018, Saudi Aramco began constructing the infrastructure for SPARK, an industrial park aimed to attract international third-party manufacturers and suppliers of goods to the energy sector to locate facilities in the Kingdom. Saudi Aramco believes that SPARK will shorten the supply chain for Saudi Aramco and other companies in the Kingdom's energy sector, as well as result in more competitive pricing offered by suppliers of goods to energy sector companies in the Kingdom. Once operational, SPARK is expected to be managed by Saudi Aramco. Saudi Aramco receives a reimbursement of its expenses related to SPARK through a reduction in taxes payable. See "*Related Party Transactions—Other Transactions*".

In addition, in support of Saudi Aramco's initiative to develop local supply chains to enhance its long-term commercial interests and reduce procurement costs, on 1 December 2015, Saudi Aramco launched its In-Kingdom Total Value Add Development Programme to increase the use of in-Kingdom suppliers of goods and services. Saudi Aramco believes that the scale of its procurement programme can support building a diversified energy sector in the Kingdom. In addition, Saudi Aramco believes this programme has a positive impact on the Kingdom's economy and supports its efforts to improve the efficiency and effectiveness of its supply chain. In 2020, Saudi Aramco's In-Kingdom Total Value Add score was 58%.

In March 2021, the Government announced the launch of the new cooperative Shareek Program, designed to reinforce the private sector by providing it with support through various means, including financial, monetary, operational and regulatory cooperation and asset investment. The aim of the programme is to support the growth and diversification of the Saudi economy by providing new job opportunities, developing various sectors and strengthening the cooperation between the public and the private sector.

As part of the Shareek Program, as well as Saudi Aramco's In-Kingdom Total Value Add programme, Saudi Aramco will seek to proactively support and partner with domestic businesses and ventures which contribute to the Kingdom's economic growth and development and are aligned with Saudi Aramco's business strategies. This is in addition to Saudi Aramco's existing programmes of early-stage venture capital investments, targeting new technology applications that may be deployed in its operations, or which may have a broader economic impact in the future.

Employee Development and Other Programmes

Saudi Aramco's employees and workplace culture are important to its success. Saudi Aramco invests in its personnel and has implemented a number of training and skills development programmes. Saudi Aramco believes these programmes allow it to shape its workforce for the future. For example, Saudi Aramco integrates hands-on technical training and online classes, rotational assignments between business lines within Saudi Aramco, internship and mentorship opportunities, sponsored university degree programmes and leadership

courses to develop its own employees and talent. In addition, to promote professional development, Saudi Aramco has established and maintained an e-learning solution that contains a substantive set of courses that include tailored administrative, technical and business courses. This tool is accessible to all employees at no cost to enable continuous development. Saudi Aramco also has an apprentice programme that supports high-achieving high school and vocational college students and teaches them skills to enable them to join Saudi Aramco's workforce. Moreover, in order to promote the adoption of Saudi Aramco's ethics and compliance principles into its corporate culture, Saudi Aramco provides regular training to employees across business lines, as well as suppliers and contractors, in connection with its Anti-Bribery and Anti-Corruption, Conflict of Interest, and Business Ethics policies.

As at 31 March 2021, women comprised 5.1% of Saudi Aramco's workforce. To further increase the percentage of women employed by Saudi Aramco and to broaden the pool of qualified female employees in the energy sector generally, Saudi Aramco conducts STEM programming in elementary schools to encourage future careers in these fields. Saudi Aramco also sponsors young Saudi women pursuing degrees in STEM subjects through various training institutes, academies and a university scholarship programme.

Saudi Aramco is also constructing a fully serviced community including houses, schools and other social facilities in South Dhahran that will be available for eligible employees and their families. This community includes affordable housing for eligible employees to purchase as part of Saudi Aramco's home ownership programme. For additional information on Saudi Aramco's employees, see "*—Employees*".

Insurance

Saudi Aramco maintains insurance policies covering different types of risks to which it may be exposed. These insurance policies have been issued primarily by Saudi Aramco's wholly owned captive insurance company, Stellar, formed and licenced under the laws of Bermuda. All of Saudi Aramco's insurance providers hold a rating of at least A- from AM Best or equivalent rating agencies.

Saudi Aramco believes that it maintains insurance coverage consistent with industry best practices and subject to customary deductibles, caps, exclusions and limitations.

For further information on the insurance risks of Saudi Aramco, see "*Risk Factors—Risks related to Saudi Aramco, its Operations and Industry—Saudi Aramco could be subject to losses from risks related to insufficient insurance*".

Employees

As at 31 March 2021, the Obligor and its wholly owned subsidiaries employed 77,007 people.

Litigation and Trade Actions

From time to time, the Obligor and its subsidiaries are subject to various claims, lawsuits, regulatory investigations and other legal matters arising in the ordinary course of business, including contractual claims relating to construction projects and agreements to render services undertaken by Saudi Aramco, claims for title to land and environmental claims. Additionally, Saudi Aramco in the past has been subject to antitrust claims.

Furthermore, exports of crude oil, refined products and petrochemicals by Saudi Aramco or its affiliates to foreign countries may be affected by litigation, regulatory actions, investigations, disputes or agreements that lead to the imposition of import trade measures, including anti-dumping and countervailing duties, safeguard measures, import licensing and customs requirements, and new or increased tariffs, quotas or embargos. The possibility and effect of any such measures will depend on the domestic laws in the relevant country to which the applicable products are being exported and applicable international trade agreements. Foreign countries may take such measures for political or other reasons, including reasons unrelated to Saudi Aramco actions or operations.

The outcome of litigation and other legal matters, including government investigations or other trade actions, is inherently uncertain. Saudi Aramco believes it has valid defences to the legal matters currently pending against it as a party, including the pending case described under "*—Land Claims*" below. Certain trade actions that do not involve Saudi Aramco as a party may instead involve its products or industry, other products or industries

impacting its operations, or the countries in which it operates. Trade actions may be taken without prior notice, or with retroactive effect. Actual outcomes of these legal, regulatory and other proceedings may materially differ from current estimates. To date, none of these types of litigation or trade matters has had a material impact on Saudi Aramco's operations or financial position. Saudi Aramco believes that it is not presently a party to any legal, regulatory or other proceedings that, if determined adversely to it, could reasonably be expected, individually or taken together, to have a material adverse effect on Saudi Aramco's business, financial position or results of operations.

Contract Claims

From time to time, Saudi Aramco has been subject to litigation within the Kingdom as a result of contract disputes with third parties. These contract claims, which primarily involve construction and agreements to render services, generally include allegations relating to non-payment, scope of work changes, and increased costs due to project delays. A number of these claims are currently pending in litigation and arbitration proceedings in the Kingdom. Although the value of these individual contract claims is not material, the aggregate value of such claims may reach or exceed \$1.0 billion in potential exposure.

Land Claims

From time to time, Saudi Aramco has been subject to, and remains subject to, claims for title to land. For example, the *Al-Qarqani* case is pending before the U.S. Court of Appeals for the Fifth Circuit. In *Al-Qarqani*, the petitioners seek to enforce the Award granted by an arbitral tribunal under the auspices of the IAC in Egypt. The federal district court for the Southern District of Texas granted Saudi Aramco's motion to dismiss the case on 17 November 2020. The petitioners subsequently appealed that decision to the Fifth Circuit. In the unlikely event the Obligor is unsuccessful in defending the district court's dismissal on appeal, the petitioners may attempt to force it to pay the Award granted by the arbitral tribunal, which could have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

Climate Change Claims

Claims relating to climate change matters have been filed against companies in the oil and gas industry by private parties, shareholders of such companies, public interest organisations, state attorneys general, cities and other localities, especially in the United States, including claims that the extraction and development of fossil fuels has increased climate change. Some of these claims demand that the defendants pay financial amounts as compensation for alleged past and future damages resulting from climate change. On 2 July 2018, Motiva, Saudi Aramco's U.S. refinery, was named as a defendant in a climate-change case brought by the Rhode Island Attorney General against 21 oil and gas companies. The defendants initially attempted to remove the case to federal court, but the case was remanded back to the Rhode Island state court. The federal district court's remand order was affirmed by the Court of Appeals for the First Circuit on 29 October 2020. On 30 December 2020, the defendants filed a petition for a writ of certiorari asking the U.S. Supreme Court to review the First Circuit's decision. Very similar decisions have been reached in other climate change cases against oil and gas companies by the Fourth Circuit in *Mayor and City Counsel of Baltimore v. BP p.l.c.*, the Ninth Circuit in *Oakland, et al. v. BP plc et al.* and *County of San Mateo, et al. v. Chevron Corp., et al.*, and the Tenth Circuit in *Board of County Commissioners v. Suncor Energy (U.S.A.), Inc. et al.* On 2 October 2020, the U.S. Supreme Court granted certiorari to review the decision of the Fourth Circuit in *City of Baltimore* and it heard oral arguments in that case on 19 January 2021. Due to the similarity of the cases, whether the First Circuit's decision in the Rhode Island case ultimately controls could depend to a large extent on what the Supreme Court decides in the *City of Baltimore* case or other similar cases. While Shell agreed to defend and indemnify Motiva, in the event Motiva is not dismissed, Shell's continued duty to defend and indemnify Motiva may be re-evaluated. Claims such as these could increase in number and Saudi Aramco and its affiliated companies could be the subject of similar claims in the United States or elsewhere in the future.

Antitrust Claims

Saudi Aramco has previously been subject to litigation in the United States involving claims of antitrust violations in connection with the Kingdom's membership in OPEC and collective activity with respect to hydrocarbon production. These antitrust actions have sought extensive relief, including treble damages,

divestiture of assets in the United States and disgorgement of profits. If granted, this relief could have had an adverse material adverse impact on Saudi Aramco. To date, the OPEC-related antitrust lawsuits have been dismissed on the basis of various sovereign defences under U.S. law, including the political question and the act of state doctrines, sovereign immunity under the FSIA and other legal defences. However, there is no assurance that Saudi Aramco will prevail in its assertion of these defences in the future and any adverse judgment or settlement of litigation could have an adverse effect on Saudi Aramco's business, financial position and results of operations. In addition, Saudi Aramco is subject to the risk of antitrust claims, lawsuits, regulatory investigations and other antitrust related legal matters arising in the ordinary course of business, potentially comprising the actions of its affiliates, including SABIC and its affiliates.

U.S. Justice Against Sponsors of Terrorism Act

The Justice Against Sponsors of Terrorism Act (“**JASTA**”) became U.S. law in September 2016 and creates a new basis for U.S. nationals to sue foreign sovereigns and their agencies and instrumentalities in U.S. courts for terrorism related claims arising from U.S. based attacks, including the terrorist attacks on 11 September 2001. To date, there have been a number of JASTA related claims against the Kingdom and other defendants, but not against Saudi Aramco. Any claims against Saudi Aramco related to JASTA, even if without merit, could adversely impact investor perceptions of Saudi Aramco.

MTBE Environmental Claims

In the United States, Motiva and other companies in the petroleum refining and marketing industry historically used MTBE as a gasoline additive. Motiva is a party to pending lawsuits concerning alleged environmental impacts associated with historic releases of MTBE in the United States. Many of these lawsuits involve other oil and gas companies as defendants. Plaintiffs in these MTBE lawsuits generally seek to spread liability among large groups of oil and gas companies and often seek substantial damages. Additional lawsuits and claims related to the use of MTBE, including personal-injury claims, may be filed in the future. Motiva could be subject to material liabilities relating to MTBE claims. If Motiva or Saudi Aramco were to be subject to such liabilities, this could have a material adverse effect on Saudi Aramco's business, financial position and results of operations.

MATERIAL AGREEMENTS

The Concession

Background

On 4/2/1352 in the Hijri calendar (corresponding to 29 May 1933), the Arabian American Oil Company Concession Agreement was ratified, pursuant to which the Government granted Saudi Aramco's predecessors certain exclusive rights, including the right to explore, drill, recover and treat crude oil and other Hydrocarbons located within certain areas of the Kingdom (which were revised and grew over time), with limited territorial exceptions. Pursuant to Royal Decree No. M/8 dated 4/4/1409 in the Hijri calendar (corresponding to 13 November 1988) approving Saudi Aramco's original articles in 1988, Saudi Aramco has enjoyed all the privileges and rights provided under the Original Concession. Effective 6/4/1439 in the Hijri calendar (corresponding to 24 December 2017), the Government, represented by the Minister of MEIM (predecessor to the Minister of Energy), and Saudi Aramco entered into the Concession, which replaced and superseded in its entirety the Original Concession on the Concession Effective Date. Further, on 20/1/1441 in the Hijri calendar (corresponding to 19 September 2019), and in accordance with the Hydrocarbons Law, the Government, represented by the Minister of Energy, and Saudi Aramco entered into the Concession Amendment, with effect from 1 January 2020).

Grant of Rights

The Government grants Saudi Aramco the following rights to be exercised at Saudi Aramco's own responsibility during the term of the Concession:

- the exclusive right to explore, drill, prospect, appraise, develop, extract, recover and produce Hydrocarbons in the Concession Area;
- the non-exclusive right to manufacture, refine and treat production and to market, sell, transport and export such production;
- the exclusive right to market and distribute Hydrocarbons, petroleum products and LPG in the Kingdom, with Saudi Aramco's commitment to meeting all the domestic market's needs for such products in accordance with the consumption requirements thereof through domestic production or imports in accordance with laws issued by the Government;
- the right to build, own and operate relevant facilities and assets as may be necessary or desirable to perform Saudi Aramco's operations within the Reserved Areas;
- certain rights to acquire and use land, water and other natural products in connection with Saudi Aramco's operations;
- the right to purchase, lease, import or otherwise obtain all materials, equipment and any other supplies required for Saudi Aramco's operations;
- the right to conduct such other activity related to the foregoing subject to the provisions of the Concession and applicable law; and
- the right to receive Government assistance in securing the rights granted in the Concession, obtaining permits, licences and other special approvals and obtaining access, rights of way and water rights from third parties necessary for Saudi Aramco's operations.

Under the Concession, Saudi Aramco is required to obtain the necessary licences, permits and approvals that may be required pursuant to the Hydrocarbons Law, the Law of Gas Supplies and Pricing and the regulations issued pursuant to these laws. All Hydrocarbons in the Kingdom are owned by the Kingdom, and upon extraction or recovery of such Hydrocarbons by Saudi Aramco, title to such Hydrocarbons shall automatically pass to Saudi Aramco at the ownership transfer point. Saudi Aramco has no rights to any natural resources existing in the Concession Area other than Hydrocarbons except as otherwise provided in the Concession.

The rights granted to Saudi Aramco under the Concession are subject to the Hydrocarbons Law and other applicable law, including production decisions issued by the Government pursuant to its sovereign authority. Saudi Aramco may not sell to any entity any Hydrocarbons or derivatives therefrom in violation of decisions the Government considers necessary for the protection of supreme security interests for the Kingdom in times of war or other emergency in international relations.

Term

The Concession will remain effective for 40 years from the Concession Effective Date, unless terminated earlier in accordance with its terms.

The Government will issue a decision to extend the Concession for a period of 20 years on the 30th anniversary of the Concession Effective Date, provided Saudi Aramco has fulfilled the following conditions: (a) Saudi Aramco has exerted reasonable efforts to maximise reserves and their recovery in the Concession Area, taking into consideration production decisions and Hydrocarbons market conditions; (b) Saudi Aramco has conducted its operations in a manner that (i) is economically efficient, (ii) enhances the productivity of the reservoirs in the long-term in the Concession Area and (iii) supports good management of Hydrocarbons, in all cases, according to the Hydrocarbons Law; and (c) Saudi Aramco generally has conducted its activities and operations in the Kingdom in an economically efficient manner thereby enhancing the efficiency of the Kingdom's economy.

If the Concession is extended as described in the previous paragraph, the Concession may be amended and extended for an additional 40 years following the 60th anniversary of the Concession Effective Date, if Saudi Aramco provides the Government with notice confirming its intent to extend the Concession, at any time from the beginning of the 50th anniversary until the end of the 53rd anniversary of the Concession Effective Date, provided that the parties undertake exclusive negotiations for a two year period (which may be extended or reduced by the parties), commencing at the end of the 53rd anniversary of the Concession Effective Date, to reach an agreement on the terms and conditions of such amendment and extension. If the Government and Saudi Aramco are unable to reach agreement on the amendment and extension during such exclusive negotiation period, and the Government elects to negotiate with any third-party to enter into an agreement with respect to any Hydrocarbons activities or operations in the Concession Area, Saudi Aramco will have a priority right to enter into an agreement with the Government under the same terms and conditions as agreed between the Government and such third-party, provided that Saudi Aramco notifies the Government of its desire to exercise the priority right within 120 days of its receipt of a written notice from the Government that includes the entire draft agreement with such third-party with respect to such Hydrocarbons activities and operations.

Conduct of Saudi Aramco's Operations

Pursuant to the Concession, all Saudi Aramco contracts with any Government agency or any arrangement for the furnishing of Hydrocarbons, services or otherwise are required to be on a commercial basis.

Saudi Aramco is required to conduct its operations efficiently to achieve the optimal economic balance between reducing the cost of production and raising the recovery rates of Hydrocarbons.

Pursuant to applicable law and international industry standards, Saudi Aramco will (a) take all reasonable precautions to limit the damage to water and Hydrocarbons bearing formations it may encounter during operations or upon abandonment of any well, (b) take all reasonable precautions to protect against fire and waste of Hydrocarbons and water and (c) notify the Government as soon as possible of any damage that requires intervention affecting the fields or facilities and take all necessary measures to stop such damage.

Government Designated Areas

The Government may designate a "Government Designated Area" for any purposes specified by the Government, such as tourism areas, national parks, industrial zones, urban planning areas and mining licence areas, in a manner that shall not hinder Saudi Aramco's operations. The following will be deemed Government Designated Areas: areas located outside the Reserved Areas that are occupied by cities, streets, airports, ports, railways, public roads, public transportation, public communications, water projects, public utilities, military installations, economic and industrial cities, agricultural projects, wildlife protected areas, areas designated for

worship and historical and archaeological areas. If the studies conducted by Saudi Aramco show the possibility of Hydrocarbons being under the surface of any of these Government Designated Areas, the Government may allow Saudi Aramco to carry out its operations as agreed with Saudi Aramco.

Discoveries and Reserved Areas

Saudi Aramco will inform the Government in writing of any new discovery of Hydrocarbons in the Concession Area. If Saudi Aramco elects to reserve any part of the Concession Area for its operations, Saudi Aramco will provide a written request to the Government specifying (a) the location of such area and (b) Saudi Aramco's intended use of such area. Upon receipt of such request, the Government will take such action as it deems appropriate.

Should the area which Saudi Aramco desires to reserve fall within a Government Designated Area, the Government will cooperate with Saudi Aramco to allow Saudi Aramco to use such area for the production of the Hydrocarbons discovered therein and for the conduct of its operations with due regard to limiting the impact of its operations on such area's intended use. The Government will not issue any deeds or licences or the like with respect to any land located within the Reserved Areas.

Saudi Aramco will compensate any person (other than Saudi Aramco) that holds an original property right on land in a Reserved Area pursuant to a deed that meets all legal and regulatory requirements obtained prior to the date such area has been so reserved (a "**Land Occupant**") in a Reserved Area for depriving such Land Occupant of its customary use of the land, provided that such rights held by any such person are valid and enforceable against Saudi Aramco.

Saudi Aramco will not hinder a Land Occupant's use of or access to its land in the Reserved Areas, provided that such use or access will not hinder Saudi Aramco's operations, or otherwise the Land Occupant will be entitled to compensation for being deprived of its customary use of the land. In the event that other rights exist within the Reserved Areas that would impede or disrupt Saudi Aramco's operations, the Government will intervene to protect the rights of Saudi Aramco under the Concession.

The Government may by written notice instruct Saudi Aramco to assess a Gas Field Development Project, following which Saudi Aramco will (a) commence assessment of the Gas Field Development Area, including, as appropriate, conducting exploration operations, and (b) determine if the projected volumes of natural gas to be produced by such Gas Field Development Project will be necessary to meet local demand. Should Saudi Aramco elect to develop any such field, it will prepare a development plan that describes the scope of development and the proposed economic terms relating to such project and submit such plan for review by the Government.

If Saudi Aramco elects not to undertake any Gas Field Development Project as identified by the Government, or if the Government and Saudi Aramco fail to agree on a development plan for such Gas Field Development Project within a period of up to five years (or such longer period as specified by the Government) after the date of the notice instructing Saudi Aramco to assess the Gas Field Development Project, Saudi Aramco will relinquish such field, if independent, and areas reasonably related thereto located within the Gas Field Development Area, provided that Saudi Aramco need not relinquish any portion of the relevant Gas Field Development Area if: natural gas volumes from such Gas Field Development Project, based on governmental estimates, are not necessary to meet local demand for gas; (b) the Gas Field Development Area is located within the areas of Saudi Aramco's operations; or (c) the Gas Field Development Project would otherwise hinder, affect or interfere with Saudi Aramco's operations or the development of oil and condensate fields or reservoirs.

Saudi Aramco will relinquish any part of the Concession Area that (a) studies conducted by Saudi Aramco establish does not contain Hydrocarbons or (b) Saudi Aramco determines not to be feasible for exploration operations during the term of the Concession.

Royalty and Taxes

Royalties payable to the Government with respect to Saudi Aramco's operations are calculated as follows:

- With respect to Saudi Aramco's production of crude oil and condensates, including those used by Saudi Aramco in its operations, royalties are calculated based on a progressive scheme applied to crude oil and condensate production value. Production was valued based on Saudi Aramco's official selling prices. An effective royalty rate was applied to production value and was based each month on the average daily price quotes for Brent crude on the Intercontinental Exchange (or any successor exchange) for each day during such period. The effective royalty rate was determined based on a baseline rate of 20% applied to the value of production at prices up to \$70.0 per barrel, a marginal rate of 40% applied to the value of production at prices above \$70.0 per barrel up to \$100.0 per barrel and a marginal rate of 50% applied to the value of production at prices above \$100.0 per barrel.
- With respect to Saudi Aramco's production of natural gas, ethane and NGL, excluding those volumes used by Saudi Aramco for upstream operations and related operations (including transportation, pipelines and storage and export facilities, fractionation plants, gas and NGL plants), royalties are calculated based on a flat royalty rate of 12.5% applied to a factor established by the Ministry of Energy. As at the date of this Base Prospectus, the factor to which this royalty is applied is \$0.035 per mmBTU for NGL (propane, butane and natural gasoline) and \$0.00 per mmBTU for natural gas (methane) and ethane. The Minister of Energy may amend the price on which such values are based, taking into account the price that achieves the targeted internal rate of return set by the Minister of Energy in coordination with Saudi Aramco.

Commencing 1 January 2020, the Concession Amendment amended the royalties payable to the Government with respect to Saudi Aramco's production of crude oil and condensates, including those used by Saudi Aramco in its operations, so that the effective royalty rate is determined based on a baseline rate of 15% applied to the value of production at prices up to \$70.0 per barrel, a marginal rate of 45% applied to the value of production at prices above \$70.0 per barrel up to \$100.0 per barrel and a marginal rate of 80% applied to the value of production at prices above \$100.0 per barrel.

In order to increase gas production to meet the needs of the Kingdom, the Government may choose not to collect royalties on natural gas, NGL (including ethane) and condensates for a period specified by the Government with respect to any field as required by the economics of such field's development. Pursuant to the Ministry of Energy's authority under the Concession, on 25 February 2018, the Ministry of Energy decided not to collect royalties from the Obligor on condensate production for a grace period of five years beginning on 1 January 2018. On 17 September 2019, the Ministry of Energy issued Ministerial Resolution No. 1/422/1441, dated 18/1/1441 in the Hijri calendar (corresponding to 17 September 2019), which extends the period for which Saudi Aramco will not be obligated to pay royalties on condensate production after the current five-year period for an additional 10-year period, which may be further extended for subsequent 10-year periods, unless the Government determines the economics impacting gas field development do not warrant such an extension.

The Government has the option to take all or part of the royalty in kind from the produced Hydrocarbons. Saudi Aramco is subject to the Kingdom's Income Tax Law. Income tax is due for payment monthly.

Set-off

The set-off mechanism between the amounts due and payable to Saudi Aramco by the Government and the amounts due and payable by Saudi Aramco to the Government will be pursuant to applicable law.

Preservation of Archaeological Sites

Saudi Aramco will take all reasonable measures to preserve archaeological sites that may be in its area of operations and will provide protection for archaeological artefacts it finds during its operations.

Books, Records and Inspection

Saudi Aramco will maintain and retain at any of its offices within the Kingdom, with respect to Saudi Aramco's operations in the Kingdom, all operational, financial, tax and other books and records for each period as required by applicable law. Saudi Aramco's financial books and records will be prepared in accordance with the IFRS as endorsed by SOCPA or as determined by the Government from time to time. The Government and its authorised agents and representatives have the right, pursuant to applicable law, to review, inspect and audit all technical, operational, financial, tax and other records of Saudi Aramco, including the right to examine the systems for calibrating, measuring and weighing of Hydrocarbons and to examine and test the instruments used therefor.

Saudi Aramco accounts will be held in U.S. Dollars, which is the controlling currency of the accounts for purposes of the Concession.

Human Resources

Saudi Aramco will employ Saudi Arabian nationals in all posts for which they have necessary qualifications, knowledge and experience, but may employ qualified non-Saudi Arabian nationals in posts for which they have the necessary qualifications and as necessary for Saudi Aramco's ability to compete and innovate in the event such posts could not be filled by Saudi Arabian nationals with the same qualifications and experience. Saudi Aramco will deliver to the Government, upon the Government's request, a report specifying the procedures to be implemented to increase the number of employed Saudi Arabian nationals in order to meet the percentage of Saudi Arabian nationals required by applicable law. Saudi Aramco is required to implement programmes to train employed Saudi Arabian nationals in aspects of the Hydrocarbons industry and other associated specialities in order to fulfil Saudi Aramco's goals.

Access; Non-Interference

The Government has the right to inspect Saudi Aramco's operations related to exploration, prospecting, exploitation, manufacturing, refining, transportation and marketing. In coordination with Saudi Aramco, and taking into account Saudi Aramco's use conditions and safety rules, the instructions issued by the High Commission for Industrial Security at the Ministry of Interior and such other applicable safety and security rules and regulations, the Government may access installations and facilities utilised in Saudi Aramco's operations within the Reserved Areas for inspection purposes and in a manner that does not hinder or interfere with Saudi Aramco's operations.

Insurance

Saudi Aramco will provide such insurance coverage for its assets as it deems appropriate to meet the requirements of international industry standards and applicable law. Saudi Aramco is entitled to appoint affiliates as primary or additional insurers and/or as reinsurers, or to be self-insured.

Certain Obligations and Rights of the Parties

In no event will the exercise of any rights to acquire or use land, water or other natural products by Saudi Aramco imply any assignment of title by the Government or deprive the Government of the use of such rights in a manner that will not hinder or interfere with Saudi Aramco's operations. The Government will assist Saudi Aramco in securing, protecting and enforcing such rights to facilitate the orderly conduct of Saudi Aramco's operations in accordance with the Concession, including the acquisition by Saudi Aramco of necessary rights to any land in the Concession Area required for Saudi Aramco's exploration operations, provided that Saudi Aramco compensates, in accordance with applicable law, any person who owns the land pursuant to a deed that meets all legal and regulatory requirements and that is issued prior to Saudi Aramco's commencement of the exploration operations.

Saudi Aramco's operations in connection with the Concession will be exempt from the Kingdom's Competition Law.

Saudi Aramco will not pay or be responsible for any custom duties, custom returns, other direct or indirect import taxes or similar charges or any export duties on Hydrocarbons.

The Government will provide to Saudi Aramco: (a) reasonable assistance with respect to Saudi Aramco's performance of its operations; (b) reasonable assistance to acquire any rights upon the request of Saudi Aramco and as permitted under applicable law and the Concession, including the right of the Government to expropriate property pursuant to the Kingdom's Law of Eminent Domain and Temporary Seizure of Real Estate; and (c) act in a timely manner when Government approvals are required pursuant to the Concession, giving due consideration, however, to the facts and circumstances and Government requirements at that time.

In the event of a national emergency resulting from war, threat of war, insurrection or critical shortage of Hydrocarbons, the Government has the right to seize Hydrocarbons from Saudi Aramco, use the fields and facilities in the Concession Area during any such emergency and require Saudi Aramco to increase production from its operations in case it is unable to meet the Government's needs from Saudi Aramco's then-current production, provided that the Government compensates Saudi Aramco at fair value for such Hydrocarbons and the use of such property.

Force Majeure

If Saudi Aramco's operations are delayed, curtailed or prevented by force majeure, then the time to carry out the obligations thereby affected and all other rights and obligations under the Concession (except for any obligations requiring payment of money due and payable) will be extended for a period equal to the period of the force majeure thus involved.

Termination

Except as described under "Force Majeure" above, Saudi Aramco will be in default under the Concession if Saudi Aramco persistently fails to perform its material obligations thereunder or fails to make any material, undisputed payment thereunder when due to the Government, and any such failure is continuing and has not been remedied (a) with respect to Saudi Aramco's payment obligations to the Government, within 90 days after a written notice of default is given to Saudi Aramco by the Government or (b) with respect to Saudi Aramco's material non-payment obligations, within a reasonably practicable cure period in light of the nature of such default starting from the date Saudi Aramco receives such written notice of default, provided that the foregoing will not be deemed a default while Saudi Aramco continues to undertake corrective actions with respect to such default during such cure period.

The Government has the right to terminate the Concession by written notice from the Government to Saudi Aramco to the extent a default has occurred and is continuing as set forth above. The Concession will also be terminated without notice or any other action on the date Saudi Aramco is duly dissolved.

Upon termination or expiry of the Concession, all properties of Saudi Aramco related to its upstream operations within the Kingdom and such plants, pipelines for the transfer of crude oil and gas and storage and export facilities directly related to such upstream operations, whether moveable or immovable, will become the property of the Government. Saudi Aramco will continue to own all of its other assets and will maintain the absolute right to dispose of or operate such assets or to continue its operations pursuant to applicable law.

Governing Law and Disputes

The Concession is governed by and construed in accordance with the applicable legislation in the Kingdom.

The Government and Saudi Aramco will attempt to resolve, in good faith and in an amicable and equitable manner, any dispute in connection with the Concession through authorised representatives. If any such dispute is not so resolved between the parties within 90 days from the date on which either party receives written notification from the other party that such dispute exists, then either party will have the rights and remedies provided to such party under applicable law. In case of an on-going and continuous dispute relating to technical or operational matters, the parties may by mutual agreement appoint a qualified and independent Hydrocarbons industry expert who will be jointly selected by the parties to review such dispute using international commercial and engineering standards, under the supervision of both the Government and Saudi Aramco and in accordance with procedures to be timely agreed to by the parties.

Assignments

Saudi Aramco may not assign, transfer or pledge any part of its rights and obligations under the Concession to any third-party without the prior written consent of the Government.

Reports

As soon as practicable, Saudi Aramco will provide the Government with certain technical reports and any other reports the Government requests in relation to Saudi Aramco's operations. Saudi Aramco will furnish the Government (a) within 45 days after the end of the first, second and third quarters of each financial year, quarterly financial statements certified by an authorised financial officer of Saudi Aramco and, within 90 days after the end of each financial year, annual financial statements audited by an internationally recognised accounting firm acceptable to the Government, in each case, prepared in accordance with IFRS, (b) as soon as practically possible, the total sum of royalties, taxes and other amounts Saudi Aramco paid to the Government during the preceding month and periodical reports prepared by Saudi Aramco to set its sale prices for crude oil and (c) any other financial information the Government may request periodically or from time to time relating to Saudi Aramco's operations and financial position.

Agreements with Key Customers

There is no single customer that constituted 5% or more of Saudi Aramco's total revenue and other income related to sales in the years ended 31 December 2018, 2019 and 2020.

Agreements with Key Suppliers

Saudi Aramco purchases materials and services from local and international suppliers. There is no single third-party supplier that constituted 5% or more of Saudi Aramco's total purchases in the years ended 31 December 2018, 2019 and 2020.

MANAGEMENT

Board of Directors

The Board of Directors comprises 11 Directors elected by an ordinary general assembly convened in accordance with the Bylaws, except that, pursuant to the Bylaws, the President and Chief Executive Officer has a permanent membership on the Board of Directors without being subject to election or any further action by the general assembly. The Companies Law, the Bylaws and the internal governance regulations of Saudi Aramco determine the duties and responsibilities of the Board of Directors. The term of a Director is for a period not to exceed three years, subject to renewal or extension. There is no limit on the number of terms that a Director may serve on the Board of Directors.

The Bylaws set forth requirements concerning the composition of its Board of Directors, including that the number of independent directors must satisfy the minimum requirements of applicable laws and regulations in the Kingdom. The current Board of Directors was formed by virtue of Council of Ministers Resolution No. 180, dated 1/4/1439 in the Hijri calendar (corresponding to 19 December 2017). This Council of Ministers Resolution states that notwithstanding the provisions of the Bylaws, the first Board of Directors shall be formed by a Council of Ministers resolution based on the recommendation of the Minister of MEIM (predecessor to the Ministry of Energy) until such time that a Board of Directors is formed pursuant to the provisions of the Bylaws. As such, the Council of Ministers issued Resolution No. 428, dated 8/8/1439 in the Hijri calendar (corresponding to 24 April 2018) appointing the Board of Directors and designating five of the Board of Directors members as independent directors: Mr. Moody-Stuart, Mr. Liveris, Mr. Gould, Ms. Elsenhans and Mr. Cella.

On 19 March 2020, Mr. Gould resigned from his position as a member of the Board of Directors and chair of the Audit Committee. On 31 March 2020, Mr. Mark A. Weinberger was appointed to the Board of Directors as an independent director pursuant to Council of Ministers issued Resolution No. 492, dated 7/8/1441 in the Hijri calendar (corresponding to 31 March 2020), to serve Mr. Gould's remaining term with the Board of Directors.

The business address of each Director is the registered address of the Obligor. There are no existing or potential conflicts of interest between any duties of any Director towards the Obligor and the Director's private interests and/or other duties.

The following table sets forth the current members of the Board of Directors:

Name	Position	Independent	Date of Appointment to the Board ⁽¹⁾
H.E. Yasir O. Al-Rumayyan.....	Chairman	No	20 June 2016 ⁽²⁾
H.E. Ibrahim A. Al-Assaf.....	Deputy Chairman	No	2 January 1999 ⁽³⁾
H.E. Mohammad A. Al Jadaan	Director	No	24 April 2018
H.E. Mohammad M. Al-Tuwajri.....	Director	No	24 April 2018
H.E. Nabeel M. Al-Amudi.....	Director	No	3 September 2019
Sir Mark Moody-Stuart	Director	Yes	27 September 2007
Mr. Andrew N. Liveris.....	Director	Yes	1 July 2018
Mr. Mark A. Weinberger.....	Director	Yes	31 March 2020
Ms. Lynn Laverty Elsenhans.....	Director	Yes	24 April 2018
Mr. Peter L. Cella	Director	Yes	24 April 2018
Mr. Amin H. Nasser.....	Director, President and Chief Executive Officer	No	25 August 2010 ⁽⁴⁾

(1) Pursuant to Council of Ministers Resolution No. 428 dated 8/8/1439 in the Hijri calendar (corresponding to 24 April 2018), all Directors were appointed or reappointed to the Board of Directors on 24 April 2018 except for Mr. Liveris, H.E. Al-Amudi and Mr. Weinberger who were initially appointed to the Board of Directors on 1 July 2018, 3 September 2019 and 31 March 2020, respectively.

(2) H.E. Al-Rumayyan was appointed Chairman of the Board of Directors on 3 September 2019.

(3) H.E. Ibrahim A. Al-Assaf was appointed Deputy Chairman of the Board of Directors on 24 April 2018.

(4) Mr. Nasser has been a Director since 25 August 2010 and has served as President and CEO of Saudi Aramco since 29 April 2015.

H.E. Yasir O. Al-Rumayyan, Chairman

H.E. Yasir O. Al-Rumayyan, 51, is the Chairman of the Board of Directors. H.E. Al-Rumayyan has served as a Director of Saudi Aramco since 2016. Currently, H.E. Al-Rumayyan serves as an Advisor to the General Secretariat of the Council of Ministers and as Governor and Director of the Board of the PIF. He also serves as

Chairman of the Board of the Saudi Decision Support Center as well as a Director on the Boards of Uber Technologies, Inc. and ARM Limited.

H.E. Al-Rumayyan also serves in the following capacities:

- Director of NEOM Company, since 2019;
- Director of AMAALA Company, since 2019;
- Chairman of Saudi Arabian Mining Company (Ma'aden), since 2019;
- Director of the Royal Commission for Makkah City and Holy Sites, since 2018;
- Director of The Red Sea Development Company, since 2018;
- Vice Chairman of Central Arriyadh Development Company, since 2018;
- Director of Community Development Company, since 2018;
- Director of Qiddiya Investment Company, since 2018
- Chairman of Noon Investments Company, since 2017; and
- Chairman of Sanabil Investments Company, since 2017.

H.E. Al-Rumayyan has also served in the following capacities:

- Director on the Board of SoftBank Group Corp. from 2017 to 2020.
- Member of the Board of Governors of the Islamic Development Bank from 2016 to 2020.
- Director of the Saudi Industrial Development Fund from 2016 to 2020;
- CEO and Director of Saudi Fransi Capital LLC from 2011 to 2015;
- Director of the Saudi Stock Exchange (Tadawul) in 2014;
- Director of Corporate Finance and Issuance, CMA from 2008 to 2010; and
- Head of International Brokerage for Saudi Hollandi Bank from 1994 to 2004.

H.E. Al-Rumayyan obtained a B.S. in Accounting from King Faisal University in 1993 and completed a General Management Program at Harvard Business School in 2007.

H.E. Ibrahim A. Al-Assaf, Deputy Chairman

H.E. Dr. Ibrahim A. Al-Assaf, 72, has served as a Director of Saudi Aramco since 1999. Currently, H.E. Dr. Al-Assaf serves as the Minister of State of the Kingdom and a member of the Council of Ministers, the Council of Political and Security Affairs and the Council of Economic and Development Affairs. He also serves as a Director on the Board of the PIF.

H.E. Dr. Al-Assaf has also served in the following capacities:

- Minister of Foreign Affairs from 2018 to 2019;
- Minister of State of the Kingdom from 2016 to 2018;
- Minister of Finance of the Kingdom from 1996 to 2016;
- Governor of the International Monetary Fund from 1996 to 2016;
- Governor of the World Bank from 1996 to 2016;

- Governor of the Arab Monetary Fund from 1996 to 2016;
- Governor of the Islamic Development Bank from 1996 to 2016; and
- Chairman of Sanabil Investments from 2009 to 2017.

H.E. Dr. Al-Assaf earned a Ph.D. in Economics from Colorado State University in 1982, an M.A. in Economics from the University of Denver in 1976 and a B.S. in Economics and Political Science from King Saud University in 1971.

H.E. Mohammed A. Al-Jadaan, Director

H.E. Mohammed A. Al-Jadaan, 57, has served as a Director of Saudi Aramco since 2018. Currently, H.E. Al-Jadaan serves as the Minister of Finance of the Kingdom and a member of the Council of Ministers. He also serves as a member of Council for Economic and Development Affairs of Saudi Arabia.

H.E. Al-Jadaan currently serves in the following capacities:

- Chairman of the Zakat, Tax and Customs, since 2021;
- Chairman of Expenditure & Projects Efficiency, since 2021;
- Chairman of Saudi Authority for Accredited Valuers, since 2021;
- Chairman of the National Center of Government Resources Systems, since 2021;
- Chairman of the General Organisation for Social Insurance, since 2020;
- Chairman of the Public Pension Agency, since 2020;
- Member of the Board of Trustees of King Abdullah University of Science and Technology, since 2020;
- Committee Chairman of the Privatisation Program Committee, since 2019;
- Chairman of the National Center for Privatisation & PPP (NCP), since 2019;
- Chairman of the National Debt Management Centre, since 2019;
- Director of the Saudi Authority for Data and Artificial Intelligence, since 2019;
- Director of King Abdulaziz City for Science and Technology, since 2019;
- Director of the Royal Commission for Riyadh City, since 2019;
- Chairman of the Saudi Customs, since 2018;
- Chairman of the Non-Oil Revenue Center, since 2018;
- Chairman of the State Properties General Authority, since 2018;
- Chairman of the General Authority of Zakat and Tax, since 2017;
- Committee Chairman of the Fiscal Sustainability Program Committee, since 2017;
- Committee Chairman of the Financial Sector Development Program Committee, since 2017;
- Committee Chairman of the Fiscal Balance Program Committee, since 2017;
- Director of National Development Fund, since 2017;
- Director of General Authority for Military Industries, since 2017;

- Director of the PIF, since 2016;
- Director of Military Industries Corporation, since 2016;
- Member of the Board of Governors of the Islamic Development Bank, since 2016;
- Member of the Board of Governors of the International Monetary Fund, since 2016;
- Member of the Board of Governors of the World Bank, since 2016;
- Member of the Board of Governors of the Arab Fund for Economic and Social Development, since 2016;
- Member of the Board of Governors of the Arab Monetary Fund, since 2016;
- Member of the Board of Governors of the Arab Bank for Economic Development in Africa, since 2016;
- Member of the Board of Governors of the Asia Infrastructure Investment Bank, since 2016;
- Member of the Board of Governors of the Arab Authority for Agricultural Investment and Development, since 2016;
- Member of the Board of Governors of the Arab Investment and Export Credit Guarantee Corporation, since 2016; and
- Director of the National Center for Performance Measurement “Aadaa”, since 2016.

H.E. Al-Jadaan has also served in the following capacities:

- Acting Minister of Economy and Planning from 2020 to 2021;
- Chairman of the CMA from 2015 to 2016; and
- Co-founder and Managing Partner of Al-Jadaan & Partners Law Firm from 1996 to 2015.

H.E. Al-Jadaan obtained a B.A. in Islamic Law, with a specialty in Islamic Economics from Imam Muhammad bin Saud Islamic University in 1986 and earned a degree in Legal Studies from the Institute of Public Administration, Riyadh in 1998.

H.E. Mohammad M. Al-Tuwaijri, Director

H.E. Mohammad M. Al-Tuwaijri, 54, has served as a Director of Saudi Aramco since 2018. Currently, H.E. Al-Tuwaijri serves as an advisor to the Saudi Royal Court in a Minister rank, a member of the Council for Economic and Development Affairs (CEDA), Vice Chairman of the National Development Fund (NDF), a member of the Strategic Management Committee, and a member of the Finance Committee in Royal Court, a member of the Supreme Coordination Committee for Crisis Challenges, a Director of the PIF and a Director of the Royal Commission of Makkah and Holy Sites (RCMC).

H.E. Al-Tuwaijri also currently serves in the following capacities:

- Director of the Public Pension Agency, since 2020;
- Chairman of the Investment and the Audit Committees of the RCMC Board, since 2019;
- Chairman of the Investment Committee of the PIF Board, since 2019;
- Chairman of the Center for the National Transformation Program, since 2017; and
- Chairman of the Executive Committee of the NDF, since 2017.

H.E. Al-Tuwaijri has also served in the following capacities:

- Supervisor of the National Risk Unit at the Royal Court from 2017 to 2021;
- Minister of Economy and Planning of the Kingdom; Member of the Council of Ministers; Chairman of the Standing Committee of CEDA; Chairman of the Board of Directors of the National Project Management, Operation and Maintenance Organisation (Mashroat), and the General Authority for Statistics; Secretary General of the National Center for Performance Measurement (Adaa); and Director of Saudi Arabian Airlines from 2017 to 2020;
- Chairman of the National Center for Privatisation & PPP from 2019 to 2020;
- Chairman of the National Center for Strategic Development Studies from 2016 to 2020;
- Director of the Saudi Authority for Data and Artificial Intelligence from 2019 to 2020;
- Director of the Royal Authority for the City of Riyadh from 2019 to 2020;
- Director of the National Information Center from 2018 to 2020;
- Vice Chairman and Chief Executive Officer of HSBC Middle East, North Africa and Turkey; Regional Head of Global Banking & Markets, HSBC MENA from 2010 to 2016; and
- Managing Director and Chief Executive Officer of J.P. Morgan Saudi Arabia from 2007 to 2010.

H.E. Al-Tuwaijri earned a B.A. from the Royal Saudi Air Force in 1986 and an MBA from King Saud University in 1998.

H.E. Nabeel M. Al-Amudi, Director

H.E. Nabeel Mohamed Al-Amudi, 47, has served as a Director of Saudi Aramco since 2019. H.E. Al-Amudi is the Chief Executive Officer of Olayan Financing Company. He is also Chairman of the Board of Trustees of Imam Abdulrahman Bin Faisal University and a member of the Board of Directors of the Habib Medical Group and the Olayan Saudi Holding Company.

H.E. Al-Amudi has also served in the following capacities:

- Director of the Red Sea Company from 2017 to 2020;
- Director of the NEOM Company from 2018 to 2020;
- Minister of Transport of the Kingdom and Chairman of the Board of Directors of the General Authority of Civil Aviation, Public Transport Authority, Saudi Ports Authority, Saudi Railways Organisation and Saudi Railways Company from 2017 to 2019;
- Member of the Council of Economic and Development Affairs from 2017 to 2019;
- Director of the Saudi Center for the Strategic International Partnerships during 2019;
- President of Saudi Ports Authority from 2015 to 2017;
- Director of Hapag Lloyd AG in 2017;
- Chairman of the United Arab Shipping Company until its merger with Hapag Lloyd AG, from 2015 to 2017;
- Chairman of the Saudi Electronic Info Exchange Company, Tabadul from 2016 to 2017;
- President of Aramco Services Company from 2013 to 2015; and
- President of Saudi Refining Inc. from 2012 to 2013.

Previously, H.E. Al-Amudi was an employee of Saudi Aramco, joining in 1995, during which he held a series of positions progressing through various areas of Saudi Aramco.

H.E. Al-Amudi obtained a J.D. from Harvard Law School in 2001 and a B.S. in Chemical Engineering from Stanford University in 1995. H.E. Al-Amudi is a 2009 graduate of Stanford's Graduate School of Business Executive Program and is a member of the New York State Bar Association. The World Economic Forum elected him as a Young Global Leader in 2014.

Sir Mark Moody-Stuart, Director

Sir Mark Moody-Stuart, 80, has served as an independent Director of Saudi Aramco since 2007. Currently, Sir Mark serves as Chairman of the Global Compact Foundation and of Zamyne. He also serves as an Advisory Board Member of Envision Energy Ltd.

Sir Mark has also served in the following capacities:

- Chairman of the Innovative Vector Control Consortium from 2008 to 2018;
- Vice Chairman of the UN Global Compact from 2006 to 2018;
- Council Member of the International Integrated Reporting Council from 2010 to 2018;
- Board Member of St. George's House Windsor from 2011 to 2017;
- Chairman of Hermes Equity Ownership Services from 2007 to 2016;
- Director of Accenture Plc, a general partner of Accenture SCA, from 2001 to 2015;
- Chairman of Anglo American from 2002 to 2009; and
- Chairman of Royal Dutch Shell from 1998 to 2001.

Sir Mark earned a B.A. in Natural Sciences from Cambridge University in 1963 and a Ph.D. in Geology from Cambridge University in 1966. He also received an Honorary Doctorate in Business Administration from Robert Gordon University, Aberdeen in 2000, an Honorary Doctorate of Law from the University of Aberdeen in 2004, and an Honorary Doctorate of Science from Royal Holloway University of London in 2007.

Mr. Andrew N. Liveris, Director

Mr. Andrew N. Liveris, 67, has served as an independent Director of Saudi Aramco since 2018. Currently, Mr. Liveris serves as Chairman of the Board of Lucid Motors, Deputy Chairman of the Board of Worley Parsons and a Director on the Boards of IBM Corporation and Novonix. He also serves as the Chairman of the Blackrock Long Term Private Capital Operating Committee and on the Board of Trustees of KAUST, the Saudi Foundation Hevolution, and of the Australian Foundation Minderoo. He is an advisor to Teneo and the PIF and a member of the Advisory Board of Sumitomo Mitsui Banking Corporation (SMBC), NEOM, Salesforce.com and the Australian government's Industry Growth Centers.

Mr. Liveris has served in the following capacities:

- Executive Chairman on the Board of DowDuPont Inc. from 2017 to 2018; and
- Chairman, President and CEO of The Dow Chemical Company from 2006 to 2018.

Mr. Liveris obtained a B.S. in Chemical Engineering from the University of Queensland in 1975, graduating with first class honours and awarded the University Medal. He was awarded honorary doctorates in Engineering from Michigan State University in 2015, in Science from the University of Queensland in 2005, in Commercial Sciences from the University of Central Michigan in 2006, and in Laws from the Northwood University in 2015.

Ms. Lynn Laverty Elsenhans, Director

Ms. Lynn Laverty Elsenhans, 65, has served as an independent Director of Saudi Aramco since 2018. Currently, Ms. Elsenhans serves as a Director on the Board of Baker Hughes Company and GlaxoSmithKline PLC.

Ms. Elsenhans has also served in the following capacities:

- Director of Baker Hughes, a GE Company from 2017 to 2019;
- Director of Baker Hughes, Inc. from 2012 to 2017;
- Director of Flowserve Corporation from 2014 to 2017;
- Director of International Paper Company from 2007 to 2012;
- President and CEO of Sunoco, Inc. from 2008 to 2012, becoming Chairwoman in 2009; and
- Chairwoman of Sunoco Logistics Partners from 2008 to 2012, becoming CEO in 2010.

Ms. Elsenhans obtained a B.A. in Applied Mathematics from Rice University in 1978 and an MBA from Harvard University in 1980.

Mr. Peter L. Cella, Director

Mr. Peter L. Cella, 63, has served as an independent Director of Saudi Aramco since 2018. Currently, Mr. Cella serves as a Director on the Boards of Frontdoor, Inc., a company focused on providing home services, since 2018; Inter Pipeline, a company focused on energy infrastructure, since 2018 and ClockSpring|NRI, a company focused on providing high-performance critical infrastructure solutions, since 2019.

Mr. Cella has also served in the following capacities:

- Director of ServiceMaster Global Holdings from 2017 to 2018;
- President and CEO and as a Director of Chevron Phillips Chemical Company from 2011 to 2017;
- Director of the American Chemistry Council from 2011 to 2017;
- Director of Junior Achievement of Southeast Texas from 2011 to 2017; and
- Senior Vice President for North America Petrochemicals for BASF Corporation from 2006 to 2011.

Mr. Cella obtained a B.S. degree in Finance from the University of Illinois at Urbana-Champaign in 1979 and an MBA from Northwestern University in 1981.

Mr. Mark A. Weinberger, Director

Mr. Mark A. Weinberger, 59, has served as an independent Director of Saudi Aramco since 2020. Currently, Mr. Weinberger serves on the Board of Directors of Metlife, Inc. and Johnson & Johnson. He is a Member on the Board of Trustees for the United States Council for International Business, Greater Washington Partnership, The Concord Coalition, Emory University and Case Western Reserve University. He is a Strategic Advisor to the Board of FCLTGlobal. He is a Senior Advisor to Chief Executives for Corporate Purpose, Stone Canyon Industries Holdings and Teneo. He is an Executive Advisor to G100 and World 50. Mr. Weinberger is on the CEO Advisory Council of JUST Capital Foundation, Inc. Moreover, he sits on the Board of Directors of the National Bureau of Economic Research and is a member of the Economic Strategy Group, a programme of the Aspen Institute.

Mr. Weinberger has also served in the following capacities:

- Global Chairman and CEO of Ernst & Young from 2013 to 2019 and a director since 2000, during which time he held a series of roles;
- Director on the Board of U.S. Business Roundtable from 2014 to 2019;
- Director on the Board of Catalyst, Inc. from 2013 to 2019;
- Co-Founder and Principal of Washington Counsel, P.C. (acquired by EY) from 1996 to 2000;
- Partner at Oldaker, Ryan & Leonard from 1995 to 1996.

Mr. Weinberger has also served the U.S. government in the following capacities:

- Member of the President's Strategic and Policy Forum under President Trump in 2017;
- Member of the President's Infrastructure Task Force under President Obama from 2015 to 2016;
- Assistant Secretary of the U.S. Department of Treasury (Tax Policy) in 2001 and 2002;
- Member of the Social Security Administration Advisory Board (appointed by President Clinton) in 2000;
- Chief of Staff to U.S. President Bill Clinton's Bipartisan Commission on Entitlement and Tax Reform in 1994; and
- Chief Tax and Budget Counsel, U.S. Senate to Senator John C. Danforth (R-Missouri) from 1991 to 1994.

Mr. Weinberger obtained a B.A. in Economics from Emory University in 1983. He also earned an M.B.A. and a J.D. from Case Western Reserve University in 1987, and an L.L.M. in Taxation from Georgetown University Law Center in 1991.

Mr. Amin H. Nasser, Director, President and Chief Executive Officer

Mr. Amin H. Nasser, 62, has served as the President and CEO of Saudi Aramco since 2015. Mr. Nasser has been a Director since 2010. Currently, Mr. Nasser is a member of the International Advisory Board of KFUPM, the Board of Trustees of KAUST, the World Economic Forum's International Business Council, life member of the Society of Petroleum Engineers International, the Presidential CEO Advisory Board at Massachusetts Institute of Technology, the JP Morgan International Council and a director of the Dhahran Techno Valley Company. Prior to serving as President and CEO, Mr. Nasser served in a number of leadership positions at Saudi Aramco, including as Senior Vice President for Upstream from 2007 to 2015 and VP of Petroleum Engineering and Development from 2006 to 2007.

Mr. Nasser obtained a B.S. in Petroleum Engineering from KFUPM in 1982. He also completed the Senior Executive Program at Columbia University in 2002, the Saudi Aramco Global Business Programme in 2000 and the Saudi Aramco Management Development Seminar in Washington, D.C. in 1999.

Committees of the Board of Directors

Audit Committee

The primary role of the Audit Committee is to monitor Saudi Aramco's affairs and assist the Board of Directors and its individual Directors with oversight of the financial reporting and disclosure process, including oversight of: (i) the integrity, effectiveness and accuracy of Saudi Aramco's consolidated financial statements and reports, and the performance, soundness and effectiveness of Saudi Aramco's internal controls, audit, financial reporting and financial risk management systems; (ii) the qualifications and performance of Saudi Aramco's internal auditor; (iii) the qualifications, independence and performance of Saudi Aramco's independent external auditor; and (iv) Saudi Aramco's compliance with legal and regulatory requirements.

The Audit Committee comprises the following members as at the date of this Base Prospectus:

Name	Role
Ms. Lynn Laverty Elsenhans.....	Chair
H.E. Mohammed A. Al-Jadaan	Member
H.E. Nabeel M. Al-Amudi	Member
Mr. Peter L. Cella.....	Member
Mr. Mark A. Weinberger.....	Member

Nomination Committee

The primary role of the Nomination Committee is to lead the process of nominating, appointing and evaluating members of the Board of Directors of Saudi Aramco and to ensure the effectiveness of the Board of Directors and the individual Directors. The Nomination Committee also evaluates and makes recommendations with respect to the structure of the Board of Directors and composition of the committees of the Board of Directors. Further, the Nomination Committee evaluates and recommends to the Board of Directors the appointments of individuals (other than Directors) as officers of Saudi Aramco, including those proposed to hold the title of vice president or higher or that are otherwise authorised by virtue of such appointment to bind or act on behalf of Saudi Aramco. The Nomination Committee also proposes and makes recommendations to the Board of Directors with respect to Saudi Aramco’s relevant corporate governance practices and procedures.

The Nomination Committee comprises the following members as at the date of this Base Prospectus:

Name	Role
Mr. Andrew N. Liveris	Chair
H.E. Yasir O. Al-Rumayyan	Member
H.E. Ibrahim A. Al-Assaf	Member
H.E. Mohammad M. Al-Tuwaijri	Member
Sir Mark Moody-Stuart.....	Member

Compensation Committee

The primary role of the Compensation Committee is to (i) oversee Saudi Aramco’s policy on compensation and its implementation; (ii) develop individual compensation plans for Directors and executives of similar standing or performing duties equivalent to those of a senior vice president or higher; and (iii) review and design the annual compensation plans of Saudi Aramco management holding the title of vice president or undertaking substantially similar duties.

The Compensation Committee comprises the following members as at the date of this Base Prospectus:

Name	Role
Sir Mark Moody-Stuart.....	Chair
H.E. Yasir O. Al-Rumayyan	Member
H.E. Mohammed A. Al-Jadaan	Member
Mr. Andrew N. Liveris	Member
Mr. Mark A. Weinberger	Member

Risk and HSE Committee

The primary role of the Risk and HSE Committee is to monitor Saudi Aramco’s overall management of risk and its activities relating to health, safety and the environment and to assist the Board of Directors with: (i) leadership, direction, and oversight with respect to Saudi Aramco’s risk appetite, risk tolerance, risk framework and risk strategy; (ii) governance and management of strategic, operational, sustainability, and environmental, social and governance (ESG) related risks; and (iii) assisting the Board and the Audit Committee, to foster a culture within Saudi Aramco that emphasises and demonstrates the benefits of risk management.

The Risk and HSE Committee comprises the following members as at the date of this Base Prospectus:

<u>Name</u>	<u>Role</u>
Mr. Peter L. Cella.....	Chair
H.E. Mohammad M. Al-Tuwaijri	Member
H.E. Nabeel M. Al-Amudi	Member
Ms. Lynn Lavery Elsenhans.....	Member
Mr. Amin H. Nasser.....	Member

Senior Management

The following table sets forth the Senior Executives as at the date of this Base Prospectus:

<u>Name</u>	<u>Position</u>	<u>Date of Appointment</u>
Mr. Amin H. Nasser.....	Director, President and Chief Executive Officer	9 January 2015 ⁽¹⁾
Mr. Nabeel A. Al Mansour	Senior Vice President, General Counsel and Corporate Secretary	1 June 2016
Mr. Khalid Al-Dabbagh.....	Senior Vice President of Finance, Strategy and Development	1 September 2018
Mr. Ahmad A. Al-Sa'adi	Senior Vice President of Technical Services	1 January 2016
Mr. Mohammed Y. Al Qahtani	Senior Vice President, Downstream	13 September 2020
Mr. Nabeel A. Al-Jama'	Senior Vice President, Human Resources and Corporate Services	1 July 2020
Mr. Abdulaziz M. Al-Gudaimi.	Senior Vice President, Corporate Development	13 September 2020
Mr. Nasir K. Al-Naimi.....	Senior Vice President, Upstream	1 April 2021

(1) Denotes date of appointment as President and Chief Executive Officer.

Mr. Amin H. Nasser

See “—Board of Directors—Mr. Amin H. Nasser, Director, President and Chief Executive Officer”.

Mr. Nabeel A. Al Mansour, Senior Vice President General Counsel and Corporate Secretary

Mr. Nabeel A. Al Mansour, 54, has served as Senior Vice President, General Counsel and Secretary since 2016.

Mr. Al Mansour also has served in the following capacities:

- Deputy General Counsel from 2015 to 2016;
- Executive Director and Vice President of Procurement and Supply Chain Management from 2014 to 2015; and
- Associate General Counsel from 2011 to 2014.

Mr. Al Mansour earned a J.D. from Oklahoma City University in 1999 and a B.S. in Systems Engineering from KFUPM in 1990. In addition, he has completed a number of executive leadership programmes, including the General Management Program at Harvard Business School in 2008.

Mr. Khalid Al-Dabbagh, Senior Vice President, Finance, Strategy and Development

Mr. Khalid Al-Dabbagh, 59, has served as Senior Vice President of Finance, Strategy and Development since 2018. Mr. Al-Dabbagh represents Saudi Aramco on the Board of Governors of the GCC Board of Directors Institute.

Mr. Al-Dabbagh also has served in the following capacities:

- Financial Controller from 2012 to 2018;
- Treasurer from 2010 to 2012; and
- Director of Joint Venture Development from 2006 to 2008.

Mr. Al-Dabbagh earned a bachelor's degree in industrial engineering from the University of Toledo in 1985. In addition, he has completed a number of executive leadership programmes, including the Senior Executive Programme at London Business School.

Mr. Ahmad A. Al Sa'adi, Senior Vice President of Technical Services

Mr. Ahmad A. Al Sa'adi, 62, has served as Senior Vice President of Technical Services since 2016. In this role, Mr. Al Sa'adi leads Saudi Aramco's projects with respect to engineering services, IT, procurement and supply chain management, project management and digital transformation.

Mr. Al Sa'adi also has served in the following capacities:

- Vice President of Technical Services from 2015 to 2016;
- Vice President of Gas Operations from 2010 to 2015; and
- Vice President of Pipelines, Distribution and Terminals from 2007 to 2010.

Mr. Al Sa'adi obtained a B.S. in Chemical Engineering (Applied) from KFUPM in 1981 and he completed the Management Development Program at Harvard Business School in 2000.

Mr. Mohammed Y. Al Qahtani, Senior Vice President, Downstream

Mr. Mohammed Y. Al Qahtani, 55, has served as Senior Vice President of Downstream since 2020. Currently, Mr. Al Qahtani serves as a Director on the Board of Saudi Arabian Mining Company (Ma'aden). Mr. Al Qahtani also serves as Chairman of the Dhahran Techno Valley Advisory Board and as co-lead chairman of the Saudi Aramco-King Abdullah University of Science & Technology Partnership Committee and the Oversight Board of KFUPM. In addition, he serves as a member of the Board of Directors of the Gulf Petrochemicals and Chemicals Association (GPCA).

Mr. Al Qahtani also has served in the following capacities:

- Senior Vice President of Upstream from 2016 to 2020;
- Vice President of Corporate Planning from 2014 to 2015;
- Senior Vice President of Operations and Business Services in 2014;
- Vice President of Saudi Aramco Corporate Affairs from 2013 to 2014; and
- Vice President of Petroleum Engineering and Development from 2011 to 2013.

Mr. Al Qahtani earned both a Ph.D. and M.S. in Petroleum Engineering from the University of Southern California in 1996 and 1992, respectively, and a B.S. in Petroleum Engineering from KFUPM in 1988. In addition, he completed the IMD Programme for Executive Development in Lausanne, Switzerland.

Mr. Nabeel A. Al-Jama', Senior Vice President, Human Resources & Corporate Services

Mr. Nabeel A. Al-Jama', 56, has served as a Senior Vice President of Human Resources & Corporate Services since 2020. Mr. Al-Jama' also has served in the following capacities:

- Acting Service Line Head for Operations & Business Services in 2020;
- Vice President for Corporate Affairs from 2018 to 2020;
- Vice President for Human Resources from 2017 to 2018;
- Vice President for the Office of the Chairman of the Board from 2016 to 2017;
- Vice President for Pipelines, Distribution & Terminals from 2015 to 2016;
- Executive Director for Industrial Services from 2012 to 2015;
- Executive Director of Community Services from 2009 to 2012; and

- General Manager of Training & Career Development from 2006 to 2009.

Mr. Al-Jama' earned an M.S. in Community & Regional Planning from the King Fahd University of Petroleum and Minerals in 1998 and a B.S. in Community & Regional Planning from the King Fahd University of Petroleum and Minerals in 1985. In addition, Mr. Al-Jama' has completed numerous executive leadership programs, including Leadership at the Peak, Strategic Negotiations and the University Executive Program.

Mr. Abdulaziz M. Al-Gudaimi, Senior Vice President, Corporate Development

Mr. Abdulaziz M. Al-Gudaimi, 58, has served as Senior Vice President, Corporate Development since 2020. Mr. Al-Gudaimi also has served in the following capacities:

- Senior Vice President of Downstream from 2017 to 2020;
- Acting Senior Vice President of Downstream from 2016 to 2017;
- Vice President of Power Systems from 2014 to 2017;
- Vice President of Corporate Planning in 2014;
- Vice President of Power Systems from 2013 to 2014;
- Vice President of Chemicals from 2010 to 2013;
- Director of Sadara from 2014 to 2016; and
- Shareholder Representative of Saudi Electricity Company from 2014 to 2015.

Mr. Al-Gudaimi earned an MBA from Massachusetts Institute of Technology's Sloan School of Management in 2001 and a B.S. in Petroleum Engineering from KFUPM in 1983.

Mr. Nasir K. Al-Naimi, Senior Vice President, Upstream

Mr Nasir K. Al-Naimi, 58, has served as Senior Vice President – Upstream since 2021. Mr. Al-Naimi also has served in the following capacities:

- Business Line Head (A) – Upstream from 2020 to 2021;
- Vice President of Petroleum Engineering & Development from 2016 to 2020;
- Vice President of Corporate Planning from 2015 to 2016;
- Vice President of Northern Area Oil Operations from 2012 to 2015; and
- Executive Director of Pipelines, Distribution & Terminals from 2010 to 2012.

Mr Al-Naimi earned a B.S. in Petroleum Engineering from the University of Southern California in 1985.

Compensation of Directors and Senior Executives

As required by Saudi law, Saudi Aramco entered into employment agreements with its employees who constitute its Senior Management when the relevant person was initially hired by Saudi Aramco. Since Saudi Aramco employs thousands of employees, it generally does not update its employment contracts, even if members of Senior Management change roles within Saudi Aramco. In general, under these contracts, members of Senior Management are entitled, in addition to their regular salary and allowances, to incentive award annual bonuses based on Saudi Aramco's annual performance. Each non-executive Saudi Aramco Director is paid a regular director fee for his or her service. For additional information, see Note 30(c) to the 2020 Financial Statements.

RELATED PARTY TRANSACTIONS

The Concession

For a summary of the Concession, see “*Material Agreements—The Concession*”.

Commercial Transactions

Saudi Aramco sells crude oil, gas and refined products and provides services to certain Government entities, including branches of the Government, and commercial entities in which the Government has share ownership or control. The most significant commercial transactions have been with SABIC and Saudi Electricity Company.

The Government guarantees amounts due to Saudi Aramco from certain of these entities, subject to a limit on the amount of the guarantee for each entity. The aggregate amount guaranteed in 2018, 2019 and 2020 was SAR 32.7 billion, SAR 26.7 billion and SAR 26.7 billion (\$7.1 billion), respectively. See “*Regulation of the Oil and Gas Industry in the Kingdom—Regulated Domestic Pricing of Certain Hydrocarbons—Government Guarantee*”.

The sales price of crude oil and certain refined products sold to third parties in the Kingdom is at regulated prices, which are typically lower than prices Saudi Aramco could obtain if it exported those products. See “*Regulation of the Oil and Gas Industry in the Kingdom—Regulated Domestic Pricing of Certain Hydrocarbons*”. Pursuant to an equalisation mechanism, the Government compensates Saudi Aramco for the revenue it directly forgoes as a result of Saudi Aramco’s compliance with the mandates related to crude oil and certain refined products. Effective 1 January 2020, the Government expanded the equalisation mechanism to include LPGs and certain other products. See “*Management’s Discussion and Analysis of Financial Position and Results of Operations—Factors Affecting Saudi Aramco’s Financial Position and Results of Operations—Fiscal Regime Changes*”. For these products, Saudi Aramco is entitled to compensation from the Government in an amount equal to the cost of revenues directly forgone as a result of compliance with the Kingdom’s current pricing mandates. For financial reporting purposes, Saudi Aramco records the equalisation amount as other income related to sales on its consolidated statement of income and is subject to income tax on that amount. For the years ended 31 December 2018, 2019 and 2020, and the three months ended 31 March 2021, Saudi Aramco’s other income related to sales was SAR 152.6 billion, SAR 131.1 billion, SAR 94.0 billion (\$25.1 billion) and SAR 28.1 billion (\$7.5 billion), respectively.

Effective 27 March 2018, the Government implemented a price system for Regulated Gas Products to provide licencees making gas investments an opportunity to realise a commercial rate of return suitable for the development and exploitation of the gas resources of the Kingdom. Pursuant to the regulations, the Domestic Price may not be lower than the Blended Price determined to provide a licencee with reasonable post-tax internal rates of return on existing non-associated gas projects on incremental future projects. However, if the Domestic Price is greater than the Blended Price, any licencee must pay the Government monthly an amount equal to such positive excess. See “*Regulation of the Oil and Gas Industry in the Kingdom—Regulated Domestic Pricing of Certain Hydrocarbons—Gas Pricing*”.

On 17 September 2019, the Council of Ministers Resolution No. 55, dated 18/1/1441 in the Hijri calendar (corresponding to 17 September 2019), and the Ministerial Resolution issued by the Ministry of Energy, in agreement with the Ministry of Finance, No. 1/423/1441, dated 18/1/1441 in the Hijri calendar (corresponding to 17 September 2019), were passed with immediate effect. Under the updated regulations, when licencees sell any Regulated Gas Product at a Domestic Price below the corresponding Blended Price, licencees are entitled to compensation from the Government in an amount equal to the cost of the revenues they directly forgo as a result of licencees’ compliance with the Kingdom’s current pricing mandates. In the event that the Blended Price is less than the Domestic Price, the difference would be due from licencees to the Government. The compensation due to Saudi Aramco from the Government is accounted for on a monthly basis and is calculated as the positive difference between the Blended Prices and the Domestic Prices (minus any Government fees and taxes). Saudi Aramco must provide the Ministry of Energy with a statement detailing the total amount due to Saudi Aramco in a monthly period no later than 30 days after the relevant monthly period end. Saudi Aramco may then offset this compensation against any taxes payable, and in the event taxes are insufficient, any other

amounts due and payable by Saudi Aramco to the Government, such as royalties. See “*Regulation of the Oil and Gas Industry in the Kingdom—Regulated Domestic Pricing of Certain Hydrocarbons—Gas Pricing*”.

Acquisition of Equity Interest in SABIC

On 16 June 2020, Saudi Aramco acquired the PIF’s 70% equity interest in SABIC for total consideration of \$69.1 billion. For a summary of the purchase agreement to acquire the PIF’s 70% equity interest in SABIC, see “*Business—Operating Segments—Downstream—Acquisition of 70% Equity Interest in SABIC*”.

Lease and Lease back of Crude Oil Pipeline Network

On 9 April 2021 Saudi Aramco entered into a share sale and purchase agreement with EIG Pearl Holdings S.a.r.l (an entity controlled by EIG Global Partners) to sell a 49% equity stake in AOPC. As part of the transaction, Saudi Aramco and AOPC will enter into a lease and leaseback arrangement, pursuant to which Saudi Aramco will lease its stabilised crude oil pipeline network to AOPC for a 25-year period and, concurrently, AOPC will lease back to Saudi Aramco the exclusive rights to use, operate and maintain the pipeline network. See “*Business—Downstream—Pipelines, Distribution and Terminals*”.

Sales to Government-Owned or Controlled Entities

Sales to SABIC

Saudi Aramco has entered into numerous agreements with certain of SABIC’s wholly owned subsidiaries and affiliates pursuant to which Saudi Aramco supplies hydrocarbon products to SABIC’s operations in the Kingdom. Prices for such supplies are based on arm’s-length pricing available to third parties purchasing from Saudi Aramco. SABIC is listed on Tadawul with 30% of its outstanding common stock owned by shareholders other than Saudi Aramco.

The agreements provide that Saudi Aramco supply a maximum amount of certain of its products, including crude oil and gas, subject to the availability of such resources and any limitations on such products by the Government, including price regulations and production and refining requirements. Saudi Aramco generally receives the Government regulated domestic price for the respective products on arm’s length terms, except in the case of supply agreements for propane and butane where such prices are calculated based on a formula provided in the relevant agreement. The agreements generally have a term between 20 and 30 years with no option for renewal. Saudi Aramco recorded revenue of SAR 32,254 million, SAR 24,142 million and SAR 9,626 million (\$2,567 million) under these agreements in 2018, 2019 and 2020 (up to 16 June 2020, the date from which SABIC’s financial results have been consolidated into Saudi Aramco’s), respectively.

Sales to Saudi Electricity Company

Saudi Aramco has entered into several oil and gas supply agreements with Saudi Electricity Company pursuant to which Saudi Aramco supplies crude oil, gas and other products, including condensate, fuel oil and diesel, to certain of Saudi Electricity Company’s power plants. Saudi Electricity Company is the Kingdom’s national electricity utility company and is listed on Tadawul. As at 31 March 2021, Saudi Aramco owned 6.9% of its outstanding common stock and the PIF owned 74.3%.

The agreements generally have a term between six months and five years and are automatically renewed unless terminated by one of the parties. Most of the agreements limit the amount of oil or gas that can be supplied per day or, in a few agreements, for the term of the agreement. The agreements provide for Saudi Aramco to receive the prevailing domestic price or the Government regulated domestic price for the respective products. Saudi Aramco provided to Saudi Electricity Company products and recognised revenue of SAR 7,268 million, SAR 9,233 million and SAR 8,738 million (\$2,330 million) and SAR 1,241 million (\$331 million) under these agreements in 2018, 2019 and 2020 and the three months ended 31 March 2021, respectively. See “*Management’s Discussion and Analysis of Financial Position and Results of Operations—Factors Affecting Saudi Aramco’s Financial Position and Results of Operations—Fiscal Regime Changes*”.

In addition, for the years ended 31 December 2018, 2019 and 2020 and the three months ended 31 March 2021, Saudi Aramco provided to Saudi Electricity Company excess electricity generated by Saudi Aramco’s facilities

with a value of SAR 408.8 million, SAR 613 million, SAR 495 million (\$132 million) and SAR 105 million (\$28 million), respectively.

Sales to Government Branches and Other Related Parties

For the years ended 31 December 2018, 2019 and 2020, Saudi Aramco provided crude oil, gas and refined products and certain services to Saline Water Conversion Corporation, Saudi Arabian Airlines, various branches of the Government and other entities owned or controlled by the Government. For the years ended December 2018, 2019 and 2020 and the three months ended 31 March 2021, Saudi Aramco provided crude oil, gas and refined products and certain services with a value of SAR 10,913 million, SAR 12,068 million, SAR 6,960 million (\$1,856 million) and SAR 1,886 million (\$503 million), respectively, for which it received compensation. See “*Management’s Discussion and Analysis of Financial Position and Results of Operations—Factors Affecting Saudi Aramco’s Financial Position and Results of Operations—Fiscal Regime Changes*”.

Purchases from Government-Owned or Controlled Commercial Entities

Saudi Aramco purchases chemical products from SABIC in connection with its downstream operations. Prices for such purchases totalled SAR 3,098 million, SAR 3,818 million, SAR 1,418 million (\$378 million) and SAR 0 million (\$0 million) for the years ended 31 December 2018, 2019 and 2020 and the three months ended 31 March 2021, respectively. The three months ended 31 March 2021 is \$nil due to the consolidation of SABIC during that period.

Saudi Aramco purchases electricity from the Saudi Electricity Company. Prices for such purchases totalled SAR 296 million, SAR 799 million, SAR 3,461 million (\$923 million) and SAR 1,001 million (\$267 million) for the years ended 31 December 2018, 2019 and 2020 and the three months ended 31 March 2021, respectively.

Corporate Citizenship

Saudi Aramco engages in a range of corporate social responsibility projects to support the communities and the environment in which it operates and leverages its know-how and operational capabilities in furtherance of these projects. Saudi Aramco considers these activities to be “corporate citizenship” projects and initiatives.

In addition to projects undertaken on its own initiative, the Government has directed, and may in the future direct, Saudi Aramco to undertake projects or provide technical assistance for initiatives outside Saudi Aramco’s core businesses in furtherance of the Government’s objectives. Beginning on 24 December 2017, the Concession requires that all Saudi Aramco contracts with any Government agency or any arrangement for the furnishing of Hydrocarbons, services or otherwise shall be on a commercial basis. For additional information about Saudi Aramco’s corporate citizenship activities, see “*Management’s Discussion and Analysis of Financial Position and Results of Operations—Selling, Administrative and General*” and “*Business—Corporate Citizenship*”.

Other Transactions

Saudi Aramco has an ongoing relationship with the Government through other transactional arrangements, for which Saudi Aramco is reimbursed in several different manners. For projects on which Saudi Aramco provides financing and arranges for completion of the project, it receives a reimbursement of its expenses through a reduction in taxes payable. The reduction in taxes payable is considered payment of income tax obligations in the Financial Statements.

SADCO, a wholly owned subsidiary of the Obligor, has formed the Jasara Program Management Company, a joint venture with Jacobs Engineering Inc. and the PIF, to provide professional programme and construction management services for infrastructure projects undertaken by Saudi Aramco, the Government and commercial entities in which the Government has shared ownership or control in the Kingdom. These services are provided on an arm’s length basis and the joint venture undertakes the management and development of these types of projects.

At the direction of the Government and consistent with Saudi Aramco’s long-term commercial interests, in the fourth quarter of 2018 Saudi Aramco began constructing the infrastructure for SPARK, an industrial park aimed to attract international third-party manufacturers and suppliers of goods to the energy sector to locate facilities

in the Kingdom. Saudi Aramco believes that SPARK will shorten the supply chain for Saudi Aramco and other companies in the Kingdom's energy sector, as well as result in more competitive pricing offered by suppliers of goods to energy sector companies in the Kingdom. Once operational, SPARK is expected to be managed by Saudi Aramco. Saudi Aramco receives a reimbursement of its expenses related to SPARK through a reduction in taxes payable.

Saudi Aramco directly owns a 40.1% interest in International Maritime Industries, a joint venture with the National Shipping Company of Saudi Arabia-Bahri, Lamprell Energy Limited and Hyundai Heavy Industries, which will develop and operate the King Salman International Complex for Maritime Industries & Services. The complex will also include a joint venture between Saudi Aramco, Hyundai Heavy Industries and Dussur to manufacture maritime equipment.

Saudi Aramco currently provides a variety of services to the Government for which it has not received compensation. Saudi Aramco believes that the amounts expended for, and employee time dedicated to, such services is not material. These transactions have traditionally included services related to data analyses, consultations, construction, engineering and design services, among others, as well as secondment of personnel.

Transactions with Directors and Senior Executives

Other than with respect to compensation arrangements, as at the date of this Base Prospectus there are no transactions in which any of Saudi Aramco's Directors or Senior Executives or an immediate family member thereof had or will have a direct or indirect material interest or were not entered into on an arm's length basis. For compensation related transactions with Saudi Aramco's Directors and Senior Executives, see "*Management—Compensation of Directors and Senior Executives*".

Approval of Related Party Transactions

Saudi Aramco has adopted a policy and related procedures for related party transactions, which establishes general guidelines for its engagement in transactions with related parties and provides that such transactions with related parties be reviewed by the Audit Committee in accordance with the Audit Committee's charter or the Board of Directors in accordance with the Bylaws and applicable laws and regulations. With respect to related party transactions with the Government, under the terms of the Concession, all contracts among Saudi Aramco and any Government agency are required to be on a commercial basis, regardless of whether the transaction is for the supply of hydrocarbons products, services or otherwise. Pursuant to Saudi Aramco policy, Saudi Aramco is required to negotiate related party transactions on an arm's length basis and such transactions are subject to review by the Audit Committee or the Board of Directors. The Bylaws require that no member of the Board of Directors nor any officer of Saudi Aramco may have a personal interest, as determined by the Board of Directors, in any transaction made on behalf of Saudi Aramco, unless prior authorisation is received from the Board of Directors.

REGULATION OF THE OIL AND GAS INDUSTRY IN THE KINGDOM

Law on Hydrocarbons

Overview

The Hydrocarbons Law was enacted by Royal Decree No. M/37, dated 2/4/1439 in the Hijri calendar (corresponding to 20 December 2017) and applies to hydrocarbons, hydrocarbon resources and the hydrocarbon operations existing within the territory of the Kingdom.

Licences

No hydrocarbon operations can be conducted in the Kingdom without obtaining a licence in accordance with the Hydrocarbons Law. The Government grants licences related to hydrocarbon operations pursuant to regulations, procedures and policies established from time to time, which outline the terms and conditions relating to the granting of a licence.

The grant of a licence pursuant to the Hydrocarbons Law does not, and cannot, confer any right of ownership of the soil or subsoil in the licence area. In addition, the Government retains the right to explore for and exploit any natural resource other than hydrocarbons in the licence area and may exercise such right in a manner that does not prejudice the licensee's rights and does not hinder the hydrocarbon operations conducted by a licensee.

Ownership Rights

Under the Hydrocarbons Law, the Kingdom exercises sovereignty over all hydrocarbon deposits, hydrocarbons and hydrocarbon resources. All hydrocarbons in the Kingdom are owned by the Kingdom and, upon extraction or recovery of such hydrocarbons by the licensee, title to such hydrocarbons shall automatically pass to the licensee at the ownership transfer point. The Kingdom's ownership of hydrocarbon deposits and hydrocarbon resources may not be transferred.

Supervision and Implementation of the Hydrocarbons Law

The Ministry of Energy is the only body responsible for implementing the Hydrocarbons Law and overseeing all aspects of a licensee's hydrocarbons operations, including the licensee's technical operations and the review of all the licensee's revenues and expenses. The Ministry of Energy acts as a liaison between relevant bodies and the licensee in relation to a licence. The Ministry of Energy is also responsible for preparing and overseeing the national strategies and policies related to hydrocarbons to ensure the implementation, development and appropriate use of hydrocarbon resources, and conservation of the Kingdom's hydrocarbon reserves for future generations.

Production Decisions

The Kingdom has the sovereign, exclusive and binding authority to make production decisions related to both the maximum level of hydrocarbons that a licensee can produce at any given point in time and the level of MSC that a licensee must maintain. In each case, the Kingdom shall take into account the Kingdom's economic development, environment conservation, national security, political and developmental goals, foreign policy, diplomatic considerations, domestic energy needs, public interest and any other sovereign interest when making a production decision. In setting the level of MSC, consideration shall be given to the economic or operational effects of a licensee. A licensee must provide the Kingdom with any requested information relating to hydrocarbons exploration, extraction and production, including financial and technical data, discovery data and any other information that could facilitate the issuance of a production decision. The Kingdom has unrestricted access to such information.

Conservation of Hydrocarbon Resources

The Hydrocarbons Law requires that hydrocarbons operations be managed and maintained in a professional, adequate and active manner in accordance with international industry standards, the Hydrocarbons Law and regulations, and in an economically feasible and efficient manner that promotes the long-term productivity of

reservoirs in the licensed area and supports the prudent stewardship of hydrocarbon resources and hydrocarbons, and limits their abandonment.

Additional Licence Obligations

A licensee is responsible for taking all prudent and sound procedures to ensure the safety of the licensee's hydrocarbon operations and facilities, in accordance with international industry standards and applicable laws. A licensee is also obligated to take all required precautions, in accordance with the relevant hydrocarbons regulations and international industry standards, to prevent waste and leakage of hydrocarbons, damage to formations containing water and hydrocarbons during drilling, repairing or deepening of wells, or in events of abandonment or relinquishment, and to prevent leakage of gas and liquids into bearing layers or other layers.

The Hydrocarbons Law prohibits any licensee from selling to any entity any hydrocarbons or derivatives obtained through the licence in violation of what the Kingdom considers necessary to protect the fundamental security interests of the Kingdom in times of war or other emergencies in international relations.

Law of Gas Supplies and Pricing

Overview

The GSPR was enacted by Royal Decree No. M/36, dated 25/6/1424 in the Hijri calendar (corresponding to 23 August 2003), and applies to the activities of transmission, processing, fractionation, storage, local distribution, aggregation and sales and marketing (each, a "**Regulated Activity**") of any gaseous or liquid hydrocarbons (other than crude oil or condensate) produced in the Kingdom which have been subject to treatment in a gas treatment plant ("**Regulated Hydrocarbons**").

Licences

Pursuant to the GSPR, a licence is required for the conduct of any Regulated Activity. In considering an application for a licence, the Ministry of Energy takes into account the long-term security of supply of any Regulated Hydrocarbons, the avoidance of undesirable duplication consistent with the optimal development of the Kingdom's gas industry and the proximity of the proposed Regulated Activity to the MGS.

Saudi Aramco as Aggregators and Tariffs

Under the GSPR, Saudi Aramco acts as the aggregator of Regulated Hydrocarbons which access the MGS.

The Ministry of Energy publishes transportation, processing and fractionation tariffs, and other terms and conditions applicable to the MGS and to connections to the MGS as prescribed in the rules of implementation of the GSPR. The tariff and other terms and conditions for services provided through any pipeline that is not connected to the MGS are negotiated between the relevant parties. The rules of implementation of the GSPR set out the criteria for determining third-party access tariffs which may be charged for the utilisation of any local distribution system.

Marketing and Sales Rights; Price for Natural Gas

Pursuant to the GSPR, Saudi Aramco performs all domestic marketing and sales of natural gas and NGL from the MGS with certain exceptions. Saudi Aramco also undertakes the export of NGL produced within the Kingdom. Any company that produces Regulated Hydrocarbons in the Kingdom and does not access the MGS may domestically consume, sell or otherwise domestically dispose of such relevant hydrocarbon as per the terms set by the Ministry of Energy. All natural gas produced by any company is to be priced at the regulated price in the Kingdom at the point of delivery to a major consumer or to a licensee entitled to operate a local distribution system.

Allocation of Natural Gas and NGL

The necessary allocation to users of Regulated Hydrocarbons is effected by the Ministry of Energy pursuant to criteria set by the Ministry of Energy on the basis of sectorial demand estimates for each of the electricity sector, the petrochemical sector, the water desalination sector, the oil sector and other industrial sectors, reflecting the

usages of natural gas and NGL that achieve the optimal efficiency and produce the highest added value to the national economy of the Kingdom.

Regulated Domestic Pricing of Certain Hydrocarbons

Setting of Domestic Prices for Regulated Hydrocarbons

Pursuant to a series of Council of Ministers Resolutions, the Kingdom has established regulated prices for domestic sales of certain hydrocarbons: crude oil, natural gas (including ethane), NGL (propane, butane and natural gasoline) and certain refined products (kerosene, diesel, heavy fuel oil and gasoline).

Liquids Price Equalisation

Pursuant to Council of Ministers Resolution No. 406, dated 28/6/1438 in the Hijri calendar (corresponding to 27 March 2017), and the Ministerial Resolution issued by the Ministry of Energy, in agreement with the Ministry of Finance, No. 1/2465/1439, dated 10/4/1439 in the Hijri calendar (corresponding to 28 December 2017), when Saudi Aramco sells crude oil and certain refined products (each a “**Relevant Liquid Product**”) domestically at a price below the corresponding equalisation prices (described below), Saudi Aramco is entitled to compensation from the Government in an amount equal to the cost of the revenues directly forgone as a result of Saudi Aramco’s compliance with the Kingdom’s current pricing mandates (the “**Liquids Price Equalisation**”). The Ministerial Resolution issued by the Ministry of Energy, in agreement with the Ministry of Finance, No. 1/424/1441, dated 18/1/1441 in the Hijri calendar (corresponding to 17 September 2019), effective 1 January 2020, supersedes the prior Ministerial Resolution and expand the equalisation mechanism to include LPGs and certain other products. In the event the equalisation price is less than the regulated price, the difference would be due from Saudi Aramco to the Government.

The Ministry of Energy is responsible for administering the Liquids Price Equalisation regime, including the setting of the equalisation prices from time to time. The equalisation prices are established separately by the Ministry of Energy for each Relevant Liquid Product using a combination of either internationally recognised indices or, where relevant, Saudi Aramco’s official selling price and, depending on the Relevant Liquid Product, on the basis of export parity, import parity or a combination of both. Saudi Aramco is required to provide information and technical assistance to the Ministry of Energy as necessary for this purpose.

The compensation from the Government is accounted for on a monthly basis and is calculated as the positive difference between the equalisation prices and the regulated prices (minus any Government fees). Saudi Aramco must provide the Ministry of Energy with a statement detailing the total amount due to Saudi Aramco in a monthly period no later than 30 days after the relevant monthly period end. Saudi Aramco may then offset this compensation against any taxes payable, and in the event taxes are insufficient, any other amounts due and payable by Saudi Aramco to the Government, such as royalties.

Gas Pricing

From time to time, the Kingdom establishes certain prices for the domestic sale of gas hydrocarbons (the “**Domestic Price**”), including those for Regulated Gas Products. Pursuant to Council of Ministers Resolution No. 370, dated 10/7/1439 in the Hijri calendar (corresponding to 27 March 2018), and the Ministerial Resolution issued by the Ministry of Energy, in agreement with the Ministry of Finance, No. 01-5928-1439, dated as at 27/8/1439 in the Hijri calendar (corresponding to 13 May 2018), effective 17 March 2018, the Kingdom established the price due to licencees for the domestic sale of Regulated Gas Products (the “**Blended Price**”) in order to ensure that licencees making gas investments realise a commercial rate of return suitable for the development and exploitation of gas resources in the Kingdom (with reasonable rates of return on existing non-associated gas projects and on incremental future non-associated projects).

Effective 17 September 2019, Council of Ministers Resolution No. 55, dated 18/1/1441 in the Hijri calendar (corresponding to 17 September 2019), and the Ministerial Resolution issued by the Ministry of Energy, in agreement with the Ministry of Finance, No. 1/423/1441, dated 18/1/1441 in the Hijri calendar (corresponding to 17 September 2019), were passed, superseding the prior Council of Ministers’ resolutions and ministerial resolutions, and removing the requirement that the Domestic Price be no less than the Blended Price. The new framework instead provides that the licencees are entitled to compensation from the Government in an amount

equal to the cost of the revenues directly forgone as a result of the licencees' compliance with the Kingdom's pricing mandates if the Domestic Prices are not set at least at the Blended Prices. In the event that the Blended Price is less than the Domestic Price, the difference would be due from Saudi Aramco to the Government.

The Ministry of Energy is responsible for administering this regime, including setting the Blended Prices from time to time. The Blended Prices are established separately by the Ministry of Energy for each Regulated Gas Product. Saudi Aramco is required to provide information and technical assistance to the Ministry of Energy as necessary for this purpose.

The compensation from the Government is accounted for on a monthly basis and is calculated as the positive difference between the Blended Prices and the Domestic Prices (minus any Government fees). Saudi Aramco must provide the Ministry of Energy with a statement detailing the total amount due to Saudi Aramco in a monthly period no later than 30 days after the relevant monthly period end. Saudi Aramco may then offset this compensation against any taxes payable, and in the event taxes are insufficient, any other amounts due and payable by Saudi Aramco to the Government, such as royalties.

Government Guarantee

Saudi Aramco sells hydrocarbon products to various Government and semi-Government entities, including ministries and other branches of the Government, and separate legal entities in which the Government has share ownership or control. The Government guarantees amounts due to Saudi Aramco from these entities, subject to a limit on the amount of the guarantee for each entity. The aggregate amount guaranteed in 2018, 2019 and 2020 was SAR 32.7 billion, SAR 26.7 billion and SAR 26.7 billion (\$7.1 billion), respectively. Prior to the beginning of each subsequent fiscal year or during such year upon the change to any Government established domestic prices for hydrocarbon products (such regulated sales constituting the majority of the sales to Government and semi-Government entities covered by the guarantee), the Ministry of Energy will consult with the Ministry of Finance and will provide Saudi Aramco with a list of the entities to be covered by the guarantee for that year and the guarantee limit for each covered entity. Government entities previously covered will remain subject to the guarantee, but the guarantee will cease with respect to any entity in which the Government has share ownership or control if such entity pays amounts due to Saudi Aramco on a timely basis for five years. Saudi Aramco is permitted to discontinue supply to any such Government or semi-Government customer upon the exhaustion of the credit limit or if such customer is no longer a guaranteed customer and fails to pay any amounts when due. Saudi Aramco may set off any guaranteed amounts that are past due against taxes due to the Government, or if the amount of taxes is inadequate, any other amounts Saudi Aramco owes to the Government.

Other Relevant Laws and Regulations

Petrochemical Regulations

Pursuant to Royal Order No. 2448, dated 01/14/1442 in the Hijri calendar (corresponding to 2 September 2020), the Ministry of Industry and Mineral Resources now acts as the primary regulator for petrochemical operations in the Kingdom in place of the Ministry of Energy. To date, the Ministry of Industry and Mineral Resources has not issued any regulations exercising this new regulatory authority over the operations of Saudi Aramco or its affiliates.

Health and Safety Regulations

Health and safety matters associated with oil and gas activities are regulated through several Government authorities, including the Ministry of Interior. In addition, the High Commission for Industrial Security issues safety and fire protection directives for industrial facilities which set forth minimum requirements for health and safety management systems. Health and safety principles and obligations are included in Part 8 (Protection against Occupational Hazards, Major Industrial Accidents and Work Injuries, and Health and Social Services) of the Saudi Arabian Labour Law issued under Royal Decree No. M/51, dated 23/8/1426 in the Hijri calendar (corresponding to 27 September 2005), as amended, and Part 5 of the Social Insurance Law, enacted by Royal Decree No. M/22 dated 6/9/1389 in the Hijri calendar (corresponding to 15 October 1969) as amended by Royal Decree No. M/33 dated 3/9/1421 in the Hijri calendar (corresponding to 29 November 2000).

Environmental Regulations

Under the Environmental Law, enacted by Royal Decree No. M/165, dated 19/11/1441 in the Hijri calendar (corresponding to 10 July 2020), and its implementing regulations, MEWA and its centres are charged with the general supervision of environmental affairs in the Kingdom. This law sets out wide-ranging prohibitions of pollution and contamination of air, land and water. Prior to the initiation of a project, an environmental evaluation study, identifying: (i) potential environmental impacts; (ii) appropriate actions and means to prevent or reduce negative impacts; or (iii) appropriate actions to increase the project's positive returns to the environment, must be completed in accordance with the relevant environmental specifications and standards. A number of implementing regulations have been issued under the Environmental Law and MEWA is expected to issue additional regulations.

The Water Law, enacted by Royal Decree No. M/159, dated 11/11/1441 in the Hijri calendar (corresponding to 2 July 2020), aims to protect the Kingdom's water sources, grow additional sources, and ensure their sustainability. The Ministry of Energy signed a Memorandum of Understanding with MEWA whereby the Ministry of Energy will be responsible for the application of certain provisions of the Water Law in the companies falling under its supervision.

Apart from national environmental legislation, other regulations are applicable in certain areas of the Kingdom. The Royal Commission for Jubail and Yanbu' has issued detailed local environmental regulations applicable to facilities located within the Royal Commission areas and contractors operating therein (i.e., the Jubail Industrial City Royal Commission Environmental Regulations of September 1999). Saudi Aramco separately requires compliance with environmental standards in certain circumstances. For example, Saudi Aramco administers the oil loading terminals at Ras Tanura, Ju'aymah and several smaller terminals independently of the Saudi Ports Authority.

Saudisation

The Kingdom has promulgated a Saudisation policy ("**Saudisation**") implemented by the Ministry of Human Resources and Social Development. Saudisation requires Saudi companies to ensure that a certain percentage of their workforce comprises Saudi nationals. Further, investors in the energy sector are encouraged to abide by the Kingdom's broad policies of ensuring a commitment to the training and employment of Saudi nationals. The Nitaqat Saudisation Programme (the "**Nitaqat Programme**") was approved pursuant to the Minister of Labour and Social Development (predecessor to the Minister of Human Resources and Social Development) Resolution No. 4040, dated 12/10/1432 in the Hijri calendar (corresponding to 10 September 2011), based on Council of Ministers Resolution No. 50, dated 21/5/1415 in the Hijri calendar (corresponding to 27 October 1994), which was applied as at 12/10/1432 in the Hijri calendar (corresponding to 10 September 2011). The Ministry of Human Resources and Social Development established the Nitaqat Programme to encourage establishments to hire Saudi nationals. The Nitaqat Programme assesses an establishment's Saudisation performance based on specific ranges of compliance, which are platinum, green (which is further divided into low, medium and high ranges), yellow and red. Saudi Aramco has been classified under the "High Green" category, which means that Saudi Aramco complies with the current Saudisation requirements, which accordingly allow the compliant companies to secure work visas. As at 31 March 2021, approximately 89.8% of Saudi Aramco's employees and approximately 95.7% of Saudi Aramco's senior management and leadership teams were Saudi nationals.

Moreover, the Ministry of Human Resources and Social Development has approved a new amendment to the Nitaqat Programme under the "Nitaqat Mawzon" Programme in order to improve the market's performance and development and to eliminate non-productive nationalisation. It was intended to come into effect on 12/3/1438 in the Hijri calendar (corresponding to 11 December 2016), but in response to private sector demands for additional time to achieve the nationalisation rate, the Ministry of Human Resources and Social Development postponed the programme until further notice and no new implementation date has been set.

Under the "Nitaqat Mawzon" programme, points would be calculated based on five factors: (i) the nationalisation rate; (ii) the average wage for Saudi workers; (iii) the percentage of female nationalisation; (iv) job sustainability for Saudi nationals; and (v) the percentage of Saudi nationals with high wages. Currently,

entities continue to be ranked on the basis of a system of rolling averages which calculate average weekly “Saudisation” over a 26-week period.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection during usual business hours at the specified offices of the Trustee and the Principal Paying Agent (as defined in the Conditions).

Master Purchase Agreement

The Master Purchase Agreement will be entered into on 7 June 2021 between the Trustee (in its capacity as purchaser of the Initial Assets or the Additional Assets, as the case may be) and the Obligor (in its capacity as “**Seller**”) and will be governed by English law. A supplemental purchase agreement (a “**Supplemental Purchase Agreement**”) between the same parties will be entered into on the Issue Date of each Tranche of Certificates and will also be governed by English law.

Pursuant to the Master Purchase Agreement, on the Issue Date of each Tranche, the Seller will sell and transfer to the Trustee, and the Trustee will purchase and accept the transfer from the Seller of all of the Seller’s interests, rights, title, benefits and entitlements, present and future, in, to and under the relevant Initial Assets (in the case of the first Tranche of the relevant Series) or the relevant Additional Assets (in the case of the each subsequent Tranche of the relevant Series), in each case, for the purchase price specified in the Supplemental Purchase Agreement, which will be payable on the Issue Date of the first Tranche of the relevant Series. The Purchaser will use no less than 55% of the issue proceeds of each Tranche of Certificates to purchase Initial Assets or Additional Assets (as the case may be) pursuant to the Master Purchase Agreement and the relevant Supplemental Purchase Agreement. The relevant Initial Assets or Additional Assets (as the case may be) will be set out in the schedule to the relevant Supplemental Purchase Agreement.

Master Lease Agreement

The Master Lease Agreement will be entered into on 7 June 2021 between the Trustee (in its capacity as lessor of the relevant Lease Assets of each Series) and the Obligor (in its capacity as “**Lessee**”) and will be governed by English law. A supplemental lease agreement (a “**Supplemental Lease Agreement**”) between the same parties will be entered into on the Issue Date of the first Tranche of each Series and will also be governed by English law.

Pursuant to the Master Lease Agreement, the Trustee may, from time to time in relation to the first Tranche issued under a Series, agree to lease to the Lessee, and the Lessee may agree to lease from Trustee, the relevant Lease Assets for the relevant Lease Term in consideration for the payment of Rental by the Lessee on each Rental Payment Date for each Lease Period of the relevant Lease Term upon and subject to the terms and conditions contained in the Master Lease Agreement and the relevant Supplemental Lease Agreement. On: (i) the Issue Date of the first Tranche issued under a Series; (ii) any Substitution Date (as defined in the Sale Undertaking, which date shall be no earlier than 10 Business Days after the date of the Substitution Notice) on which a Total Substitution Event occurs; or (iii) the date on which a Replacement Lease Assets Purchase Agreement (as defined below under “—*Service Agency Agreement—Replacement of Assets*”) is entered into, the Trustee and the Lessee will enter into a Supplemental Lease Agreement on that Issue Date, Substitution Date or the date of such Replacement Lease Assets Purchase Agreement (as the case may be) which will, among other things, specify the Lease Assets as at that Issue Date, Substitution Date or the date of such Replacement Lease Assets Purchase Agreement (as applicable). On each date on which Additional Assets are acquired pursuant to the Purchase Agreement, the Trustee and the Lessee shall enter into an addendum to the relevant Supplemental Lease Agreement with respect to such Additional Assets.

In relation to each Series, the Lessee shall pay, without any prior notice or demand (a) each Rental (less any Supplementary Rental and Additional Supplementary Rental (each as defined below)) by no later than the Business Day immediately preceding the relevant Rental Payment Date, (b) any Supplementary Rental on the first Business Day of the first Lease Period commencing after the Services Invoice Date, (c) any Additional Supplementary Rental on the first Business Day of the first Lease Period commencing after the ASCA Request Date and (d) the Initial Supplementary Rental on the Lease Commencement Date, in each case by crediting such amounts to the Collection Account. Notwithstanding such payment to the Collection Account, the obligation

of the Lessee to pay any Rental to the Trustee pursuant to the relevant Supplemental Lease Agreement shall only be discharged upon payment of such amount by the Service Agent to the Trustee (in accordance with the provisions of the Service Agency Agreement).

Under the terms of the Master Lease Agreement and the relevant Supplemental Lease Agreement, the Lessee shall, at its own cost and expense, be responsible for performing or procuring the performance of all Ordinary Maintenance and Repair required for the relevant Lease Assets during each Lease Period and the payment of all common, utility and other expenses (including without limitation those relating to electricity, gas and water) incurred in connection with the use of the relevant Lease Assets.

The Trustee shall be responsible for:

- (a) the performance of all Major Maintenance and Structural Repair;
- (b) the payment of Proprietorship Taxes (if any); and
- (c) obtaining insurance for the Lease Assets to the extent consistent with general industry practice by prudent owners of similar and, to the extent that it is reasonable and commercially practicable, in a manner compliant with *Shari'a* principles,

and the Lessee acknowledges that the Trustee will procure that the Service Agent, in accordance with the terms and conditions set out in the Service Agency Agreement, shall perform, or shall procure the performance of, all Major Maintenance and Structural Repair, the payment of Proprietorship Taxes (if any) and obtaining insurance for the relevant Lease Assets.

No later than the Business Day prior to the completion of each Lease Period, the Trustee (or the Service Agent on its behalf) shall send a Lease Renewal Notice to the Lessee, which shall set forth the amount of Rental payable by the Trustee with respect to the following Lease Period. Such notice shall be irrevocable and the Lessee hereby agrees that, unless it rejects such notice (in which case it acknowledges that such rejection will constitute an Obligor Event), it will be deemed to have accepted each such notice as and when delivered. Where there is any delay or failure by the Trustee (or the Service Agent on its behalf) in delivering a Lease Renewal Notice, the Rental for the relevant Lease Period shall accrue at the same rate as the Rental for the immediately preceding Lease Period.

The Lessor (or the Service Agent on its behalf) shall notify the Lessee in writing of any Additional Service Charge Amount to be paid or incurred, and that an amount of Additional Supplementary Rental (equal to the Additional Services Charge Amount) will be payable. Such notice shall be irrevocable and, unless the Lessee rejects such notice (in which case it acknowledges that such rejection will constitute an Obligor Event), the Lessee will be deemed to have accepted such notice and will be required to pay the requested amount of Additional Supplementary Rental in accordance with such notice as and when delivered.

In relation to each Series, the Lessee has undertaken that it will, among other things, ensure that the Lessee remains in actual or constructive possession, custody or control of the Lease Assets at all times, other than as expressly permitted under the terms of the Master Lease Agreement and the other Transaction Documents.

If a Total Loss Event occurs with respect to the Lease Assets of a Series, then, without prejudice to any right or remedy that the Trustee may have under any Transaction Document or by law in respect of that Series, the Lease in respect of that Series shall automatically terminate and the Trustee will be entitled (in addition to any amounts payable pursuant to the Service Agency Agreement) to any due and unpaid Rental in respect of that Series up to the date on which the Total Loss Event occurred. If a Total Loss Event occurs with respect to the Lease Assets of a Series (and the Lease in respect of that Series has automatically terminated in accordance with paragraph (a) above) and the Lease Assets have been replaced pursuant to the Service Agency Agreement, on the date of the relevant Replacement Lease Assets Purchase Agreement, the Trustee shall give a lease replacement notice to the Lessee and the Trustee and the Lessee shall enter into a replacement Supplemental Lease Agreement, pursuant to such Lease Replacement Notice. In such case, the Replacement Lease Assets will be leased to the Lessee under the replacement Supplemental Lease Agreement, which shall be effective from the date of the Replacement Lease Assets Purchase Agreement and shall supersede the existing

Supplemental Lease Agreement in respect of that Series in its entirety, subject to and in accordance with the Master Lease Agreement.

If a Partial Loss Event occurs with respect to one or more Lease Assets of a Series, the Lessee may, on or before the 30th day after the Partial Loss Event (and provided that the relevant Impaired Asset(s) have not already been replaced pursuant to a Replacement Lease Assets Purchase Agreement in accordance with the Service Agency Agreement), deliver to the Lessor a notice of termination of the relevant Lease (a “**Partial Loss Termination Notice**”), which termination shall be effective on the 61st day after the date of the Partial Loss Event. If, following a Partial Loss Event with respect to one or more Lease Assets of a Series, the Obligor fails to replace the Impaired Asset(s) on or before the 60th day after the date of the Partial Loss Event as described above, without prejudice to any right or remedy that the Trustee may have under any Transaction Document or by law in respect of that Series, the Lease in respect of that Series shall automatically terminate on the 61st day after the Partial Loss Event occurred. The occurrence of a Partial Loss Termination Event shall constitute a Dissolution Event but shall not constitute an Obligor Event.

If a Partial Loss Event occurs, the Lessee may, on or before the 30th day after the Partial Loss Event (and provided that the Lessee has not delivered a Lease termination notice in the manner described in the preceding paragraph), request a proportionate reimbursement of an amount of rental (to take into account the loss and/or impairment of the relevant Impaired Assets) with respect to the period from and including the date of the Partial Loss Event to (and excluding) the earlier of (i) the 60th day following the date of the Partial Loss Event and (ii) the date of replacement of the relevant Impaired Assets in accordance with the Transaction Documents. If the Lessee makes such a reimbursement request, the Service Agent shall be required to ensure that insurance proceeds in an amount equal to the relevant proportion of the insurance coverage amount are paid directly into the Transaction Account by no later than the 59th day after the occurrence of the Total Loss Event, failing which (unless the Service Agent proves beyond any doubt that any shortfall in the insurance proceeds is not attributable to its negligence or its failing to comply with its obligations relating to insurance under the terms of the Service Agency Agreement), the Service Agent shall be responsible for paying any shortfall.

All Rental and other payments by the Lessee to the Trustee under the Master Lease Agreement must be made without set off or counterclaim of any kind and without any deduction or withholding for or on account of Tax unless required by law and, in the event that a deduction or withholding is imposed by or on behalf of any relevant taxing authority in relation to the Rental or any corresponding payment by the Trustee pursuant to the Certificates, the Lessee shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no such deduction or withholding had been made and accordingly, the Lessee undertakes to pay to the Trustee or such other persons as the Trustee may direct such additional amounts forthwith upon demand and in the manner and currency prescribed under the Master Lease Agreement.

Service Agency Agreement

The Service Agency Agreement will be entered into on 7 June 2021 between the Trustee (in its capacity as trustee and as Lessor) and the Obligor (in its capacity as Service Agent) and will be governed by English law.

The Services

Pursuant to the Service Agency Agreement, in relation to each Series, the Trustee appointed the Service Agent to provide certain services and perform certain obligations relating to the Lease Assets (the “**Services**”) in accordance with the terms of the Service Agency Agreement, including, among other things, the following:

- (a) the Service Agent shall carry out all Major Maintenance and Structural Repair in respect of the Lease Assets of each Series on behalf of the Trustee (as lessor);
- (b) so long as the Trustee remains the owner of the Lease Assets of any Series, the Service Agent, on behalf of the Trustee, shall pay all Proprietorship Taxes (if any) charged, levied or claimed in respect of the Lease Assets by any relevant taxing authority; and

- (c) the Service Agent shall:
- (i) be responsible for ensuring that the Lease Assets of each Series are, so long as the Certificates of that Series are outstanding, insured to the extent consistent with general industry practice by prudent owners of similar and, to the extent that it is reasonable and commercially practicable, in a *Shari'a* compliant manner (the “**Insurances**”) against a Total Loss Event or a Partial Loss Event in an insured amount in the Specified Currency of the relevant Series, at all times, at least equal to the Insurance Coverage Amount;
 - (ii) promptly make a claim in respect of each loss relating to the Lease Assets in accordance with the terms of the Insurances and diligently pursue such claim under the terms of the Insurances;
 - (iii) ensure that, in the event of a Total Loss Event occurring, all Insurance Proceeds in an amount at least equal to the Insurance Coverage Amount are paid in the Specified Currency of that Series directly into the Transaction Account or, in the event that the Insurance Proceeds are to be used for the acquisition of Replacement Lease Assets in accordance with the below provisions, the Collection Account, as soon as practicable and in any event by no later than close of business in the Kingdom on the 60th day after the occurrence of the Total Loss Event; and
 - (iv) ensure that, in the event of a Partial Loss Event occurring, unless the relevant Impaired Asset(s) have been replaced in the manner described below, Insurance Proceeds in an amount at least equal to the aggregate of (i) the Value of the relevant Impaired Asset(s); and (ii) the Rental Reimbursement Amount (if any) (together, the “**Partial Loss Coverage Amount**”) is paid in the Specified Currency of that Series directly into the Transaction Account or, in the event that the Insurance Proceeds are to be used for the acquisition of Replacement Lease Assets as described below, the Collection Account, as soon as practicable and in any event by no later than close of business in the Kingdom on the 60th day after the occurrence of the Partial Loss Event.

The Service Agent shall provide the Services under the Service Agency Agreement in accordance with all applicable laws and regulations and with the degree of skill and care that it would exercise in respect of its own assets.

In consideration for the Service Agent acting as agent of the Trustee in relation to the Lease Assets of each Series the Service Agent shall be paid a fee of U.S.\$100 on the date of the Service Agency Agreement (the receipt and adequacy of which is acknowledged by the Service Agent under the Service Agency Agreement).

All Expenses Reserve Amount

As an advance to the Service Agent for Services Charge Amounts to be paid or incurred by it in respect of the Services, the Trustee shall procure that (a) an amount (the “**All Expenses Reserve Amount**”) is credited to the Collection Account on the relevant Lease Commencement Date and (b) the All Expenses Reserve Amount is replenished in accordance with the Service Agency Agreement.

Notwithstanding any other provision in the Service Agency Agreement, Service Agent shall not be permitted to incur or pay any liability in any Lease Period in respect of the Services to be performed in relation to the relevant Lease Assets which, individually or in the aggregate, would exceed the All Expenses Reserve Amount in such Lease Period (the amount by which such liability exceeds the All Expenses Reserve Amount, an “**Additional Services Charge Amount**”, which amount shall be denominated in the Specified Currency and, if required, the exchange rate for conversion into the Specified Currency shall be determined by the Service Agent) unless: (a) a request for such incurrence or payment of an Additional Services Charge Amount has been made by the Service Agent to the Lessor in accordance with the Service Agency Agreement; and (b) the Lessor has approved such request. If, during any Lease Period, the Service Agent incurs or pays such liability without first satisfying the foregoing conditions (a) and (b), then it shall be deemed to have unconditionally agreed to satisfy, donate and pay all such liabilities from its own account and the Lessor shall have no responsibility whatsoever in connection with such liability.

Total Loss Event and Partial Loss Event

The Service Agent shall promptly notify the Trustee and the Delegate forthwith upon the occurrence of a Total Loss Event or Partial Loss Event, and provide a description of the Total Loss Event or Partial Loss Event, as the case may be and, in the case of a Partial Loss Event, a written opinion from a recognised independent industry expert certifying that a Partial Loss Event has occurred. The Trustee, upon receipt of such notice from the Service Agent, or otherwise upon having actual knowledge or express notice of the occurrence of a Total Loss Event, shall promptly give notice to Certificateholders, in accordance with the Conditions, of the occurrence of the Total Loss Event and that, from the date of such notice, and until any further notice from the Trustee, as determined in consultation with the *Shari'a* Adviser, the Certificates should be tradable only in accordance with the *Shari'a* principles of debt trading.

If a Total Loss Event or a Partial Loss Event occurs in relation to a Series and, notwithstanding the obligations of the Service Agent to insure the Lease Assets as described above, an amount (if any) less than (i) in the case of a Total Loss Event, the Insurance Coverage Amount or (ii) in the case of a Partial Loss Event, the Partial Loss Coverage Amount, is credited to the Transaction Account or the Collection Account, as applicable, in accordance with the above provisions (the difference between the Insurance Coverage Amount and the amount credited to the Transaction Account or the Collection Account, as applicable, being the “**Total Loss Shortfall Amount**”) and, in the case of a Partial Loss Event, the difference between (i) the Partial Loss Coverage Amount and (ii) the amount credited to the Transaction Account or the Collection Account, as applicable, being the “**Partial Loss Shortfall Amount**”), then the Service Agent (unless it proves beyond any doubt that any shortfall in the Insurance Proceeds is neither attributable to its negligence nor its failing to comply with the terms of the Service Agency Agreement relating to insurance) acknowledges that it shall have failed in its responsibility to properly insure the Lease Assets of that Series and accordingly irrevocably and unconditionally undertakes to pay (in the Specified Currency of that Series in same day, freely transferable, cleared funds) the Total Loss Shortfall Amount or the Partial Loss Shortfall Amount, as applicable, directly into the Transaction Account or, in the event that the Insurance Proceeds are to be used for the acquisition of Replacement Lease Assets in accordance with the following paragraph, the Collection Account, as soon as practicable and in any event by no later than close of business in the Kingdom on the 60th day after the Total Loss Event or the Partial Loss Shortfall Amount, as applicable, has occurred. Thereafter, and subject to the Service Agent’s strict compliance with the Service Agency Agreement, any Insurance Proceeds received from any insurer in respect of the relevant Lease Assets shall be for the Service Agent’s sole account and the Trustee shall have no further claim against the Service Agent for failing to comply with its insurance obligations.

Replacement of Assets

If, on the occurrence of a Total Loss Event or a Partial Loss Event (and provided that, in the case of a Partial Loss Event, the Lessee has not already delivered a Partial Loss Termination Notice to the Lessor in accordance with the Master Lease Agreement), the Service Agent receives notice from the Obligor that replacement Lease Assets (“**Replacement Lease Assets**”) are available on or before the 59th day after the occurrence of the Total Loss Event or Partial Loss Event, as the case may be, the Trustee may, pursuant to and on the terms of a separate purchase agreement substantially in the form, *mutatis mutandis*, of a Supplemental Purchase Agreement (a “**Replacement Lease Assets Purchase Agreement**”), purchase such Replacement Lease Assets from the Obligor (or any entity acting on behalf of the Obligor) by way of payment by the Service Agent on behalf of the Trustee of the Insurance Proceeds (or the assignment of the rights to the Insurance Proceeds) and/or the Total Loss Shortfall Amount or Partial Loss Shortfall Amount, as applicable, paid into the Transaction Account, pursuant to the Service Agency Agreement (if any), to or to the order of the Obligor and the transfer to the Obligor by the Trustee of any residual interest it may hold in the relevant Lease Assets (in the case of a Total Loss Event) or the relevant Impaired Asset(s) (in the case of a Partial Loss Event) (including any remaining rights in respect of any Insurance Proceeds), in consideration for the sale, transfer and conveyance by the Obligor of the Replacement Lease Assets to the Trustee.

On the date of any Replacement Lease Assets Purchase Agreement entered into following a Total Loss Event, pursuant to and in accordance with the Master Lease Agreement, the Trustee shall give a Lease Replacement Notice to the Lessee, and the Trustee and the Lessee shall enter into a corresponding replacement Supplemental Lease Agreement. The replacement of the relevant Lease Assets with the relevant Replacement Lease Assets shall be subject to such replacement Supplemental Lease Agreement being entered into between the Trustee and

the Lessee in accordance with the Master Lease Agreement, which shall specify the details of the relevant Replacement Lease Assets. On the same date as such replacement Supplemental Lease Agreement, the Trustee shall forthwith notify Certificateholders of the replacement of the Lease Assets and that the Certificates may be traded at any price from the date of such notice to Certificateholders.

On the date of any Replacement Lease Assets Purchase Agreement entered into following a Partial Loss Event, the Trustee and the Lessee shall amend the relevant schedule to the Supplemental Lease Agreement to reflect the replacement of the relevant Impaired Asset(s) with the relevant Replacement Lease Assets.

Accounts

In relation to each Series, the Service Agent shall maintain a ledger account (the “**Collection Account**”) in its books with respect to each Series, which shall be denominated in the Specified Currency and be non-interest bearing. All payments of Rental and the payment of Initial Supplementary Rental (in each case payable pursuant to the Supplemental Lease Agreement with respect to the relevant Series) and all Murabaha Profit Instalments (payable pursuant to the Murabaha Contract in respect of each Tranche), will be recorded in the Collection Account.

The Service Agent shall use all reasonable endeavours to ensure the timely receipt of all Rental and Murabaha Profit Instalment payments (free and clear of, and without withholding or deduction for, Taxes), investigate non-payment of such Rental and/or Murabaha Profit Instalment payments, as applicable, use its best efforts to collect or enforce the collection of such amounts under the relevant Supplemental Lease Agreement and/or Murabaha Contract, as applicable, as and when the same shall become due and shall record such payments of Rental and/or Murabaha Profit Instalment in the Collection Account.

On the Business Day prior to each Periodic Distribution Date, amounts standing to the credit of the Collection Account (other than any amounts of Initial Supplementary Rental and/or Supplementary Rental, and/or any Insurance Proceeds) will be applied by the Service Agent on behalf of the Trustee (i) first, in payment into the Transaction Account of an amount equal to the Periodic Distribution Amount payable on such Periodic Distribution Date; and (ii) second, any remaining amount for its own account as an incentive payment for acting as Service Agent.

The Service Agent may deduct amounts standing to the credit of the Collection Account (other than any amounts of Initial Supplementary Rental and/or Supplementary Rental, and/or any Insurance Proceeds) at any time during the relevant Lease Term and use such amounts for its own account, *provided that* it shall immediately re-credit all such amounts to the Collection Account (for on-payment to the relevant Transaction Account) (a) if, on the Business Day prior to a Periodic Distribution Date, so required to fund a shortfall between: (i) the amount standing to the credit of the relevant Transaction Account; and (ii) the Periodic Distribution Amount payable on such Periodic Distribution Date, or (b) upon the occurrence of a Dissolution Event, a Tangibility Event or a Total Loss Event.

Following payment in full of all amounts due and payable under the Certificates of the relevant Series on the Scheduled Dissolution Date (or any earlier Dissolution Date on which all of the Certificates of the relevant Series are redeemed), the Service Agent shall be entitled to retain any remaining amount standing to the credit of the Collection Account for its own account as an incentive payment for acting as Service Agent.

Expenses, Replenishment and Credit

Subject to the provisions described in “—*All Expenses Reserve Amount*” above, the Service Agent shall, in relation to each Series, on or prior to each Services Invoice Date, submit to the Lessor or its agent one or more invoices for any Services Charge Amount incurred by it in the Lease Period of each Series in which such Services Invoice Date falls and such invoice(s) shall be denominated in the Specified Currency and, if required, the exchange rate for conversion into the Specified Currency shall be determined by the Service Agent.

Subject to the provisions described in “—*All Expenses Reserve Amount*” above, the Service Agent shall submit to the Lessor or its agent a request for the Trustee’s approval of the Service Agent paying or incurring any proposed liability comprising an Additional Services Charge Amount prior to paying or incurring such Additional Services Charge Amount (the date of such request being the “**ASCA Request Date**”).

Subject always to the terms of the Supplemental Lease Agreement with respect to the relevant Series and the provisions described in “—*All Expenses Reserve Amount*” above: (a) the Lessor shall procure that an amount equal to each Services Charge Amount notified in accordance with the foregoing is credited to the Collection Account on the first Business Day of the first Lease Period commencing after the Services Invoice Date; and (b) the Lessor shall procure the reimbursement of the Service Agent for each Additional Services Charge Amount approved in accordance with the provisions described in “—*All Expenses Reserve Amount*” above on the first Business Day of the first Lease Period commencing after the ASCA Request Date or, if any Lease is terminated prior to a Rental Payment Date, on the date of termination of such Lease.

No replenishment in an amount equal to a Services Charge Amount shall take place in accordance with the provisions described in “—*All Expenses Reserve Amount*” above, unless the Service Agent evidences the payment or incurrence of each liability comprising such Services Charge Amount by delivering to the Trustee receipts, invoices or other proper evidence of payment on the Services Invoice Date.

An amount equal to an Additional Services Charge Amount shall not be reimbursed in accordance with this paragraph unless the Service Agent evidences the requirement for the payment or the requirement for the incurrence of each liability comprising such Additional Services Charge Amount by delivering to the Trustee quotations or other proper evidence of such requirement by no later than the ASCA Request Date.

Tangibility

The Service Agent shall ensure that on and from the Issue Date of each Series, the *Shari'a* Adviser is appointed to advise on any matters as may be required by the Service Agent. The Service Agent shall ensure that at all times (including following (a) a substitution of Lease Assets pursuant to the Sale Undertaking, (b) a partial dissolution of the Certificates of the relevant Series or (c) the issuance of Additional Certificates), the Tangibility Ratio is more than 50%. If the Tangibility Ratio falls to 50% or less (but is 33% or more), the Service Agent shall take any and all steps as may be reasonably required to ensure such Tangibility Ratio is restored to more than 50% within the time period determined by the *Shari'a* Adviser. Failure of the Service Agent to comply with the obligations in this paragraph will not constitute an Obligor Event.

The Service Agent shall notify the Trustee and the Delegate within 10 Kingdom business days of becoming aware of the occurrence of a Tangibility Event. The Trustee, upon receipt of such notice from the Service Agent, shall promptly deliver a notice (the “**Tangibility Event Notice**”) to the Delegate and the Certificateholders in accordance with the Conditions, which shall (i) set forth an explanation of the reasons for, and evidence of, the fall in the Tangibility Ratio, (ii) state that, as determined in consultation with the *Shari'a* Adviser, the Certificates should only be tradable in accordance with the *Shari'a* principles of debt trading, and (iii) specify the Tangibility Event Put Period, during which Certificateholders may elect to have their Certificates redeemed, in whole or in part, on the Tangibility Event Put Date at their Dissolution Distribution Amount; and (iv) state that on the Tangibility Event Delisting Date, the Certificates will be delisted from any stock exchange on which the Certificates have been admitted to listing.

Other provisions

The Service Agent has agreed in the Service Agency Agreement (and except as provided herein and subject to certain relevant provisions of the Purchase Undertaking and the Sale Undertaking) that all payments by it under the Service Agency Agreement will be made without any deduction or withholding for or on account of any present or future Taxes imposed by the Relevant Taxing Jurisdictions unless required by law and without set-off or counterclaim of any kind. If there is any deduction or withholding, the Service Agent shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made and accordingly the Service Agent undertakes in the Service Agency Agreement to pay to the Trustee or such other persons as the Trustee may direct such additional amounts forthwith upon demand and in the manner and currency prescribed in the Service Agency Agreement. In addition, if additional amounts are payable by the Trustee in respect of the Certificates in accordance with Condition 10 (*Taxation*), the Service Agent will pay to the Trustee an amount equal to such additional amounts by payment to the Transaction Account by wire transfer for same day value so that the full amount which would otherwise have been due and payable under the Certificates is received by the Trustee. The payment obligations of the Service Agent under the Service Agency Agreement will be direct, unsubordinated and unsecured

obligations of the Service Agent and shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Service Agent, present and future.

Purchase Undertaking

The Purchase Undertaking will be executed as a deed on 7 June 2021 by the Obligor as obligor in favour of the Trustee and the Delegate and will be governed by English law.

In relation to each Series, and *provided that* a Total Loss Event has not occurred in respect of the Lease Assets of that Series, the Obligor pursuant to the Purchase Undertaking shall irrevocably grant the Trustee and the Delegate (on behalf of itself and the Certificateholders) the following rights:

- (a) *provided that* a Dissolution Event has occurred, a Dissolution Notice has been delivered in accordance with the Conditions, to require the Obligor to purchase and accept the transfer on the Dissolution Event Redemption Date specified in the Exercise Notice of all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the Lease Assets at the Exercise Price;
- (b) to require the Obligor, on the Scheduled Dissolution Date, to purchase and accept the transfer of all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the Lease Assets at the Exercise Price;
- (c) *provided that*:
 - (i) Certificateholder Put Right is specified as applicable in the applicable Final Terms; and
 - (ii) a holder or holders of the relevant Certificates have exercised the Certificateholder Put Right in accordance with the Conditions,

to require the Obligor, on to the relevant Certificateholder Put Right Date, to purchase and accept the transfer on the Certificateholder Put Right Date of all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the Certificateholder Put Right Lease Assets at the Certificateholder Put Right Exercise Price;

- (d) *provided that*:
 - (i) Change of Control Put Right is specified as applicable in the applicable Final Terms; and
 - (ii) a Change of Control Put Event has occurred and a holder or holders of the relevant Certificates have exercised the Change of Control Put Right in accordance with the Conditions,

to require the Obligor, on the relevant Change of Control Put Date, to purchase and accept the transfer on the Change of Control Put Date of all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the Change of Control Put Right Lease Assets at the Change of Control Put Right Exercise Price; and

- (e) *provided that* a Tangibility Event has occurred and a holder or holders of the relevant Certificates have exercised the Tangibility Event Put Right in accordance with the Conditions, to require the Obligor, on the relevant Tangibility Event Put Date, to purchase and accept the transfer on the Tangibility Event Put Date (*provided that* the relevant Tangibility Event Notice has been revoked by the Trustee in accordance with the Conditions) of all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the Tangibility Event Put Right Lease Assets at the Tangibility Event Put Right Exercise Price,

in each case, with regard to such Lease Assets on an "as is" basis and otherwise on the terms and subject to the conditions of the Purchase Undertaking.

If the Delegate exercises its option prior to the Scheduled Dissolution Date of the relevant Series, an Exercise Notice will be required to be delivered by the Delegate under the Purchase Undertaking.

The Obligor has agreed in the Purchase Undertaking that, save as set out in the Purchase Undertaking, all payments by it under the Purchase Undertaking will be made without any deduction or withholding for or on account of any present or future Taxes imposed by the Relevant Taxing Jurisdictions unless required by law and without set-off or counterclaim of any kind and, in the event that there is any deduction or withholding, the Obligor shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made. In addition, if additional amounts are payable by the Trustee in respect of the Certificates in accordance with Condition 10 (*Taxation*), the Obligor will agree in the Purchase Undertaking to pay to the Trustee an amount equal to such additional amounts by payment to the Transaction Account by wire transfer for same day value so that the full amount which would otherwise have been due and payable under the Certificates is received by the Trustee. The payment obligations of the Obligor under the Purchase Undertaking will be direct, unsubordinated and unsecured obligations of the Obligor and shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Obligor, present and future. Notwithstanding the above, if all of the Certificates of a Series are being redeemed in full an amount equal to the relevant Additional Services Charge Amount to be paid by the Obligor as part of any Exercise Price, Certificateholder Put Right Exercise Price, Change of Control Put Right Exercise Price or Tangibility Event Put Right Exercise Price (as applicable) under the Purchase Undertaking (upon exercise of the applicable right granted thereunder) and any Additional Services Charge Amount to be paid by the Trustee under the Service Agency Agreement in respect of which the Lessee is required to make a corresponding payment of Additional Supplementary Rental under the Master Lease Agreement and the relevant Supplemental Lease Agreement but such payment has not been made shall be set off against one another, and the obligation to pay that part of the Exercise Price (payable by the Obligor upon exercise of the applicable right granted pursuant to the Purchase Undertaking) shall be discharged by such set-off.

In the Purchase Undertaking, the Obligor has undertaken to comply with all provisions of the Conditions and the Transaction Documents to which it is a party and which are expressed to be applicable to it.

The Obligor has further undertaken to the Trustee in the Purchase Undertaking that if the relevant Exercise Price, Certificateholder Put Right Exercise Price or Change of Control Put Right Exercise Price is not paid in accordance with the Purchase Undertaking for any reason whatsoever, and provided that the Obligor (acting in any capacity) is in actual or constructive possession, custody or control of all or part of the relevant Lease Assets, Certificateholder Put Right Lease Assets, Change of Control Put Right Lease Assets or Tangibility Event Put Right Lease Assets, as the case may be, on the relevant Exercise Price Due Date, the Obligor shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the Certificates then outstanding or the relevant Certificates to be redeemed on the Certificateholder Put Right Date, the Change of Control Put Date or the Tangibility Event Put Date, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Relevant Proportion of the relevant Exercise Price, Certificateholder Put Right Exercise Price, Change of Control Put Right Exercise Price or Tangibility Event Put Right Exercise Price (as applicable), in each case without duplication.

Payment of an amount equal to the Exercise Price, the Certificateholder Put Right Exercise Price, the Change of Control Put Right Exercise Price or the Tangibility Event Put Right Exercise Price (as applicable), or the Relevant Proportion thereof, to the credit of the Transaction Account in accordance with the preceding paragraph shall evidence the acceptance of the Exercise Notice by the Obligor delivered in accordance with the provisions of the Purchase Undertaking and the conclusion of the transfer of the rights, title, interest, benefits and entitlements of the Trustee in, to and under the relevant Lease Assets, Certificateholder Put Right Lease Assets, Change of Control Put Right Lease Assets or Tangibility Event Put Right Lease Assets (as the case may be) to the Obligor.

Sale Undertaking

The Sale Undertaking will be executed as a deed on 7 June 2021 by the Trustee in favour of the Obligor and will be governed by English law.

In relation to each Series, pursuant to the Sale Undertaking, the Trustee shall irrevocably grant to the Obligor the right:

- (a) on the conditions described in Condition 8.2 (*Early Dissolution for Taxation Reasons*), to require the Trustee to sell, transfer and convey to the Obligor on the Early Tax Dissolution Date all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the Lease Assets at the Exercise Price by executing a sale agreement;
- (b) if and to the extent that any Certificates have been purchased and are to be cancelled pursuant to Condition 8.10 (*Purchases*) and 8.11 (*Cancellation*) (the "**Cancellation Certificates**"), to require the Trustee to purchase the Cancellation Certificates from the Obligor in consideration for:
 - (i) the sale and transfer of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under a proportion of the Lease Assets not exceeding such proportion as is determined by dividing: (i) the aggregate outstanding face amount of Certificates to be cancelled pursuant to Condition 8.10 (*Purchases*) and 8.11 (*Cancellation*); by (ii) the aggregate outstanding face amount of the Certificates of the relevant Series (the "**Cancellation Proportion**"); and
 - (ii) the payment of an amount equal to the product of the aggregate amounts of the Deferred Sale Price under each Murabaha Contract relating to the relevant Series and the Cancellation Proportion, as determined on the relevant date on which the Cancellation Certificates are to be cancelled immediately prior to the redemption and cancellation of the relevant Cancellation Certificates (the "**Cancellation Amount**"),

in each case, by executing a sale agreement;

- (c) *provided that* Optional Dissolution Right is specified as applicable in the applicable Final Terms and the Obligor has exercised the Optional Dissolution Right in accordance with the Conditions, to require the Trustee to sell and transfer to the Obligor all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under a proportion of the Lease Assets not exceeding such proportion as is determined by dividing: (i) the aggregate outstanding face amount of Certificates to be redeemed pursuant to the exercise of the Optional Dissolution Right; by (ii) the aggregate outstanding face amount of the Certificates of the relevant Series immediately prior to such redemption (the "**Optional Dissolution Proportion**"), at the Optional Dissolution Exercise Price by executing a sale agreement;
- (d) to require, from time to time at the Obligor's sole discretion, the Trustee to sell, transfer and convey all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under any or all of the Lease Assets (the "**Substituted Assets**") to it in exchange for New Assets of a Value which is equal to or greater than the Value of the Substituted Assets (as certified by the Obligor in the relevant Substitution Notice), and *provided that* the New Assets are Eligible Assets. The substitution of the Substituted Assets with the New Assets will become effective on the date specified in the Substitution Notice to be delivered by the Obligor, by the Trustee and the Obligor entering into a sale agreement. In the event that Substituted Assets constitute all of the Lease Assets of the Series on the relevant Substitution Date (as defined in the Sale Undertaking, which date shall be no earlier than 10 Business Days after the date of the Substitution Notice), the then existing Supplemental Lease Agreement shall terminate and the Trustee and the Lessee will enter into a Supplemental Lease Agreement on that Substitution Date which will, among other things, specify the New Assets as the Lease Assets as at that Substitution Date. The relevant schedule to each relevant Supplemental Lease Agreement listing the Lease Assets shall be updated on each date on which any Lease Asset under that Series is transferred to the Obligor in accordance with the Transaction Documents; and
- (e) *provided that* 75% or more of the initial aggregate face amount of the Certificates of a Series have been redeemed or, as the case may be, purchased, pursuant to Condition 8.5 (*Dissolution at the Option of Certificateholders (Change of Control Put Right)*) or Condition 8.6 (*Dissolution at the Option of Certificateholders (Tangibility Event Put Right)*), to oblige the Trustee to sell and transfer to the Obligor

on the Clean-Up Dissolution Date specified in the relevant Exercise Notice all of the Trustee's interests, rights, title, benefits and entitlements, present and future, in, to and under the Lease Assets at the Exercise Price.

Master Murabaha Agreement

The Master Murabaha Agreement will be entered into on 7 June 2021 between the Trustee and the Obligor and will be governed by English law.

In connection with each Tranche under each Series of Certificates, the Trustee may desire to enter into a Commodity Murabaha Trade with the Obligor (in its capacity as buyer, the "**Buyer**") using a portion of the issue proceeds of the relevant Tranche as specified in the applicable Final Terms and which will be no more than 45% of the issue proceeds of that Tranche.

Pursuant to the Master Murabaha Agreement, the Trustee has undertaken that, on receipt of a Notice of Request to Purchase from the Buyer, the Trustee (acting through the Commodity Agent) shall purchase the relevant Commodities no later than 10.30 a.m. on the relevant Issue Date (or such other time as may be agreed in writing by the Buyer and the Trustee), purchase the Commodities which are the subject of that Notice of Request to Purchase from the Commodity Supplier at the relevant Commodity Purchase Price in accordance with the terms set out in that Notice of Request to Purchase; and following such purchase of the relevant Commodities, offer to sell those Commodities to the Buyer at the relevant Deferred Sale Price on deferred payment terms in accordance with the Master Murabaha Agreement.

Following the purchase of the Commodities by the Trustee (acting through the Commodity Agent) *provided that* the Trustee has acquired title to, and (actual or constructive) possession of, the Commodities, the Trustee shall deliver no later than 11 a.m. London time (or such other time as may be agreed between the Buyer and the Trustee) on the Issue Date an Offer Notice to the Buyer (with a copy to the Commodity Agent) indicating the Trustee's acceptance of the terms of the Notice of Request to Purchase made by the Buyer and detailing the terms of the offer for the sale of the Commodities to the Buyer from the Trustee.

Pursuant to the Master Murabaha Agreement, the Buyer has irrevocably and unconditionally undertaken to accept the terms of, countersign and deliver to the Trustee (with a copy to the Commodity Agent) any Offer Notice delivered to it in accordance with the Master Murabaha Agreement and (as a result of the Trustee having acted on the request of the Buyer set out in the Notice of Request to Purchase) purchase the Commodities acquired by the Trustee (acting through the Commodity Agent), in each case no later than 12 p.m. London time (or such other time as may be agreed between the Buyer and the Trustee) on the Issue Date (or such other time as may be agreed in writing by the Buyer and the Trustee) at the relevant Deferred Sale Price.

As soon as the Buyer has countersigned the Offer Notice, the relevant Murabaha Contract shall be created between the Trustee and the Buyer upon the terms of that Offer Notice and incorporating the terms and conditions set out in the Master Murabaha Agreement; and ownership of and all risks in and to the Commodities shall immediately pass to and be vested in the Buyer, together with all rights and obligations relating thereto including the benefit of all of the Commodity Supplier's warranties and representations which are capable of being so transferred.

The Buyer may (but has no obligation to) following the purchase of the Commodities by the Buyer from the Trustee, and *provided that* the Buyer has acquired title to, and possession of, the Commodities, sell those Commodities to a third party.

Except as otherwise provided in the Master Murabaha Agreement, in connection with each Murabaha Contract, the Buyer has irrevocably and unconditionally undertaken to pay to the Trustee the Deferred Sale Price in accordance with the Master Murabaha Agreement and in the amounts and on the dates as specified in the relevant Offer Notice. Notwithstanding the foregoing, in accordance with the Master Murabaha Agreement, the amount and due date of the Deferred Sale Price shall be subject to adjustment (without further formality) as provided below:

- (a) the outstanding Deferred Sale Price shall become immediately due and payable on the Business Day immediately preceding the Early Tax Dissolution Date;

- (b) the Optional Dissolution Proportion of the outstanding Deferred Sale Price shall become immediately due and payable on the Business Day immediately preceding the Optional Dissolution Date;
- (c) the Certificateholders Put Right Proportion of the outstanding Deferred Sale Price shall become immediately due and payable on the Business Day immediately preceding the Certificateholders Put Right Date;
- (d) the Change of Control Put Right Proportion of the outstanding Deferred Sale Price shall become immediately due and payable on the Business Day immediately preceding the Change of Control Put Date;
- (e) the Tangibility Event Put Right Proportion of the outstanding Deferred Sale Price shall become immediately due and payable on the Business Day immediately preceding the Tangibility Event Put Date;
- (f) the outstanding Deferred Sale Price shall become immediately due and payable on the Dissolution Event Redemption Date;
- (g) the outstanding Deferred Sale Price shall become immediately due and payable on the Total Loss Dissolution Date;
- (h) the outstanding Deferred Sale Price shall become immediately due and payable on the Clean-Up Dissolution Date;
- (i) the Cancellation Proportion of the outstanding Deferred Sale Price shall be deemed to be cancelled with effect from the Cancellation Date; and
- (j) where, in the case of paragraphs (b), (c), (d), (e) and (i) above, less than the full amount of the outstanding Deferred Sale Price has been paid or cancelled (as applicable), the future payment of the relevant part of the Deferred Sale Price as originally provided in the relevant Offer Notice (as adjusted pursuant to this paragraph (j), if applicable) shall be reduced by the Optional Dissolution Proportion, the Certificateholder Put Right Proportion, the Change of Control Put Right Proportion, the Tangibility Event Put Right Proportion or the Cancellation Proportion (as applicable) and the remaining amount of the Deferred Sale Price following such reduction shall be due and payable in the amount as so adjusted but otherwise on the same date(s) as specified in the Offer Notice and otherwise in accordance with its terms and the terms of the Master Murabaha Agreement.

For the avoidance of doubt, the adjustments referred to above shall not result in there being any rebate payable by the Trustee to the Buyer in respect of the Deferred Sale Price.

The Deferred Sale Price, including as may be adjusted in accordance with the provisions of the preceding paragraph, shall be paid by the Buyer to the Trustee in cleared funds by crediting: (i) the Murabaha Profit Instalments and on the dates, each as specified in the Annex to the relevant Offer Notice, to the Collection Account; *provided that*, notwithstanding such payment to the Collection Account, the obligation of the Buyer to pay any Murabaha Profit Instalments to the Trustee pursuant to the Master Murabaha Agreement shall only be discharged upon payment of such amount by the Service Agent to the Trustee in accordance with the provisions of the Service Agency Agreement; and (ii) any amount specified as being payable on the relevant Dissolution Date pursuant to the preceding paragraph, as the case may be, to the Transaction Account.

The Buyer has agreed in the Master Murabaha Agreement that all payments by it under the Master Murabaha Agreement will be made in the Specified Currency and without any deduction or withholding for or on account of any present or future Taxes imposed by the Relevant Taxing Jurisdictions unless required by law and without set-off or counterclaim of any kind and, in the event that there is any deduction or withholding, the Buyer shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made. In addition, if additional amounts are payable by the Trustee in respect of the Certificates in accordance with Condition 10 (*Taxation*), the Buyer has agreed in the Master Murabaha Agreement to pay to the Trustee an amount equal to such additional amounts by payment to the Transaction Account by wire transfer for same day value so that the full amount which would otherwise

have been due and payable under the Certificates is received by the Trustee. The payment obligations of the Buyer under the Master Murabaha Agreement and each Murabaha Contract will be direct, unsubordinated and unsecured obligations of the Buyer and shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Buyer, present and future.

The Master Trust Deed, as supplemented by each Supplemental Trust Deed

The Master Trust Deed will be entered into on 7 June 2021 between the Trustee, the Obligor and the Delegate and will be governed by English law. A Supplemental Trust Deed between the same parties will be entered into on the Issue Date of each Tranche of Certificates and will also be governed by English law.

Upon issue of the Certificates of any Series, the Master Trust Deed and the relevant Supplemental Trust Deed shall together constitute the trust over the relevant Trust Assets declared by the Trustee in relation to such Series.

The Trust Assets in respect of each Series of Certificates comprise (unless otherwise specified in the relevant Supplemental Trust Deed), amongst other things, the cash proceeds of the issue of the Certificates, the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (save as set out in Condition 5.1 (*Trust Assets*)) and any amounts standing to the credit of the relevant Transaction Account, as more particularly described in Condition 5.1 (*Trust Assets*).

Pursuant to the Master Trust Deed as supplemented by the relevant Supplemental Trust Deed, the Trustee will, in relation to each Series of Certificates, *inter alia*:

- (a) hold the relevant Trust Assets on trust absolutely for the holders of the Certificates as beneficiaries in respect of that Series only; and
- (b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Master Trust Deed as supplemented by the relevant Supplemental Trust Deed.

The Trustee irrevocably and unconditionally appointed the Delegate to be its attorney and to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), rights, authorities and discretions vested in the Trustee by the Master Trust Deed that the Delegate may consider to be necessary or desirable in order, upon the occurrence of a Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, to: (i) exercise all of the rights of the Trustee under the Purchase Undertaking, the Master Murabaha Agreement and any of the other Transaction Documents; and (ii) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Master Trust Deed as supplemented by the relevant Supplemental Trust Deed. The appointment of such delegate is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

The Master Trust Deed specifies that the rights of recourse in respect of Certificates shall be limited to the amounts from time to time available and comprising the relevant Trust Assets of that Series. The Certificateholders have no claim or recourse against the Trustee to the extent the Trust Assets have been exhausted following which all obligations of the Trustee shall be extinguished.

A non-interest bearing Transaction Account in London will be established in respect of each Series of Certificates. Monies received in the Transaction Account in respect of each Series will, *inter alia*, comprise revenues from the Lease Assets other than in the nature of sale, capital or principal payments, and amounts of the Deferred Sale Price paid by the Obligor pursuant to a Commodity Murabaha Trade (see “—*Service Agency Agreement*” and “—*Master Murabaha Agreement*” above). The Master Trust Deed provides that all monies credited to the Transaction Account in respect of each Series will be applied in the order of priority set out in Condition 5.2 (*Application of Proceeds from Trust Assets*).

In addition, the Obligor has covenanted and undertaken in the Master Trust Deed that:

- (a) if the relevant Exercise Price, Certificateholder Put Right Exercise Price, Change of Control Put Right Exercise Price, Tangibility Event Put Right Exercise Price or Optional Dissolution Exercise Price is not

paid in accordance with the Transaction Documents for any reason whatsoever, and provided that the Obligor (acting in any capacity) is in actual or constructive possession, custody or control of all or part of the relevant Lease Assets, Certificateholder Put Right Lease Assets, Change of Control Put Right Lease Assets or Tangibility Event Put Right Lease Assets, as the case may be, on the relevant Exercise Price Due Date, the Obligor shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal the Relevant Proportion of the Exercise Price, Certificateholder Put Right Exercise Price, Change of Control Put Right Exercise Price, Tangibility Event Put Right Exercise Price or Optional Dissolution Exercise Price (as the case may be); and

- (b) if the aggregate amount of each outstanding Deferred Sale Price relating to the relevant Series is not paid on the relevant Dissolution Date in accordance with the provisions of the Master Murabaha Agreement for any reason whatsoever, the Obligor shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal the aggregate amount of each outstanding Deferred Sale Price relating to the relevant Series.

If and to the extent the Trustee has exercised its rights under Condition 20 (*Further Issues*) to issue additional Certificates in respect of a Series, on the date of issue of such additional Certificates, the Trustee will execute a Declaration of Commingling of Assets for and on behalf of the holders of the existing Certificates and the holders of such additional Certificates so issued, declaring that the Additional Assets and the Lease Assets in respect of the relevant Series as in existence immediately prior to the creation and issue of the additional Certificates and each Commodity Murabaha Trade made pursuant to the Master Murabaha Agreement (and all rights arising under or with respect thereto) in relation to the relevant Series are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Certificates and the holders of such additional Certificates as tenants in common *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the Master Trust Deed.

***Shari'a* Compliance**

Each Transaction Document provides that each of SA Global Sukuk Limited and Saudi Arabian Oil Company (Saudi Aramco) (as applicable) agrees that it has accepted the *Shari'a* compliant nature of the Transaction Documents to which it is a party and, to the extent permitted by law, further agrees that:

- (a) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) is *ultra vires* or not compliant with the principles of *Sharia*;
- (b) it shall not take any steps or bring any proceedings in any forum to challenge the *Shari'a* compliance of the Transaction Documents to which it is a party; and
- (c) none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which it is a party are not compliant with the principles of *Shari'a*.

Defined Terms

For the purposes of this Summary of the Principal Transaction Documents:

“**Additional Assets**” means, in relation to an Additional Tranche, the Eligible Assets specified as such in the relevant Supplemental Purchase Agreement;

“**Additional Tranche**” means any additional Tranche of Certificates issued pursuant to Condition 20 (*Further Issues*);

“**Additional Lease Period**” has the meaning given to it in the Purchase Undertaking;

“**Assets**” means the Initial Assets (in relation to the first Tranche of each Series), the Additional Assets (in relation to an Additional Tranche) or any Replacement Lease Assets;

“**Asset Purchase Price**” means, in relation to each Tranche, the purchase price payable by the Trustee in respect of the relevant Assets, as set out in the relevant Supplemental Purchase Agreement;

“**Additional Supplementary Rental**” means, in relation to a Lease Period, the aggregate of all amounts of additional supplementary rental that the Lessee has agreed to pay in respect of such Lease Period in accordance with the provisions of the Master Lease Agreement;

“**Certificateholder Put Right Exercise Price**” means, in relation to each Series, the aggregate of:

- (a) the aggregate outstanding face amount of the Certificates being redeemed pursuant to the Certificateholder Put Right for the relevant Series; *plus*
- (b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Certificates being redeemed; *plus*
- (c) if all of the Certificates of a Series are being redeemed, without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) in relation to such Series under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any outstanding Additional Services Charge Amount (in respect of which the Lessee is required to make a corresponding payment of Additional Supplementary Rental but such payment has not been made in accordance with the Master Lease Agreement and the relevant Supplemental Lease Agreement), and any other Priority Amounts which remain outstanding as at the Certificateholder Put Right Date); *plus*
- (d) any other amounts payable in relation to the Certificates being redeemed on the exercise of the Certificateholder Put Right as specified in the applicable Final Terms,

less, an amount equal to the aggregate of each outstanding Deferred Sale Price relating to that Series which has been paid into the Transaction Account in accordance with the Master Murabaha Agreement and which shall be available on the applicable Certificateholder Put Right Date;

“**Certificateholders Put Right Proportion**” means such proportion as is determined by dividing (a) the aggregate outstanding face amount of the Certificates being redeemed pursuant to the Certificateholders Put Right by (b) the aggregate outstanding face amount of the Certificates of the relevant Series immediately prior to such redemption;

“**Change of Control Put Right Proportion**” means such proportion as is determined by dividing (a) the aggregate outstanding face amount of the Certificates being redeemed pursuant to the Change of Control Put Right by (b) the aggregate outstanding face amount of the Certificates of the relevant Series immediately prior to such redemption;

“**Change of Control Put Right Exercise Price**” means, in relation to each Series, the aggregate of:

- (a) the aggregate outstanding face amount of the Certificates being redeemed pursuant to the Change of Control Put Right for the relevant Series; *plus*
- (b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Certificates being redeemed; *plus*
- (c) if all of the Certificates of a Series are being redeemed, without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) in relation to such Series under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any outstanding Additional Services Charge Amount (in respect of which the Lessee is required to make a corresponding payment of Additional Supplementary Rental but such payment has not been made in accordance with the Master Lease Agreement and the relevant Supplemental Lease

Agreement), and any other Priority Amounts which remain outstanding as at the Change of Control Put Date); *plus*

- (d) any other amounts payable in relation to the Certificates being redeemed on the exercise of the Change of Control Put Right as specified in the applicable Final Terms,

less, an amount equal to the aggregate of each outstanding Deferred Sale Price relating to that Series which has been paid into the Transaction Account in accordance with the Master Murabaha Agreement and which shall be available on the applicable Change of Control Put Date;

“**Commodities**” means any of the commodities traded over the counter, which comprise any *Shari’a* compliant London Metal Exchange approved non-ferrous base metals, platinum group metals, or other *Shari’a* compliant commodities acceptable to the Buyer and the Trustee, which, in each case, must be kept in London Metal Exchange approved, non-United Kingdom bonded warehouses or secure vaults;

“**Commodity Purchase Price**” means, in relation to each Series and each Tranche under each Series and the corresponding Murabaha Contract, the aggregate amount payable to the relevant Commodity Supplier by or on behalf of the Trustee for the purchase of the Commodities from the relevant Commodity Supplier by the Trustee, specified as such in the relevant Notice of Request to Purchase and which amount shall be equal to the relevant Murabaha Cost Price;

“**Commodity Supplier**” means the vendor of Commodities as specified in the relevant Notice of Request to Purchase;

“**Deferred Payment Date**” means, in relation to a Murabaha Contract, the deferred payment dates with respect to the Deferred Sale Price, as specified as such in the annex to the relevant Offer Notice;

“**Deferred Sale Price**” means, in relation to a Murabaha Contract, the aggregate of the applicable Commodity Purchase Price and Murabaha Profit and specified as such in the Offer Notice;

“**Eligible Asset**” means any tangible non real estate related asset (including, but not limited to, fixed plant and machinery and infrastructure) located in the Kingdom that is free and clear of all Encumbrances, is owned by the Seller and is capable of being sold and leased;

“**Encumbrance**” means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or arrangement having a similar effect;

“**Exercise Price**” means, in relation to each Series, the aggregate of:

- (a) the aggregate face amount of Certificates then outstanding for the relevant Series; plus
- (b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to the Certificates of the relevant Series; *plus*
- (c) without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) in relation to such Series under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any outstanding Additional Services Charge Amount (in respect of which the Lessee is required to make a corresponding payment of Additional Supplementary Rental but such payment has not been made in accordance with the Master Lease Agreement and the relevant Supplemental Lease Agreement), and any other Priority Amounts which remain outstanding as at the Dissolution Event Redemption Date or Scheduled Dissolution Date (as the case may be)); *plus*
- (d) any other amounts payable on redemption of the Certificates of the relevant Series as specified in the applicable Final Terms,

less, the aggregate of:

- (i) an amount equal to the aggregate of each outstanding Deferred Sale Price relating to that Series which has been paid into the Transaction Account in accordance with the terms of the Master Murabaha Agreement and which shall be available on the applicable Dissolution Date; and
- (ii) in the case of a Dissolution Event arising as a result of a Partial Loss Event, an amount equal to the Insurance Proceeds and/or Partial Loss Shortfall Amount paid into the Transaction Account in accordance with the Service Agency Agreement and which shall be available on the applicable Dissolution Date in accordance with the Service Agency Agreement less the amount of any Rental Reimbursement Amount paid to the Lessee in accordance with clause 3.7 of the Master Lease Agreement;

“**Exercise Price Due Date**” means the due date for payment of the relevant Exercise Price, Certificateholder Put Right Exercise Price, Change of Control Put Right Exercise Price or Tangibility Event Put Right Exercise Price, as the case may, be in accordance with the Purchase Undertaking;

“**Impaired Asset**” means a Lease Asset in respect of which a Partial Loss Event has occurred;

“**Initial Assets**” means, in relation to the first Tranche of each Series, the Eligible Assets specified as such in the relevant Supplemental Purchase Agreement;

“**Insurance Coverage Amount**” means, in relation to each Series, an amount equal to the aggregate of:

- (a) the aggregate face amount of Certificates then outstanding for the relevant Series; *plus*
- (b) an amount equal to all accrued but unpaid Periodic Distribution Amounts (if any) relating to the Certificates of the relevant Series; *plus*
- (c) an amount equal to the Periodic Distribution Amounts that would have accrued had a Total Loss Event not occurred during the period beginning on and including the date on which the Total Loss Event occurred and ending on and including the 61st day following the occurrence of the Total Loss Event; *plus*
- (d) without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) in relation to such Series under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any outstanding Additional Services Charge Amount (in respect of which the Lessee is required to make a corresponding payment of Additional Supplementary Rental but such payment has not been made in accordance with the Master Lease Agreement and the relevant Supplemental Lease Agreement), and any other Priority Amounts which remain outstanding as at the Total Loss Event Dissolution Date); *plus*
- (e) any other amounts payable on redemption of the Certificates of the relevant Series as specified in the applicable Final Terms,

less, an amount equal to the aggregate of each outstanding Deferred Sale Price relating to that Series;

“**Lease**” means, in relation to a Series, the lease created pursuant to the Master Lease Agreement and the relevant Supplemental Lease Agreement in connection with that Series;

“**Lease Assets**” means, in relation to a Series, the assets set out in a schedule to the relevant Supplemental Lease Agreement as such schedule shall be amended from time to time in accordance with the terms of the Master Lease Agreement (including, for the avoidance of doubt, to take into account:

- (a) the acquisition of Additional Assets by the Trustee from time to time;
- (b) the repair, refurbishment or upgrading of such assets from time to time as a result of any Major Maintenance and Structural Repair and/or any Ordinary Maintenance and Repair;
- (c) the substitution of Lease Assets for new Eligible Assets in accordance with the terms of the Sale Undertaking; and

- (d) any replacement of the Lease Assets following a Total Loss Event or the Impaired Asset(s) following a Partial Loss Event by the application by the Service Agent of any relevant proceeds of Insurances (or the rights to such proceeds of the Insurances) and/or Total Loss Shortfall Amount or Partial Loss Shortfall Amount, as the case may be, towards such replacement pursuant to the Service Agency Agreement,

and, *provided however that* “the Lease Assets” shall not include any asset the title to which has been the subject of a Total Loss Event or Partial Loss Event, or which has been sold or transferred to the Obligor under the terms of the relevant Transaction Documents;

“**Lease Commencement Date**” means, in relation to a Series:

- (a) the Issue Date of the first Tranche of Certificates to be issued under that Series;
- (b) in the event that a Total Substitution Event occurs and a new Supplemental Lease Agreement is entered into in respect of that Series in accordance with the terms of the Sale Undertaking, the Substitution Date on which the Total Substitution Event occurred; or
- (c) in the event that, following the occurrence of a Total Loss Event, the relevant Lease Assets are replaced with Replacement Lease Assets in accordance with the Service Agency Agreement and a new Supplemental Lease Agreement is entered into in respect of that Series, the date on which the relevant Replacement Lease Assets Purchase Agreement is entered into,

in each case, being the date on which the relevant Lease shall commence in accordance with the Service Agency Agreement and the relevant Supplemental Lease Agreement;

“**Lease End Date**” means, in relation to a Series, the Scheduled Dissolution Date of that Series, unless:

- (a) the relevant Lease is terminated on an earlier date in accordance with the terms of the Service Agency Agreement, in which case it shall mean the date on which such early termination becomes effective; or
- (b) the Lease End Date is extended in accordance with the Purchase Undertaking, in which case it shall mean the last day of the Additional Lease Period;

“**Lease Period**” means, in relation to a Series, the period from, and including, a relevant Rental Payment Date (or with respect to the first Lease Period under that Series, from, and including, the relevant Lease Commencement Date) to, but excluding, the immediately following Rental Payment Date (or, with respect to the final Lease Period of that Series, the relevant Lease End Date) and shall, where the context allows, include any Additional Lease Period;

“**Lease Replacement Notice**” means a lease replacement notice substantially in the form scheduled to the Master Lease Agreement;

“**Lease Term**” means, in relation to a Series, the period from and including the relevant Lease Commencement Date to but excluding the relevant Lease End Date;

“**Major Maintenance and Structural Repair**” means all structural repair and major maintenance (other than Ordinary Maintenance and Repair), including doing such acts or things and taking such steps to ensure that the Lease Assets suffer no damage, loss or diminution in value, without which the Lease Assets could not be reasonably and properly used by the Lessee;

“**Murabaha Contract**” means an individual contract for the sale of Commodities at a deferred sale price and made pursuant to the Master Murabaha Agreement by the delivery of both an Offer Notice by the Trustee to the Buyer and the subsequent countersignature of such Offer Notice by the Buyer in accordance with the terms of the Master Murabaha Agreement;

“**Murabaha Cost Price**” means, in relation to a Series and each Tranche under a Series, the relevant proportion of the proceeds of the issue of the Certificates of that Tranche under that Series which are to be applied in the acquisition of Commodities by or on behalf of the Trustee for the purposes of the entry into of a Murabaha

Contract pursuant to the terms of the Master Murabaha Agreement and specified as such in the applicable Final Terms and which, in relation to any Tranche under a Series, shall be an amount equal to the face amount of the Certificates issued pursuant to the relevant Tranche of Certificates less the Asset Purchase Price (in the case of the first Tranche of Certificates or the relevant Additional Tranche, as the case may be), in each case, as at the relevant Issue Date *provided that* such amount shall not be greater than 45% of the face amount of the Certificates issued pursuant to the relevant Tranche of Certificates;

“**Murabaha Profit**” means, in relation to a proposed Murabaha Contract relating to a Tranche, the amount specified as such in the applicable Final Terms;

“**Murabaha Profit Instalment**” means, in relation to a proposed Murabaha Contract relating to a Tranche, each instalment of the Murabaha Profit, payable on the Deferred Payment Dates as specified in the annex to the relevant Offer Notice;

“**Murabaha Proportion**” means, in relation to a proposed Murabaha Contract relating to a Tranche, the proportion borne by the Commodity Purchase Price of that Murabaha Contract to the face amount of the Certificates issued pursuant to that Tranche;

“**New Assets**” means Eligible Assets specified as such in a Substitution Notice;

“**Notice of Request to Purchase**” has the meaning given to it in the Master Murabaha Agreement;

“**Offer Notice**” means an offer notice to be issued by the Trustee to the Buyer substantially in the form scheduled to the Master Murabaha Agreement;

“**Ordinary Maintenance and Repair**” means all repairs, replacements, acts, maintenance and upkeep works required for the general use and operation of the Lease Assets and to keep, repair, maintain and preserve the Lease Assets in good order, state and condition;

“**Optional Dissolution Exercise Price**” means, in relation to each Series, the aggregate of:

- (a) the aggregate outstanding face amount of the Certificates being redeemed pursuant to the Optional Dissolution Right for the relevant Series; *plus*
- (b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Certificates being redeemed; *plus*
- (c) if all of the Certificates of a Series are being redeemed, without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) in relation to such Series under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any outstanding Additional Services Charge Amount (in respect of which the Lessee is required to make a corresponding payment of Additional Supplementary Rental but such payment has not been made in accordance with the Master Lease Agreement and the relevant Supplemental Lease Agreement), and any other Priority Amounts which remain outstanding as at the Optional Dissolution Date); *plus*
- (d) any other amounts payable in relation to the Certificates being redeemed on the exercise of the Optional Dissolution Right as specified in the applicable Final Terms,

less, an amount equal to the aggregate of each outstanding Deferred Sale Price relating to that Series which has been paid into the Transaction Account in accordance with the Master Murabaha Agreement and which shall be available on the applicable Optional Dissolution Date to pay a proportion of the aggregate amounts payable on redemption of the Certificates being redeemed following exercise of the Optional Dissolution Right;

“**Partial Loss Event**” means, in relation to each Series, the partial impairment of one or more of the Lease Assets in a manner that substantially deprives the Lessee from the benefits expected from the Lease Assets, as determined by the Service Agent acting for and on behalf of the Trustee and the occurrence of which has been certified in writing by a recognised independent industry expert, which has not arisen as a result of the Lessee’s negligence or misconduct (and which does not constitute a Total Loss Event);

“Partial Loss Termination Event” means, with respect to any Series, the termination of the Lease on the 61st day after the occurrence of a Partial Loss Event as a result of either: (a) delivery by the Obligor of a Partial Loss Termination Notice to the Trustee on or before the 30th day after the Partial Loss Event in accordance with clause 7.2(a) of the Master Lease Agreement; or (b) failure by the Obligor to replace the relevant Impaired Assets on or before the 60th day after the date of the Partial Loss Event in accordance with clause 7.2(b) of the Master Lease Agreement;

“Partial Loss Termination Notice” has the meaning given to it in the Master Lease Agreement;

“Priority Amounts” means any amounts described in Condition 5.2(a);

“Proprietorship Taxes” means all Taxes in relation to the relevant Lease Assets, imposed, charged or levied by law, regulation or decree against a proprietor, but excluding all Taxes that are imposed, charged or levied by law, regulation or decree against a lessee or a tenant;

“Relevant Proportion” means a percentage determined by dividing (i) the Value of the Lease Assets that, as of the relevant Exercise Price Due Date, are in the actual or constructive possession, custody or control of the Obligor by (ii) the total Value of the Lease Assets of the relevant Series (whether or not such Lease Assets are in the actual or constructive possession, custody or control of the Obligor);

“Rental” means, for each Lease Period in relation to a Series, an amount equal to:

- (a) for each Lease Period (other than an Additional Lease Period which commences on or after the relevant Scheduled Dissolution Date) in relation to a Series, an amount equal to the Periodic Distribution Amount for the corresponding Return Accumulation Period as determined in accordance with Condition 7.3 (*Calculation of Periodic Distribution Amount*);
- (b) for each Additional Lease Period which commences on or after the relevant Scheduled Dissolution Date, an amount equal to the Periodic Distribution Amount for the corresponding Periodic Distribution Period as determined in accordance with Condition 7.3 (*Calculation of Periodic Distribution Amount*);
- (c) the Supplementary Rental and the Additional Supplementary Rental (in each case, if any),

less, the aggregate of any Profit Amounts payable in respect of such Lease Period pursuant to any Murabaha Contract(s);

“Rental Payment Date” means, in relation to each Series, the date which is the Business Day immediately preceding each Periodic Distribution Date under that Series and (if applicable) the last day of an Additional Lease Period under that Series;

“Rental Reimbursement Amount” has the meaning given to it in the Master Lease Agreement;

“Services Charge Amount” means, in respect of a Lease Period under each Series, all payments made or liabilities incurred or paid by the Service Agent in respect of the Services performed in relation to the Lease Assets of the relevant Series during that Lease Period but excluding any payments or liabilities which comprise any Additional Services Charge Amounts (in each case, inclusive of any Taxes);

“Services Invoice Date” means, in relation to a Lease Period under a Series in which the Services Charge Amount was paid or incurred, the fifth Business Day prior to:

- (a) the Rental Payment Date applicable to that Lease Period;
- (b) the date of termination of the Lease, in the case of the termination of the relevant Lease prior to a Rental Payment Date; or
- (c) the Lease End Date, in the case of the final Rental Period (including as a result of a Total Loss Event or a Total Substitution Event);

“Shari’a Adviser” has the meaning given to it in the Service Agency Agreement;

“**Substitution Notice**” means a substitution notice substantially in the form scheduled to the Sale Undertaking;

“**Supplementary Rental**” means, in respect of a Lease Period of a Series, an amount equal to the Services Charge Amount applicable to: (a) the immediately preceding Lease Period (if any) in respect of the relevant Series; or (b) where a new Supplemental Lease Agreement is being entered into following the occurrence of a Total Substitution Event or a Total Loss Event, the final Lease Period under the immediately preceding Supplemental Lease Agreement in respect of the same Series;

“**Tangibility Event**” shall occur if the Tangibility Ratio falls below 33%, other than as a result of a Total Loss Event or a Partial Loss Event;

“**Tangibility Event Delisting Date**” shall be the date falling 15 days after the Tangibility Event Put Date (and if such date is not a business day, the next following business day (being, for this purpose, a day on which each stock exchange on which the Certificates have been admitted to listing is open for business));

“**Tangibility Event Put Date**” shall be the first Business Day falling 75 days after the expiry of the Tangibility Event Put Period;

“**Tangibility Event Put Period**” shall be the period commencing on (and including) the date on which the Tangibility Event Notice is given and ending on (and including) the date which is 30 days after the date on which the Tangibility Event Notice is given;

“**Tangibility Event Put Right Exercise Price**” means, in relation to each Series, the aggregate of:

- (a) the aggregate outstanding face amount of the Certificates being redeemed pursuant to the Tangibility Event Put Right for the relevant Series; *plus*
- (b) all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Certificates being redeemed; *plus*
- (c) if all of the Certificates of a Series are being redeemed, without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) in relation to such Series under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate, any outstanding Additional Services Charge Amount (in respect of which the Lessee is required to make a corresponding payment of Additional Supplementary Rental but such payment has not been made in accordance with the Master Lease Agreement and the relevant Supplemental Lease Agreement), and any other Priority Amounts which remain outstanding as at the Tangibility Event Put Date); *plus*
- (d) any other amounts payable in relation to the Certificates being redeemed on the exercise of the Tangibility Event Put Right as specified in the applicable Final Terms,

less, an amount equal to the aggregate of each outstanding Deferred Sale Price relating to that Series which has been paid into the Transaction Account in accordance with the Master Murabaha Agreement and which shall be available on the applicable Tangibility Event Put Date;

“**Tangibility Event Put Right Proportion**” means such proportion as is determined by dividing (a) the aggregate outstanding face amount of the Certificates being redeemed pursuant to the Tangibility Event Put Right by (b) the aggregate outstanding face amount of the Certificates of the relevant Series immediately prior to such redemption;

“**Tangibility Ratio**” means, at any time, the ratio of (a) the aggregate Value of the Lease Assets to (b) the aggregate of (i) the aggregate Value of the Lease Assets and (ii) the aggregate amounts of each outstanding Deferred Sale Price relating to the relevant Series;

“**Taxes**” means any tax, levy, impost, duty or other charge or withholding or deduction of a similar nature;

“Total Loss Event” means, in relation to each Series:

- (a) the total loss or destruction of, or damage to, all of the Lease Assets of the relevant Series or any event or occurrence that renders all of the Lease Assets of the relevant Series permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted in each case by any third party in respect of the relevant Lease Assets) the repair or remedial work in respect thereof is wholly uneconomical; or
- (b) the Trustee ceases to own the entirety of the Lease Assets of the relevant Series (including, without limitation, as a result of nationalisation, expropriation, requisition, confiscation, attachment or such other analogous event) other than in accordance with the terms of the Transaction Documents;

“Total Substitution Event” means, in relation to each Series, the substitution of all (and not part only) of the Lease Assets for new Eligible Assets in accordance with the terms of the Sale Undertaking;

“Transaction Account” means, in relation to a particular Series, the non-interest bearing transaction account in London established by the Trustee and held with the Principal Paying Agent denominated in the Specified Currency, details of which are set out in the applicable Final Terms into which, among other things, the Obligor will deposit all amounts due to the Trustee under the Transaction Documents; and

“Value” means, at any time in respect of any Asset or Lease Asset, as the case may be, the amount in the Specified Currency (following conversion, if necessary, of any relevant amount(s)) determined by the Obligor acting reasonably as being equal to the value of that Asset or Lease Asset, as the case may be, on the date that it was purchased or otherwise acquired by the Trustee as set out in the relevant Sale Agreement and/or Supplemental Purchase Agreement, as the case may be.

TAXATION AND ZAKAT

The following is a general description of certain tax/zakat considerations relating to the Certificates as in effect on the date of this Base Prospectus and is subject to any change in law or relevant rules and practice that may take effect after such date (possibly with retrospective effect). It does not purport to be a complete analysis of all tax/zakat considerations relating to the Certificates and does not constitute legal or tax/zakat advice nor does it address the considerations that are dependent on individual circumstances, whether in those jurisdictions or elsewhere. It is not intended and does not constitute tax/Zakat advice. Prospective purchasers of Certificates are advised to consult their own tax/zakat advisers as to the consequences under the tax/zakat laws of the countries of their respective citizenship, residence or domicile or applicable tax/zakat laws in respect of acquiring, holding and/or disposing Certificates and/or receiving any payments thereunder. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any changes in law that might take effect after such date.

Prospective purchasers of Certificates should note that neither the Trustee nor the Obligor is obligated to update this section for any subsequent changes or modification to the applicable tax/zakat regulations. Also, investors should note that the appointment by an investor in any Certificates, or any person through which an investor holds any Certificates, of a custodian, collection agent or similar person in relation to such Certificates in any jurisdiction may have tax/zakat implications. Investors should consult their own tax/zakat advisers in relation to the tax consequences for them of any such appointment.

Cayman Islands Taxation

Under existing Cayman Islands laws, payments on the Certificates to be issued under the Programme will not be subject to taxation in the Cayman Islands and no withholding under Cayman Islands law will be required on the payment to any holder of the Certificates, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. Subject as set out below, no capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Certificates.

The Trustee has received from the Governor-in-Cabinet of the Cayman Islands, pursuant to the Tax Concessions Act (As Revised), of the Cayman Islands, an undertaking dated 11 May 2021 that for a period of 20 years from the date of the grant of the undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Certificates) of the Trustee or by way of the withholding in whole or in part of any relevant payment (as defined in section 6(3) of the Tax Concessions Act (As Revised), of the Cayman Islands).

No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Certificates. However, an instrument transferring title to such Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of the Trustee's authorised share capital. At current rates, this annual registration fee is approximately U.S.\$854. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

Kingdom of Saudi Arabia Taxation

Overview of Saudi tax law and Zakat regulations

Income Tax

According to the Income Tax Law, a resident company in the Kingdom with foreign (i.e., non-GCC) ownership (on its foreign partner's (shareholder's) share) and a non-resident who carries out business in the Kingdom through a Permanent Establishment (as defined below, other than a Permanent Establishment of GCC persons that meets the conditions set out under Article 2(4) of the Zakat Regulations) is subject to corporate income tax in the Kingdom at the rate of 20% (if not engaged in oil and hydrocarbon production activities, see below). Resident companies wholly owned by GCC Persons (in addition to persons subject to Zakat listed below under

the section entitled “Zakat”) are subject to Zakat instead of corporate income tax. Resident companies owned jointly by GCC and non-GCC Persons are subject to corporate income tax in respect of the share of their taxable profit attributable to the ownership (legal or beneficial) percentage held by non-GCC Persons and Zakat on the ownership (legal or beneficial) percentage held by GCC Persons.

Shares held directly by GCC Persons or via other GCC companies (where the shareholding structure does not fall outside of the GCC) in a resident company are subject to Zakat and not income tax. In determining the tax/Zakat profile of a Saudi tax/Zakat resident company, the ZATCA applies a “look-through” approach to determine whether the up-stream shareholding structure at any point exists outside of the GCC (i.e., at the ultimate shareholder level).

Saudi resident entities operating in the oil and hydrocarbon production sector are subject to corporate income tax irrespective of the nationality of their shareholders/owners. According to the Income Tax Law, the tax rates applicable to such entities to range from 50% to 85% depending on the level of total capital investment of the relevant entity:

- entities with capital investment of more than SAR 375 billion (\$100 billion) are subject to 50% corporate income tax;
- entities with capital investment between SAR 300 billion (\$80 billion) to SAR 375 billion (\$100 billion) are subject to 65% corporate income tax;
- entities with capital investment between SAR 225 billion (\$60 billion) to SAR 300 billion (\$80 billion) are subject to 75% corporate income tax; and
- entities with capital investment of less than SAR 225 billion (\$60 billion) are subject to 85% corporate income tax.

However, Royal Decree No. M/13, dated 18/1/1441 in the Hijri calendar (corresponding to 17 September 2019), Council of Ministers Resolution No. 54, dated 18/1/1441 in the Hijri calendar (corresponding to 17 September 2019) and Ministerial Resolution issued by the Ministry of Finance No. 559, dated 10/2/1441 in the Hijri calendar (corresponding to 9 October 2019) provide that the tax rate applicable to the downstream activities (as is expected to be defined by ZATCA in collaboration with the Ministry of Energy) of certain tax payers undertaking domestic oil and hydrocarbon production activities will be the general corporate tax rate of 20%, for a five-year period beginning on 1 January 2020, provided the relevant taxpayer separates its downstream activities (from the oil and other hydrocarbon production activities) into an independent legal entity before 31 December 2024. If the taxpayer does not comply in separating its downstream activities from the oil and other hydrocarbon production activities by 31 December 2024, income from downstream activities will be taxed retroactively on an annual basis for such five-year period in accordance with the multi-tiered tax rates applicable to domestic oil and hydrocarbon production companies. In such case, the taxpayer will be required to pay the difference in taxes due to the Government.

In addition, effective 1 January 2018, a 20% corporate income tax rate applies to companies engaged in natural gas investment activities (previously 30%). Companies involved in both oil and hydrocarbons production activities as well as natural gas investment activities are required to prepare tax computation for each activity separately.

Furthermore, according to amendments to the Income Tax Law, effective 1 January 2017, ownership by companies engaged in oil and hydrocarbon production activities in Saudi Arabian entities that are not carrying out oil and hydrocarbons production activities should generally be subject to corporate income tax at 20% (at the level of the investee/subsidiary). Additionally, by Royal Decree No. M/153 dated 05/11/1441 in the Hijri calendar (corresponding to 26 June 2020), the Income Tax Law was further amended to provide that companies listed on Tadawul are not subject to corporate income tax with respect to shares owned (directly or indirectly) by companies engaged in oil and hydrocarbon activities and instead are subject to Zakat, including their indirect interest in those companies (at the level of the investee/subsidiary of such listed companies)

Non-GCC natural persons resident in the Kingdom who are not performing commercial activities in the Kingdom (as defined in Chapter 1—Article 1 of the Income Tax Law, and Chapter 1—Article 1 of the Zakat

Regulations) are not currently subject to income tax or Zakat in the Kingdom according to existing practices of ZATCA (as compliance/administration of Income Tax Law is not currently enforced by ZATCA on individuals).

Zakat

Zakat is a religious obligation imposed on Muslims under Sharia to pay a fixed percentage of their wealth for the relief of poverty. The Zakat implementing regulations of the Kingdom were issued by Ministerial Resolution No. 2082, dated 28 February 2017 (the “**Old Zakat Regulations**”). The Old Zakat Regulations are effective from the date of their issuance and supersede all prior directives, resolutions, instructions and circulars issued by ZATCA. Furthermore, the Ministry of Finance has issued new Zakat implementing regulations under Ministerial Resolution No. 2216 dated 7/7/1440 in the Hijri calendar (corresponding to 14 March 2019) (“**Zakat Regulations**”). The Zakat Regulations are effective (and replace the Old Zakat Regulations) for financial years starting 1 January 2019.

The rules governing the calculation of Zakat are complex. Separate rules are applicable for the calculation of Zakat by Zakat payers who are engaged in the Kingdom in financing activities (licensed by the Saudi Central Bank) and Zakat payers who are engaged in the Kingdom in non-financing activities. This “*Taxation and Zakat*” section broadly covers the Zakat consequences of investment in Certificates by the investors who are engaged in non-financing activities in the Kingdom.

According to the Zakat Regulations, Zakat is assessed on/applicable to:

- GCC Persons resident in the Kingdom;
- resident companies wholly owned by GCC Persons and on the ownership (legal or beneficial) percentage held by GCC Persons with respect to a resident company jointly owned by GCC and non-GCC Persons;
- GCC Persons carrying out activities in the Kingdom through a Permanent Establishment for Zakat purposes as defined under Chapter 1—Article 2(4) of the Zakat Regulations (except for non-resident GCC Persons who do not meet certain conditions, as mentioned below, in which case they would be subject to corporate income tax); and
- resident companies listed on a financial market in the Kingdom on the shares held by GCC persons and non-GCC Persons (except for ownership by founder shareholders and those considered founder shareholders based on the articles of association or other legal documents), and on the shares held by government entities.

Notwithstanding the above, Zakat is not assessed/applicable to:

- (i) resident companies operating in the oil and hydrocarbon production sector; and
- (ii) any entity (or Zakat payer) for which ZATCA (or the Ministry of Finance) issues a decision to exempt from Zakat.

Based on exclusion (i) set forth above, resident companies operating in the oil and hydrocarbon production sector should continue to be subject to corporate income tax (and not Zakat).

For completeness, as per the Zakat Regulations, a Permanent Establishment of GCC Persons in the Kingdom is subject to Zakat provided at least two of the following three conditions are met in respect of the central management of such Permanent Establishment (as set out under Chapter 1—Article 2(4)):

- (i) Board of Directors’ ordinary meetings which are held regularly and where main policies and decisions relating to management and running of the Permanent Establishment’s business are held in and made from the Kingdom;
- (ii) senior executive decisions relating to the Permanent Establishment’s functions such as executive directors / deputies’ decisions are made in the Kingdom; and

(iii) the GCC Person's business is mainly (i.e., 50% of its revenues) generated from the Kingdom.

There are certain rules that apply to the method of calculating the Zakat liability. In general, Zakat on Zakat payers engaged in non-financing activities is currently levied on the higher of the adjusted Zakatable profits or the Zakat base (following a Hijri year) which, in general, comprises equity, loans and credit balances (subject to certain conditions), provisions and adjusted net profit or loss for Zakat purposes, reduced by, among other items, certain deductible long-term investments and fixed assets. The Zakat rate on the Zakat base is approximately 2.578% if a zakat payer is following the Gregorian financial year and 2.5% if a zakat payer is following Hijri financial year. The Zakat rate on Zakatable profit is 2.5% regardless of the financial year (Gregorian or Hijri) followed by the zakat payer.

GCC individuals resident in the Kingdom for tax/Zakat purposes should in principle be subject to Zakat in the Kingdom if they carry out activities in the Kingdom.

Withholding Tax

Saudi Arabian resident persons and permanent establishments of non-resident entities registered in Saudi Arabia are required to withhold taxes on payments to non-residents, including GCC residents, if such payment is from a source in the Kingdom. Saudi Arabian withholding tax (“WHT”) rates vary from 5% to 20% depending on the nature of the underlying payment. Rental charges and loan fees (akin to interest) charges paid to non-residents attract a 5% withholding tax unless such WHT is reduced or eliminated pursuant to the terms of an applicable double tax treaty (see below). WHT is imposed on payments against services and not the sale of goods. Services are defined to mean anything done for consideration other than the purchase and sale of goods and other property. Payments of rental and murabaha profits (which are typically treated by ZATCA under financing arrangements similar to interest payments for tax purpose) made by the Obligor to the Trustee should also generally be treated as interest payments for Saudi Arabia tax purposes and attract 5% Saudi WHT.

Withholding tax is reduced or eliminated pursuant to the provisions of an applicable double tax treaty signed between a non-resident's country of tax residence and Saudi Arabia. Application of double tax treaties in Saudi Arabia may take place under one of two methods: (i) a refund mechanism which requires the payor to subject the relevant payment to WHT and then a refund request of the WHT may be submitted to ZATCA; or (ii) the automatic application of double tax treaties which provides for the possibility of the payor to not subject the relevant payment to WHT in the first place. Both mechanisms require the beneficiary/recipient to provide certain documents and forms to ZATCA (such as, a tax residency certificate).

No WHT should arise on the payments from the Trustee to the Certificateholders on the basis that the Trustee is not a resident, and does not have a permanent establishment, in Saudi Arabia for tax purposes.

Certain Tax and Zakat Implications for Certificateholders

GCC Certificateholders who are Resident in Saudi Arabia

Certificateholders who are GCC Persons and resident in Saudi Arabia for tax purposes (as defined in Chapter 2 – Article 3 of the Income Tax Law) are not subject to any Saudi Arabian income tax, whether by way of WHT or direct assessment, in respect of any profit payment received or gain realised in respect of the Certificates. However, such Certificateholders will be subject to Zakat in respect of any profit payment received or gain realised in respect of the Certificates (to the extent they are legal entities registered for Zakat purposes in the Kingdom and not natural person) including capital gain on sale/transfer of Certificates. Additionally, the deduction of investment in the Certificates from the Zakat base of such Certificateholders is not permitted, as stipulated under Chapter 2 – Article 5 of the Zakat Regulations and per the current practices of ZATCA (other than for financing companies in the Kingdom, for which different Zakat rules apply).

GCC individuals resident in the Kingdom for tax purposes should in principle be subject to Zakat in the Kingdom if they carry out activities in the Kingdom; however, Zakat compliance/administration is not currently enforced by ZATCA for such individuals (unless they carry out such activities through establishments).

Non-GCC Certificateholders who are Resident in Saudi Arabia

Certificateholders who are non-GCC legal entities and resident in Saudi Arabia for tax purposes (as defined in Chapter 2 – Article 3 of the Income Tax Law) should be subject to Saudi Arabian corporate income tax at the rate of 20% (assuming they are owned by non-GCC persons and not listed on a financial market in the Kingdom) on any profit payment received or gain realised in respect of the Certificates but they will not be subject to any Zakat.

The considerations described above also apply to Saudi Arabian companies wholly-owned by non-GCC Persons (which should be subject to Saudi Arabian corporate income tax) and on the income attributable to the ownership of non-GCC Persons in Saudi Arabian companies (which should be subject to Saudi Arabian corporate income tax on the profits attributable to such non-GCC ownership).

Certificateholders, who are non-GCC individuals and resident in Saudi Arabia and not performing commercial activities in Saudi Arabia (as defined in Chapter 2 – Article 2 of the Income Tax Law) are not currently subject to Saudi Arabian income tax or Zakat on any profit received or gain realised in respect of the Certificates, according to existing practices of ZATCA (as compliance/administration of Income Tax Law is not currently enforced by ZATCA on such individuals).

Certificateholders who are not Resident in Saudi Arabia

Certificateholders, either natural persons or legal entities, who are not resident in Saudi Arabia (whether such Certificateholders are GCC nationals or non-GCC nationals (including Certificateholders resident in GCC countries other than the Kingdom)) and do not have a Permanent Establishment in Saudi Arabia for tax and Zakat purposes, should not be subject to Saudi Arabian WHT on any payments received by them in respect of the Certificates, on the basis that such payments are paid by the Trustee which is not a resident in Saudi Arabia for tax purposes.

Non-resident entities having a Permanent Establishment in Saudi Arabia are subject to Saudi Arabian corporate income tax at the rate of 20% in respect of any profit payments received or gain realised in respect of the Certificates and attributable to such Permanent Establishment, but will not be subject to Zakat (unless they are GCC Persons with a Permanent Establishment in the Kingdom that meet the conditions set out under Chapter 1—Article 2(4) of the Zakat Regulations).

Indirect and Transfer Taxes

There are no transfer taxes currently applicable in Saudi Arabia (other than the newly introduced rules for real estate transaction/transfer taxes).

The Kingdom has introduced VAT with an effective date of 1 January 2018 pursuant to ratifying the GCC VAT Agreement between the GCC member states. The VAT legislation in the Kingdom exempts certain financial services (including interest for financing, which would include financing in the form of Certificates) from VAT.

Definitions

For the purposes of this summary:

- (a) A “**GCC Person**” means: (i) a natural person having the nationality of any of the GCC countries and (ii) any legal entity wholly owned by GCC nationals and established under the laws of a GCC country;
- (b) Subject to the exceptions stipulated in the Income Tax Law, a “**Permanent Establishment**” of a non-resident in the Kingdom represents a permanent place for the non-resident’s activity where such person conducts the activity either fully or partly, which also includes any activity conducted by the non-resident through an agent. A non-resident carrying out an activity in the Kingdom through a licensed branch is considered to have a Permanent Establishment in the Kingdom.

- (c) A person is “**resident**” in Saudi Arabia for tax purposes (as defined in Chapter 2—Article 3 of the Income Tax Law), if it meets the following conditions:
- (i) a natural person is considered a tax resident in Saudi Arabia for a taxable year if such person meets either of the two following conditions:
 - (1) such person has a permanent place of abode in Saudi Arabia and is physically present in Saudi Arabia for a total of not less than 30 days in the taxable year; or
 - (2) such person is physically present in Saudi Arabia for a period of not less than 183 days in the taxable year; and
 - (ii) a company is considered a tax resident in Saudi Arabia during a taxable year if it meets either of the following conditions:
 - (1) it is formed in accordance with the Saudi Companies Law; or
 - (2) its place of central control and management is located in Saudi Arabia.

Certificateholders should not be deemed to be Resident in Saudi Arabia solely by reason of holding any Certificates.

United States Federal Income Taxation

The following summary discusses the principal U.S. federal income tax consequences of the acquisition, ownership and disposition of the Certificates. Except as specifically noted below, this discussion applies only to Certificates purchased at original issuance at their “issue price” (i.e., the first price at which a substantial amount of the Certificates is sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and that are held as capital assets for U.S. federal income tax purposes by U.S. Holders (as defined below).

The Trust intends to treat the Certificates under the rules applicable to debt instruments for U.S. federal income tax purposes. Under such treatment, U.S. Holders will not be required to take account of income and expenses incurred at the level of the Trust. The following discussion assumes that such treatment would be respected. Prospective investors should note, however, that the classification of an instrument as debt is highly factual. No rulings have been or will be sought from the IRS with respect to the classification of the Certificates in general or with respect to any particular Certificates, and there can be no assurance that the IRS will not challenge any statement or conclusion in the following discussion or, if challenged, that a court will uphold such statement or conclusion.

The IRS may therefore seek to characterise the Certificates as interests in the Trust for U.S. federal income tax purposes. In that event, if the Trust is treated as a grantor trust, the Trustee and U.S. Holders would be subject to certain information reporting applicable to foreign trusts and U.S. Holders would be required to take account of income and expenses incurred at the level of the Trust. U.S. Holders that fail to comply with the applicable information reporting requirements in a timely manner could be subject to significant penalties. The Trustee does not expect that it will provide information that would allow either itself or U.S. Holders to comply with foreign trust reporting obligations if they were determined to be applicable. If the Certificates are treated as interests in a trust and the Trust is not treated as a grantor trust, it is possible that the U.S. Holders could be treated as holding interests in a passive foreign investment company (“**PFIC**”) which could have materially adverse tax consequences to U.S. Holders. Treatment of the Certificates as interests in a trust may cause the timing, amount, and character of the U.S. Holder’s income to be different from those described below and may subject the U.S. Holder to certain transfer reporting requirements, including under the Foreign Account Tax Compliance Act (“**FATCA**”). The rules governing FATCA have not yet been fully developed in this regard, and the future application of FATCA to the Trust and the Certificates is uncertain.

U.S. Holders should consult their tax advisers as to the potential application of the foreign trust reporting rules, the possibility that the Certificates will be classified as equity interests in a PFIC, the rules regarding FATCA, and the consequences of owning an equity interest in a PFIC and the tax consequences generally with respect to an investment in the Certificates

This discussion does not describe all of the tax consequences that may be relevant in light of a Certificateholder's particular circumstances or to Certificateholders subject to special rules, such as:

- banks and other financial institutions;
- insurance companies;
- dealers in securities or foreign currencies;
- traders in securities or foreign currencies electing to mark their positions to market;
- regulated investment companies;
- real estate investment trusts;
- tax-exempt organisations;
- persons subject to the alternative minimum tax;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to the Certificates being taken into account in an applicable financial statement;
- persons holding Certificates as part of a hedging transaction, "straddle", conversion transaction or other integrated transaction;
- former citizens and residents of the United States;
- U.S. Holders whose functional currency is not the U.S. dollar; or
- entities or arrangements classified as partnerships for U.S. federal income tax purposes and investors therein.

This summary is based on Code, administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Regulations, changes to any of which subsequent to the date of this Base Prospectus may affect the tax consequences described below. This summary does not address any U.S. federal tax consequences other than U.S. federal income tax consequences, such as the estate tax, gift tax or the Medicare tax on net investment income. Moreover, this summary deals only with Certificates with a term of 30 years or less. Persons considering the purchase of a particular Tranche of Certificates should consult the relevant supplement to this Base Prospectus (if any) issued in connection with that Tranche of Certificates for any discussion regarding U.S. federal income taxation and should consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations, as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

As used herein, the term "**U.S. Holder**" means a beneficial owner of a Certificate that is for U.S. federal income tax purposes:

- an individual that is a citizen or resident of the United States;
- a corporation created or organised in or under the laws of the United States, or any state thereof (including the District of Columbia);
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (i) if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) if such trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds Certificates, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner

and upon the activities of the partnership. Partners of partnerships holding Certificates should consult with their tax advisors regarding the U.S. federal tax consequences of an investment in the Certificates.

Payments of Periodic Distribution Amounts

Periodic Distribution Amounts paid on a Certificate will be taxable to a U.S. Holder as ordinary income at the time it accrues or is received in accordance with the Certificateholder's method of accounting for U.S. federal income tax purposes, to the extent that such Periodic Distribution Amount is "qualified stated interest" (as defined below).

Stated profit (or its equivalent) that is unconditionally payable, or constructively received, in cash or property (other than in debt instruments of the same issuer) at least annually during the entire term of the Certificate and equal to the outstanding principal balance of the Certificate multiplied by a single fixed rate of profit, will be treated as "**qualified stated interest**", under Section 451 of the Code. In addition, profit on a Floating Rate Certificate that is unconditionally payable, or will be constructively received under Section 451 of the Code, in cash or property (other than debt instruments issued by the same issuer) at least annually will constitute "qualified stated interest" if the Certificate is a "variable rate debt instrument" ("**VRDI**") under the rules described below and the profit is payable at a single "qualified floating rate" or single "objective rate" (each as defined below). If the Certificate is a VRDI but the profit is payable other than at a single qualified floating rate or at a single objective rate, special rules apply to determine the portion of such profit that constitutes "qualified stated interest." See "*Original Issue Discount—Floating Rate Certificates that are VRDIs*" below. Profit earned by a U.S. Holder with respect to a Certificate will generally constitute foreign source income for U.S. federal income tax purposes, which may be relevant in calculating the Certificateholder's foreign tax credit limitation. The rules regarding foreign tax credits are complex and prospective investors should consult their tax advisors about the application of such rules to them in their particular circumstances. Special rules governing the treatment of profit paid with respect to short-term Certificates, original issue discount Certificates, contingent payment debt instruments and foreign currency Certificates are described under "*Short-Term Certificates*", "*Original Issue Discount*", "*Contingent Payment Debt Instruments*" and "*Foreign Currency Certificates*".

Definition of Variable Rate Debt Instrument. A Certificate is a VRDI if all of the four following conditions are met. First, the "issue price" of the Certificate (as described below) must not exceed the total noncontingent principal payments by more than an amount equal to the lesser of (i) 0.015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date (or, in the case of a Certificate that provides for payment of any amount other than qualified stated interest before maturity, its weighted average maturity) and (ii) 15% of the total noncontingent principal payments. Second, the Certificate must generally provide for stated profit (or its equivalent) (compounded or paid at least annually) at (a) one or more qualified floating rates, (b) a single fixed rate and one or more qualified floating rates, (c) a single objective rate or (d) a single fixed rate and a single objective rate that is a "qualified inverse floating rate" (as defined below). Third, the Certificate must provide that a qualified floating rate or objective rate in effect at any time during the term of the Certificate is set at the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day. Fourth, the Certificate may not provide for any principal payments that are contingent except as provided in the first requirement set forth above.

Subject to certain exceptions, a variable rate of profit on a Certificate is a "**qualified floating rate**" if variations in the value of the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Certificate is denominated. A variable rate will be considered a qualified floating rate if the variable rate equals (i) the product of an otherwise qualified floating rate and a fixed multiple (i.e., a spread multiplier) that is greater than 0.65, but not more than 1.35 or (ii) an otherwise qualified floating rate (or the product described in clause (i)) plus or minus a fixed rate (i.e., a spread). If the variable rate equals the product of an otherwise qualified floating rate and a single spread multiplier greater than 1.35 or less than or equal to 0.65, however, such rate will generally constitute an objective rate, described more fully below. A variable rate will not be considered a qualified floating rate if the variable rate is subject to a cap, floor, governor (i.e., a restriction on the amount of increase or decrease in the stated profit rate) or similar restriction that is reasonably expected as of the issue date to cause the yield on the Certificate to be significantly

more or less than the expected yield determined without the restriction (other than a cap, floor or governor that is fixed throughout the term of the Certificate).

Subject to certain exceptions, an “**objective rate**” is a rate (other than a qualified floating rate) that is determined using a single fixed formula and that is based on objective financial or economic information that is neither within the Trustee’s control (or the control of a related party) nor unique to the Trustee’s circumstances (or the circumstances of a related party). Notwithstanding the first sentence of this paragraph, a rate on a Certificate is not an objective rate if it is reasonably expected that the average value of the rate during the first half of the Certificate’s term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Certificate’s term. An objective rate is a “**qualified inverse floating rate**” if (a) the rate is equal to a fixed rate minus a qualified floating rate and (b) the variations in the rate can reasonably be expected to reflect inversely contemporaneous variations in the cost of newly borrowed funds (disregarding any caps, floors, governors or similar restrictions that would not, as described above, cause a rate to fail to be a qualified floating rate).

Unless otherwise provided in the relevant supplement to this Base Prospectus (if any) issued in connection with a particular Tranche of Certificates, it is expected, and this discussion assumes, that a Floating Rate Certificate will qualify as a VRDI. If a Floating Rate Certificate does not qualify as a VRDI, then the Floating Rate Certificate will generally be treated as a contingent payment debt instrument, as discussed below under “*Contingent Payment Debt Instruments*”.

Original Issue Discount

Except in the case of a short-term Certificate, a Certificate that has an “issue price” that is less than its “stated redemption price at maturity” will be considered to have been issued at an original issue discount (“**OID**”) for U.S. federal income tax purposes (and will be referred to as an “original issue discount Certificate”) unless the Certificate satisfies a *de minimis* threshold (as described below). The “issue price” of a Certificate generally will be the first price at which a substantial amount of the Certificates are sold to the public (which does not include sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers). The “stated redemption price at maturity” of a Certificate generally will equal the sum of all payments required to be made under the Certificate other than payments of qualified stated interest.

If the difference between a Certificate’s stated redemption price at maturity and its issue price is less than a *de minimis* amount, i.e., 1/4 of 1% of the stated redemption price at maturity multiplied by the number of complete years to maturity (or, in the case of a Certificate that provides for payment of any amount other than qualified stated interest prior to maturity, the weighted average maturity of the Certificate), the Certificate will not be considered to have OID. U.S. Holders of Certificates with a *de minimis* amount of OID will include this OID in income, as capital gain, on a *pro rata* basis as principal payments are made on the Certificate.

A U.S. Holder may make an election to include in gross income all profit that accrues on any Certificate (including qualified stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated profit, as adjusted by any amortisable bond premium or acquisition premium) in accordance with a constant yield method based on the compounding of profit, and may revoke such election only with the permission of the IRS (a “**constant yield election**”).

The Trustee may have an unconditional option to redeem, or U.S. Holders may have an unconditional option to require the Trustee to redeem, a Certificate prior to its stated maturity date. Under applicable regulations, if the Trustee has an unconditional option to redeem a Certificate prior to its stated maturity date, this option will be presumed to be exercised if, by utilising any date on which the Certificate may be redeemed as the maturity date and the amount payable on that date in accordance with the terms of the Certificate as the stated redemption price at maturity, the yield on the Certificate would be lower than its yield to maturity. If the U.S. Holders have an unconditional option to require the Trustee to redeem a Certificate prior to its stated maturity date, this option will be presumed to be exercised if making the same assumptions as those set forth in the previous sentence, the yield on the Certificate would be higher than its yield to maturity. If this option is not in fact exercised, the Certificate would be treated, solely for purposes of calculating OID, as if it were redeemed, and a new Certificate were issued, on the presumed exercise date for an amount equal to the Certificate’s adjusted issue price on that

date. The adjusted issue price of an original issue discount Certificate is defined as the sum of the issue price of the Certificate and the aggregate amount of previously accrued OID, less any prior payments other than payments of qualified stated interest.

Fixed Rate Certificates. In the case of a Fixed Rate Certificate that is an original issue discount Certificate, U.S. Holders of such Certificate will be required to include OID in income for U.S. federal tax purposes as it accrues in accordance with a constant yield method based on a compounding of profit, regardless of whether cash attributable to this income is received.

Floating Rate Certificates that are VRDIs. In the case of a Floating Rate Certificate that is a VRDI and that provides for profit at a single variable rate, the amount of qualified stated interest and the amount of OID, if any, includible in income during a taxable year are determined under the rules applicable to Fixed Rate Certificates (described above) by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or a qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), the rate that reflects the yield that is reasonably expected for the Certificate. Qualified stated profit allocable to an accrual period is increased (or decreased) if the profit actually paid or accrued during an accrual period exceeds (or is less than) the profit assumed to be paid or accrued during the accrual period.

If a Certificate that is a VRDI does not provide for profit at a single variable rate as described above, the amount of profit and OID accruals are determined by constructing an equivalent fixed rate debt instrument, as follows:

- **First**, in the case of an instrument that provides for stated profit at one or more qualified floating rates or at a qualified inverse floating rate and, in addition, at a fixed rate (other than a fixed rate that is treated as, together with a variable rate, a single qualified floating rate or objective rate), replace the fixed rate with a qualified floating rate (or qualified inverse floating rate) such that the fair market value of the instrument, so modified, as of the issue date would be approximately the same as the fair market value of the unmodified instrument.
- **Second**, determine the fixed rate substitute for each variable rate provided by the Certificate. The fixed rate substitute for each qualified floating rate provided by the Certificate is the value of that qualified floating rate on the issue date. If the Certificate provides for two or more qualified floating rates with different intervals between profit adjustment dates (for example, the 30-day commercial paper rate and quarterly LIBOR), the fixed rate substitutes are based on intervals that are equal in length (for example, the 90-day commercial paper rate and quarterly LIBOR, or the 30-day commercial paper rate and monthly LIBOR). The fixed rate substitute for an objective rate that is a qualified inverse floating rate is the value of the qualified inverse floating rate on the issue date. The fixed rate substitute for an objective rate (other than a qualified inverse floating rate) is a fixed rate that reflects the yield that is reasonably expected for the Certificate.
- **Third**, construct an equivalent fixed rate debt instrument that has terms that are identical to those provided under the Certificate, except that the equivalent fixed rate debt instrument provides for the fixed rate substitutes determined in the second step, in lieu of the qualified floating rates or objective rate provided by the Certificate.
- **Fourth**, determine the amount of qualified stated interest and OID for the equivalent fixed rate debt instrument under the rules (described above) for Fixed Rate Certificates. These amounts are taken into account as if the US Holder held the equivalent fixed rate debt instrument. See “*Payments of Periodic Distribution Amounts*” and “*Original Issue Discount—Fixed Rate Certificates*” above.
- **Fifth**, make appropriate adjustments for the actual values of the variable rates. In this step, qualified stated interest or, in certain circumstances, OID allocable to an accrual period is increased (or decreased) if the profit actually accrued or paid during the accrual period exceeds (or is less than) the profit assumed to be accrued or paid during the accrual period under the equivalent fixed rate debt instrument.

Market Discount

If a U.S. Holder purchases a Certificate (other than a short-term Certificate) for an amount that is less than its stated redemption price at maturity or, in the case of an original issue discount Certificate, its adjusted issue price, the amount of the difference will be treated as market discount for U.S. federal income tax purposes, unless this difference is less than a specified *de minimis* amount.

A U.S. Holder will be required to treat any principal payment (or, in the case of an original issue discount Certificate, any payment that does not constitute qualified stated interest) on, or any gain on the sale, exchange, retirement or other disposition of a Certificate, including disposition in certain non-recognition transactions, as ordinary income to the extent of the market discount accrued on the Certificate at the time of the payment or disposition unless this market discount has been previously included in income by the U.S. Holder pursuant to an election by the Certificateholder to include market discount in income as it accrues, or pursuant to a constant yield election (as described under “*Original Issue Discount*”) by the Certificateholder. In addition, the U.S. Holder may be required to defer, until the maturity of the Certificate or its earlier disposition (including certain non-taxable transactions), the deduction of all or a portion of the interest expense on any indebtedness incurred or maintained to purchase or carry such Certificate.

If a U.S. Holder makes a constant yield election for a Certificate with market discount, such election will result in a deemed election for all market discount bonds acquired by the Certificateholder on or after the first day of the first taxable year to which such election applies. This election may only be revoked with the consent of the IRS.

Acquisition Premium and Amortisable Bond Premium

A U.S. Holder who purchases a Certificate for an amount that is greater than the Certificate’s adjusted issue price, but less than or equal to the sum of all amounts payable on the Certificate after the purchase date other than payments of qualified stated interest will be considered to have purchased the Certificate at an acquisition premium. Under the acquisition premium rules, the amount of OID that the U.S. Holder must include in its gross income with respect to the Certificate for any taxable year will be reduced by the portion of acquisition premium properly allocable to that year.

If a U.S. Holder purchases a Certificate for an amount in excess of the sum of the remaining amounts payable on the Certificate (other than qualified stated interest), the Certificateholder will be considered to have purchased the Certificate with amortisable bond premium equal in amount to such excess and will not be required to include any OID in gross income. The Certificateholder may elect to amortise this premium as an offset to qualified stated interest, using a constant yield method, over the remaining term of the Certificate. Special rules may apply in the case of a Certificate that is subject to optional redemption. A Certificateholder who elects to amortise bond premium must reduce its tax basis in the Certificate by the amount of the premium amortised in any year. An election to amortise bond premium applies to all taxable debt obligations then owned and thereafter acquired by the Certificateholder and may be revoked only with the consent of the IRS.

If a U.S. Holder makes a constant yield election (as described under “*Original Issue Discount*”) for a Certificate with amortisable bond premium, such election will result in a deemed election to amortise bond premium for all of the Certificateholder’s debt instruments with amortisable bond premium.

Benchmark Event

Following the occurrence of a Benchmark Event, the rate of profit (or any component part thereof) on any Certificates that cannot be determined by reference to the original benchmark or screen rate (as applicable) will be determined based on the applicable Successor Rate or Alternative Reference Rate (each a “**Replacement Rate**”). It is possible that the replacement of the rate referencing to the original benchmark or screen rate with a Replacement Rate could be treated, for U.S. federal income tax purposes, as a significant modification of such Certificates, in which case, such “old” Certificates would be treated as having been exchanged for “new” trust certificates (a “**Deemed Exchange**”). Upon the occurrence of a Deemed Exchange, a U.S. Holder may be required to recognise taxable gain with respect to such Certificates as a result of such Deemed Exchange. In addition, such deemed “new” trust certificates may be treated as being issued with OID. Since any such substitution would occur pursuant to the original terms of the Certificates, however, although not free from

doubt, a Deemed Exchange is not expected to occur and U.S. Holders are therefore not expected to be required to recognise taxable gain with respect to the Certificates as a result of a Benchmark Event.

A Benchmark Event also may affect the treatment of Certificates as a VRDI. Under proposed Treasury regulations, certain rate replacements would not affect the treatment of Certificates that otherwise meet the requirements of the VRDI rules, *provided that* certain conditions set forth in the proposed regulations are met. There is no assurance that the Floating Rate Certificates of any series will meet these conditions or that the IRS will not challenge the treatment of such Certificates as VRDIs.

U.S. Holders should consult their tax advisors regarding the impact of a Benchmark Event in their investment in the Certificates.

Sale, Exchange, Retirement or the Taxable Disposition of the Certificates

Upon the sale, exchange, retirement or other taxable disposition of a Certificate, a U.S. Holder will generally recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange, retirement or other taxable disposition and the Certificateholder's adjusted tax basis in the Certificate. A U.S. Holder's adjusted tax basis in a Certificate generally will equal the acquisition cost of the Certificate increased by the amount of OID and market discount included in the Holder's gross income and decreased by any payment received from the Trustee other than a payment of qualified stated interest and any amortisable bond premium taken into account. Gain or loss, if any, will generally be U.S. source income for purposes of computing a U.S. Holder's foreign tax credit limitation and, as a result, the use of foreign tax credits relating to any non-U.S. income tax imposed upon gains in respect of the Certificates may be limited. For these purposes, the amount realised does not include any amount attributable to accrued profit on the Certificate. Amounts attributable to accrued profit (including OID) are treated as profit as described under "*Payments of Periodic Distribution Amounts*" and "*Original Issue Discount*".

Except as described below, gain or loss realised on the sale, exchange, retirement or other taxable disposition of a Certificate will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange, retirement or other taxable disposition the U.S. Holder has held the Certificate for more than one year. Exceptions to this general rule apply to the extent of any accrued market discount or, in the case of a short-term Certificate, to the extent of any accrued discount not previously included in the Certificateholder's taxable income. See "*Original Issue Discount*" and "*Market Discount*". In addition, other exceptions to this general rule apply in the case of short-term Certificates, foreign currency Certificates, and contingent payment debt instruments. See "*Short-Term Certificates*", "*Foreign Currency Certificates*" and "*Contingent Payment Debt Instruments*". The deductibility of capital losses is subject to limitations.

Short-Term Certificates

A Certificate that matures one year or less from its date of issuance (a "**short-term Certificate**") will be treated as being issued at a discount and none of the profit paid on the Certificate will be treated as qualified stated interest. In general, a cash method U.S. Holder of a short-term Certificate is not required to accrue the discount for U.S. federal income tax purposes unless it elects to do so, with the consequence that the reporting of such income is deferred until it is received. Certificateholders who so elect and certain other Certificateholders, including those who report income on the accrual method of accounting for U.S. federal income tax purposes, are required to include the discount in income as it accrues on a straight-line basis, unless another election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. Holder who is not required and who does not elect to include the discount in income currently, any gain realised on the sale, exchange, or retirement of the short-term Certificate will be ordinary income to the extent of the discount accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, those U.S. Holders will be required to defer deductions for any profit paid on indebtedness incurred to purchase or carry short-term Certificates in an amount not exceeding the accrued discount (which includes profit that is payable but that has not been included in gross income) with respect to such short-term Certificate until the accrued discount is included in income. A U.S. Holder's tax basis in a short-term Certificate is increased by the amount included in such holder's income with respect to such Certificate.

Contingent Payment Debt Instruments

If the terms of the Certificates provide for certain contingencies that affect the timing and amount of payments (including certain Floating Rate Certificates that do not qualify as VRDIs) they will be “contingent payment debt instruments” for U.S. federal income tax purposes. Under the rules that govern the treatment of contingent payment debt instruments, no payment on such Certificates qualifies as qualified stated interest. Rather, a U.S. Holder must accrue profit for U.S. federal income tax purposes based on a “comparable yield” and account for differences between actual payments on the Certificate and the Certificate’s “projected payment schedule” as described below. The comparable yield is determined by the Trustee at the time of issuance of the Certificates and, in general, equals the annual yield an issuer would pay, as of the issue date, on a fixed-rate, nonconvertible debt instrument with no contingent payments, but with terms and conditions otherwise comparable to the contingent payment debt instrument. The comparable yield may be greater than or less than the stated profit, if any, with respect to the Certificates. Solely for the purpose of determining the amount of profit that a U.S. Holder will be required to accrue on a contingent payment debt instrument, the Trustee will be required to construct a “projected payment schedule” that represents a series of payments the amount and timing of which would produce a yield to maturity on the contingent payment debt instrument equal to the comparable yield.

Neither the comparable yield nor the projected payment schedule would constitute a representation regarding the actual amount, if any, that the contingent payment debt instrument will pay.

For U.S. federal income tax purposes, a U.S. Holder will be required to use the comparable yield and the projected payment schedule established by the Trustee in determining profit accruals and adjustments in respect of a contingent payment debt instrument, unless the Certificateholder timely discloses and justifies the use of a different comparable yield and projected payment schedule to the IRS.

A U.S. Holder, regardless of its method of accounting for U.S. federal income tax purposes, will be required to accrue profit on a contingent payment debt instrument at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments on the contingent payment debt instrument (as set forth below). As such, a U.S. Holder may be required to include profit in income each year in excess of any stated profit payments actually received in that year, if any.

A U.S. Holder will be required to recognise ordinary income on the profit equal to the amount of any net positive adjustment, i.e., the excess of actual payments over projected payments, in respect of a contingent payment debt instrument for a taxable year. A net negative adjustment, i.e., the excess of projected payments over actual payments, in respect of a contingent payment debt instrument for a taxable year:

- will first reduce the amount of profit in respect of the contingent payment debt instrument that a Certificateholder would otherwise be required to include in income in the taxable year;
- to the extent of any excess, will give rise to an ordinary loss equal to the extent of the U.S. Holder’s profit income on the contingent debt obligation during prior taxable years, reduced to the extent such profit was offset by prior net negative adjustments; and
- to the extent of any excess after the application of the previous two bullet points, will be carried forward as a negative adjustment to offset future profit income with respect to the contingent debt obligation or to reduce the amount realised on a sale, exchange or retirement of the contingent debt obligation.

A net negative adjustment will not be subject to the 2.0% floor limitation imposed on miscellaneous deductions when miscellaneous deduction become available again to individual U.S. Holders for tax years beginning on or after 1 January 2026. Where a U.S. Holder purchases a contingent payment debt instrument for a price other than its adjusted issue price, the difference between the purchase price and the adjusted issue price must be reasonably allocated to the daily portions of profit or projected payments with respect to the contingent payment debt instrument over its remaining term and treated as a positive or negative adjustment, as the case may be, with respect to each period to which it is allocated.

Upon a sale, exchange, retirement or other taxable disposition of a contingent payment debt instrument, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the Certificateholder’s adjusted basis in the contingent payment debt

instrument. A U.S. Holder's adjusted basis in a Certificate that is a contingent payment debt instrument generally will be the acquisition cost of the Certificate, increased by the profit previously accrued by the U.S. Holder on the Certificate under these rules, disregarding any net positive and net negative adjustments, and decreased by the amount of any non-contingent payments and the projected amount of any contingent payments previously made on the Certificate. A U.S. Holder generally will treat any gain as profit (treated as ordinary income, and any loss as ordinary loss to the extent of the excess of previous profit inclusions in excess of the total net negative adjustments previously taken into account as ordinary losses, and the balance as capital loss. The deductibility of capital losses is subject to limitations. In addition, if a Certificateholder recognises loss above certain thresholds, the Certificateholder may be required to file a disclosure statement with the IRS (as described under "*Other Reporting Requirements*").

Special rules will apply if one or more contingent payments on a contingent debt obligation become fixed. For purposes of the preceding sentence, a payment (including an amount payable at maturity) will be treated as fixed if (and when) all remaining contingencies with respect to it are remote or incidental within the meaning of the contingent debt regulations. A U.S. Holder's tax basis in the contingent debt obligation and the character of any gain or loss on the sale of the contingent debt obligation would also be affected. U.S. Holders are urged to consult their tax advisers concerning the application of these special rules.

Foreign Currency Certificates

The following discussion summarises the principal U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of Certificates that are denominated in a currency other than the U.S. dollar or the payments of profit or principal on which are payable in a currency other than the U.S. dollar ("**foreign currency Certificates**"). However, the U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of currency-linked Certificates and non-functional currency contingent payment debt instruments are not discussed herein and, if applicable, will be discussed in a supplement to this Base Prospectus issued in connection with the issuance of such Certificates and instruments.

The rules applicable to foreign currency Certificates could require some or all gain or loss on the sale, exchange or other disposition of a foreign currency Certificate to be recharacterised as ordinary income or loss. The rules applicable to foreign currency Certificates are complex and may depend on the Certificateholder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a Certificateholder should make any of these elections may depend on the Certificateholder's particular U.S. federal income tax situation. U.S. Holders are urged to consult their tax advisers regarding the U.S. federal income tax consequences of the ownership and disposition of foreign currency Certificates.

A U.S. Holder who uses the cash method of accounting and who receives a payment of qualified stated interest in a foreign currency with respect to a foreign currency Certificate will be required to include in income the U.S. dollar value of the foreign currency payment (determined on the date the payment is received) regardless of whether the payment is in fact converted to U.S. dollars at the time, and this U.S. dollar value will be the U.S. Holder's tax basis in the foreign currency.

An accrual method U.S. Holder will be required to include in income the U.S. dollar value of the amount of profit, which is treated as ordinary income, (including OID or market discount, but reduced by acquisition premium and amortisable bond premium, to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a foreign currency Certificate during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. The U.S. Holder will recognise ordinary income or loss with respect to accrued profit on the date the income is actually received. The amount of ordinary income or loss recognised will equal the difference between the U.S. dollar value of the foreign currency payment received (determined on the date the payment is received) in respect of the accrual period (or, where a Certificateholder receives U.S. dollars, the amount of the payment in respect of the accrual period) and the U.S. dollar value of profit that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of a cash method taxpayer required to currently accrue OID or market discount.

An accrual method U.S. Holder may elect to translate profit (including OID) into U.S. dollars at the spot rate on the last day of the profit accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the date of receipt is within five business days of the last day of the profit accrual period, the spot rate on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

OID, market discount, acquisition premium and amortisable bond premium on a foreign currency Certificate are to be determined in the relevant foreign currency. Where the taxpayer elects to include market discount in income currently, the amount of market discount will be determined for any accrual period in the relevant foreign currency and then translated into U.S. dollars on the basis of the average rate in effect during the accrual period. Exchange gain or loss realised with respect to such accrued market discount shall be determined in accordance with the rules relating to accrued profit described above.

If an election to amortise bond premium is made, amortisable bond premium taken into account on a current basis shall reduce income on the profit in units of the relevant foreign currency. In that event, amortisable bond premium will be computed in foreign currency. A U.S. Holder making the election to amortise bond premium may recognise exchange gain or loss each period equal to the difference between the U.S. dollar value of bond premium with respect to such period determined on the date the profit attributable to such period is received and the U.S. dollar value of such amortised bond premium determined on the date of the acquisition of the Certificates. Any exchange gain or loss will be ordinary income or loss as described below. If the election is not made, any loss realised on the sale, exchange or retirement of a foreign currency Certificate with amortisable bond premium by a U.S. Holder who has not elected to amortise the premium will be a capital loss to the extent of the bond premium (subject to the treatment of foreign currency gain or loss below).

A U.S. Holder's adjusted tax basis in a foreign currency Certificate will generally equal the "U.S. dollar cost" (as defined herein) of the Certificate to such holder increased by any previously accrued OID or market discount and decreased by any amortised premium and cash payments on the Certificate other than qualified stated interest. The "U.S. dollar cost" of a Certificate purchased with foreign currency will generally be the U.S. dollar value of the purchase price based on the spot rate of exchange on the date of purchase (or based on the spot rate of exchange on the settlement date of the purchase, in the case of Certificates traded on an established securities market that are purchased by a cash basis U.S. Holder or an electing accrual basis U.S. Holder). If a U.S. Holder receives foreign currency on a sale, exchange, retirement, or other taxable disposition of a Certificate, the amount realised generally will be based on the U.S. dollar value of such foreign currency translated at the spot rate on the date of disposition. In the case of a Certificate that is considered to be traded on an established securities market, a cash basis U.S. Holder and, if it so elects, an accrual basis U.S. Holder, will determine the U.S. dollar value of such foreign currency by translating such amount at the spot rate on the settlement date of the disposition. The special election available to accrual basis U.S. Holders in regard to the purchase and disposition of Certificates traded on an established securities market must be applied consistently to all debt instruments held by the U.S. Holder and cannot be changed without the consent of the IRS. If the Certificates are not traded on an established securities market (or the relevant holder is an accrual basis U.S. Holder that does not make the special settlement date election), a U.S. Holder will recognise exchange gain or loss to the extent that there are exchange rate fluctuations between the disposition date and the settlement date.

Gain or loss realised upon the sale, exchange, retirement or other taxable disposition of a foreign currency Certificate that is attributable to fluctuation in currency exchange rates will be ordinary income or loss which will not be treated as an adjustment of profit. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the U.S. dollar value of the foreign currency purchase price of the Certificate, determined on the date the payment is received or the Certificate is disposed of, and (ii) the U.S. dollar value of the foreign currency purchase price of the Certificate, determined on the date the U.S. Holder acquired the Certificate (adjusted, in each case, for any amortised bond premium that has been taken into account prior to the date of the sale, exchange or retirement). Payments received attributable to accrued profit will be treated in accordance with the rules applicable to payments of profit on foreign currency Certificates described above. The foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by the Certificateholder on the sale, exchange, retirement or other taxable disposition of the foreign currency Certificate. The source of the foreign currency gain or loss will be determined by reference to the residence of the Certificateholder or the "qualified business unit" of the Certificateholder on whose books the Certificate is

properly reflected. Any gain or loss realized by these Certificateholders in excess of the foreign currency gain or loss will be capital gain or loss except that any gain will be treated as ordinary income to the extent of any accrued market discount or, in the case of short term Certificate, to the extent of any discount not previously included in the Certificateholder's income. Certificateholders should consult their tax advisors with respect to the tax consequences of receiving payments in a currency different from the currency in which payments with respect to such Certificate accrue.

Further Issues of Certificates

The Trustee may from time to time without the consent of the Certificateholders to create and issue additional trust certificates as described under "*Terms and Conditions of the Certificates.*" These additional trust certificates, even if they are treated for non-tax purposes as part of the same series as the original Certificates in some cases may be treated as a separate series for U.S. federal income tax purposes. In such case, the additional trust certificates may be considered to have OID (or a greater amount of OID) which may affect the market value of the original Certificates if the additional trust certificates are not otherwise distinguishable from the original Certificates.

Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with payments on the Certificates (including any accrued OID) and the proceeds from a sale or other disposition of the Certificates. A U.S. Holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the Certificateholder's U.S. federal income tax liability and may entitle them to a refund, *provided that* the required information is timely furnished to the IRS.

Other Reporting Requirements

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS by attaching Form 8886 to their tax returns and retaining a copy of all documents and records relating to the transaction. The scope and application of these rules is not entirely clear and whether an investment in a Certificate constitutes a "reportable transaction" for any holder depends on the holder's particular circumstances. For example, a U.S. Holder may be required to treat a foreign currency exchange loss from the Certificates as a reportable transaction if the loss exceeds certain thresholds. In the event the acquisition, ownership or disposition of Certificates constitutes participation in a "reportable transaction" for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. Prospective purchasers should consult their tax advisors regarding the application of these rules to the acquisition, ownership or disposition of Certificates and should be aware that the Trustee (or other participants in the transaction) may determine that the investor list maintenance requirement applies to the transaction and comply accordingly with this requirement.

Certain U.S. Holders who are individuals (which may include certain entities treated as individuals for these purposes) are required to report information relating to an interest in Certificates, subject to certain exceptions (including an exception for Certificates held in accounts maintained by certain financial institutions). U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Certificates.

The U.S. federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a Certificateholder's particular situation. Certificateholders should consult their tax advisors with respect to the tax consequences to them of the ownership and disposition of the Certificates, including the tax consequences under state, local, non-U.S. and other tax laws and the possible effects of changes in U.S. federal or other tax laws.

Foreign Account Tax Compliance Act and Information Exchange Regulations

FATCA imposes a reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "**foreign financial institution**", or "**FFI**" (as defined by FATCA)) that

does not become a “Participating FFI” by entering into an agreement with the IRS to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States account” of the Trustee (a “**Recalcitrant Holder**”). The Trustee may be classified as an FFI.

FATCA applies to payments from sources within the United States and will apply to “foreign passthru payments” (a term not yet defined) no earlier than the date that is two years after the publication of the final regulations defining “**foreign passthru payment**”. This withholding would potentially apply to payments in respect of any Certificates that are issued after the “**grandfathering date**”, which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date. If Certificates are issued on or before the grandfathering date, and additional Certificates of the same series are issued after that date, the additional Certificates may not be treated as grandfathered, which may have negative consequences for the existing Certificates, including a negative impact on market price.

The United States and a number of other jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements to facilitate the implementation of FATCA (each, an “**IGA**”). Pursuant to FATCA and the “Model 1” and “Model 2” IGAs released by the United States, an FFI in an IGA signatory country could be treated as a “**Reporting FI**” not subject to withholding under FATCA on any payments it receives. Further, it is expected that an FFI in a Model 1 IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being a “**FATCA Withholding**”) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

In particular, the Cayman Islands has signed an inter-governmental agreement to improve international tax compliance and the exchange of information with the United States (the “**US IGA**”). The Cayman Islands has also signed, along with over 100 other countries, a multilateral competent authority agreement to implement the OECD Standard for Automatic Exchange of Financial Account Information – Common Reporting Standard (“**CRS**” and together with the US IGA, “**AEOI**”).

Cayman Islands regulations have been issued to give effect to the US IGA and CRS (collectively, the “**AEOI Regulations**”). Pursuant to the AEOI Regulations, the Cayman Islands Tax Information Authority (the “**TIA**”) has published guidance notes on the application of the US IGA and CRS.

All Cayman Islands “Financial Institutions” are required to comply with the registration, due diligence and reporting requirements of the AEOI Regulations, unless they are able to rely on an exemption that allows them to become a “Non-Reporting Financial Institution” (as defined in the relevant AEOI Regulations) with respect to one or more of the AEOI regimes, in which case only the registration requirement would apply under CRS. The Fund does not propose to rely on any Non-Reporting Financial Institution exemption and therefore intends to comply with all of the requirements of the AEOI Regulations.

To the extent the Trustee cannot be treated as a “Non-Reporting Cayman Islands Financial Institution” (as defined in the US IGA) by qualifying for one of the categories set out in Annex II thereto (for example, by being a Sponsored Investment Entity (as defined therein)), the Trustee may be a “Reporting Cayman Islands Financial Institution” (as defined therein). As such, the Trustee would be required to register with the IRS to obtain a Global Intermediary Identification Number and to report to the TIA any payments made to Specified US Persons with respect to US Reportable Accounts (each such term as defined in the US IGA). The Trustee may be a Cayman Reporting Financial Institution under the CRS and, as such, required to register with the TIA and report information about its account holders on an annual basis. The TIA will exchange information in connection with US Reportable Accounts with the IRS under the terms of the relevant IGA and information about account holders with other tax authorities in accordance with CRS.

Under the terms of the US IGA, withholding generally should not be imposed on payments made to the Trustee unless the IRS has specifically listed the Trustee as a “Non Participating Financial Institution”, or on payments

made by the Trustee to the Certificateholders unless the Trustee has assumed responsibility for withholding under United States tax law.

Whilst the Certificates are in global form and held within Euroclear or Clearstream (together, the “**ICSDs**”), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Certificates by the Trustee, any paying agent and the Common Depositary for ICSDs, given that each of the entities in the payment chain between the Trustee and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Certificates. The documentation in respect of the Certificates expressly contemplates the possibility that the Certificates may go into individual form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, individual Certificates will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and Model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Trustee and to payments they may receive in connection with the Certificates.

CERTAIN ERISA CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), and Section 4975 of the Code, impose certain restrictions on: (i) “employee benefit plans” (as defined in Section 3(3) of ERISA) that are subject to Title I of ERISA; (ii) “plans” (as defined in Section 4975(e)(1) of the Code) that are subject to Section 4975 of the Code, including individual retirement accounts and Keogh plans (together with (i), “**Plans**”); (iii) persons or entities whose underlying assets include, or are deemed to include under the U.S. Department of Labor (the “**DOL**”) regulation at 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA (the “**Plan Asset Rules**”), for purposes of Title I of ERISA or Section 4975 of the Code, “plan assets” by reason of a Plan’s investment in such persons or entities (each of (i)-(iii), a “**Benefit Plan Investor**”); and (iv) persons who have certain specified relationships to a Plan, including the Plan’s fiduciaries and other service providers (“**parties in interest**” under ERISA and “**disqualified persons**” under the Code; collectively, “**Parties in Interest**”). ERISA also imposes certain duties on persons who are fiduciaries of Plans that are subject to Title I of ERISA, and Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions between a Plan and Parties in Interest. Violations of these rules may result in the imposition of excise taxes and other penalties and liabilities under ERISA and the Code.

Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving the assets of a Benefit Plan Investor and Parties in Interest, unless a statutory or administrative exemption is available. Parties in Interest that participate in a non-exempt prohibited transaction may be subject to penalties imposed under ERISA and/or excise taxes imposed pursuant to Section 4975 of the Code, unless a statutory or administrative exemption is available. In addition, the fiduciary of the Benefit Plan Investor that is engaged in such a non-exempt prohibited transaction may be subject to penalties under ERISA and the Code.

“Governmental plans” (as defined in Section 3(32) of ERISA), “church plans” (as defined in Section 3(33) of ERISA) that have made no election under Section 410(d) of the Code, non-U.S. plans (as described in Section 4(b)(4) of ERISA) and other plans that are not Benefit Plan Investors, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, may nevertheless be subject to federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code (“**Similar Law**”). Accordingly, fiduciaries on any such plans should consult with their counsel before purchasing the Certificates (or any interest therein).

The Plan Asset Rules sets out the standards that will apply for determining what constitutes the assets of a Benefit Plan Investor with respect to the Benefit Plan Investor’s investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA, Section 406 of ERISA and Section 4975 of the Code. Under the Plan Asset Rules, if a Benefit Plan Investor invests in an “**equity interest**” of an entity that is neither a “publicly-offered security” nor a security issued by an investment company registered under the Investment Company Act, the Benefit Plan Investor’s assets include both the equity interest and an undivided interest in each of the entity’s underlying assets, unless it is established that the entity is an “operating company” or that equity participation in the entity by Benefit Plan Investors is not “significant”. The Plan Asset Rules generally defines equity participation in an entity by Benefit Plan Investors as “significant” if 25 percent or more of the total value of any class of equity interest in the entity is held by Benefit Plan Investors, excluding any interest held by (i) persons or entities (other than Benefit Plan Investors) that have discretionary authority or control over the assets of the entity, or that provide investment advice with respect to such assets for a fee, directly or indirectly, or (ii) “affiliates” (as defined in paragraph (f)(3) of the Plan Asset Rules) thereof. If the assets of the Trust were deemed to be assets of a Benefit Plan Investor or “plan assets” for purposes of Title I of ERISA or Section 4975 of the Code, the Trustee, and any other party with discretionary control over such assets, would be subject to certain fiduciary obligations under ERISA and certain transactions that the Trust might enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under ERISA or Section 4975 of the Code and might have to be rescinded.

Accordingly, each initial purchaser and subsequent transferee of the Certificates (or any interest therein) and each subsequent transferee will be deemed to have represented, warranted and agreed, by its purchase or holding of Certificates (or any interest therein), that: (A) it is not, and is not acting on behalf of (and for so long as it holds Certificates (or any interest therein) will not be, and will not be acting on behalf of): (i) a Benefit Plan

Investor; or (ii) a governmental, church, non-U.S. or other plan that is subject to Similar Law, unless, under this subsection (ii), its acquisition, holding and disposition of the Certificates (or any interest therein) will not constitute or result in a violation of any Similar Law; and (B) it and any person causing it to acquire any of the Certificates (or any interest therein) agrees to indemnify and hold harmless the Trust, the Trustee Administrator, the Trustee, the Obligor, the Delegate, the Agents, the Arrangers and the Dealers and their respective affiliates from any cost, damage or loss incurred by them as a result of it being or being deemed to be a Benefit Plan Investor or a plan subject to any Similar Law. Each fiduciary of a Similar Law plan should consult with its legal or other advisors concerning the potential consequences to the plan under any applicable Similar Law of an investment in the Certificates (or any interest therein). This Base Prospectus is not directed to any particular investor, nor does it address the needs of any particular investor.

SUBSCRIPTION AND SALE

Certificates may be offered from time to time by the Trustee to any one or more of the Dealers and any additional dealer(s) appointed under the Programme from time to time by the Trustee and the Obligor (the “**Dealers**”). The arrangements under which Certificates may from time to time be offered by the Trustee to, and purchased by, the Dealers are set out in a dealer agreement dated 7 June 2021 (the “**Dealer Agreement**”) and made between the Trustee, the Obligor, the Arrangers and the Dealers. The Trustee, the Obligor and the Dealers will agree the form and terms and conditions of the relevant Certificates, the price at which such Certificates will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Trustee and the Obligor in respect of such purchase. The Obligor has agreed to indemnify the Dealers against certain liabilities in connection with the offer and the sale of the Certificates. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Certificates.

The Obligor may apply all or part of the proceeds of any of Certificates issued under the Programme in repayment of all or part of any credit facilities that may have been, or may in the future be, extended to the Obligor or its portfolio companies by the Dealers or their affiliates.

General

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws, regulations and directives in force in any jurisdiction in which it purchases, offers, sells or delivers Certificates or possesses or distributes the Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Trustee, the Obligor or any of the other Dealers shall have any responsibility therefor.

None of the Trustee, the Obligor, the Delegate or the Dealers represents that Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

Selling restrictions may be supplemented or modified with the agreement of the Trustee and the Obligor. Any such supplement or modification may be set out in the Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Certificates) or in a supplement to this Base Prospectus.

No representation is made that any action has been or will be taken in any jurisdiction which would, or is intended to, permit a public offering of any Certificates, or possession or distribution of this Base Prospectus or any other offering materials or Final Terms in any country or jurisdiction where action for that purpose is required.

United States

The Certificates have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to the registration requirements of the Securities Act and applicable state securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and sold and shall not offer and sell Certificates of any Series: (i) as part of their distribution at any time; and (ii) otherwise until 40 days after the completion of the distribution of all Certificates of the tranche of which such Certificates are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Rule 903 of Regulation S or Rule 144A under the Securities Act. Accordingly, neither it, nor its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts (as defined in Regulation S under the Securities Act)

with respect to the Certificates, and it and they have complied and will comply with the offering restrictions requirement of Regulation S under the Securities Act. Each Dealer agrees that at or prior to confirmation of sale of Unrestricted Global Certificates, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Certificates from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Certificates covered hereby have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of Certificates of which such Certificates are a part, except in either case in a transaction exempt from or not subject to the registration requirements of the Securities Act to a person that the seller reasonably believes is a “**qualified institutional buyer**” (within the meaning of Rule 144A under the Securities Act) that is also a “**qualified purchaser**” (as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940, as amended). Terms used above have the meanings given to them by Regulation S under the Securities Act”.

Terms used in the preceding paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it nor any of its affiliates, nor any person acting on its or their behalf has engaged or will engage in any form of general solicitation or general advertising (as those terms are used in Rule 502(c) of Regulation D under the Securities Act) in connection with any offer and sale of the Certificates in the United States.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it is a QIB that is also a QP. Each Dealer may, through its respective U.S. registered broker-dealer affiliates, arrange for the offer and resale of the Certificates in the United States only to QIBs that are also QPs in a transaction not involving any public offering.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has offered and sold and will offer and sell the Certificates in the United States only to persons whom it reasonably believes are QIBs that are also QPs who can represent that: (A) they are QIBs that are also QPs; (B) they are not broker-dealers who own and invest on a discretionary basis less than U.S.\$25 million in securities of unaffiliated issuers; (C) they are not a participant-directed employee plan, such as a 401(k) plan; (D) they are acting for their own account, or the account of one or more QIBs, each of which is a QP; (E) they are not formed for the purpose of investing in the Trustee; (F) each account for which they are purchasing will hold and transfer at least U.S.\$200,000 in face amount of Certificates at any time; (G) they understand that the Trustee may receive a list of participants holding positions in its securities from one or more book-entry depositories; and (H) they will provide notice of the transfer restrictions set forth in this Base Prospectus to any subsequent transferees.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it, nor any of its affiliates nor any person acting on its or their behalf has entered into and will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of Certificates, except with its affiliates or with the prior written consent of the Trustee and the Obligor.

Until 40 days after the commencement of the offering of any Series of Certificates, an offer or sale of such Certificates within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

To the extent that the Trustee is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the

Trustee has agreed to furnish to holders of Certificates and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Canada

The Certificates may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Certificates must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Base Prospectus or any applicable Final Terms (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), so long as a concurrent distribution of the Certificates is made to investors in the United States, the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering. In the event the Certificates are distributed to investors in Canada without a concurrent distribution of the Certificates to investors in the United States, the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest may apply.

Prohibition of sales to EEA Retail Investors

Unless the Final Terms in respect of any Certificates specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA.

For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

If the applicable Final Terms in respect of any Certificates specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA (each, a "**Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to the public in that Member State except that it may make an offer of such Certificates to the public in that Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee and the Obligor for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Certificates referred to in (a) to (c) above shall require the Trustee or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision:

- (i) the expression “**an offer of Certificates to the public**” in relation to any Certificates in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates; and
- (ii) the expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129 (as amended).

United Kingdom

Prohibition of sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom except that it may make an offer of such Certificates to the public in the United Kingdom:

- (a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee and the Obligor for any such offer; or
- (c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Certificates referred to in (a) to (c) above shall require the Trustee or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision:

- (i) the expression “**an offer of Certificates to the public**” in relation to any Certificates means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates; and
- (ii) the expression “**UK Prospectus Regulation**” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other Regulatory Restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) in relation to any Certificates which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Certificates

other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Trustee or the Obligor;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or the Obligor; and

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Certificates in, from or otherwise involving the United Kingdom.

Cayman Islands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not made and will not make, whether directly or indirectly, any offer or invitation to the public in the Cayman Islands to subscribe for the Certificates.

Republic of Italy

The offering of Certificates has not been cleared by the *Commissione Nazionale per la Società e la Borsa* (“**CONSOB**”) pursuant to Italian securities legislation. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, directly or indirectly, any Certificates to the public in the Republic of Italy.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it will not offer, sell or deliver, directly or indirectly, any Certificates or distribute copies of this Base Prospectus or of any other document relating to the Certificates in the Republic of Italy except:

- (a) pursuant to Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”), to qualified investors (*investitori qualificati*), as defined under Article 35, paragraph 1, letter d) of CONSOB regulation No. 20307 of 15 February, 2018, as amended (“**Regulation No. 20307**”), pursuant to Article 34-ter, first paragraph, letter b), of CONSOB Regulation No. 11971 of May 14, 1999, as amended (“**Regulation No. 11971**”); or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1, paragraph 4, of the Prospectus Regulation and Article 100 of Legislative Decree of February 24, 1998, No. 58, as amended (the “**Italian Financial Act**”) and their implementing CONSOB regulations including Regulation No. 11971.

Any such offer, sale or delivery of the Certificates or distribution of copies of this Base Prospectus or any other document relating to the Certificates in the Republic of Italy must be in compliance with the selling restrictions under paragraphs (a) and (b) above and:

- (i) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the relevant provisions of the Italian Financial Act, Regulation No. 16190, Legislative Decree No. 385 of 1 September 1993 as amended (the “**Banking Act**”) and any other applicable laws or regulation;
- (ii) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended, pursuant to which the Bank of Italy may request information on the offering or issue of securities in the Italy or by Italian persons outside of Italy; and
- (iii) in compliance with any other applicable laws and regulations or requirements imposed by CONSOB or the Bank of Italy or any other Italian authority.

Any investor purchasing the Certificates is solely responsible for ensuring that any offer, sale, transfer, delivery or resale of the Certificates by such investor occurs in compliance with applicable Italian laws and regulations.

Switzerland

In Switzerland, this Base Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Certificates described herein. The Certificates may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (“**FinSA**”) and no application has or will be made to admit the Certificates to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Certificates constitutes a prospectus pursuant to the FinSA, and neither this Base Prospectus nor any other offering or marketing material relating to the Certificates may be publicly distributed or otherwise made publicly available in Switzerland.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a “**Saudi Investor**”) who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 9 or Article 10 of the “Rules on the Offer of Securities and Continuing Obligations” as issued by the Board of the Capital Markets Authority resolution number 3-123-2017 dated 27 December 2017 (as amended by the CMA's board pursuant to resolution no. 1-104-2019 dated 01/02/1441H (corresponding to 30 September 2019) (the “**KSA Regulations**”), as amended by the Board of the Capital Markets Authority (the “**CMA**”) resolution number 1-7-2021 dated 14 January 2021 (the “**Amended KSA Regulations**”, which provides that certain Articles under the KSA Regulations (including Articles 8, 9, 10 and 15 (each as referred to therein)) shall continue to apply until 1 January 2022, at which time such Articles shall be replaced with the amended Articles as set out in the Amended KSA Regulations), made through a person authorised by the CMA to carry on the securities activity of arranging and following a notification to the CMA under Article 10 of the Amended KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to sophisticated investors under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Dealer has represented and agreed that any offer of Certificates to a Saudi Investor will be made in compliance with Article 9 or Article 10 of the KSA Regulations.

Each offer of Certificates shall not therefore constitute a “public offer”, an “exempt offer” or a “parallel market offer” pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (a) the Certificates are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); (b) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or (c) the offer of sale is otherwise in compliance with Article 15 of the KSA Regulations.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Certificates except as marketing to persons in Bahrain who are “accredited investors” for an offer outside Bahrain.

For this purpose, an “**accredited investor**” means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more excluding that person’s principal place of residence; or;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or

- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

State of Kuwait

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no Certificates will be offered in Kuwait unless all necessary approvals from the Kuwait Capital Markets Authority pursuant to Law No. 7 of 2010, and its executive bylaws (each as amended) together with the various resolutions, regulations, guidance principles and instructions issued pursuant thereto, or in connection therewith (regardless of nomenclature) or any other applicable law or regulation in Kuwait, have been given in respect of the offering, marketing, and sale, of the Certificates. For the avoidance of doubt, no Certificates shall be offered, marketed and/or sold in Kuwait except on a private placement basis to Professional Clients (as defined in Module 1 of the executive bylaws of Law No. 7 of 2010 (each as amended)).

United Arab Emirates (excluding the Abu Dhabi Global Market and the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Abu Dhabi Global Market

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Certificates to be issued under the Programme to any person in the AGDM unless such offer is:

- (a) an “Exempt Offer” in accordance with the Markets Rules of the Financial Services Regulatory Authority (the “FSRA”); and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.4.1 of the FSRA Conduct of Business Rules.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Certificates to be issued under the Programme to any person in the DIFC unless such offer is:

- (a) an “Exempt Offer” in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the “DFSA”) rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business (COB) Module of the DFSA rulebook.

State of Qatar (including the Qatar Financial Centre)

Each Dealer has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver at any time, directly or indirectly, any Certificates in the State of Qatar (including the Qatar Financial Centre), except: (i) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (ii) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar (including the Qatar Financial Centre). This Base Prospectus has not been reviewed or approved by the Qatar Central Bank, the Qatar Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority and is only intended for specific recipients, in compliance with the foregoing.

Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**FIEA**”) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold Certificates and will not, directly or indirectly, offer or sell any Certificates in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other relevant laws and regulations of Japan.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than: (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**C(WUMPO)**”) or which do not constitute an offer to the public within the meaning of the C(WUMPO); and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

South Korea

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that the Certificates have not been and will not be offered, sold or delivered, directly or indirectly, in South Korea or to or for the account or benefit of any South Korean resident (as such term is defined in the Foreign Exchange Transaction Law of South Korea) except as permitted under applicable South Korean laws and regulations.

Furthermore, a holder of Certificates may be prohibited from offering, delivering or selling any Certificates, directly or indirectly, in South Korea or to any South Korean resident for a period of one year from the date of issuance of Certificates except as permitted under applicable South Korean laws and regulations.

Each Dealer has undertaken, and each further Dealer appointed under the Programme will be required to undertake, to use commercially reasonable best measures as a Dealer in the ordinary course of its business so that any securities dealer to which it sells Certificates confirms that it is purchasing such Certificates as principal and agrees with such Dealer that it will comply with the restrictions described above.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge that the Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore and the Certificates will be offered pursuant to exemptions under the SFA. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold any Certificates or caused the Certificates to be made the subject of an invitation for subscription or purchase, and will not offer or sell the Certificates or cause the Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or

distributed, nor will it circulate or distribute, the Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Certificates, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offer of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Malaysia

This Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the CMSA. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates have not been and will not be offered, sold or delivered, and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3), read together with Schedule 9 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

Indonesia

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that the Certificates will not be offered or sold directly or indirectly, in Indonesia or to any citizen of Indonesia (wherever they are domiciled) or to any resident of Indonesia in a manner that constitutes a public offering under the laws and regulations of Indonesia (including Law Number 8 of 1995 regarding Capital Markets) and that the Base Prospectus will not be distributed in Indonesia or passed on in a manner which constitutes a public offering in Indonesia under the laws and regulations of Indonesia (including Law Number 8 of 1995 regarding Capital Markets).

Brunei

The Base Prospectus has not been and will not be registered, delivered to, licensed or permitted by the Autoriti Monetari Brunei Darussalam with the Authority designated under the Brunei Darussalam Securities Markets Order (the “SMO”) nor has it been registered with the Registrar of Companies, Registrar of International Business Companies.

Accordingly, each Dealer has represented and agreed that the Certificates will not be offered or sold or made the subject of an invitation for subscription or purchase nor will the Base Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of Certificates be circulated or distributed, whether directly or indirectly, to any person in Brunei other than: (a) to an accredited investor under Section 20 of the SMO; (b) an expert investor under Section 20 of the SMO; or (c) an institutional investor under Section 20 of the SMO, and in accordance with the conditions specified in Section 117 of the SMO.

The People’s Republic of China

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Certificates in the People’s Republic of China (the “PRC”) (excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan) as part of the initial distribution of the Certificates.

Taiwan

Each Dealer has represented and agreed that the Certificates have not been, and shall not be, offered, sold or re-sold, directly or indirectly to investors other than “professional institutional investors” as defined under Paragraph 2, of Article 4 of the Financial Consumer Protection Act of the Republic of China (“ROC”), which currently includes overseas and domestic (i) banks, securities firms, futures firms and insurance companies (excluding insurance agencies, insurance brokers and insurance surveyors), the foregoing as further described in greater detail in Paragraph 3 of Article 2 of the Organisation Act of the Financial Supervisory Commission, (ii) fund management companies, government investment institutions, government funds, pension funds, mutual funds, unit trusts, and funds managed by financial service enterprises pursuant to the ROC Securities Investment Trust and Consulting Act, the ROC Future Trading Act or the ROC Trust Enterprise Act or investment assets mandated and delivered by or transferred for trust by financial consumers, and (iii) other institutions recognised by the Financial Supervisory Commission of the ROC.

TRANSFER RESTRICTIONS

Transfer Restrictions

As a result of the following restrictions, purchasers of Certificates in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Certificates.

Each purchaser of Certificates (other than a person purchasing an interest in a Global Certificate with a view to holding it in the form of an interest in the same Global Certificate) or person wishing to transfer an interest from one Global Certificate to another or from global to definitive form or *vice versa*, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Global Certificate with a view to holding it in the form of an interest in the same Global Certificate will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (i) that either: (a) it is a QIB that is also a QP, purchasing (or holding) the Certificates for its own account or for the account of one or more QIBs that are also QPs in a minimum face amount, in each case, of U.S.\$200,000 (or the equivalent amount in a foreign currency) and it is aware that any sale to it is being made in reliance on Rule 144A; or (b) it is outside the United States and is not a U.S. person;
- (ii) that it is not a broker-dealer which owns and invests on a discretionary basis less than U.S.\$25,000,000 in securities of unaffiliated issuers;
- (iii) that it is not a participant-directed employee plan, such as a 401(k) plan, or a trust holding the assets of such a plan;
- (iv) that it is not formed, reformed or recapitalised for the purpose of investing in the Trustee, unless all of the beneficial owners of its securities are both QIBs and QPs;
- (v) that it has not invested more than 40% of its assets in the Certificates (or beneficial interests therein) and/or other securities of the Trustee after giving effect to the purchase of the Certificates (or beneficial interests therein), unless all of the beneficial owners of its securities are both QIBs and QPs;
- (vi) that if it is an investment company excepted from the Investment Company Act pursuant to Section 3(c)(1) or Section 3(c)(7) thereof and was formed on or before April 30, 1996, it has received the consent of its beneficial owners who acquired their interests on or before April 30, 1996, with respect to its treatment as a QP in the manner required by Section 2(a)(51)(C) of the Investment Company Act and the rules promulgated thereunder;
- (vii) that it is not a partnership, common trust fund, or corporation, special trust, pension fund or retirement plan, or other entity, in which the partners, beneficiaries, beneficial owners, participants, shareholders or other equity owners, as the case may be, may designate the particular investment to be made, or the allocation thereof, unless all such partners, beneficiaries, beneficial owners, participants, shareholders or other equity owners are both QIBs and QPs;
- (viii) that it, and each account for which it is purchasing, will hold and transfer at least the minimum denomination of the Certificates;
- (ix) that it understands that the Trustee may receive a list of participants holding positions in its securities from one or more book-entry depositories;
- (x) that the Certificates are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Certificates and the Master Trust Deed have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and, accordingly, the Certificates may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except as set forth below;
- (xi) that, unless it holds an interest in an Unrestricted Global Certificate and is a non-U.S. person located outside the United States, if in the future it decides to resell, pledge or otherwise transfer the Certificates

or any ownership interest in the Certificates, it will do so prior to the expiration of the applicable required holding period determined pursuant to Rule 144 of the Securities Act: (a) to the Trustee or any affiliate thereof; (b) inside the United States to a person whom the seller reasonably believes is a QIB that is also a QP purchasing for its own account or for the account of a QIB that is also a QP in a transaction meeting the requirements of Rule 144A; (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act; (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or any other available exemption from the registration requirement of the Securities Act; or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

- (xii) it will, and will require each subsequent holder to, notify any purchaser or transferee, as applicable, of the Certificates from it of the resale and transfer restrictions referred to in paragraph (vii) above, if then applicable;
- (xiii) that Certificates initially offered in the United States to QIBs that are also QPs will be represented by one or more Restricted Global Certificates, and that Certificates offered outside the United States in reliance on Regulation S will be represented by one or more Unrestricted Global Certificates;
- (xiv) that it understands that the Trustee has the power to compel any beneficial owner of Certificates represented by a Restricted Global Certificate that is a U.S. person and is not a QIB that is also a QP to sell its interest in such Certificates, or may sell such interest on behalf of such owner. The Trustee has the right to refuse to honour the transfer of an interest in any Restricted Global Certificate to a U.S. person who is not a QIB that is also a QP. Any purported transfer of an interest in a Restricted Global Certificate to a purchaser that does not comply with the requirements of the transfer restrictions herein will be of no force and effect and will be void *ab initio*;
- (xv) that (a) it is not and is not acting on behalf of: (i) a Plan, or (ii) a governmental, church or non-U.S. plan or entity whose underlying assets are deemed to include the assets of any such plan, unless, under this subsection (ii), the purchase and holding of the Certificate would not result in a violation of any Similar Law or subject the Trust or any transaction thereby to any such Similar Law and (b) it will not sell or otherwise transfer any Certificates or interest to any person unless the same foregoing representations and warranties apply to that person;
- (xvi) that the Certificates in registered form, other than the Unrestricted Global Certificates, will bear a legend to the following effect unless otherwise agreed to by the Trustee:

“THIS SECURITY HAS NOT BEEN NOR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS, NEITHER THE TRUSTEE NOR THE OBLIGOR HAS REGISTERED OR INTENDS TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “**INVESTMENT COMPANY ACT**”), AND, ACCORDINGLY, THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER: (A) REPRESENTS THAT IT IS A “**QUALIFIED INSTITUTIONAL BUYER**” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A “**QIB**”) THAT IS ALSO A QUALIFIED PURCHASER WITHIN THE MEANING OF SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT (A “**QP**”), PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS THAT ARE QPS IN A MINIMUM FACE AMOUNT, IN EACH CASE, OF U.S.\$200,000 (OR THE EQUIVALENT AMOUNT IN A FOREIGN CURRENCY); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO EXPIRATION OF THE APPLICABLE REQUIRED HOLDING PERIOD DETERMINED PURSUANT TO RULE 144 OF THE SECURITIES ACT FROM THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE TRUSTEE OR AN AFFILIATE OF THE TRUSTEE WAS THE OWNER OF SUCH SECURITIES OTHER THAN: (1) TO THE TRUSTEE OR ANY AFFILIATE

THEREOF; (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QIB WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT THAT IS ALSO A QP PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB THAT IS ALSO A QP IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A; (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT; (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (“**RULE 144**”) (IF AVAILABLE); OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR REALES OF THE SECURITY.

ANY RESALE OR OTHER TRANSFER OF THIS SECURITY (OR BENEFICIAL INTEREST HEREIN) WHICH IS NOT MADE IN COMPLIANCE WITH THE RESTRICTIONS SET FORTH HEREIN WILL BE OF NO FORCE AND EFFECT, WILL BE NULL AND VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE TRUSTEE OR ANY OF ITS AGENTS. IN ADDITION TO THE FOREGOING, IN THE EVENT OF A TRANSFER OF THIS SECURITY (OR BENEFICIAL INTEREST HEREIN) TO A U.S. PERSON WITHIN THE MEANING OF REGULATION S THAT IS NOT A QIB THAT IS ALSO A QP, THE TRUSTEE MAY: (A) COMPEL SUCH TRANSFEREE TO SELL THIS SECURITY OR ITS INTEREST HEREIN TO A PERSON WHO: (I) IS A U.S. PERSON WHO IS A QIB THAT IS ALSO A QP THAT IS OTHERWISE QUALIFIED TO PURCHASE THIS SECURITY OR INTEREST HEREIN IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT; OR (II) IS NOT A U.S. PERSON WITHIN THE MEANING OF REGULATION S IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S; OR (B) COMPEL SUCH TRANSFEREE TO SELL THIS SECURITY OR ITS INTEREST HEREIN TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE TRUSTEE AT A PRICE EQUAL TO THE LESSER OF: (X) THE PURCHASE PRICE THEREFOR PAID BY THE ORIGINAL TRANSFEREE; (Y) 100% OF THE FACE AMOUNT THEREOF; OR (Z) THE FAIR MARKET VALUE THEREOF. THE TRUSTEE HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF THIS SECURITY OR INTEREST HEREIN TO A U.S. PERSON WHO IS NOT A QIB THAT IS ALSO A QP. EACH TRANSFEROR OF THIS SECURITY WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE AGENCY AGREEMENT TO ITS TRANSFEREE. NEITHER THE TRUSTEE NOR THE OBLIGOR HAS REGISTERED AND NONE OF THEM INTENDS TO REGISTER UNDER THE INVESTMENT COMPANY ACT.

BY ACCEPTING THIS CERTIFICATE (OR ANY INTEREST HEREIN) EACH BENEFICIAL OWNER HEREOF, AND EACH FIDUCIARY ACTING ON BEHALF OF THE BENEFICIAL OWNER (BOTH IN ITS INDIVIDUAL AND CORPORATE CAPACITY), WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT: (A) IT IS NOT, AND IT IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS CERTIFICATE (OR ANY INTEREST HEREIN) WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF): (I) AN “EMPLOYEE BENEFIT PLAN” (AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“**ERISA**”)) THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (II) A “PLAN” (AS DEFINED IN SECTION 4975(e)(1) OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (“**CODE**”)), THAT IS SUBJECT TO SECTION 4975 OF THE CODE, OR (III) A PERSON OR ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED TO INCLUDE UNDER THE U.S. DEPARTMENT OF LABOR REGULATION AT 29 C.F.R. § 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA, FOR PURPOSES OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE, “PLAN ASSETS” BY REASON OF AN EMPLOYEE BENEFIT PLAN’S OR PLAN’S INVESTMENT IN

THE PERSON OR ENTITY (EACH OF (I)-(III), A “**BENEFIT PLAN INVESTOR**”), OR (IV) A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (“**SIMILAR LAW**”), UNLESS, UNDER THIS SUBSECTION (IV), ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS CERTIFICATE (OR ANY INTEREST HEREIN) DOES NOT AND WILL NOT CONSTITUTE OR RESULT IN A VIOLATION OF ANY SIMILAR LAW; AND (B) IT AND ANY PERSON CAUSING IT TO ACQUIRE THIS CERTIFICATE (OR ANY INTEREST HEREIN) SHALL INDEMNIFY AND HOLD HARMLESS THE TRUST, THE TRUSTEE ADMINISTRATOR, THE TRUSTEE, THE OBLIGOR, THE ARRANGERS, THE DEALERS, THE DELEGATE, THE AGENTS AND THEIR RESPECTIVE AFFILIATES FROM ANY COST, DAMAGE OR LOSS INCURRED BY THEM AS A RESULT OF IT BEING OR BEING DEEMED TO BE A BENEFIT PLAN INVESTOR OR A PLAN SUBJECT TO ANY SIMILAR LAW. NO PURCHASE BY OR TRANSFER TO A BENEFIT PLAN INVESTOR OF THIS CERTIFICATE (OR ANY INTEREST HEREIN) WILL BE EFFECTIVE, AND NEITHER THE TRUSTEE NOR THE DELEGATE WILL RECOGNISE ANY SUCH ACQUISITION OR TRANSFER.

THE TRUSTEE MAY COMPEL EACH BENEFICIAL HOLDER HEREOF TO CERTIFY PERIODICALLY THAT SUCH OWNER IS A QIB THAT IS ALSO A QP.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE TRANSACTION DOCUMENTS REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”;

- (xvii) that the Certificates in registered form which are registered in the name of a nominee of DTC will bear an additional legend to the following effect unless otherwise agreed to by the Trustee:

“UNLESS THIS GLOBAL CERTIFICATE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION, (“**DTC**”), TO THE TRUSTEE OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY REGISTERED CERTIFICATE ISSUED IN EXCHANGE FOR THIS GLOBAL CERTIFICATE OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORISED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS GLOBAL SECURITY MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN THE DEPOSITORY TRUST COMPANY OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN THIS GLOBAL SECURITY, AND MAY NOT BE TRANSFERRED, IN WHOLE OR IN PART, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THIS

LEGEND. BENEFICIAL INTERESTS IN THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH THIS LEGEND.”;

- (xviii) if it holds an interest in an Unrestricted Global Certificate, that if it should resell or otherwise transfer the Certificates prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Certificates of the Tranche of which it forms part), it will do so only: (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act; or (ii) to a QIB that is also a QP in compliance with Rule 144A; and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Unrestricted Global Certificates will bear a legend to the following effect unless otherwise agreed to by the Trustee:

“THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE CERTIFICATES OF THE TRANCHE OF WHICH THIS CERTIFICATE FORMS PART.”; and

- (xix) that the Trustee, each Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Trustee; and if it is acquiring any Certificates as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Please see “*Form of the Certificates*”.

No sale of Legended Certificates in the United States to any one purchaser will be for less than U.S.\$200,000 (or the equivalent amount in a foreign currency) face amount and no Legended Certificate will be issued in connection with such a sale in a smaller face amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$200,000 (or the equivalent amount in a foreign currency) in face amount of Certificates.

CLEARING AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear and/or Clearstream (together, the “Clearing Systems”) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Trustee, the Obligor nor any other party to the Transaction Documents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Certificates held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The information in this section concerning the Clearing Systems has been obtained from sources that the Trustee and the Obligor believe to be reliable, but neither the Trustee, the Obligor nor any Agent or Dealer takes any responsibility for the accuracy thereof. The Trustee and the Obligor confirm that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

DTC Book-Entry System

Certificates whether as part of the initial distribution of the Certificates or in the secondary market, are eligible to be held in book-entry form in DTC.

DTC has advised the Trustee and the Obligor that it is a limited purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (“**Participants**”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants (“**Direct Participants**”) include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “**DTC Rules**”), DTC makes book-entry transfers of Certificates among Direct Participants on whose behalf it acts with respect to Certificates accepted into DTC’s book-entry settlement system (“**DTC Certificates**”) as described below, and receives and transmits distributions of principal and interest on DTC Certificates. The DTC Rules are on file with the SEC. Direct Participants and Indirect Participants with which beneficial owners of DTC Certificates (“**Owners**”) have accounts with respect to the DTC Certificates similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Certificates through Direct Participants or Indirect Participants will not possess Certificates, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest with respect to the DTC Certificates.

Purchases of DTC Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Certificates on DTC’s records. The ownership interest of each actual purchaser of each DTC Certificate (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Certificates, except in the event that use of the book-entry system for the DTC Certificates is discontinued.

To facilitate subsequent transfers, all DTC Certificates deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Certificates with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Certificates. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and profit payments on the DTC Certificates will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and profit to DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, DTC will exchange the DTC Certificates for Individual Certificates, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Restricted Global Certificate, will be legended as set forth under "*Transfer Restrictions*".

Book-entry Ownership of and Payments in respect of DTC Certificates

The Trustee may apply to DTC in order to have each Tranche of Certificates represented by the Restricted Global Certificate, and if applicable, the Unrestricted Global Certificate, accepted in its book-entry settlement system. Upon the issue of any Global Certificates, DTC or its custodian will credit, on its internal book-entry system, the respective face amounts of the individual beneficial interests represented by such Global Certificate to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer.

Ownership of beneficial interests in a Global Certificate will be limited to Direct Participants or Indirect Participants. Ownership of beneficial interests in a Global Certificate will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and profit in respect of a Global Certificate registered in the name of DTC's nominee will be made to the order of such nominee as the registered holder of such Certificate. In the case of any payment in a currency other than U.S. dollars, payment will be made to the relevant Paying Agent on behalf of DTC's nominee and the relevant Paying Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Global Certificate in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Trustee expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Trustee also expects that payments by Participants to beneficial owners of Certificates will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Paying Agents, the Registrars, the Delegate or the Trustee. Payments of principal, premium, if any, and profit, if any, on Certificates to DTC are the responsibility of the Trustee.

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system. Investors may hold their interests in Global Certificates directly through Euroclear or Clearstream if they are accountholders or indirectly through organisation which are accountholders therein.

Transfers of Certificates Represented by Global Certificates

Transfers of any interests in Certificates represented by a Global Certificate will be effected in accordance with the customary rules and operating procedures of Euroclear, Clearstream and/or DTC, as the case may be. The laws of some states within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Certificates represented by a Global Certificate to such persons may depend upon the ability to exchange such Certificates for Individual Certificates. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a Person having an interest in Certificates represented by a Global Certificate held by DTC to pledge such Certificates to persons or entities that do not participate in the DTC system or to otherwise take action in respect of such Certificates may depend upon the ability to exchange such Certificates for Certificates in definitive form. The ability of any holder of Certificates represented by a Global Certificate held by DTC to resell, pledge or otherwise transfer such Certificates may be impaired if the proposed transferee of such Certificates is not eligible to hold such Certificates through a direct or indirect participant in the DTC system.

Transfers at any time by a holder of a book-entry interest in a Restricted Global Certificate to a transferee who takes delivery of such book-entry interest through an Unrestricted Global Certificate for the same Series of Certificates will only be made upon delivery to the relevant Registrar of a certificate setting forth compliance with the provisions of Regulation S. Prior to the expiration of the distribution compliance period (as defined in Regulation S), ownership of book-entry interests in an Unrestricted Global Certificate will be limited to persons that have accounts with Euroclear, Clearstream and/or DTC, as the case may be, or persons who hold such book-entry interest through Euroclear, Clearstream and/or DTC, as the case may be, and any sale or transfer of such book-entry interest to a U.S. Person (within the meaning of Regulation S) shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A. Transfers at any time by a holder of a book-entry interest in an Unrestricted Global Certificate to a transferee who takes delivery of such book-entry interest through a Restricted Global Certificate for the same Series of Certificates will only be made upon receipt by the relevant Registrar or the relevant Transfer Agent of a written certificate from the transferor of such book-entry interest to the effect that such transfer is being made to a person whom such transferor, and any person acting on its behalf, reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Transfer Restrictions*” and in accordance with any applicable securities laws of any state of the United States.

Subject to compliance with the transfer restrictions applicable to the Registered Certificates described under “*Transfer Restrictions*”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrars, the Delegate and/or the Paying Agents, as the case may be, and any custodian with whom the relevant Global Certificates have been deposited.

On or after the relevant issue date for any Series, transfers of Certificates of such Series between accountholders in Euroclear or Clearstream and transfers of Certificates of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in DTC and Euroclear or Clearstream participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear or Clearstream on the other, transfers of interests in the relevant Global Certificates will be effected through the relevant Registrar and/or the relevant Transfer Agent, as the case may be, and the custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payments must be made separately.

Euroclear, Clearstream and DTC have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Global Certificates among participants and accountholders of Euroclear, Clearstream and DTC. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Trustee, the Obligor, the Delegate, the Agents or any Dealer(s) will be responsible for any performance by Euroclear, Clearstream and DTC or its respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Certificates represented by Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial interests.

GENERAL INFORMATION

Authorisation

Each of the Trustee and the Obligor has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme.

The establishment of the Programme and the issuance of Certificates thereunder has been duly authorised by a resolution of the board of directors of the Trustee dated 4 June 2021.

The establishment of the Programme and the issuance of Certificates thereunder has been duly authorised by a resolution adopted at a meeting of the Board of Directors of the Obligor held on 21 April 2016.

Each of the Trustee and the Obligor will obtain, from time to time, all necessary consents, approvals and authorisations in connection with the issue and performance of the Certificates.

Listing and Admission to Trading

It is expected that each Tranche of Certificates which is to be admitted for listing on the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of the Global Certificate representing the Certificates of that Tranche. The listing of the Programme in respect of Certificates to be issued under the Programme during the 12-month period from the date of this Base Prospectus is expected to be granted on or around 9 June 2021.

Unlisted Certificates may be issued pursuant to the Programme.

Documents Available

For the period of 12 months following the date of this Base Prospectus, physical copies of the following documents will, when published, be available for inspection and/or collection by Certificateholders from the registered office of the Obligor and from the specified office of the Principal Paying Agent, for the time being in 8 Canada Square, London, E14 5HQ, United Kingdom and on the website of the Obligor at www.aramco.com/investors:

- (i) the constitutional documents of each of the Trustee and the Obligor (with an English translation thereof, where applicable);
- (ii) the Financial Statements;
- (iii) the Master Trust Deed and the Agency Agreement;
- (iv) a copy of this Base Prospectus; and
- (v) any future base prospectuses, information memoranda, applicable Final Terms (save that the applicable Final Terms relating to a Certificate which is neither admitted to trading on a regulated market in the EEA or the UK nor offered in the EEA or the UK in circumstances where a Base Prospectus is required to be published under the Prospectus Regulation will only be available for inspection by a holder of such Certificate and such holder must produce evidence satisfactory to the Obligor and the Principal Paying Agent as to its holding of Certificates and identity) and supplements to this Base Prospectus and any other documents incorporated herein or therein by reference.

The English language translations of the constitutional documents of the Obligor are accurate and direct translations of the original foreign language documents. In the event of a discrepancy between the English language translation and the foreign language version, the foreign language version will prevail.

Clearing Systems

The Certificates have been accepted for clearance through DTC, Euroclear and Clearstream. The appropriate common code, International Securities Identification Number (ISIN) and/or the Committee on Uniform Security Identification Procedures (CUSIP) Number in relation to the Certificates of each Tranche will be specified in

the applicable Final Terms. The applicable Final Terms shall specify any other clearing system as shall have accepted the relevant Certificates for clearance together with any further appropriate information.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address of Clearstream is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Conditions for Determining Price

The price and amount of Certificates to be issued from time to time under the Programme will be determined by the Trustee, the Obligor and the relevant Dealers at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial performance or financial position of the Trustee and there has been no material adverse change in the prospects of the Trustee, in each case, since the date of its incorporation.

There has been no significant change in the financial performance or financial position of the Obligor and its subsidiaries, taken as a whole, since 31 March 2021, and no material adverse change in the prospects of the Obligor since 31 December 2020.

Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee is aware) in the 12 months preceding the date of this Base Prospectus that may have, or have in such period had, a significant effect on the Trustee's financial position or profitability.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Obligor is aware) in the 12 months preceding the date of this Base Prospectus that may have, or have in such period had, a significant effect on the Obligor's financial position or profitability.

Auditor

The current auditor of Saudi Aramco is PricewaterhouseCoopers Public Accountants. PricewaterhouseCoopers Public Accountants is registered with SOCPA, the professional body that oversees audit firms in the Kingdom of Saudi Arabia. Saudi Aramco's 2019 Financial Statements and 2020 Financial Statements included in this Base Prospectus have been audited by PricewaterhouseCoopers Public Accountants, independent auditor, as stated in its audit reports appearing herein. The business address of PricewaterhouseCoopers Public Accountants is c/o Saudi Aramco, P.O. Box 1659, Dhahran 31311, Kingdom of Saudi Arabia.

With respect to the unaudited financial information of Saudi Aramco for the three months period ended 31 March 2021, included in the Base Prospectus, PricewaterhouseCoopers Public Accountants reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated 3 May 2021 appearing herein states that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

Expert

Certain information in this Base Prospectus with respect to crude oil and condensate and natural gas reserves as at 31 December 2019 is derived from the report of D&M, an internationally recognised firm of independent reservoir engineers, and has been included herein upon the authority of said firm as an expert with respect to the matters covered by such report. D&M has given and not withdrawn its written consent to the issue of this Base Prospectus with the inclusion herein of its name and all references thereto. The letter of D&M attached hereto as Appendix C has been prepared at the request of Saudi Aramco.

Legal Entity Identifier

The LEI code of the Trustee is 5493007DFAVKU7UOGR47.

The LEI code of the Obligor is 5586006WD91QHB7J4X50.

Obligor Website, Websites and Web Links

The Obligor's website is www.aramco.com. The websites and/or web links referred to in this Base Prospectus are included for information purposes only and the content of such websites or web links is not incorporated into, and does not form part of, this Base Prospectus and has not been scrutinised or approved by the FCA.

Conditions for determining price

The price and amount of Certificates to be issued under the Programme will be determined at the time of issue in accordance with prevailing market conditions.

Dealers transacting with the Trustee and the Obligor

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Trustee or the Obligor in the ordinary course of business for which they may receive fees. They have received, or may in the future receive, customary fees and commission for these transactions.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Trustee or the Obligor or either of their agencies. Certain of the Dealers or their affiliates have a lending relationship with the Trustee and/or the Obligor, and of those that do, they may hedge their credit exposure to the Trustee and/or the Obligor consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions, which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Certificates issued under the Programme. Any such short positions could adversely affect future trading prices of Certificates issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Appendix A—Glossary of Defined Terms

2019 Financial Statements	The audited consolidated financial statements of Saudi Aramco for the year ended 31 December 2019 (with comparative data as at and for the year ended 31 December 2018) prepared in accordance with IFRS.
2020 Financial Statements	The audited consolidated financial statements of Saudi Aramco for the year ended 31 December 2020 (with comparative data as at and for the year ended 31 December 2019) prepared in accordance with IFRS.
2021 Three Month Interim Period Financial Statements	The condensed consolidated interim financial report of Saudi Aramco as at and for the three months period ended 31 March 2021 (unaudited) (with comparative data for the three months period ended 31 March 2020) prepared in accordance with IAS 34.
affiliate	A person who controls another person or is controlled by that other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect, save that where such term refers to the Trustee, it shall not include any other entities for which MaplesFS Limited acts as share trustee.
AGOC	Aramco Gulf Operations Company Ltd.
AOPC	Aramco Oil Pipelines Company.
API	The American Petroleum Institute, which is the major United States trade association for the oil and gas industry.
ARLANXEO	Arlanxeo Holding B.V., a wholly owned specialty chemicals subsidiary.
Arrangers	Citigroup Global Markets Limited, HSBC Bank plc, J.P. Morgan Securities plc and Morgan Stanley & Co. International plc.
ATC	Aramco Trading Company, a wholly owned subsidiary of the Obligor.
BP	BP plc.
Bylaws	The Bylaws of the Obligor, approved by Council of Ministers Resolution No. 180 dated 1/4/1439 in the Hijri calendar (corresponding to 19 December 2017), which came into effect on 1 January 2018.
CAGR	Compound annual growth rate (the average annual growth rate over a specified period of time longer than one year).
CASOC	California Arabian Standard Oil Company.
Certificates	The Trust Certificates issued under the Programme.
Chevron	Chevron Corporation.
Code	The U.S. Internal Revenue Code of 1986, as amended.
Companies Law	The Companies Law, issued under Royal Decree No. M/3, dated 28/1/1437 in the Hijri calendar (corresponding to 10 November 2015).

Concession Area	The territorial lands and maritime areas of the Kingdom other than those located in (i) the boundaries of the Holy Mosques in Makkah Al-Mukarramah and Madinah Al-Munawwarah, (ii) the partitioned territory and its adjoining offshore areas in accordance with the agreements between the Kingdom and the State of Kuwait and (iii) the common zone in the Red Sea in accordance with the agreement between the Kingdom and the Republic of Sudan.
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.
CRA Regulation	Regulation (EC) No. 1060/2009 (as amended).
Domestic Sukuk Programme	A Saudi domestic sukuk programme established by the Obligor on 22/6/1438 in the Hijri calendar (corresponding to 21 March 2017) and updated on 24 February 2021 for the issuance of up to \$10.0 billion (SAR 37.5 billion) in aggregate nominal amount of Sukuk.
D&M	DeGolyer & MacNaughton, Saudi Aramco's independent petroleum consultant.
Dealers	Citigroup Global Markets Limited, Goldman Sachs International, First Abu Dhabi Bank PJSC, HSBC Bank plc, J.P. Morgan Securities plc, Morgan Stanley & Co. International, NCB Capital Company, Standard Chartered Bank and any other Dealers appointed in accordance with the Dealer Agreement.
Delegate	HSBC Corporate Trustee Company (UK) Limited
Dow	Dow Inc.
EUWA	European Union (Withdrawal) Act 2018.
Excluded Areas	The limited area excluded from Saudi Aramco's rights under the Concession consisting of: (a) the boundaries of the Holy Mosques in Makkah Al-Mukarramah and Madinah Al-Munawwarah, (b) the partitioned territory and its adjoining offshore areas in accordance with the agreements between the Kingdom and the State of Kuwait and (c) the common zone in the Red Sea in accordance with the agreement between the Kingdom and the Republic of Sudan.
ExxonMobil	ExxonMobil Corporation.
FCA	The Financial Conduct Authority, a financial regulatory body in the United Kingdom.
Financial Statements	The 2019 Financial Statements, the 2020 Financial Statements and the 2021 Three Month Interim Period Financial Statements.
FREP	Fujian Refining & Petrochemical Company Ltd., a joint venture established among Saudi Aramco Sino Company Ltd., Fujian Petrochemical Company Ltd. (itself a joint venture between Sinopec and the Fujian, China provincial government) and ExxonMobil China Petroleum & Petrochemical Company Ltd.
FSIA	U.S. Foreign Sovereign Immunity Act.

Gas Field Development Area	The location of the relevant field in connection with a Gas Field Development Project.
Gas Field Development Project	Each development of specified non-associated gas fields located in the Concession Area.
GCC	The Cooperation Council for the Arab States of the Gulf, consisting of the member states of the Kingdom of Bahrain, State of Kuwait, Sultanate of Oman, State of Qatar, Kingdom of Saudi Arabia and United Arab Emirates.
GDP	Gross Domestic Product (the broadest quantitative measure of a nation's total economic activity, it represents the monetary value of all goods and services produced within a nation's geographic borders over a specified period of time).
GHG	Greenhouse gas.
Government	The Government of the Kingdom.
GSPR	The Law of Gas Supplies and Pricing enacted by Royal Decree No. M/36, dated 25/6/1424 in the Hijri calendar (corresponding to 23 August 2003).
Hydrocarbons Law	Law governing hydrocarbons, hydrocarbon resources, and hydrocarbon operations existing within the territory of the Kingdom, enacted by Royal Decree No. M/37, dated 2/4/1439 in the Hijri calendar (corresponding to 20 December 2017). See " <i>Regulation of the Oil and Gas Industry in the Kingdom—Law on Hydrocarbons</i> ".
Hyundai Oilbank	Hyundai Oilbank Co. Ltd
IAS 34	The International Accounting Standard 34 "Interim Financial Reporting" that is endorsed in the Kingdom.
IASB	The International Accounting Standards Board.
IFRS	International Financial Reporting Standards, that are endorsed in the Kingdom, and other standards and pronouncements endorsed by SOCPA.
Income Tax Law	Income Tax Law issued under Royal Decree No. M/1 dated 15/1/1425 in the Hijri calendar (corresponding to 6 March 2004) and its Implementing Regulations issued under Ministerial Resolution No. 1535 dated 11/6/1425 in the Hijri calendar (corresponding to 11 August 2004), as amended from time to time.
Industry Consultant	IHS Markit Ltd.
IRS	The U.S. Internal Revenue Service.
KAPSARC	King Abdullah Petroleum Studies and Research Center.
KAUST	King Abdullah University of Science and Technology.
KFUPM	King Fahd University of Petroleum and Minerals.
Lanxess	Lanxess Deutschland GmbH.
LCIA	The London Court of International Arbitration.

Luberef	Saudi Aramco Base Oil Company, a joint venture between Saudi Aramco and Jadwa Industrial Investment Company, which acquired its share from Mobil in 2007.
Market	The London Stock Exchange's main market.
MEIM	The Ministry of Energy, Industry and Mineral Resources of the Kingdom.
MENA	Middle East and North Africa.
MEWA	The Ministry of the Environment, Water and Agriculture of the Kingdom.
MGS	Master Gas System, an extensive network of pipelines that connects Saudi Aramco's key gas production and processing sites throughout the Kingdom.
Ministry of Energy	The Ministry of Energy of the Kingdom.
Ministry of Human Resources and Social Development	The Ministry of Human Resources and Social Development of the Kingdom.
Ministry of Industry and Mineral Resources	The Ministry of Industry and Mineral Resources of the Kingdom.
Ministry of Labour and Social Development	The Ministry of Labour and Social Development of the Kingdom.
Motiva	Motiva Enterprises LLC.
New York Convention	The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958.
Obligor	Saudi Arabian Oil Company (Saudi Aramco), a joint stock company incorporated under the laws of the Kingdom of Saudi Arabia with commercial registration number 2052101150.
OECD	Organisation for Economic Co-operation and Development.
OID	Original issue discount.
OPEC	Organisation of the Petroleum Exporting Countries.
Paris Agreement	The United Nations Framework Convention on Climate Change Paris Agreement.
Participants	Direct Participants and Indirect Participants.
person	Any natural or legal person recognised as such under the laws of the Kingdom.
Petro Rabigh	Rabigh Refining and Petrochemical Company, a venture established by Saudi Aramco and Sumitomo Chemical Co., Ltd. in 2005, which is a publicly traded company listed on Tadawul.
Petronas	Petroliam Nasional Bhd.
PFIC	Passive foreign investment company.
PIF	Public Investment Fund of the Kingdom.

PRefChem	Pengerang Petrochemical Company Sdn. Bhd. and Pengerang Refining Company Sdn. Bhd.
R&D	Research and development.
Registered Office Terms	The standard terms and conditions according to which the Trustee Administrator will provide registered office services to the Trustee.
Regulated Gas Products	Gas hydrocarbons which are subject to the Kingdom’s gas pricing regime, including natural gas, ethane and NGL (propane, butane and natural gasoline).
Regulation S	Regulation S under the Securities Act.
Reserved Areas	The areas reserved for Saudi Aramco’s operations within the Concession Area.
Rule 144A	Rule 144A under the Securities Act.
SABIC	Saudi Arabian Basic Industries Corporation.
Sadara	Sadara Chemical Company, a joint venture established by Saudi Aramco and Dow Saudi Arabia B.V. in 2011.
SADCO	Saudi Aramco Development Company.
SAMREF	Saudi Aramco Mobil Refinery Company Limited, a joint venture established by Saudi Aramco and Mobil Yanbu’ Refining Company Inc. in 1982.
SAR or Saudi Riyal	Saudi Arabian Riyal, the lawful currency of the Kingdom.
SASREF	Saudi Aramco Jubail Refinery Company a subsidiary of Saudi Aramco, formerly known as Saudi Aramco Shell Refinery Company, a joint venture established by Saudi Aramco and Shell Saudi Arabia (Refining) Limited in 1982.
SATORP	Saudi Aramco Total Refining and Petrochemical Company, a joint venture established by Saudi Aramco and Total Refining Saudi Arabia SAS in 2008.
Saudi Aramco	Saudi Arabian Oil Company (Saudi Aramco) together with its consolidated subsidiaries, and where the context requires, its joint operations, joint ventures and associates.
Securities Act	The U.S. Securities Act of 1933, as amended.
Senior Executives	The members of the senior management of Saudi Aramco listed in “ <i>Management—Senior Management</i> ”.
Senior Management	The Senior Executives and other officers of Saudi Aramco who, while subordinate to the Senior Executives, are still involved in the management of Saudi Aramco and participate in driving its strategies, decisions or operations.
Share Trustee	MaplesFS Limited in its capacity as share trustee.
SOFR	The Secured Overnight Financing Rate.
SONIA	The Sterling Overnight Index Average.
Shari’a	Islamic religious law.

Shell	Royal Dutch Shell plc.
short-term Certificate	A Certificate that matures one year or less from its date of issuance.
Sinopec	China Petroleum & Chemical Corporation.
Socal	Standard Oil of California.
SOCPA	Saudi Organisation for Chartered and Professional Accountants (formally known as Saudi Organisation for Certified Public Accountants).
SPE-PRMS	Society of Petroleum Engineers—Petroleum Resources Management System.
Stellar	Stellar Insurance, Ltd.
STEM	Science, technology, engineering and mathematics.
Sumitomo	Sumitomo Chemical Co., Ltd.
Tadawul	The Saudi Stock Exchange, the sole entity authorised in the Kingdom to act as a securities exchange.
Total	Total S.A.
Trustee	SA Global Sukuk Limited, an exempted company incorporated with limited liability in the Cayman Islands with registered number 375160.
Trustee Administrator	MaplesFS Limited in its capacity as the administrator of the Trustee.
UK Benchmarks Regulation	Regulation (EU) 2016/1011 as it forms part of the domestic law of the United Kingdom by virtue of the EUWA.
UK CRA Regulation	Regulation (EC) No. 1060/2009 as it forms part of the domestic law of the United Kingdom by virtue of the EUWA
VAT	Value-added tax.
Volcker Rule	Section 619 of the U.S. Dodd-Frank Act and the corresponding implementing regulations.
VRDI	A variable rate debt instrument.
YASREF	Yanbu’ Aramco Sinopec Refinery Company Limited, a joint venture established by Saudi Aramco and Sinopec Century Bright Capital Investment (Amsterdam) B.V. in 2010.
ZATCA	The Saudi Arabian Zakat, Tax and Customs Authority.

Appendix B—Glossary of Measurement and Technical Terms

Certain Abbreviations and Related Terms

barrels or bbls	Barrels of crude oil, condensate or refined products.
boe	Barrels of oil equivalent.
bscf	Billion standard cubic feet.
bTU	British Thermal Unit.
kBTU	Thousand British Thermal Units.
m	Metres.
m²	Square metres.
mboed	Thousand barrels of oil equivalent per day.
mmbbl	Million barrels.
mmboe	Million barrels of oil equivalent.
mbpd	Thousand barrels per day.
mmBTU	Million British Thermal Units.
mmscfd	Million standard cubic feet per day.
scf	Standard cubic feet.

Certain Terminology

Arabian Extra Light (AXL)	Crude oil with API gravity of 36° to 40° and sulphur content between 0.5% and 1.3%.
Arabian Heavy (AH)	Crude oil with API gravity less than 29° and sulphur content greater than 2.9%.
Arabian Light (AL)	Crude oil with API gravity of 32° to 36° and sulphur content between 1.3% and 2.2%.
Arabian Medium (AM)	Crude oil with API gravity of 29° to 32° and sulphur content between 2.2% and 2.9%.
Arabian Super Light (ASL)	Crude oil with API gravity more than 40° and sulphur content less than 0.5%.
catalytic cracking	A process by which hydrocarbon molecules are broken down (cracked) into lighter fractions by the action of a catalyst.
condensate	Light hydrocarbon substances produced with gas which condenses into liquid at normal temperatures and pressures associated with surface production equipment.
delineation	A process by which new wells are drilled in order to determine the boundaries of a discovered oil or gas field, both its areal extent and its vertical hydrocarbon column.

distillation	A process by which components of a substance are separated by heat or refined by condensation from the resulting vapours.
gross capacity	The total combined capacity of Saudi Aramco and the joint ventures and other entities in which Saudi Aramco owns an equity interest.
gross refining capacity	The total combined refining capacity of Saudi Aramco and the joint ventures and other entities in which Saudi Aramco owns an equity interest.
Hydrocarbons	Crude oil and other hydrogen and carbon compounds in liquid or gaseous state.
lifting costs	Oil and gas operations (i) production related expenses; (ii) taxes other than income taxes (if applicable); and (iii) production related general and administrative expenses. Lifting costs exclude exploration, royalty, R&D and depreciation costs.
liquids	Crude oil, condensate and NGL.
LNG	Liquefied natural gas.
LPG	Liquefied petroleum gas, which is a mixture of saturated and unsaturated hydrocarbons, with up to five carbon atoms, used as household fuel.
Maximum Reservoir Contact Wells	Multilateral wells that come into contact with more than five kilometres of the reservoir.
MSC	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.
MTBE	Methyl tertiary butyl ether.
net capacity	The capacity of Saudi Aramco, including the capacity of its joint ventures and other entities, multiplied by Saudi Aramco's equity interest in the relevant joint venture or entity.
net refining capacity	Saudi Aramco's equity share of its gross refining capacity, calculated by multiplying the gross refining capacity of each refinery in which Saudi Aramco has an interest by Saudi Aramco's percentage equity ownership in the entity that owns the refinery.
NGL	Natural gas liquids, which are liquid or liquefied hydrocarbons produced in the manufacture, purification and stabilisation of natural gas. For purposes of reserves, ethane is included in NGL. For purposes of production, ethane is reported separately and excluded from NGL.

production costs	The sum of operating costs (or lifting costs as defined by the Industry Consultant) and depreciation, reflecting both the erosion of asset value over time and the cost of operating the business.
proved reserves	Those quantities of liquids and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.
reserves life	Calculated on a barrel of oil equivalent by dividing proved reserves as at a given year-end by production for that year.
reserves replacement ratio	The reserves added during a period divided by production for that period.
water cut	Ratio of water produced compared to the volume of total liquids produced from an oil or gas well.

APPENDIX C—CERTIFICATION LETTER OF D&M

DEGOLYER AND MACNAUGHTON

5001 SPRING VALLEY ROAD
SUITE 800 EAST
DALLAS, TEXAS 75244

February 24, 2020

Saudi Arabian Oil Company
P.O. Box 11158
Dhahran 31311
Kingdom of Saudi Arabia

Re: Proved Oil, Condensate, Liquefied Petroleum Gas, and Marketable Gas
Reserves Under the 60-Year License Term

Gentlemen:

Pursuant to your request, this report of third party presents an independent evaluation, as of December 31, 2019, of the extent of the proved oil, condensate, liquefied petroleum gas (LPG), and marketable gas reserves of certain properties onshore and offshore the Kingdom of Saudi Arabia in which Saudi Arabian Oil Company has represented it holds a 100-percent interest. This evaluation was completed on February 24, 2020. The properties evaluated include certain fields and reservoirs referred to and listed herein but do not include all fields and reservoirs held by Saudi Arabian Oil Company. Saudi Arabian Oil Company has represented that these properties account for approximately 85 percent of Saudi Arabian Oil Company's net proved oil reserves as of December 31, 2019. The proved reserves estimates prepared by us have been prepared in accordance with the Petroleum Resources Management System (PRMS) approved in March 2007 and revised in June 2018 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, the Society of Petroleum Evaluation Engineers, the Society of Exploration Geophysicists, the Society of Petrophysicists and Well Log Analysts, and the European Association of Geoscientists & Engineers. These reserves definitions are discussed in detail under the Definition of Reserves heading of this report.

Reserves estimated herein are expressed as gross reserves and net reserves. Gross reserves are defined as the total estimated petroleum remaining to be produced from these properties after December 31, 2019. Net reserves are defined as that from these properties after December 31, 2019. Net reserves are defined as that

portion of the gross reserves attributable to the interests held by Saudi Arabian Oil Company after deducting interests held by others. Saudi Arabian Oil Company has represented that it holds 100 percent of the interests evaluated herein; therefore, net reserves are equivalent to gross reserves for the purposes of this report.

Saudi Arabian Oil Company has represented that it holds interests in certain properties onshore and offshore the Kingdom of Saudi Arabia. Proved reserves have been estimated for 104 reservoirs in 32 fields in this report.

Field	Reservoir	Field	Reservoir	Field	Reservoir
Abqaiq	Arab-C	Ghawar Hawiyah	Arab-D	Manifa	Arab-A
	Arab-D		Jauf		Post Arab-B
	Hanifa		Khuff-B		Arab-B
Abu Hadriya	Hadriya		Khuff-C		Arab-C/D
Abu Jifan	Arab-D	Ghawar Shedgum	Post Arab-D		Hith Stringers
Abu Sa'fah	Arab-C		Arab-D		Manifa
	Arab-D		Jauf		Lower Ratawi
	Lower Ratawi		Khuff-B		Upper Ratawi
	Upper Ratawi		Khuff-C	Mazalij	Arab-D
Berri	Arab-A	Ghawar Uthmaniyah	Arab-D	Midrikah	Unayzah-A
	Post Arab-B		Khuff-B	Midyan	Wadi Waqb
	Arab-B		Khuff-C	Nuayyim	Unayzah-A
	Arab-C	Ghazal	Unayzah		Unayzah-B
	Arab-D	Harmaliyah	Arab-D	Nujayman	Unayzah-A
	Hadriya	Juraybi'at	Arab-A	Qatif	Arab-A
	Hanifa		Post Arab-B		Arab-B
	Upper Fadhili		Arab-B		Arab-C
Dammam	Arab-A/B		Post Arab-C		Arab-D
	Arab-C		Arab-C		Fadhili
	Arab-D		Post Arab-D	Qirdi	Arab-D
Fadhili	Arab-D		Arab-D		Lower Fadhili
	Fadhili	Karan	Khuff-A	Safaniya	Ahmadi
Farhah	Arab-D		Khuff-B/C		Khafji
Ghawar Ain Dar	Post Arab-D	Khurais	Arab-D		Mauddud
	Arab-D		Hanifa		Ratawi
	Lower Fadhili		Lower Fadhili		Safaniya
	Khuff-B	Khursaniyah	Arab-A		Wara
Ghawar Fazran	Arab-D		Arab-B		Zubair
	Lower Fadhili		Arab-C	Shaybah	Shu'aiba
	Khuff-B		Arab-D	Tinat	Unayzah
Ghawar Haradh	Arab-D		Hanifa	Zuluf	Khafji
	Khuff-A		Khuff-B		Mauddud
	Khuff-B		Khuff-C		Ratawi
	Khuff-C				Safaniya
	Unayzah				Shu'aiba
					Zubair

No other reservoirs in these fields and no other fields and reservoirs held by Saudi Arabian Oil Company were evaluated in this report.

The interests evaluated in this report are held through contractual instruments and decrees as represented by Saudi Arabian Oil Company, including

Article 3 of the “Concession Agreement by and between The Government of the Kingdom of Saudi Arabia and The Saudi Arabian Oil Company.” Article 3 grants rights of exploration and production of petroleum for an initial term of 40 years from January 1, 2018, and allows an extension of 20 years that is administrative in nature. The license grant also allows for another 40-year extension (which would result in a total term of 100 years) that is subject to negotiation near the time of initial expiration of the extended term. As such, for the purposes of this report, a 60-year total license term from January 1, 2018, which is the initial 40-year term plus the first 20-year extension, was presumed for proved reserves. During the course of this evaluation, we had the opportunity to review certain documents related to the license arrangements; however, we, as engineers, cannot express an opinion as to the accounting or legal aspects of those agreements. If any components of this license grant were to change, such changes could materially impact the results herein.

Estimates of reserves should be regarded only as estimates that may change as further production history and additional information become available. Not only are such estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information.

Information used in this independent evaluation was obtained from Saudi Arabian Oil Company files and from reviews with Saudi Arabian Oil Company personnel. In the preparation of this report we have relied, without independent verification, upon such information furnished by Saudi Arabian Oil Company with respect to the property interests being evaluated, production from such properties, current costs of operation and development, current prices for production, agreements relating to current and future operations and sale of production, and various other information and data that were accepted as represented. A field examination of certain properties was completed for the purposes of this report.

This report was prepared in February 2020; therefore, certain events that may have occurred before the preparation of this report but after the “as-of” date of December 31, 2019, which might have affected the estimates presented herein, were not taken into account.

Definition of Reserves

Estimates of proved reserves presented in this report have been prepared in accordance with the PRMS approved in March 2007 and revised in June 2018 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, the Society of Petroleum Evaluation Engineers, the Society of Exploration Geophysicists, the Society of Petrophysicists and Well Log Analysts, and the European Association of Geoscientists & Engineers. Only proved reserves have been evaluated for this report. The petroleum reserves are defined as follows:

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: discovered, recoverable, commercial, and remaining (as of the evaluation's effective date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be subclassified based on project maturity and/or characterized by development and production status.

Proved Reserves are those quantities of petroleum that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from a given date forward from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term "reasonable certainty" is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the estimate.

Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are

used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

Possible Reserves are those additional reserves that analysis of geoscience and engineering data indicates are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high-estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

Once projects satisfy commercial maturity, the associated quantities are classified as Reserves. These quantities may be allocated to the following subdivisions based on the funding and operational status of wells and associated facilities within the reservoir development plan:

Developed Reserves are quantities expected to be recovered from existing wells and facilities. Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-Producing.

Developed Producing Reserves are expected quantities to be recovered from completion intervals that are open and producing at the effective date of the estimate. Improved recovery Reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing Reserves include shut-in and behind-pipe reserves. Shut-in Reserves are expected to be recovered from (1) completion intervals that are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from

zones in existing wells that will require additional completion work or future re-completion before start of production with minor cost to access these reserves. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

Undeveloped Reserves are quantities expected to be recovered through future significant investments. Undeveloped Reserves are to be produced (1) from new wells on undrilled acreage in known accumulations, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g., when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

The extent to which probable and possible reserves ultimately may be recategorized as proved reserves is dependent upon future drilling, testing, and well performance. The degree of risk to be applied in evaluating probable and possible reserves is influenced by economic and technological factors as well as the time element. No probable or possible reserves have been evaluated for this report.

Methodology and Procedures

Estimates of reserves were prepared by the use of appropriate geologic, petroleum engineering, and evaluation principles and techniques that are in accordance with practices generally recognized by the petroleum industry and in accordance with definitions established by the PRMS. The method or combination of methods used in the analysis of each reservoir was tempered by experience with similar reservoirs, stage of development, quality and completeness of basic data, and production history.

Based on the current stage of field development, production performance, the development plans provided by Saudi Arabian Oil Company, and analyses of areas offsetting existing wells with test or production data, reserves were categorized as proved.

Saudi Arabian Oil Company has represented that its senior management is committed to the development plans provided by Saudi Arabian Oil Company and that Saudi Arabian Oil Company has the financial capability to execute the development plans, including the drilling and completion of wells and the installation of equipment and facilities.

When applicable, the volumetric method was used to estimate the original oil in place (OOIP) and original gas in place (OGIP). Structure maps were prepared to delineate each reservoir, and isopach maps were constructed to estimate reservoir volume. Electrical logs, radioactivity logs, core analyses, and other available data were used to prepare these maps as well as to estimate representative values for porosity and water saturation. When adequate data were available and when circumstances justified, material-balance and other engineering methods were used to estimate OOIP and/or OGIP.

Estimates of ultimate recovery were obtained after applying recovery factors to OOIP and/or OGIP. These recovery factors were based on the type of energy inherent in the reservoirs, analyses of the petroleum, the structural positions of the properties, and the production histories. When applicable, material balance and other engineering methods were used to estimate recovery factors based on an analysis of reservoir performance, including production rate, reservoir pressure, and reservoir fluid properties

For depletion-type reservoirs or those whose performance disclosed a reliable decline in producing-rate trends or other diagnostic characteristics, reserves were estimated by the application of appropriate decline curves or other performance relationships. In the analyses of production-decline curves, reserves were estimated only to the limits of economic production as defined under the Definition of Reserves heading of this report or to the license limit, whichever occurs first.

In certain cases, reserves were estimated by incorporating elements of analogy with similar wells or reservoirs for which more complete data were available.

Future oil and gas producing rates estimated for this report were based on information provided by Saudi Arabian Oil Company. Saudi Arabian Oil Company has represented that the rates used for the production forecasts herein are within the capacity of the wells or reservoirs to produce.

The reserves estimates presented herein were generally based on consideration of drilling results, analyses of geophysical and geological data, well-test results, pressures, and core data available only through September 30, 2019. Production data from wells drilled on the properties evaluated herein were provided only through September 30, 2019. Where applicable, estimated gross production through December 31, 2019, was deducted from gross ultimate recovery to arrive at gross reserves. This required that production be estimated for 3 months.

Oil and condensate reserves estimated herein are those to be recovered by normal field separation. LPG reserves include all liquids that result from plant processing, inclusive of ethane, butane, propane, and some heavier liquids. The estimates herein of oil, condensate, and LPG reserves are reported in millions of barrels (10^6 bbl), where 1 barrel equals 42 United States gallons. For reporting purposes, condensate and LPG reserves have been estimated separately and are presented herein as a summed quantity.

Gas quantities estimated herein are expressed as marketable gas. Separator gas is defined as the gas produced from the wells after field separation but prior to gas processing and shrinkage from field handling or fuel use. Sales gas is defined as the separator gas after reduction for gas injection and shrinkage from field handling, fuel usage, gas processing, and line losses measured at the point of delivery. Marketable gas is defined as sales gas plus fuel. Gas reserves are reported as marketable gas in this report. The fuel gas quantities included in this report as a portion of marketable gas reserves attributable to Saudi Arabian Oil Company equal 9,890 billion cubic feet (10^9 ft³). Gas reserves estimated herein are expressed at a temperature base of 60 degrees Fahrenheit (°F) and a pressure base of 14.7 pounds per square inch absolute (psia) and are reported in 10^9 ft³.

Gas quantities estimated herein are identified by the type of reservoir from which the gas will be produced. Nonassociated gas is gas at initial reservoir conditions with no oil present in the reservoir. Associated gas is both gas-cap gas and solution gas. Gas-cap gas is gas at initial reservoir conditions and is in communication with an underlying oil zone. Solution gas is gas dissolved in oil at initial reservoir conditions. Gas quantities estimated herein include both associated and nonassociated gas.

For the purposes of this report, marketable gas reserves estimated herein were converted to oil equivalent using an energy equivalent factor of 6,000 cubic feet of gas per 1 barrel of oil equivalent.

The estimates reported herein are limited to the expiration of the licenses for developing and producing the properties evaluated. As described herein and for the purposes of this report, the expiration for all licenses is December 31, 2077, which reflects 60 years from the license commencement.

Primary Economic Assumptions

This report has been prepared using forecast prices, expenses, and costs provided by Saudi Arabian Oil Company in United States dollars (U.S.\$). The following economic assumptions were used for estimating the reserves reported herein:

Oil, Condensate, LPG, and Sales Gas Prices

Saudi Arabian Oil Company provided all historical pricing information, and it has represented that the provided oil, condensate, and LPG (propane and butane) prices were the average monthly prices for each month, January through December 2019. The crude oil prices for the differing grades of crude, based on the December 2019 average prices, utilized for this report, expressed in United States dollars per barrel (U.S.\$/bbl), were as follows:

<u>Crude Type</u>	<u>Price (U.S.\$/bbl)</u>
Arab Heavy	60.69
Arab Medium	62.46
Arab Light	64.62
Arab Extra Light	66.88
Arab Super Light	71.94

The average condensate price was U.S.\$67.16 per barrel. LPG prices were provided separately for propane and butane and were U.S.\$37.93 per barrel and U.S.\$39.22 per barrel, respectively. Ethane is also considered LPG in this report, but pricing was based on the gas price discussed below. For reference, the unweighted arithmetic average of the first-day-of-the-month Brent crude price U.S.\$67.31 per barrel in December

2019. These average prices were utilized for the valuation herein, with all prices held constant for the life of the evaluation.

The gas sales prices used for this report were based on the existing gas sales and purchase agreement between the Kingdom of Saudi Arabia and the Saudi Arabian Oil Company, which specifies prices for sales gas based on gas type (associated or nonassociated), location of the source field, and the year of production. The gas sales prices, expressed in United States dollars per million Btu (U.S.\$/10⁶Btu), were as follows:

Year	Gas Prices (U.S.\$/10 ⁶ Btu)			
	Associated Gas	Northern Area Nonassociated Gas	Southern Area Nonassociated Gas	Fadhili Increment Nonassociated Gas
2020	0.31	3.84	1.52	3.81

The sales gas prices were held constant for the lives of the fields after 2020.

Ethane is referenced as part of the LPG reserves estimated in this report, but the pricing was based on the same location and source criteria as gas prices. Ethane prices used in this report are shown below, expressed in United States dollars per barrel (U.S.\$/bbl):

Year	Ethane Prices (U.S.\$/bbl)			
	Associated Gas	Northern Area Nonassociated Gas	Southern Area Nonassociated Gas	Fadhili Increment Nonassociated Gas
2020	3.58	14.45	7.30	14.36

The ethane prices were held constant for the lives of the fields after 2020.

Operating Expenses, Capital Costs, and Abandonment Costs

Operating expenses, capital costs, and abandonment costs, based on information provided by Saudi Arabian Oil Company,

were used in estimating future costs required to operate the properties. In certain cases, future expenditures, either higher or lower than current expenditures, may have been used because of anticipated changes in operating conditions, but no general escalation that might result from inflation was applied. Abandonment costs, which are those costs associated with the removal of equipment, plugging of wells, and reclamation and restoration associated with the abandonment, were provided by Saudi Arabian Oil Company and were not adjusted for inflation.

Royalty and Other Payments

Production from the fields evaluated herein are subject to royalty due to the Kingdom of Saudi Arabia. The royalty is assessed, before income taxes, on oil and condensate based on a tiered system of marginal rates (increasing royalty percentages applied to the increment above the previous tier) relative to the Brent crude oil price, expressed in United States dollars per barrel (U.S.\$/bbl), as follows:

<u>Oil Price</u>	<u>Royalty (%)</u>
Less Than or Equal to U.S.\$70.00/bbl	15
Greater Than U.S.\$70.00/bbl but Less Than U.S.\$100.00/bbl	45
Greater Than or Equal to U.S.\$100.00/bbl	80

Note: Royalty over 15 percent is applied to the incremental revenue generated above the previous tier price. Condensate is not subject to royalty through 2032.

Sales gas and ethane are not subject to royalty; however, propane, butane, and other LPG are subject to a fixed royalty of 12.5 percent applied to U.S.\$0.035 per 10⁶Btu.

For the Abu Sa'fah field, there is an agreement to pay another party 50 percent of the future net revenue before taxes.

Income Tax

Future net revenue from the fields is subject to an income tax imposed by the Kingdom of Saudi Arabia. The statutory rate for oil and associated gas revenue is 50 percent, and the statutory rate is 20 percent for nonassociated gas and plant liquid (from processed associated and nonassociated gas) revenue. Expenses are fully deductible, but capital expenditures are depreciated using a 20-percent annual rate. Tax losses can be carried forward subject to an application limit of 25 percent of annual profit in a given year.

Summary of Conclusions

Saudi Arabian Oil Company has represented that it holds interests in certain properties onshore and offshore the Kingdom of Saudi Arabia evaluated herein. Saudi Arabian Oil Company has represented that its estimates of the proved reserves, as of December 31, 2019, attributable to Saudi Arabian Oil Company's interests in the properties evaluated in this report are summarized as follows, expressed in millions of barrels (10⁶bbl), billions of cubic feet (10⁹ft³), and millions of barrels of oil equivalent (10⁶boe):

	Estimated by Saudi Arabian Oil Company Proved Reserves Summary		
	Oil, Condensate, and LPG (10⁶bbl)	Marketable Gas (10⁹ft³)	Oil Equivalent (10⁶boe)
Total Proved			
Gross	193,836	111,758	212,462
Net	193,836	111,758	212,462

Note: Marketable gas reserves estimated herein were converted to oil equivalent using an energy equivalent factor of 6,000 cubic feet of gas per 1 boe.

Saudi Arabian Oil Company has represented that its estimates of proved reserves have been estimated in accordance with the reserves definitions of the PRMS. Based on a procedural review conducted by DeGolyer and MacNaughton, Saudi Arabian Oil Company has conducted its internal estimates of reserves in accordance with the PRMS and by the use of recognized geologic and engineering methods that are generally accepted by the petroleum industry.

DeGolyer and MacNaughton's independent estimate of the proved reserves, as of December 31, 2019, attributable to Saudi Arabian Oil Company's interests in the properties evaluated in this report are summarized as follows, expressed in millions of barrels (10⁶bbl), billions of cubic feet (10⁹ft³), and millions of barrels of oil equivalent (10⁶boe):

Estimated by DeGolyer and MacNaughton Proved Reserves Summary			
	Oil, Condensate, and LPG (10⁶bbl)	Marketable Gas (10⁹ft³)	Oil Equivalent (10⁶boe)
Total Proved			
Gross	196,234	107,728	214,189
Net	196,234	107,728	214,189

Notes:

1. Marketable gas reserves estimated herein were converted to oil equivalent using an energy equivalent factor of 6,000 cubic feet of gas per 1 barrel of oil equivalent.
2. The fuel gas quantities included in this report as a portion of marketable gas reserves attributable to Saudi Arabian Oil Company equal 9,890 10⁹ft³.
3. The oil, condensate, and LPG reserves in this table include 167,169 10⁶ bbl of oil, 4,485 10⁶bbl of condensate, and 24,580 10⁶bbl of LPG.

In comparing the detailed proved reserves estimates prepared by DeGolyer and MacNaughton and those prepared by Saudi Arabian Oil Company for the properties evaluated, differences have been found, both positive and negative, in reserves estimates for individual properties that result in an aggregate difference of approximately 1 percent. It is DeGolyer and MacNaughton's opinion that the proved reserves estimates prepared by Saudi Arabian Oil Company on the properties evaluated by DeGolyer and MacNaughton and referred to above, when compared on the basis of net millions of barrels of oil equivalent, in aggregate, do not differ materially from those prepared by DeGolyer and MacNaughton.

While the oil and gas industry may be subject to regulatory changes from time to time that could affect an industry participant's ability to recover its reserves, this report and the estimated reserves were prepared based on the prevailing regulatory structure in the Kingdom of Saudi Arabia as of December 31, 2019.

DeGolyer and MacNaughton is an independent petroleum engineering consulting firm that has been providing petroleum consulting services throughout the world since 1936. Our fees were not contingent on the results of our evaluation. This report has been prepared at the request of Saudi Arabian Oil Company. DeGolyer and MacNaughton has used all assumptions, data, procedures, and methods that it considers necessary and appropriate to prepare this report.

Submitted,



DeGOLYER and MacNAUGHTON

Texas Registered Engineering Firm F-716



Regnald A. Boles, P.E.
Senior Vice President
DeGolyer and MacNaughton

CERTIFICATE of QUALIFICATION

I, Regnald A. Boles, Petroleum Engineer with DeGolyer and MacNaughton, 5001 Spring Valley Road, Suite 800 East, Dallas, Texas, 75244 U.S.A., hereby certify:

1. That I am a Senior Vice President with DeGolyer and MacNaughton, which firm did prepare the report of third party addressed to Saudi Arabian Oil Company dated February 24, 2020, and that I, as Senior Vice President, was responsible for the preparation of this report of third party.
2. That I attended Texas A&M University, and that I graduated with a Bachelor of Science degree in Petroleum Engineering in the year 1983; that I am a Registered Professional Engineer in the State of Texas; that I am a member of the Society of Petroleum Engineers; and that I have approximately 36 years of experience in oil and gas reservoir studies and reserves evaluations.

SIGNED: February 24, 2020



A handwritten signature in black ink that reads "Regnald A. Boles". The signature is written in a cursive style and is positioned above a horizontal line.

Regnald A. Boles, P.E.
Senior Vice President
DeGolyer and MacNaughton

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31 December 2020**

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SAUDI ARABIAN OIL COMPANY

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**



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

Report on the audit of the consolidated financial statements

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

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

Basis for opinion

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

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

Independence

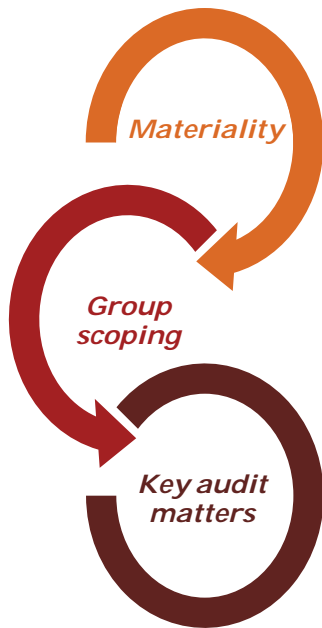
We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.



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

Our audit approach

Overview



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

Based on their size, complexity and risk:

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

Our key audit matters comprise the following:

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

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

Materiality

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

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



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

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

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

How we tailored our Group audit scope

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

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

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

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

Key audit matters

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



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

Key audit matter	How our audit addressed the key audit matter
<p>Accounting for the acquisition of SABIC</p> <p>The Company acquired a 70% equity interest in SABIC in June 2020.</p> <p>The total purchase consideration was SAR 259.1 billion for acquisition of identifiable net assets with preliminary fair values of SAR 260.7 billion. Non-controlling interests of SAR 100.7 billion and goodwill of SAR 99.1 billion were recognised as part of the transaction.</p> <p>The acquisition was accounted for in accordance with IFRS 3 'Business Combinations', that is endorsed in the Kingdom of Saudi Arabia, and required management to make significant estimates as part of determining the preliminary fair values of the identifiable assets acquired and liabilities assumed.</p> <p>The Group engaged an independent valuer in order to determine the fair value of the purchase consideration and the preliminary fair values that formed part of the purchase price allocation.</p> <p>We considered this to be a key audit matter given the significant estimates involved in determining the preliminary fair values of the identifiable assets acquired and liabilities assumed.</p> <p><i>Refer to Note 2(e) and Note 4 to the consolidated financial statements for further information.</i></p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • We read the share purchase agreement and tested the appropriateness of the fair value of the purchase consideration. • We assessed the competency, objectivity and independence of the independent valuer engaged by the Group. • With input from internal valuation experts (where considered necessary), we performed the following procedures, in relation to the preliminary fair values of the identifiable net assets that formed part of the purchase price allocation, as deemed appropriate: <ul style="list-style-type: none"> - Considered the appropriateness of the methodology and assumptions used in determining the preliminary fair values based on the applicable financial reporting requirements and established market practice; - Compared certain key unobservable inputs underlying the preliminary fair values to supporting documentation such as approved financial plans; and - Evaluated the reasonableness of certain observable inputs and/or the resulting preliminary fair values based on comparable market data. • We considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.



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

Key audit matter

How our audit addressed the key audit matter

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

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

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

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

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

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

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

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

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

Our procedures included the following:

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



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

Other information

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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



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

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

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be "Bader I. Benmohareb", written over a light gray rectangular background.


Bader I. Benmohareb
License No. 471

March 18, 2021

Consolidated statement of income

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

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



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



Amin H. Nasser
President & Chief Executive Officer




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

Consolidated statement of comprehensive income

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

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

Saudi Arabian Oil Company | Consolidated financial statements for the year ended December 31, 2020



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



Amin H. Nasser
President & Chief Executive Officer




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

Consolidated balance sheet

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

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


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


Amin H. Nasser
 President & Chief Executive Officer

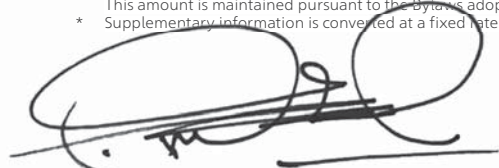

Khalid H. Al-Dabbagh
 Senior Vice President,
 Finance, Strategy & Development

Consolidated statement of changes in equity


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

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

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


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

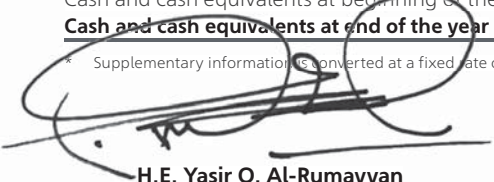

Amin H. Nasser
 President & Chief Executive Officer


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


Consolidated statement of cash flows

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

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


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


Amin H. Nasser
President & Chief Executive Officer


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

Notes to the consolidated financial statements

1. General information

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

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

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

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

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

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

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

2. Summary of significant accounting policies, judgments and estimates

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

(a) Basis of preparation

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

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

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

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

(b) Fiscal regime changes

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

- (i) The Company and the Government executed an amendment to the Concession Agreement, which changed the effective royalty rate applied to crude oil production based on the Company's official selling prices. The effective royalty rate is determined based on a baseline marginal rate of 15% (from 20%) applied to prices up to \$70 per barrel, increasing to 45% (from 40%) applied to prices above \$70 per barrel and 80% (from 50%) applied to prices above \$100 per barrel.
- (ii) LPGs and certain other products were added to the price equalization mechanism to compensate the Company for revenue directly forgone as a result of the Company's compliance with the Government mandates related to domestic sales of those products by the Company.
- (iii) The tax rate applicable to the Company's Downstream activities was reduced from the 50% rate applicable to qualified domestic oil and hydrocarbon production companies to the general corporate tax rate of 20% applicable to similar domestic downstream companies under the Saudi Arabian Income Tax Law of 2004 and its amendments (the "Tax Law"). The new rate is conditioned on the Company separating its Downstream activities under the control of one or more separate wholly owned subsidiaries before December 31, 2024, otherwise, the Company's Downstream activities will be retroactively taxed at 50%. The Company expects to transfer all its Downstream activities into a separate legal entity or entities within the period specified (Note 9).
- (iv) During 2020, the Tax Law was amended whereby shares held directly or indirectly in listed companies on the Tadawul by taxpayers engaged in oil and hydrocarbon activities are exempt from the application of corporate income tax. As a result, the Company's ownership interests in Saudi Basic Industries Corporation ("SABIC"), Rabigh Refining and Petrochemical Company ("Petro Rabigh"), National Shipping Company of Saudi Arabia ("Bahri") and Saudi Electricity Company ("SEC") are now subject to zakat (Note 9).

(c) Significant accounting judgments and estimates

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

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

(d) New or amended standards

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

Interbank Offered Rate (“IBOR”) reform – Phase 1

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

- Financial Liabilities: SAR 874

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

Amendments to IFRS 3, Business Combinations

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

Amendments to IAS 1 and IAS 8 – Definition of Material

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

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

IBOR reform – Phase 2

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

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

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

(e) Principles of consolidation, acquisition and equity accounting

(i) Subsidiaries

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

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

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

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

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

(ii) Joint arrangements

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

1) Joint operations

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

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

2) Joint ventures

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

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

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

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

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

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

(iii) Associates

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

Significant accounting judgments and estimates

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

(f) Intangible assets

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

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

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

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

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

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

(g) Exploration and evaluation

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

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

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

(h) Property, plant and equipment

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

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

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

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

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

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

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

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

(i) Impairment of non-financial assets

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

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

Significant accounting judgments and estimates

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

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

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

(j) Leases

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

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

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

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

Significant accounting judgments and estimates

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

(k) Investments and other financial assets

(i) Classification

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

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

Equity investments:

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

Debt securities:

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

1. Amortized cost:

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

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

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

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

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

Other financial assets:

Other financial assets are classified into the following categories:

1. Amortized cost:

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

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

2. Fair value through profit or loss:

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

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

(iv) Impairment

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

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

(l) Derivative instruments and hedging activities

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

(i) Derivative instruments classified as held for trading

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

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

(ii) Derivative instruments designated as hedges

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

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

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

1) Fair value hedges

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

2) Cash flow hedges

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

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

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

(m) Income tax and zakat

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

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

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

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

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

Significant accounting judgments and estimates

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

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

(n) Inventories

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

(o) Due from the Government

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

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

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

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

(p) Cash and cash equivalents

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

(q) Treasury shares

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

(r) Financial liabilities

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

Saudi Aramco's financial liabilities are:

(i) Financial liabilities at FVPL

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

(ii) Financial liabilities at amortized cost

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

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

(s) Borrowing costs

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

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

(t) Post-employment benefit plans

(i) Pension plans

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

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

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

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

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

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

(ii) Other post-employment benefits

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

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

Significant accounting judgments and estimates

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

(u) Share-based compensation

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

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

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

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

(v) Provisions and contingencies

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

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

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

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

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

Significant accounting judgments and estimates

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

(w) Foreign currency translation

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

Significant accounting judgments and estimates

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

(x) Presentation currency

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

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

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

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

(y) Revenue recognition and sales prices

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

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

(z) Other income related to sales

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

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

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

(aa) Production royalties

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

(bb) Research and development

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

(cc) Dividends

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

(dd) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

3. Financial risk management

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

(a) Financial risk factors

(i) Market risk

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

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

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

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

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

a) Investments in securities

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

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

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

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

b) Commodity swaps

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

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

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

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

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

3. Financial risk management continued

(ii) Credit risk

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

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

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

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

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

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

(iii) Liquidity risk

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

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

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

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

3. Financial risk management continued

(b) Capital structure management

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

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

(c) Casualty loss risk retention

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

(d) Fair value estimation

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

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

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

3. Financial risk management continued

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

Assets	Level 1	Level 2	Level 3	Total
2020				
Investments in securities:				
Equity securities at FVOCI	8,051	174	1,475	9,700
Debt securities at FVOCI	21	6,948	–	6,969
Equity securities at FVPL	870	1,219	3,495	5,584
Debt securities at FVPL	53	–	–	53
Trade receivables related to contracts with provisional pricing arrangements	–	–	54,402	54,402
	8,995	8,341	59,372	76,708
Other assets and receivables:				
Commodity swaps	–	291	17	308
Currency forward contracts	–	275	–	275
Financial assets against options	–	1,863	–	1,863
	–	2,429	17	2,446
Total assets	8,995	10,770	59,389	79,154
2019				
Investments in securities:				
Equity securities at FVOCI	8,246	–	1,244	9,490
Debt securities at FVOCI	1	4,563	–	4,564
Equity securities at FVPL	–	1,265	4,918	6,183
Trade receivables related to contracts with provisional pricing arrangements	–	–	75,723	75,723
	8,247	5,828	81,885	95,960
Other assets and receivables:				
Interest rate swaps	–	13	–	13
Commodity swaps	–	288	–	288
Currency forward contracts	–	30	–	30
	–	331	–	331
Total assets	8,247	6,159	81,885	96,291
Liabilities	Level 1	Level 2	Level 3	Total
2020				
Trade and other payables:				
Interest rate swaps	–	874	–	874
Commodity swaps	78	159	28	265
Currency forward contracts	–	212	–	212
Provisions and other liabilities:				
Financial liability against options	–	1,995	–	1,995
Total liabilities	78	3,240	28	3,346
2019				
Trade and other payables:				
Interest rate swaps	–	338	–	338
Commodity swaps	–	521	–	521
Currency forward contracts	–	109	–	109
Total liabilities	–	968	–	968

3. Financial risk management continued

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

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

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

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

4. Acquisition of SABIC

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

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

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

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

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

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

4. Acquisition of SABIC continued

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

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

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

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

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

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

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

5. Operating segments

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

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

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

5. Operating segments continued

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

Information by segments is as follows:

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

Information by geographical area is as follows:

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

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

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

6. Property, plant and equipment

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

1. Borrowing cost capitalized during the year ended December 31, 2020, amounted to SAR 1,316 (2019: SAR 1,443).

2. Saudi Aramco recognized write-down of SAR 2,631 on certain downstream facilities, including a facility under construction of SAR 1,741.

6. Property, plant and equipment continued

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

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

7. Intangible assets

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

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

7. Intangible assets continued

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

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

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

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

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

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

8. Investments in joint ventures and associates

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

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

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

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

8. Investments in joint ventures and associates continued

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

Summarized Balance Sheet At December 31, 2020

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

1. Saudi Aramco interest represents SABIC's shareholding in these investments.

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

Summarized Statement of Comprehensive Income Year ended December 31, 2020

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

8. Investments in joint ventures and associates continued

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

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

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

Summarized Balance Sheet At December 31, 2019

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

8. Investments in joint ventures and associates continued

Summarized Statement of Comprehensive Income Year ended December 31, 2019

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

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

	Joint ventures	Associates
Net income	174	439

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

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

9. Income taxes and zakat

(a) Kingdom income tax rates

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

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

9. Income taxes and zakat continued

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

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

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

(b) Income tax and zakat expense

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

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

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

(c) Income tax and zakat obligation to the Government

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

9. Income taxes and zakat continued

(d) Deferred income tax

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

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

	2020	2019
January 1	(31,743)	(14,011)
Acquisition	(2,176)	-
Impact of change in income tax rate – charge to income	-	(2,655)
Impact of change in income tax rate – Other reserves	-	(284)
Current period charge to income	(13,742)	(13,061)
Adjustments to equity – Other reserves	9,331	(1,258)
Other adjustments	(11)	(474)
December 31	(38,341)	(31,743)
	2020	2019
Deferred income tax to be settled after more than 12 months	(38,341)	(31,743)
Deferred income tax to be recovered within 12 months	-	-
Net deferred income tax liabilities	(38,341)	(31,743)

9. Income taxes and zakat continued

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

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

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

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

9. Income taxes and zakat continued

(e) Income tax and zakat assessments

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

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

10. Other assets and receivables

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

Home loans

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

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

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

11. Investments in securities

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

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

The components of Investments in securities are as follows:

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

11. Investments in securities continued

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

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

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

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

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

12. Inventories

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

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

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

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

13. Trade receivables

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

The components of trade receivables are as follows:

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

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

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

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

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

14. Due from the Government

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

15. Short-term investments

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

16. Cash and cash equivalents

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

17. Treasury shares

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

18. Share-based compensation

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

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

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

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

18. Share-based compensation continued

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

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

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

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

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

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

19. Other reserves

	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, 2019	129	2,919	–	–	(74)	198	4	3,176
Current period change	(1,027)	1,517	–	31	(353)	(7)	(480)	(319)
Remeasurement (loss) gain	–	(539)	3,154	–	–	–	2	2,617
Transfer to retained earnings	–	–	(2,178)	–	–	–	(2)	(2,180)
Tax effect	–	(552)	(990)	–	–	–	–	(1,542)
Less: amounts related to non-controlling interests	313	(3)	14	–	–	–	–	324
December 31, 2019	(585)	3,342	–	31	(427)	191	(476)	2,076
Current period change	2,768	156	–	556	(300)	1,116	(566)	3,730
Remeasurement loss	–	–	(16,361)	–	–	–	–	(16,361)
Transfer to retained earnings	–	–	7,722	(530)	–	–	–	7,192
Tax effect	–	1,936	7,395	–	–	–	–	9,331
Less: amounts related to non-controlling interests	(991)	(78)	1,244	–	–	(285)	–	(110)
December 31, 2020	1,192	5,356	–	57	(727)	1,022	(1,042)	5,858

20. Non-controlling interests

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

Summarized Balance Sheet

At December 31

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

Summarized Statement of Comprehensive Income

Year ended December 31

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

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

Summarized Statement of Cash Flows

Year ended December 31

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

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

21. Borrowings

	2020	2019
Non-current:		
Deferred consideration (Note 4)	217,231	–
Borrowings	55,954	39,957
Debentures	104,425	60,957
Sukuk	12,420	12,649
Lease liabilities	43,567	33,831
Other ¹	3,323	3,296
	436,920	150,690
Current:		
Deferred consideration (Note 4)	18,636	–
Short-term bank financing	60,085	12,660
Borrowings	10,197	4,957
Sukuk	231	175
Lease liabilities	10,008	7,103
	99,157	24,895
	2020	2019
Finance costs:		
Conventional borrowings	7,391	3,144
Lease liabilities	2,089	1,790
Shari'a compliant financial instruments	645	652
Unwinding of discount (Note 23)	439	440
	10,564	6,026

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

Borrowing facilities

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

21. Borrowings continued

Details of financing facilities at December 31 are as follows:

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

Conventional facilities

(a) Revolving credit facilities

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

- (i) On June 9, 2020, the Company amended and restated certain agreements with respect to its USD denominated conventional five-year revolving credit facility equivalent to SAR 22,500 (\$6,000) to incorporate a SAR 7,500 (\$2,000) swing line sublimit-facility in support of the Company's establishment of a U.S. commercial paper program. The swing line makes up part of the revolving credit facility and has not been utilized as of December 31, 2020. In addition, the Company maintains a 365-day USD denominated facility equivalent to SAR 3,750 (\$1,000) along with SAR denominated Islamic Murabaha facilities comprising a five-year facility of SAR 7,500 and a 364-day facility of SAR 3,750. The facilities were established in March 2015 will mature in March 2022. The credit facility documentation provides for certain limits on the creation of liens on or other security interests in the assets of the Company, and on the sale, lease or transfer, of its assets to third parties.
- (ii) Saudi Aramco maintain facilities of SAR 12,960 (2019: SAR 11,850), consisting of revolving credit facilities of SAR 12,802 (\$3,414), and a letter of credit facility of SAR 158 (\$42) for working capital requirements and to support trading activities. The facilities are expected to be renewed in 2021 and 2022. The remaining revolving credit facilities are executed with a group of foreign and domestic banks for general corporate purposes and working capital requirements.

(b) Commercial and other

- (i) Saudi Aramco has commercial and other facility agreements with a number of banks. The facilities are primarily repayable in 12 to 36 installments on a semi-annual basis from November 18, 2008 to November 30, 2039. Commission is payable on amounts drawn that are primarily calculated at a market rate plus a margin.
- (ii) In 2020, Saudi Aramco refinanced an existing commercial facility having a balance of SAR 345 (\$92). Under the refinancing agreement, the facility of SAR 375 (\$100) is repayable semi-annually in 34 installments, starting March 2020 to November 2036. Commission is payable on amounts drawn at a market rate, starting March 2020.
- (iii) On December 18, 2019, Saudi Aramco refinanced certain short-term bank financing through long-term project financing with 21 commercial banks and six export credit agencies. These long-term facilities were established in the amount of SAR 17,438 and payable in 27 installments on a semi-annual basis commencing on December 2021 to December 2034. Commission is payable on amounts drawn and calculated at market rate plus a margin.

21. Borrowings continued

(c) Short-term borrowings

- (i) On May 7, 2020, the Company entered into a SAR 37,500 (\$10,000) one-year term loan facility with various financial institutions for general corporate purposes. The one-year term loan facility currently terminates on May 6, 2021 but the Company has the option to extend the facility date by up to 364 days from May 6, 2021. As of December 31, 2020, the facility was fully utilized with the outstanding loan balance of SAR 37,500 (\$10,000). The facility bears interest at LIBOR plus a margin commencing May 7, 2020.
- (ii) In 2020, Saudi Aramco entered into debt factoring arrangements in relation to certain intercompany receivables, repayable over a four-month period and on market terms. A total of SAR 3,285 was outstanding at December 31, 2020 (2019: nil).
- (iii) Saudi Aramco has facilities with a number of banks for short-term borrowing, with each borrowing less than one year and which incur interest at market rates plus a margin.

(d) Export credit agencies

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

(e) Public Investment Fund

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

(f) Debentures

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

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

- (ii) Certain debentures denominated in USD are issued in capital markets. Interest rates are fixed and variable with maturities that range between 2027 and 2040.
- (iii) Debentures denominated in Korean Won are issued in capital markets. Interest rates range from 1.65% to 3.53% with maturities beginning in 2021 through 2030.
- (iv) In November 2020, SABIC issued a 10-year and 30-year USD denominated \$500 bond each, equivalent to a total of SAR 3,750 (\$1,000). These bonds are unsecured and carry coupon rates of 2.15% and 3.00% for those maturing in 10 and 30 years, respectively. Both bonds are issued in accordance with Regulation S offering requirements under the U.S. Securities Act of 1933, as amended. These bonds are listed on the Irish Stock Exchange (Euronext Dublin) and the 30-year bond is dual listed in Taipei Exchange in Taiwan. The proceeds were used for general propose and refinancing maturing debt.
- (v) In October 2018, SABIC issued a five-year and a 10-year USD denominated \$1,000 bond equivalent to a total of SAR 7,500 (\$2,000). These bonds are unsecured and carry coupon rates of 4% and 4.5%, respectively. The bonds are issued in accordance with the Rule 144A/Reg S offering requirements under the U.S. Securities Act of 1933, as amended. The bonds are listed on the Irish Stock Exchange (Euronext Dublin) and the proceeds were used for refinancing maturing debt.

21. Borrowings continued

Shari'a compliant facilities

(a) Sukuk

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

- (i) On April 10, 2017, Saudi Aramco issued a Sukuk for SAR 11,250 at par value as part of a SAR 37,500 program. The Sukuk issuance provides a return based on Saudi Arabian Interbank Offered Rate ("SAIBOR") plus a pre-determined margin payable semi-annually on April 10 and October 10. The Sukuk matures on April 10, 2024. In accordance with the terms of the Sukuk, 51% of the proceeds from issuance are invested in Mudaraba assets and the remaining 49% are used in a Murabaha arrangement.
- (ii) On October 9, 2011, Saudi Aramco issued a Sukuk for SAR 2,344 at par value with semi-annual payments from December 20, 2014 to December 20, 2025 that provides a rate of return above SAIBOR. The Sukuk was structured as Istisnah for pre-construction and Ijarah for post-construction of the project.

(b) Murabaha

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

(c) Saudi Industrial Development Fund

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

(d) Ijarah/Procurement

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

(e) Wakala

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

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

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

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

21. Borrowings continued

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

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

Movements in unamortized transaction costs are as follows:

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

Lease liabilities

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

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

Maturities of borrowings and leases are as follows:

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

21. Borrowings continued

The movement of borrowings is as follows:

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

22. Post-employment benefit obligations

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

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

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

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

22. Post-employment benefit obligations continued

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

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

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

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

22. Post-employment benefit obligations continued

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

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

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

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

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

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

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

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

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

22. Post-employment benefit obligations continued

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

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

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

Plan assets consisted of the following:

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

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

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

22. Post-employment benefit obligations continued

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

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

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

23. Provisions and other liabilities

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

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

24. Trade and other payables

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

25. Revenue

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

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

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

Disaggregation of revenue from contracts with customers

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

	2020			
	Upstream	Downstream	Corporate	Total
Crude oil	377,094	31,400	-	408,494
Refined and chemical products	-	314,066	-	314,066
Natural gas and NGLs	40,684	2,287	-	42,971
Metal products	-	5,715	-	5,715
Revenue from contracts with customers	417,778	353,468	-	771,246
Movement between provisional and final prices	(7,286)	(58)	-	(7,344)
Other revenue	464	2,377	1,366	4,207
External revenue	410,956	355,787	1,366	768,109
	2019			
	Upstream	Downstream	Corporate	Total
Crude oil	645,499	22,049	-	667,548
Refined and chemical products	-	369,478	-	369,478
Natural gas and NGLs	57,649	1,769	-	59,418
Revenue from contracts with customers	703,148	393,296	-	1,096,444
Movement between provisional and final prices	5,405	245	-	5,650
Other revenue	697	1,558	1,347	3,602
External revenue	709,250	395,099	1,347	1,105,696

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

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

26. Purchases

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

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

27. Employee benefit expense

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

28. Finance and other income

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

29. Payments to the Government by Saudi Arabian Oil Company

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

30. Related party transactions

(a) Transactions

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

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

(b) Balances

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

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

30. Related party transactions continued

(c) Compensation of key management personnel

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

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

(d) Other transactions with key management personnel

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

31. Derivative instruments and hedging activities

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

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

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

32. Non-cash investing and financing activities

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

33. Commitments

(a) Capital commitments

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

(b) Sadara

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

33. Commitments continued

(c) IMIC

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

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

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

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

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

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

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

(g) Other

- (i) In order to comply with past Government directives, the Company expects to sell portions of its equity in Saudi Aramco Total Refining and Petrochemical Company and Yanbu Aramco Sinopec Refining Company Ltd. (Note 39) through a public offering of shares in Saudi Arabia. Also in order to comply with a past Government directive, Excellent Performance Chemical Company ("EPCC"), a wholly owned subsidiary of the Company, expects to sell portions of its equity in Sadara (Note 34(a)) through a public offering of shares in Saudi Arabia.
- (ii) Saudi Aramco is committed to comply with the Government directive to guarantee that Saudi Aramco Total Refining and Petrochemical Company and Yanbu Aramco Sinopec Refining Company Ltd. shall spend a total of SAR 750 over a 10-year period ending December 31, 2025 on social responsibility programs. At December 31, 2020, SAR 446 (2019: SAR 461) remains to be spent.
- (iii) Saudi Aramco has commitments of SAR 328 (2019: SAR 384) to invest in private equity investments both inside and outside the Kingdom. Such commitments can be called on demand.
- (iv) Saudi Aramco has commitments of SAR 55 (2019: SAR 58) to fund additional loans and acquire additional unlisted equity investments of certain small to mid-sized enterprises in the Kingdom. The commitments can be called by the enterprises upon meeting certain conditions.

34. Contingencies

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

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

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

(a) Sadara

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

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

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

(b) Petro Rabigh

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

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

35. Investments in affiliates

(a) Investments in subsidiaries

(i) Saudi Aramco Shell Refinery Company

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

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

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

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

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

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

35. Investments in affiliates continued

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

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

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

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

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

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

(b) Investments in joint ventures and associates

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

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

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

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

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

35. Investments in affiliates continued

(ii) Hyundai Oilbank

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

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

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

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

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

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

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

36. Dividends

Dividends declared and paid on ordinary shares are as follows:

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

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

37. Earnings per share

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

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

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

38. Subsidiaries of Saudi Arabian Oil Company

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

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38. Subsidiaries of Saudi Arabian Oil Company continued

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

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2020 ^{1,2}	Conventional financial liabilities as of December 31, 2020 ²	Interest income from conventional financial assets for the year ended December 31, 2020 ²
SAEV Guernsey 1 Ltd.	Investment	Guernsey	147	–	–
SAEV Guernsey Holdings Ltd.	Investment	Guernsey	1,273	–	1
Saudi Aramco Asia Company Ltd.	Investment	Saudi Arabia	2,079	–	15
Saudi Aramco Capital Company Limited	Investment	Guernsey	–	–	–
Saudi Aramco Development Company	Investment	Saudi Arabia	536	–	1
Saudi Aramco Energy Ventures – U.S. LLC	Investment	USA	2	1	–
Saudi Aramco Energy Ventures LLC	Investment	Saudi Arabia	17	–	–
Saudi Aramco Entrepreneurship Center Company Ltd.	Financing	Saudi Arabia	151	4	5
Saudi Aramco Entrepreneurship Venture Company, Ltd.	Investment	Saudi Arabia	229	–	–
Saudi Aramco Jubail Refinery Company	Refining	Saudi Arabia	–	2,757	–
Saudi Aramco Power Company	Power generation	Saudi Arabia	6,197	3	16
Saudi Aramco Sukuk Company	Investment	Saudi Arabia	–	28	–
Saudi Aramco Technologies	Research and commercialization	Saudi Arabia	116	40	–
Saudi Aramco Upstream Technology Company	Research and commercialization	Saudi Arabia	10	–	–
Saudi Petroleum International, Inc.	Marketing support services	USA	40	47	–
Saudi Petroleum Overseas, Ltd.	Marketing support and tanker services	United Kingdom	52	37	–
Saudi Petroleum, Ltd.	Marketing support and tanker services	British Virgin Islands	38	–	–
Saudi Refining, Inc.	Refining and marketing	USA	277	62	1
Stellar Insurance, Ltd.	Insurance	Bermuda	9,854	990	619
Vela International Marine Ltd.	Marine management and transportation	Liberia	27,317	–	128
Wisayah Global Investment Company	Financial support	Saudi Arabia	202	21	1
B. Unconsolidated structured entity					
Energy City Development Company (“SPARK”)	Industrial development	Saudi Arabia	–	–	–
Energy City Operating Company (“SPARK”)	Industrial development	Saudi Arabia	–	–	–
C. Non-wholly owned⁴					
49% Ownership of Aramco Training Services Company ³	Training	USA	1	–	–
50% Ownership of ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd. ³	Development, manufacture, and marketing of high-performance rubber	People’s Republic of China	17	57	–
80% Ownership of Johns Hopkins Aramco Healthcare Company	Healthcare	Saudi Arabia	623	568	3
70% Ownership of Saudi Aramco Base Oil Company – LUBEREF	Production and sale of petroleum based lubricants	Saudi Arabia	510	2,766	2
50% Ownership of Saudi Aramco Nabors Drilling Company ³	Drilling	Saudi Arabia	1,370	1,998	11
50% Ownership of Saudi Aramco Rowan Offshore Drilling Company ³	Drilling	Saudi Arabia	891	2,168	25
61.6% Ownership of S-Oil Corporation	Refining	South Korea	3,930	31,471	39
61.6% Ownership of S-Oil Singapore Pte. Ltd.	Marketing support	Singapore	5	45	–
61.6% Ownership of S-International Ltd.	Purchasing and sale of petroleum goods	The Independent State of Samoa	4	–	–

38. Subsidiaries of Saudi Arabian Oil Company continued

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

38. Subsidiaries of Saudi Arabian Oil Company continued

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

38. Subsidiaries of Saudi Arabian Oil Company continued

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

38. Subsidiaries of Saudi Arabian Oil Company continued

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

38. Subsidiaries of Saudi Arabian Oil Company continued

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

38. Subsidiaries of Saudi Arabian Oil Company continued

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

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

39. Joint arrangements and associates of Saudi Arabian Oil Company

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

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

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

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

2. Represents Saudi Aramco's share of conventional financial assets, financial liabilities and interest income.

3. Agreements and constitutive documents do not give a single shareholder control; therefore, the joint operation does not qualify as a subsidiary.

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

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

40. Events after the reporting period

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

SAUDI ARABIAN OIL COMPANY

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**



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

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saudi Arabian Oil Company (the "Company") and its subsidiaries (together the "Group") as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of income for the year ended December 31, 2019;
- the consolidated statement of comprehensive income for the year ended December 31, 2019;
- the consolidated balance sheet as at December 31, 2019;
- the consolidated statement of changes in equity for the year ended December 31, 2019;
- the consolidated statement of cash flows for the year ended December 31, 2019; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

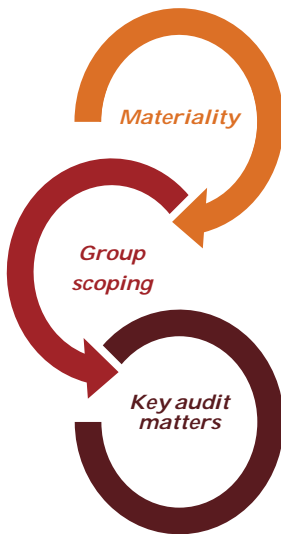
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Independent auditor's report to the shareholders of Saudi Arabian Oil Company (continued)

Our audit approach

Overview



- We determined overall Group materiality taking into account the profit-oriented nature of the Group.
- Based on income before income taxes of SAR 666.7 billion, we determined our overall Group materiality at SAR 26.3 billion.
- Our quantitative threshold for reporting misstatements to those charged with governance was set at SAR 2.0 billion.

Based on their size, complexity and risk:

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

Our key audit matters comprise the following:

- Carrying values of property, plant and equipment and investments in joint ventures and associates; and
- Adoption of IFRS 16, Leases.

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

Materiality

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

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



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

<i>Overall Group materiality</i>	SAR 26.3 billion (2018: SAR 37.5 billion)
<i>How we determined it</i>	Approximately 4% (2018: 5%) of income before income taxes
<i>Rationale for the materiality benchmark applied</i>	<ul style="list-style-type: none"> Income before income taxes is an important benchmark for the Group's stakeholders and is generally accepted benchmark for profit-oriented groups. We reduced our benchmark percentage to align with the change in the Group's profile given the initial public offering in the current year.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above SAR 2.0 billion.

How we tailored our Group audit scope

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

The Group's operations are conducted through many components in several parts of the world. The most significant component within the Group is the Company itself and most of the audit effort was spent by the Group engagement team based on a full-time basis in Dhahran, Kingdom of Saudi Arabia. The Group engagement team tested IT general controls, application and manual controls over systems and processes related to the Company's financial information supplemented by tests of detail. Certain audit procedures were carried out centrally by the Group engagement team assisted by our internal accounting, valuations, pensions, tax and IT experts and specialists. The Group engagement team also coordinated the Group audit across different locations and performed audit procedures on the consolidation workings and disclosures.

We identified three further significant components, located in the Kingdom of Saudi Arabia, the United States of America and the Republic of Korea, where a full scope audit on the respective components' financial information was performed under our instructions. Members of the Group engagement team performed the full scope audit of the significant component located in the Kingdom of Saudi Arabia. Component teams in the United States of America and the Republic of Korea performed full scope audits at those locations. We also requested other teams to perform audit procedures on several other components. This was based on qualitative and quantitative considerations, including whether the component accounted for a significant proportion of individual consolidated financial statement line items or represented a recent business combination. These components were located in the Kingdom of Saudi Arabia, Guernsey, Bermuda and the Netherlands.

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

Key audit matters

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



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

Key audit matter	How our audit addressed the key audit matter
<p>Carrying values of property, plant and equipment and investments in joint ventures and associates</p> <p>Management performs a formal assessment at each reporting period-end to consider whether there is any indication that items of property, plant and equipment or investments in joint ventures and associates may be impaired.</p> <p>When such triggers are identified, valuation models are prepared to determine recoverable amounts for the relevant Cash Generating Units ("CGUs"). Based on these models, management ensures that assets are not carried at more than their recoverable amounts.</p> <p>A number of valuation models were prepared by management as part of their 2019 impairment considerations. These represented value-in-use calculations based on discounted cash flows. The key estimates and assumptions underlying these models included:</p> <ul style="list-style-type: none"> • Forecast prices; • Expected product volumes; • Future operating and development costs; • Terminal values; and • Discount rates. <p>The recoverable amounts computed using valuation models, in all cases, were in excess of the carrying values of the CGUs. As a result, no impairment charges were recorded in the consolidated financial statements.</p> <p>We considered this to be a key audit matter given the judgment involved in identifying impairment triggers and the complexity inherent in valuation modelling.</p> <p><i>Refer to Note 2(d), Note 2(h), Note 5 and Note 7 to the consolidated financial statements for further information.</i></p>	<p>We assessed the reasonableness of management's considerations relating to impairment triggers considering our knowledge of internal and external factors.</p> <p>With input from our internal valuation experts, we performed the following procedures on management's valuation models, as appropriate:</p> <ul style="list-style-type: none"> • Considered the appropriateness of the assets and liabilities allocated to CGUs; • Compared a sample of forecast prices to market data points; • Considered the consistency of certain unobservable inputs such as expected product volumes and future operating and development costs with approved business plans; • Evaluated the reasonableness of approved business plans by comparison to historical results; • Assessed the reasonableness of the approach and inputs used to determine terminal values; • Evaluated the reasonableness of discount rates by cross-checking the underlying assumptions against observable market data; and • Sensitized key assumptions to assess the potential impact on recoverable amounts of a range of possible outcomes. <p>We also considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.</p>



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

Key audit matter	How our audit addressed the key audit matter
<p>Adoption of IFRS 16, Leases</p> <p>The Group adopted IFRS 16, Leases from the mandatory adoption date of January 1, 2019. This standard superseded the requirements of IAS 17, Leases. IFRS 16 introduced a single lease accounting model, requiring lessees to recognise, in most cases, a right-of-use asset and a lease liability.</p> <p>As part of the adoption exercise, management:</p> <ul style="list-style-type: none"> Performed an extensive exercise to identify and assess significant lease arrangements. This was inherently complex given the large number of contracts in place and the diverse nature of the underlying terms and conditions; Implemented system changes and set up new processes and controls to deal with the new lease accounting methodology; and Determined the appropriate transitional adjustments and the disclosures required to be included in the consolidated financial statements. <p>The Group adopted IFRS 16 using the modified retrospective approach and did not restate comparative figures. A number of practical expedients were applied and there was no impact on opening retained earnings. Right-of-use assets and corresponding lease liabilities amounting to SAR 26.1 billion were recognised as at January 1, 2019 for arrangements previously classified as operating leases.</p> <p>We considered this to be a key audit matter as: (a) contracts within the scope of IFRS 16 may not be appropriately identified or included in the transitional impact calculations; and (b) determination of the right-of-use assets and the corresponding lease liabilities involves complex computations and significant management judgment relating to the lease terms.</p> <p><i>Refer to Note 2(c)(i), Note 2(i), Note 5 and Note 19 to the consolidated financial statements for further information.</i></p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> Gained an understanding of management's implementation plan and the processes and controls introduced as part of the IFRS 16 adoption; Tested completeness of management's lease register by considering the reconciliation of the lease liabilities recognised as at January 1, 2019 to the operating lease commitments as at December 31, 2018, as disclosed in the consolidated financial statements; Obtained the detailed lease schedules underlying the transitional adjustments recorded as at January 1, 2019 and the lease balances recognised as at December 31, 2019 and tested their mathematical accuracy; and For samples selected from both the above-mentioned schedules, tested the following, as appropriate: <ul style="list-style-type: none"> (a) Management's assessment of whether or not the contracts contained leases; (b) Appropriateness of the practical expedients applied; (c) Calculations of the right-to-use assets and the corresponding lease liabilities as at January 1, 2019 and December 31, 2019 and the movements during the year; (d) Appropriateness of the key judgments underlying the determination of lease terms; and (e) Reasonableness of the discount rates used with reference to incremental borrowing rates. <p>We also considered the appropriateness of the accounting policies and disclosures included in the consolidated financial statements in relation to IFRS 16.</p>



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

Other information

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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



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

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

PricewaterhouseCoopers

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

Bader I. Benmohareb
License No. 471

March 12, 2020

Consolidated statement of income

	Note	SAR		USD*	
		Year ended December 31		Year ended December 31	
		2019	2018	2019	2018
Revenue	23	1,105,696	1,194,376	294,852	318,500
Other income related to sales		131,089	152,641	34,957	40,704
Revenue and other income related to sales		1,236,785	1,347,017	329,809	359,204
Royalties and other taxes		(182,141)	(208,505)	(48,571)	(55,601)
Purchases	29	(225,170)	(201,176)	(60,045)	(53,647)
Producing and manufacturing		(58,249)	(56,202)	(15,533)	(14,987)
Selling, administrative and general		(36,647)	(31,250)	(9,773)	(8,333)
Exploration		(7,291)	(7,928)	(1,944)	(2,114)
Research and development		(2,150)	(2,217)	(573)	(591)
Depreciation and amortization	5,6	(50,266)	(41,334)	(13,404)	(11,023)
Operating costs		(561,914)	(548,612)	(149,843)	(146,296)
Operating income		674,871	798,405	179,966	212,908
Share of results of joint ventures and associates	7	(9,455)	(1,415)	(2,521)	(377)
Finance and other income	24	7,351	3,865	1,960	1,030
Finance costs	19	(6,026)	(2,959)	(1,607)	(789)
Income before income taxes		666,741	797,896	177,798	212,772
Income taxes	8	(336,048)	(381,378)	(89,613)	(101,701)
Net income		330,693	416,518	88,185	111,071
Net income (loss) attributable to					
Shareholders' equity		330,816	416,196	88,218	110,985
Non-controlling interests		(123)	322	(33)	86
		330,693	416,518	88,185	111,071
Earnings per share (basic and diluted)	35	1.65	2.08	0.44	0.55

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



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



Amin H. Nasser
President & Chief Executive Officer



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

Consolidated statement of comprehensive income

	Note	SAR		USD*	
		Year ended December 31		Year ended December 31	
		2019	2018	2019	2018
Net income		330,693	416,518	88,185	111,071
Other comprehensive income (loss), net of tax	18				
Items that will not be reclassified to net income					
Remeasurement of post-employment benefit obligations		2,628	6,920	701	1,845
Change in post-employment benefit deferred tax due to income tax rate change		(464)	(119)	(123)	(32)
Share of post-employment benefit obligations remeasurement from joint ventures and associates		2	–	–	–
Change in equity investment deferred tax due to income tax rate change		180	–	48	–
Changes in fair value of equity investments classified as fair value through other comprehensive income		187	(811)	50	(216)
Share-based payment reserve		31	–	8	–
Items that may be reclassified subsequently to net income					
Cash flow hedges and other		(353)	36	(94)	10
Changes in fair value of debt securities classified as fair value through other comprehensive income		59	(762)	16	(203)
Share of other comprehensive loss of joint ventures and associates		(487)	(283)	(130)	(76)
Currency translation differences		(1,027)	(1,110)	(274)	(296)
		756	3,871	202	1,032
Total comprehensive income		331,449	420,389	88,387	112,103
Total comprehensive income (loss) attributable to					
Shareholders' equity		331,896	420,524	88,506	112,139
Non-controlling interests		(447)	(135)	(119)	(36)
		331,449	420,389	88,387	112,103

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



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



Amin H. Nasser
President & Chief Executive Officer

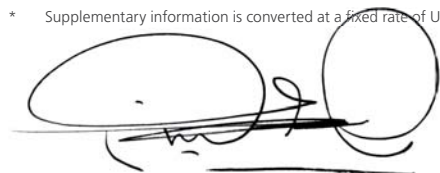


Khalid H. Al-Dabbagh
Senior Vice President,
Finance, Strategy & Development

Consolidated balance sheet

	Note	SAR		USD*	
		At December 31		At December 31	
		2019	2018	2019	2018
Assets					
Non-current assets					
Property, plant and equipment	5	982,014	873,827	261,870	233,021
Intangible assets	6	30,122	26,896	8,033	7,172
Investments in joint ventures and associates	7	19,738	22,579	5,263	6,021
Deferred income tax assets	8	12,728	9,866	3,394	2,631
Other assets and receivables	9	21,372	13,127	5,699	3,501
Investments in securities	10	19,956	17,214	5,322	4,590
		1,085,930	963,509	289,581	256,936
Current assets					
Inventories	11	42,607	43,580	11,362	11,621
Trade receivables	12	93,526	93,818	24,940	25,018
Due from the Government	13	36,781	48,864	9,808	13,030
Other assets and receivables	9	12,109	13,775	3,230	3,673
Short-term investments	14	45,467	194	12,125	52
Cash and cash equivalents	15	177,706	183,152	47,388	48,841
		408,196	383,383	108,853	102,235
Total assets		1,494,126	1,346,892	398,434	359,171
Equity and liabilities					
Shareholders' equity					
Share capital		60,000	60,000	16,000	16,000
Additional paid-in capital		26,981	26,981	7,195	7,195
Treasury shares	16	(3,750)	-	(1,000)	-
Retained earnings:					
Unappropriated		943,758	920,625	251,669	245,500
Appropriated		6,000	6,000	1,600	1,600
Other reserves	18	2,076	3,176	553	847
		1,035,065	1,016,782	276,017	271,142
Non-controlling interests		11,170	11,653	2,979	3,107
		1,046,235	1,028,435	278,996	274,249
Non-current liabilities					
Borrowings	19	150,690	71,329	40,184	19,021
Deferred income tax liabilities	8	44,471	23,877	11,859	6,367
Post-employment benefit obligations	20	21,174	23,209	5,646	6,189
Provisions	21	15,985	15,606	4,263	4,162
		232,320	134,021	61,952	35,739
Current liabilities					
Trade and other payables	22	78,231	72,286	20,862	19,276
Obligations to the Government:					
Income taxes	8	62,243	70,299	16,598	18,746
Dividend payable	34	35,475	-	9,460	-
Royalties		14,727	11,862	3,927	3,164
Borrowings	19	24,895	29,989	6,639	7,997
		215,571	184,436	57,486	49,183
		447,891	318,457	119,438	84,922
Total equity and liabilities		1,494,126	1,346,892	398,434	359,171

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



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



Amin H. Nasser
President & Chief Executive Officer



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

Consolidated statement of changes in equity

	SAR								USD*
	Shareholders' equity								Total
	Share capital	Additional paid-in capital	Treasury shares	Retained earnings		Other reserves (Note 18)	Non-controlling interests	Total	
Unappropriated				Appropriated ¹					
Balance at January 1, 2018	60,000	26,981	–	715,107	6,000	5,670	12,556	826,314	220,350
Net income	–	–	–	416,196	–	–	322	416,518	111,071
Other comprehensive income (loss)	–	–	–	–	–	4,328	(457)	3,871	1,032
Total comprehensive income (loss)	–	–	–	416,196	–	4,328	(135)	420,389	112,103
Transfer of post-employment benefit obligations remeasurement	–	–	–	6,822	–	(6,822)	–	–	–
Dividends (Note 34)	–	–	–	(217,500)	–	–	–	(217,500)	(58,000)
Change in control of an affiliate	–	–	–	–	–	–	134	134	36
Dividends to non-controlling interests	–	–	–	–	–	–	(902)	(902)	(240)
Balance at December 31, 2018	60,000	26,981	–	920,625	6,000	3,176	11,653	1,028,435	274,249
Net income (loss)	–	–	–	330,816	–	–	(123)	330,693	88,185
Other comprehensive income (loss)	–	–	–	–	–	1,080	(324)	756	202
Total comprehensive income (loss)	–	–	–	330,816	–	1,080	(447)	331,449	88,387
Acquisition of treasury shares (Note 16)	–	–	(3,750)	–	–	–	–	(3,750)	(1,000)
Transfer of post-employment benefit obligations remeasurement	–	–	–	2,178	–	(2,178)	–	–	–
Transfer of share of post-employment benefit obligation remeasurement from joint ventures and associates	–	–	–	2	–	(2)	–	–	–
Dividends (Note 34)	–	–	–	(309,863)	–	–	–	(309,863)	(82,630)
Dividends to non-controlling interests	–	–	–	–	–	–	(36)	(36)	(10)
Balance at December 31, 2019	60,000	26,981	(3,750)	943,758	6,000	2,076	11,170	1,046,235	278,996

1. Appropriated retained earnings represent a legal reserve as originally established under the 1988 Articles of the Saudi Arabian Oil Company which is not available for distribution (Note 1).

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



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



Amin H. Nasser
President & Chief Executive Officer

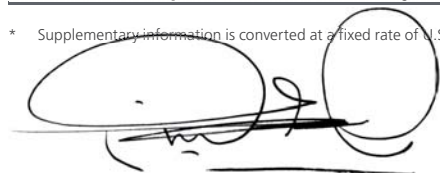


Khalid H. Al-Dabbagh
Senior Vice President,
Finance, Strategy & Development

Consolidated statement of cash flows

	Note	SAR		USD*	
		Year ended December 31	Year ended December 31	Year ended December 31	Year ended December 31
		2019	2018	2019	2018
Income before income taxes		666,741	797,896	177,798	212,772
Adjustments to reconcile income before income taxes to net cash provided by operating activities					
Depreciation and amortization	5,6	50,266	41,334	13,404	11,023
Exploration and evaluation costs written off	6	3,217	2,951	858	787
Gain on remeasurement of existing interest in equity investments	24,33	(1,278)	(870)	(341)	(232)
Share of results of joint ventures and associates	7	9,455	1,415	2,521	377
Finance income	24	(5,534)	(2,840)	(1,476)	(757)
Finance costs	19	6,026	2,959	1,607	789
Dividends from investments in securities	24	(509)	(143)	(136)	(38)
Change in fair value of investments through profit or loss		(620)	(594)	(165)	(158)
Change in joint ventures and associates inventory profit elimination	7	240	103	64	27
Other		1,257	1,417	335	377
Change in working capital					
Inventories		1,869	(6,455)	499	(1,721)
Trade receivables		727	(5,696)	194	(1,519)
Due from the Government		12,083	(7,968)	3,222	(2,124)
Other assets and receivables		3,268	(7,335)	872	(1,956)
Trade and other payables		3,430	5,343	915	1,425
Royalties payable		2,865	(8,548)	763	(2,279)
Other changes					
Other assets and receivables		(9,951)	(1,117)	(2,654)	(298)
Provisions		330	(240)	88	(65)
Post-employment benefit obligations		1,119	(2,606)	298	(695)
Settlement of income and other taxes	8	(328,472)	(355,305)	(87,592)	(94,748)
Net cash provided by operating activities		416,529	453,701	111,074	120,987
Net cash used in investing activities					
Capital expenditures	4	(122,882)	(131,766)	(32,769)	(35,138)
Acquisition of affiliates, net of cash acquired	7, 33	(13,628)	(8,571)	(3,634)	(2,285)
Distributions from joint ventures and associates	7	778	1,073	207	286
Additional investments in joint ventures and associates	7, 25	(341)	(401)	(91)	(106)
Dividends from investments in securities	24	509	143	136	38
Interest received		4,561	2,942	1,216	784
Net investments in securities		(868)	(615)	(231)	(164)
Net (purchases) maturities of short-term investments		(45,273)	5,990	(12,073)	1,597
Net cash used in investing activities		(177,144)	(131,205)	(47,239)	(34,988)
Net cash used in financing activities					
Dividends	31,34	(274,388)	(217,500)	(73,170)	(58,000)
Dividends paid to non-controlling interests		(36)	(902)	(10)	(240)
Interest paid		(5,715)	(2,748)	(1,524)	(733)
Acquisition of treasury shares	16	(3,750)	-	(1,000)	-
Proceeds from borrowings		51,960	11,660	13,856	3,109
Repayments of borrowings		(12,902)	(11,096)	(3,440)	(2,959)
Net cash used in financing activities		(244,831)	(220,586)	(65,288)	(58,823)
Net (decrease) increase in cash and cash equivalents		(5,446)	101,910	(1,453)	27,176
Cash and cash equivalents at beginning of the year		183,152	81,242	48,841	21,665
Cash and cash equivalents at end of the year		177,706	183,152	47,388	48,841

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



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Chairman of the Board



Amin H. Nasser
President & Chief Executive Officer



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

Notes to the consolidated financial statements

1. General information

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

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

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

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

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

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

The consolidated financial statements of the Company and its subsidiaries (together "Saudi Aramco") were approved by the Board of Directors on March 12, 2020.

2. Summary of significant accounting policies, judgments and estimates

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

(a) Basis of preparation

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

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

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

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

- (i) The Company and the Government executed an amendment to the Concession Agreement effective January 1, 2020, 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) Effective January 1, 2020, 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) 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 Saudi Arabian Income Tax Law of 2004 and its amendments (the "Tax Law"). The new rate is conditioned on the Company separating its Downstream activities under the control of one or more separate wholly owned subsidiaries before December 31, 2024, otherwise the Company's Downstream activities will be retroactively taxed at 50%. The Company expects to transfer all its Downstream activities into a separate legal entity or entities within the period specified (Note 8).

(b) Significant accounting judgments and estimates

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

(c) New or amended standards

- (i) Saudi Aramco adopted for the first time the following IASB pronouncement, as endorsed in the Kingdom, effective for annual periods beginning on or after January 1, 2019:

IFRS 16, Leases

IFRS 16, Leases, as issued by the IASB in January 2016, replaced IAS 17, Leases, and relates to the recognition, measurement, presentation and disclosure of leases. Saudi Aramco adopted IFRS 16, using the modified retrospective approach, from the mandatory adoption date of January 1, 2019.

Under IAS 17, leased assets were classified as either finance or operating leases. Payments made under operating leases were charged to net income on a straight-line basis over the period of the lease. On adoption of IFRS 16, right-of-use assets and lease liabilities of SAR 26,051 were recognized for previously classified operating leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate. For leases previously classified as finance leases, Saudi Aramco continued to recognize the same carrying amount of the lease asset and lease liability as immediately before transition. There was no impact of adoption of IFRS 16 on the opening retained earnings at January 1, 2019.

In accordance with the transition provisions in IFRS 16, comparative figures have not been restated and the following practical expedients were applied on transition: a) the use of a single discount rate for a portfolio of leases with reasonably similar characteristics; b) reliance on previous assessments on whether leases are onerous; c) the accounting for operating leases with a remaining lease term of less than 12 months at January 1, 2019 as short-term leases; d) the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; e) the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease and f) not to reassess whether a contract is, or contains a lease at the date of initial application.

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

The table below presents the reconciliation between operating lease commitments disclosed in the consolidated financial statements for the year ended December 31, 2018 and the lease liability recognized at January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.1%.

	January 1, 2019
Operating lease commitments disclosed at December 31, 2018	35,565
Discounted using Saudi Aramco's incremental borrowing rate at January 1, 2019	27,814
Add: finance lease liabilities recognized at December 31, 2018	13,058
(Less): short-term leases recognized on a straight-line basis	(1,647)
(Less): low value leases recognized on a straight-line basis as expense	(116)
Lease liability recognized at January 1, 2019	39,109
Current lease liabilities	6,439
Non-current lease liabilities	32,670
	39,109

For further information on leases, refer to Notes 2(i), 5 and 19.

- (ii) There are no standards, amendments and interpretations that are not yet effective and have not been early adopted by Saudi Aramco that are expected to have a material impact in the current or future reporting periods or on foreseeable future transactions.
- (iii) In July 2017, the United Kingdom Financial Conduct Authority, which regulates the London Interbank Offered Rate ("LIBOR"), announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates. 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 addition, the amendments require companies to provide additional information about their hedging relationships which are directly affected by these uncertainties. The amendments are effective beginning on January 1, 2020. 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 the following hedging instruments (Note 3(d)) which are exposed to the impact of LIBOR:
- Financial Assets: SAR 13
 - Financial Liabilities: SAR 338

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 the LIBOR. Saudi Aramco is assessing the impact to ensure a smooth transition from LIBOR to new benchmark rates.

(d) Principles of consolidation and equity accounting

(i) Subsidiaries

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

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

The acquisition method of accounting is used to account for business combinations. Acquisition related costs are expensed as incurred. The cost of the acquisition of a subsidiary is measured as the fair value of the assets transferred, liabilities incurred to the former owners of the acquired business, equity interests issued by the group, the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date the assets and liabilities are exchanged, irrespective of the extent of any non-controlling interests. The excess of the cost of acquisition and the amount of any non-controlling interest in the acquired entity over the fair value of the acquired identifiable net assets is recorded as goodwill. Non-controlling interests represent the equity in subsidiaries that is not attributable, directly or indirectly, to Saudi Aramco.

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

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

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

(ii) Joint arrangements

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

1) Joint operations

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

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

2) Joint ventures

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

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

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

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

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

(iii) Associates

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

Significant accounting judgments and estimates

Judgments are applied in the determination of whether control, joint control or significant influence is present with respect to investments in non-wholly owned subsidiaries, joint arrangements or associates, respectively. For control, judgment is applied when determining if an entity is controlled by voting rights, potential voting rights or other rights granted through contractual arrangements and includes considering an entity's purpose and design. For joint control, judgment is applied when assessing whether the arrangement is jointly controlled by all of its parties or by a group of the parties by taking decisions about relevant activities through unanimous consent of the parties sharing control. For joint control, judgment is also applied as to whether the joint arrangement is classified as a joint venture or joint operation taking into account specific facts and circumstances, such as the purpose and design of the arrangement, including with respect to its output, its relationship to the parties and its source of cash flows. For significant influence, judgment is applied in its determination by assessing factors such as representation on the board of directors, participation in policy-making processes, material transactions with the entity, interchange of managerial personnel and provision of essential technical information. Refer to Notes 7, 36, and 37.

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

(e) Intangible assets

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

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

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

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

(f) Exploration and evaluation

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

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

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

(g) Property, plant and equipment

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

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

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

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

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

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

Crude oil facilities:

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

Refinery and petrochemical facilities 5 to 40

Gas and Natural Gas Liquids ("NGL") facilities 2 to 30

General service plant:

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

Net gains and losses on disposals of depreciable assets are recognized in net income. Property, plant and equipment held under a finance lease is depreciated over the life of the asset or the lease term, if shorter.

(h) Impairment of non-financial assets

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

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

Significant accounting judgments and estimates

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

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

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

(i) Leases

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

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

Lease liabilities are initially measured at the present value of lease payments. Lease payments include fixed lease payments, variable lease payments that depend on an index or rate, amounts payable for guaranteed residual values and payments to be made under extension or purchase or termination options, where applicable. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Subsequent to initial recognition, the lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and adjusted for remeasurement to reflect any reassessments or lease modifications. Lease liabilities are included under borrowings (Note 19). Lease payments are allocated between the liability and finance costs. Finance costs are recorded as an expense in the Consolidated Statement of Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

Significant accounting judgments and estimates

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

Accounting policies applied until December 31, 2018

Agreements under which Saudi Aramco made payments to third parties in return for the right to use an asset for a period of time were accounted for as leases. Leases that transferred substantially all the risks and rewards of ownership to Saudi Aramco were recorded at commencement as finance leases. Such leases were capitalized on the Consolidated Balance Sheet at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The interest element of leases was recorded in net income using the effective interest method over the term of the lease. Contingent rentals were recognized as an expense in the periods in which they were incurred. All other leases were recorded as operating leases and the associated costs were recorded in net income on a straight-line basis over the period of the lease.

Where Saudi Aramco was the lessor in a finance lease, the present value of the lease payments was recognized as a receivable. The interest element of the lease receivable was recognized in net income using the effective interest method.

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

(j) Investments and other financial assets

(i) Classification

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

Equity investments:

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

Debt securities:

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

1. Amortized cost:

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

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

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

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

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

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

Other financial assets:

Other financial assets are classified into the following categories:

1. Amortized cost:

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

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

2. Fair value through profit or loss:

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

(iv) Impairment

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

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

(k) Derivative instruments and hedging activities

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

(i) Derivative instruments classified as held for trading

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

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

(ii) Derivative instruments designated as hedges

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

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

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

1) Fair value hedges

A fair value hedge is a hedge of the fair value of a recognized asset or liability or firm commitment and comprises currency forward contracts. The gain or loss from the changes in the fair value of the currency forward contracts is recognized in net income, together with changes in the fair value of the hedged item.

2) Cash flow hedges

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

Gains and losses deferred through other comprehensive income are reclassified to net income at the time the hedged item affects net income. However, when a hedged item is a forecast transaction resulting in the recognition of a non-financial asset or non-financial liability, the gains and losses deferred through other comprehensive income, if any, are included in the initial cost or other carrying amount of the asset or liability.

When a hedging instrument expires, any cumulative gain or loss deferred through other comprehensive income will remain until the forecast transaction is recognized. When a forecast transaction is no longer expected to occur, the cumulative gain or loss deferred through other comprehensive income is immediately reclassified to net income.

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

(l) Income tax

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

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

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

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

Significant accounting judgments and estimates

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

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

(m) Inventories

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

(n) Due from the Government

The Government compensates the Company through price equalization (Note 2(y)) and for the past due trade receivables of specified Government and semi-Government agencies to whom the Company supplies specified products and services.

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

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

(o) Cash and cash equivalents

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

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

(p) Treasury shares

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

(q) Financial liabilities

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

Saudi Aramco's financial liabilities are:

(i) Financial liabilities at FVPL

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

(ii) Financial liabilities at amortized cost

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

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

(r) Borrowing costs

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

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

(s) Post-employment benefit plans

(i) Pension plans

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

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

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

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

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

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

(ii) Other post-employment benefits

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

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

Significant accounting judgments and estimates

The costs of defined benefit pension plans and post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions, which are reviewed annually. Key assumptions include discount rates, future salary increases, future healthcare costs, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Information about amounts reported in respect of defined benefit plans, assumptions applicable to the plans and their sensitivity to changes are presented in Note 20.

(t) Share-based compensation

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

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

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

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

(u) Provisions and contingencies

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

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

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

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognized, but are disclosed where the inflow of economic benefits is probable.

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

Significant accounting judgments and estimates

Most of Saudi Aramco's well plugging and abandonment activities are many years into the future with technology and costs constantly changing. Estimates of the amounts of a provision are recognized based on current legal and constructive requirements and costs associated to abandon using existing technologies. Actual costs are uncertain and estimates can vary as a result of changes in the scope of the project and/or relevant laws and regulation. The estimated timing of decommissioning may change due to certain factors, such as reserve life, a decision to terminate operations, or changes in legislation. Changes to estimates related to future expected costs, discount rates and timing may have a material impact on the amounts presented. As a result, significant judgment is applied in the initial recognition and subsequent adjustment of the provision and the capitalized cost associated with decommissioning, plugging and abandonment obligations. Any subsequent adjustments to the provision are made prospectively. Detail on the particular assumptions applied when making certain non-current provisions is included in Note 21.

(v) Foreign currency translation

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

Significant accounting judgments and estimates

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

(w) Presentation currency

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

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

Translations from SAR to USD presented as supplementary information in the Consolidated Statement of Income, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows at December 31, 2019 and 2018, 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.

(x) Revenue recognition and sales prices

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

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

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

(y) Other income related to sales

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

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

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

(z) Production royalties

Royalties to the Government are calculated based on a progressive scheme applied to crude oil and condensate production. An effective royalty rate is applied to production based on the Company's official selling prices. The effective royalty rate is determined based on a baseline marginal rate of 20% applied to prices up to \$70 per barrel, increasing to 40% applied to prices above \$70 per barrel and 50% applied to prices above \$100 per barrel (Note 2(a)(i)). All such royalties are accounted for as an expense in the Consolidated Statement of Income and are deductible costs for Government income tax calculations.

(aa) Research and development

Development costs that are expected to generate probable future economic benefits are capitalized as intangible assets and amortized over their estimated useful life. All other research and development costs are recognized in net income as incurred.

(bb) Dividends

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

(cc) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

(dd) Reclassifications

Certain comparative amounts in the Consolidated Statement of Income and Consolidated Balance Sheet for the year ended December 31, 2018 have been reclassified to conform to the current year 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 12,239, which are presented in the Consolidated Statement of Income as revenue and purchases reflecting current trading arrangements.

3. Financial risk management

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

(a) Financial risk factors

(i) Market risk

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

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

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

The notional amounts of outstanding currency forward contracts designated as hedging instruments are included in Note 28.

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

a) Investments in securities

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

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

At December 31, 2019 and 2018, a change in fair value due to a movement of 5% in the price of listed equity securities would result in a change in other comprehensive income before income taxes of SAR 412 and SAR 366, respectively.

At December 31, 2019 and 2018, a change in fair value due to a movement of 5% in the unit price of mutual and hedge funds would result in a change in income before income taxes of SAR 240 and SAR 209, respectively.

b) Commodity swaps

Saudi Aramco trades refined, natural gas liquid, and bulk petrochemical products and uses commodity swaps as a means of managing price and timing of risks arising from this trading. In effecting these transactions, Saudi Aramco operates within policies and procedures designed to ensure that risks, including those related to the default of counterparties, are managed within authorized limits. The notional amounts of outstanding commodity swap contracts are included in Note 28.

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

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

At December 31, 2019 and 2018, a change of 1% in market interest rates, with all other variables held constant, would result in a net change of SAR 435 and SAR 1,125, respectively, in Saudi Aramco's income before income taxes as a result of the effect of higher or lower market interest rates.

The notional amounts of interest rate swap contracts are included in Note 28.

3. Financial risk management continued

(ii) Credit risk

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

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

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

In addition, the credit policy limits the amount of credit exposure to any individual counterparty based on their credit rating as well as other factors. Moreover, Saudi Aramco's investment policy limits exposure to credit risk arising from investment activities. The policy requires that cash and cash equivalents and short-term investments be invested with a diversified group of financial institutions with acceptable credit ratings. Saudi Aramco ensures that each counterparty is of an acceptable credit quality by relying on quantitative and qualitative measures compiled from internal and third party rating models. At December 31, 2019, all the short-term investments were with financial institutions assigned a long-term credit rating of "BBB" (2018: "BBB+") or above.

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

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

(iii) Liquidity risk

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

Saudi Aramco's liquidity risk management includes maintaining sufficient cash and cash equivalents and ensuring the availability of incremental funding through credit facilities (Note 19). Management also monitors and forecasts Saudi Aramco's liquidity requirements based on current and non-current expected cash flows.

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

Note 19 analyzes Saudi Aramco's borrowings into relevant maturity groupings based on the balances associated with each contractual maturity date at the end of the reporting period.

(b) Capital structure management

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

(c) Casualty loss risk retention

Saudi Aramco's casualty loss risk strategy includes a risk retention and insurance program, including providing coverage to certain joint arrangements and associates limited to Saudi Aramco's percentage interest in the relevant entity. Current maximum risk retention is SAR 2,490 per loss event (2018: SAR 2,118) and various insurance limits apply, of which the risk retention forms a part. Should a credible loss event occur, the maximum insurance limit above retention is SAR 4,875 (2018: SAR 4,875) per event dependent on the circumstances.

3. Financial risk management continued

(d) Fair value estimation

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

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

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

The following table presents Saudi Aramco's assets and liabilities measured and recognized at fair value at the years ended December 31, 2019 and 2018, based on the prescribed fair value measurement hierarchy on a recurring basis. Saudi Aramco did not measure any financial assets or financial liabilities at fair value on a non-recurring basis at December 31, 2019 and 2018.

Assets	Level 1	Level 2	Level 3	Total
2019				
Investments in securities:				
Equity securities at FVOCI	8,246	–	1,244	9,490
Debt securities at FVOCI	1	4,563	–	4,564
Equity securities at FVPL	–	1,265	4,918	6,183
Trade receivables related to contracts with provisional pricing arrangements	–	–	75,723	75,723
	8,247	5,828	81,885	95,960
Other assets and receivables:				
Interest rate swaps	–	13	–	13
Commodity swaps	–	288	–	288
Currency forward contracts	–	30	–	30
	–	331	–	331
Total assets	8,247	6,159	81,885	96,291
2018				
Investments in securities:				
Equity securities at FVOCI	7,324	–	1,293	8,617
Debt securities at FVOCI	19	3,908	–	3,927
Equity securities at FVPL	–	991	4,237	5,228
Trade receivables related to contracts with provisional pricing arrangements	–	–	73,509	73,509
	7,343	4,899	79,039	91,281
Other assets and receivables:				
Interest rate swaps	–	191	–	191
Commodity swaps	184	2,393	–	2,577
Currency forward contracts	–	33	–	33
	184	2,617	–	2,801
Total assets	7,527	7,516	79,039	94,082

3. Financial risk management continued

Liabilities	Level 1	Level 2	Level 3	Total
2019				
Trade and other payables:				
Interest rate swaps	–	338	–	338
Commodity swaps	–	521	–	521
Currency forward contracts	–	109	–	109
	–	968	–	968
2018				
Trade and other payables:				
Interest rate swaps	–	71	–	71
Commodity swaps	–	1,069	–	1,069
Currency forward contracts	–	180	–	180
	–	1,320	–	1,320

The valuation techniques for Saudi Aramco's investments in securities are described in Note 10. The changes in Level 3 investments in securities and other current assets for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
January 1	5,530	5,283
Net additions	286	389
Net movement in unrealized fair value gain/(loss)	346	(161)
Acquisition	–	11
Realized gain	–	8
December 31	6,162	5,530

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

4. Operating segments

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

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

For management purposes, Saudi Aramco is organized into business units based on the main types of activities. At December 31, 2019, 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.

4. Operating segments continued

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

Information by segments is as follows:

	Upstream	Downstream	Corporate	Eliminations	Consolidated
2019					
External revenue	709,250	395,099	1,347	–	1,105,696
Other income related to sales	34,446	96,643	–	–	131,089
Inter-segment revenue	226,699	35,677	292	(262,668)	–
Share of results of joint ventures and associates	(3)	(9,371)	(81)	–	(9,455)
Depreciation and amortization	(30,855)	(14,350)	(5,061)	–	(50,266)
Dividends and other income	–	1,800	17	–	1,817
Earnings (losses) before interest and income taxes	689,894	(3,478)	(13,098)	(6,085)	667,233
Finance income					5,534
Finance costs					(6,026)
Income before income taxes					666,741
Capital expenditures – cash basis	93,927	26,696	2,259	–	122,882
2018					
External revenue	788,472	404,575	1,329	–	1,194,376
Other income related to sales	37,189	115,452	–	–	152,641
Inter-segment revenue	276,500	32,798	256	(309,554)	–
Share of results of joint ventures and associates	(1)	(1,274)	(140)	–	(1,415)
Depreciation and amortization	(27,495)	(11,941)	(1,898)	–	(41,334)
Dividends and other income	–	1,024	1	–	1,025
Earnings (losses) before interest and income taxes	796,321	12,638	(12,927)	1,983	798,015
Finance income					2,840
Finance costs					(2,959)
Income before income taxes					797,896
Capital expenditures – cash basis	96,768	32,677	2,321	–	131,766

Information by geographical area is as follows:

	In-Kingdom	Out of Kingdom	Total
2019			
External revenue	871,451	234,245	1,105,696
Property, plant and equipment, intangible assets, investments in joint ventures and associates	900,938	130,936	1,031,874
2018			
External revenue	991,769	202,607	1,194,376
Property, plant and equipment, intangible assets, investments in joint ventures and associates	814,997	108,305	923,302

Sales to external customers by region are based on the location of the Saudi Aramco entity, which made the sale. Out of Kingdom revenue includes sales of SAR 119,325 originating from the United States of America ("USA") (2018: SAR 118,762).

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

5. Property, plant and equipment

	Crude oil facilities	Refinery and petrochemical facilities	Gas and NGL facilities	General service plant	Construction-in-progress	Total
Cost						
January 1, 2019	503,281	205,233	361,141	88,482	257,607	1,415,744
Adjustment for change in accounting policy (Note 2(c)(i))	6,337	8,005	254	11,455	–	26,051
Additions	4,929	3,545	164	2,559	110,995	122,192
Acquisitions (Note 33)	–	10,395	–	–	1,329	11,724
Derecognition on acquisition of joint operation (Note 33(a)(ii))	–	(5,240)	–	–	(977)	(6,217)
Construction completed	25,517	12,764	34,647	6,865	(79,793)	–
Currency translation differences	–	(1,892)	–	–	(98)	(1,990)
Transfers and adjustments	(646)	513	307	(23)	300	451
Transfer of exploration and evaluation assets	–	–	–	–	2,119	2,119
Retirements and sales	(2,119)	(2,274)	(113)	(756)	–	(5,262)
December 31, 2019	537,299	231,049	396,400	108,582	291,482	1,564,812
Accumulated depreciation						
January 1, 2019	(253,544)	(74,438)	(160,220)	(53,715)	–	(541,917)
Additions	(18,729)	(10,213)	(13,828)	(6,370)	–	(49,140)
Derecognition on acquisition of joint operation (Note 33(a)(ii))	–	4,231	–	–	–	4,231
Currency translation differences	–	659	–	–	–	659
Transfers and adjustments	(25)	(510)	(354)	18	–	(871)
Retirements and sales	1,193	2,238	102	707	–	4,240
December 31, 2019	(271,105)	(78,033)	(174,300)	(59,360)	–	(582,798)
Property, plant and equipment – net, December 31, 2019	266,194	153,016	222,100	49,222	291,482	982,014
Cost						
January 1, 2018	468,598	172,065	329,480	78,951	206,248	1,255,342
Additions	2,107	3,006	264	9,124	119,402	133,903
Acquisitions (Note 33)	–	9,019	–	–	18,878	27,897
Construction completed	29,829	23,669	31,470	4,177	(89,145)	–
Currency translation differences	–	(1,820)	–	(1)	(469)	(2,290)
Transfers and adjustments	3,454	(586)	24	(3,114)	529	307
Transfer of exploration and evaluation assets	–	–	–	–	2,164	2,164
Retirements and sales	(707)	(120)	(97)	(655)	–	(1,579)
December 31, 2018	503,281	205,233	361,141	88,482	257,607	1,415,744
Accumulated depreciation						
January 1, 2018	(237,729)	(67,323)	(147,357)	(51,799)	–	(504,208)
Additions	(16,208)	(8,269)	(12,929)	(2,935)	–	(40,341)
Currency translation differences	–	848	–	–	–	848
Transfers and adjustments	(164)	202	–	404	–	442
Retirements and sales	557	104	66	615	–	1,342
December 31, 2018	(253,544)	(74,438)	(160,220)	(53,715)	–	(541,917)
Property, plant and equipment – net, December 31, 2018	249,737	130,795	200,921	34,767	257,607	873,827

Additions to right-of-use assets during the year ended December 31, 2019 were SAR 9,670.

5. Property, plant and equipment continued

The following table presents depreciation charges and net carrying amounts of right-of-use assets by class of assets.

	Depreciation expense for the year ended December 31, 2019	Carrying amount at December 31, 2019
Crude oil facilities	2,591	8,202
Refinery and petrochemical facilities	1,276	10,045
Gas and NGL facilities	178	190
General service plant	3,634	22,222
	7,679	40,659

At December 31, 2018, finance lease assets with net book values of SAR 11,912 and SAR 705 were included in General service plant and Refinery and petrochemical facilities, respectively.

6. Intangible assets

	Exploration and evaluation	Brands and trademarks	Franchise/ customer relationships	Computer software	Other	Total
Cost						
January 1, 2019	18,916	4,827	1,263	4,310	2,157	31,473
Additions	8,333	–	–	303	65	8,701
Acquisitions (Note 33)	–	–	544	57	527	1,128
Derecognition on acquisition of joint operation (Note 33(a)(ii))	–	–	–	(84)	–	(84)
Currency translation differences	–	(84)	(43)	–	(72)	(199)
Transfers and adjustments	–	48	–	(114)	80	14
Transfer of exploration and evaluation assets	(2,119)	–	–	–	–	(2,119)
Retirements	(3,217)	–	–	(44)	–	(3,261)
December 31, 2019	21,913	4,791	1,764	4,428	2,757	35,653
Accumulated amortization						
January 1, 2019	–	(1,046)	(715)	(2,541)	(275)	(4,577)
Additions	–	(424)	(174)	(368)	(160)	(1,126)
Derecognition on acquisition of joint operation (Note 33(a)(ii))	–	–	–	45	–	45
Currency translation differences	–	22	23	–	53	98
Transfers and adjustments	–	–	–	(15)	–	(15)
Retirements	–	–	–	44	–	44
December 31, 2019	–	(1,448)	(866)	(2,835)	(382)	(5,531)
Intangible assets – net, December 31, 2019	21,913	3,343	898	1,593	2,375	30,122

6. Intangible assets continued

	Exploration and evaluation	Brands and trademarks	Franchise/ customer relationships	Computer software	Other	Total
Cost						
January 1, 2018	16,008	4,931	1,318	4,101	1,589	27,947
Additions	8,023	–	–	252	80	8,355
Acquisitions (Note 33(a)(iv))	–	–	–	189	270	459
Currency translation differences	–	(104)	(55)	–	(7)	(166)
Transfers and adjustments	–	–	–	(232)	225	(7)
Transfer of exploration and evaluation assets	(2,164)	–	–	–	–	(2,164)
Retirements	(2,951)	–	–	–	–	(2,951)
December 31, 2018	18,916	4,827	1,263	4,310	2,157	31,473
Accumulated amortization						
January 1, 2018	–	(660)	(557)	(2,351)	(33)	(3,601)
Additions	–	(408)	(184)	(261)	(140)	(993)
Currency translation differences	–	24	26	–	–	50
Transfers and adjustments	–	(2)	–	71	(102)	(33)
December 31, 2018	–	(1,046)	(715)	(2,541)	(275)	(4,577)
Intangible assets – net, December 31, 2018	18,916	3,781	548	1,769	1,882	26,896

Other intangible assets include licenses and usage rights of SAR 762 (2018: SAR 882), patents and intellectual property of SAR 535 (2018: SAR 420) and goodwill of SAR 1,078 (2018: SAR 580).

Cash used for exploration and evaluation operating activities in 2019 was SAR 4,074 (2018: SAR 4,977) and expenditures for investing activities were SAR 8,333 (2018: SAR 8,023).

7. Investments in joint ventures and associates

Company	Equity ownership 2019/2018	Principal place of business	Nature of activities	Carrying amount at December 31, 2019	Carrying amount at December 31, 2018
Sadara Chemical Company ("Sadara") ^{1, 2, 5}	65%	Saudi Arabia	Petrochemical	4,483	11,660
Hyundai Oilbank Co., Ltd. ("Hyundai Oilbank")	17%/Nil	South Korea	Refining/marketing/petrochemical	4,372	–
Rabigh Refining and Petrochemical Company ("Petro Rabigh") ^{2, 3}	37.5%	Saudi Arabia	Refining/petrochemical	2,458	2,763
Fujian Refining and Petrochemical Company Limited ("FREP")	25%	People's Republic of China	Refining/petrochemical	2,070	2,419
National Shipping Company of Saudi Arabia ("Bahri") ³	20%	Saudi Arabia	Global logistics services	2,063	2,129
Power & Water Utility Company for Jubail and Yanbu ("Marafiq") (formerly: Jubail and Yanbu Electricity and Water Utility Company)	24.8%	Saudi Arabia	Utilities	1,877	1,831
Tas'helat Marketing Company ("TMC")	50%/Nil	Saudi Arabia	Marketing	433	–
The International Maritime Industries Company ("IMIC") ^{1, 4}	50.1%	Saudi Arabia	Maritime	371	425
Sinopec SenMei (Fujian) Petroleum Company Limited ("SSPC")	22.5%	People's Republic of China	Marketing/petrochemical	392	401
Saudi Arabian Industrial Investment Company ("Dussur")	25%	Saudi Arabia	Investment	374	116
Juniper Ventures of Texas LLC ("JVTX") ¹	60%	USA	Marketing	326	331
First Coast Energy LLP ("FCE")	50%	USA	Marketing	257	263
S-Oil TOTAL Lubricants Co., Ltd.	50%	South Korea	Lubricants production/sale	138	147
GCC Electrical Equipment Testing Lab ("GCC Lab")	20%	Saudi Arabia	Inspection	57	63
Star Enterprises LLC ("Star-Ent")	50%	USA	Pension administration	36	27
Saudi Silk Road Industrial Services Company ("SSRIS")	20%/Nil	Saudi Arabia	Investment services	23	–
Arabian Rig Manufacturing Company ("ARM")	30%/Nil	Saudi Arabia	Rig manufacturing	6	–
Jasara Program Management Company ("Jasara") ⁶ (formerly: Pan Arabian Program Management Company)	20%/50%	Saudi Arabia	Engineering services	2	4
				19,738	22,579

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

2. Saudi Aramco has provided guarantees as described in Note 27.

3. Listed company.

4. On August 27, 2019, Saudi Aramco agreed to sell 10% of its shareholding in IMIC to Korea Shipbuilding and Offshore Engineering (formerly: Hyundai Heavy Industries) subject to certain conditions to be met within one year of the agreement.

5. During the year ended December 31, 2019, the management of Sadara identified certain indicators of impairment, which required a detailed impairment assessment of Sadara's long-lived assets. As a result of the assessment, Sadara recognized an impairment loss of SAR 9,225 for the year ended December 31, 2019 of which Saudi Aramco's share is SAR 5,996.

6. On July 2, 2019, Saudi Aramco sold 30% of its ownership interest to the Saudi Public Investment Fund for SAR 14 (Note 32(a)).

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

	Joint ventures		Associates	
	2019	2018	2019	2018
January 1	12,425	12,216	10,154	15,057
Share of results of joint ventures and associates	(9,435)	(2,608)	(20)	1,193
Additional investment	2,860	2,531	285	368
Investments in joint ventures and associates (Note 33)	385	331	4,414	–
Derecognition of investment in ARLANXEO (Note 33(a)(iv))	–	–	–	(4,943)
Distributions	(89)	(75)	(689)	(998)
Change in elimination of profit in inventory	27	(23)	(267)	(80)
Share of other comprehensive (loss) income	(479)	53	(8)	(443)
Other	4	–	171	–
December 31	5,698	12,425	14,040	10,154

7. Investments in joint ventures and associates continued

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

Summarized balance sheet At December 31, 2019

	Sadara	Hyundai Oilbank	Petro Rabigh	FREP	Bahri	Other	Total
Current assets:							
Cash and cash equivalents	1,611	1,556	316	3,012	164	3,887	10,546
Other	6,780	13,245	11,147	6,429	2,878	3,501	43,980
Total current assets	8,391	14,801	11,463	9,441	3,042	7,388	54,526
Non-current assets	57,559	35,670	62,509	9,506	17,206	27,373	209,823
Current liabilities:							
Financial liabilities (excluding trade and other payables)	5,080	4,226	17,372	688	733	1,294	29,393
Other	2,102	9,030	10,517	3,811	1,249	4,891	31,600
Total current liabilities	7,182	13,256	27,889	4,499	1,982	6,185	60,993
Non-current liabilities:							
Financial liabilities (excluding trade and other payables)	50,771	10,133	35,389	6,019	8,739	13,888	124,939
Other	746	660	654	149	107	1,396	3,712
Total non-current liabilities	51,517	10,793	36,043	6,168	8,846	15,284	128,651
Net assets	7,251	26,422	10,040	8,280	9,420	13,292	74,705
Saudi Aramco interest	65%	17%	37.5%	25%	20%	17%-60%	
Saudi Aramco share	4,713	4,492	3,765	2,070	1,884	3,815	20,739
Elimination of profit in inventory	35	–	(655)	–	–	1	(619)
Fair value and other adjustments	(265)	(120)	(652)	–	179	476	(382)
Investment balance, December 31	4,483	4,372	2,458	2,070	2,063	4,292	19,738

Summarized statement of comprehensive income Year ended December 31, 2019

	Sadara	Hyundai Oilbank	Petro Rabigh	FREP	Bahri	Other	Total
Revenue	10,108	2,814	42,420	31,017	6,409	29,534	122,302
Depreciation and amortization	3,850	6	2,973	1,381	933	1,581	10,724
Conventional interest income	–	8	384	67	–	85	544
Interest expense	2,448	29	1,225	325	566	534	5,127
Income tax expense	76	12	225	107	91	166	677
Net (loss) income	(14,653)	42	(650)	271	477	613	(13,900)
Other comprehensive loss	(741)	–	(59)	(104)	(23)	(36)	(963)
Total comprehensive (loss) income	(15,394)	42	(709)	167	454	577	(14,863)

7. Investments in joint ventures and associates continued

Conventional financial assets, financial liabilities and interest income (100%) of entities not listed on the Tadawul and included above, are as follows:

	Conventional financial assets as of December 31, 2019	Conventional financial liabilities as of December 31, 2019	Interest income from conventional financial assets for the year ended December 31, 2019
Sadara	5,648	42,991	–
Hyundai Oilbank	8,910	14,359	8
FREP	5,576	6,707	67
Marafiq	2,887	5,462	25
TMC	241	261	–
IMIC	175	9	–
SSPC	1,244	2,149	23
Dussur	1,409	7	34
JVTX	17	–	–
FCE	–	436	–
S-Oil TOTAL Lubricants Co., Ltd.	282	202	–
GCC Lab	58	2	2
Star-Ent	8	–	–
SSRIS	113	–	–
ARM	4	34	–
Jasara	195	110	–

Summarized financial information (100%) for joint ventures and associates and reconciliation with the carrying amount of the investments in the consolidated financial statements at December 31, 2018 are set out below:

Summarized balance sheet At December 31, 2018

	Sadara	Petro Rabigh	FREP	Bahri	Other	Total
Current assets:						
Cash and cash equivalents	1,384	3,184	4,035	638	3,551	12,792
Other	7,931	15,904	5,104	3,210	3,293	35,442
Total current assets	9,315	19,088	9,139	3,848	6,844	48,234
Non-current assets	72,422	52,178	10,851	18,000	24,019	177,470
Current liabilities:						
Financial liabilities (excluding trade and other payables)	3,525	13,898	656	1,478	1,413	20,970
Other	6,105	14,273	2,700	1,136	4,714	28,928
Total current liabilities	9,630	28,171	3,356	2,614	6,127	49,898
Non-current liabilities:						
Financial liabilities (excluding trade and other payables)	48,634	33,641	6,806	9,401	11,674	110,156
Other	5,280	488	154	65	1,251	7,238
Total non-current liabilities	53,914	34,129	6,960	9,466	12,925	117,394
Net assets	18,193	8,966	9,674	9,768	11,811	58,412
Saudi Aramco interest	65%	37.5%	25%	20%	20%-50.1%	
Saudi Aramco share	11,825	3,362	2,419	1,954	3,409	22,969
Elimination of profit in inventory	11	(388)	–	–	(2)	(379)
Fair value and other adjustments	(176)	(211)	–	175	201	(11)
Investment balance, December 31	11,660	2,763	2,419	2,129	3,608	22,579

7. Investments in joint ventures and associates continued

Summarized statement of comprehensive income Year ended December 31, 2018

	Sadara	Petro Rabigh	FREP	Bahri	Other	Total
Revenue	13,114	42,165	29,760	5,783	43,230	134,052
Depreciation and amortization	3,848	2,445	1,373	833	2,850	11,349
Conventional interest income	–	296	90	–	60	446
Interest expense	2,258	728	368	270	502	4,126
Income tax expense	49	128	638	101	319	1,235
Net (loss) income	(4,009)	1,301	1,609	611	319	(169)
Other comprehensive income (loss)	94	(15)	(495)	–	(664)	(1,080)
Total comprehensive (loss) income	(3,915)	1,286	1,114	611	(345)	(1,249)

Conventional financial assets, financial liabilities and interest income (100%) of entities not listed on the Tadawul and included above, are as follows:

	Conventional financial assets as of December 31, 2018	Conventional financial liabilities as of December 31, 2018	Interest income from conventional financial assets for the year ended December 31, 2018
Sadara	6,765	52,159	–
FREP	4,778	7,463	90
Marafiq	2,906	5,213	26
IMIC	859	124	–
SSPC	1,155	–	30
Dussur	544	8	–
JVTX	8	23	–
FCE	–	585	–
S-Oil TOTAL Lubricants Co., Ltd.	251	143	–
GCC LAB	109	–	4
Star-Ent	–	–	–
Jasara	38	–	–

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

	Fair value		Carrying value	
	2019	2018	2019	2018
Petro Rabigh	7,115	6,268	2,458	2,763
Bahri	3,150	2,630	2,063	2,129

8. 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:

	2019	2018
Income before income taxes	666,741	797,896
Income taxes at the Kingdom's statutory tax rates	328,721	387,937
Tax effect of:		
Impact of change in income tax rates on deferred tax	2,655	(3,904)
Impact of change from zakat to income tax on investments in shares of resident capital companies	-	1,282
Income not subject to tax at statutory rates and other	4,672	(3,937)
	336,048	381,378

(b) Income tax expense

	2019	2018
Current income tax – Kingdom	319,979	365,415
Current income tax – Foreign	353	349
Deferred income tax – Kingdom:		
Impact of change in income tax rates	2,655	(3,904)
Charge for the period	12,610	19,830
Deferred income tax – Foreign	451	(312)
	336,048	381,378

Saudi Aramco paid foreign taxes of SAR 437 and SAR 605 for the years ended December 31, 2019 and 2018, respectively.

Income tax expense recorded through other comprehensive income was SAR 1,542 for the year ended December 31, 2019 (2018: SAR 5,863).

(c) Income tax obligation to the Government

	2019	2018
January 1	70,299	59,584
Provided during the period	319,979	365,415
Payments during the period by the Company (Note 31)	(149,780)	(180,225)
Payments during the period by subsidiaries and joint operations	(1,023)	(1,075)
Settlements of due from the Government	(172,301)	(167,752)
Other settlements	(4,931)	(5,648)
December 31	62,243	70,299

8. Income taxes continued**(d) Deferred income tax**

	2019	2018
Deferred income tax assets:		
Kingdom	12,386	8,946
U.S. Federal and State	31	14
Other foreign	311	906
	12,728	9,866
Deferred income tax liabilities:		
Kingdom	37,943	18,637
U.S. Federal and State	3,312	2,234
Other foreign	3,216	3,006
	44,471	23,877
Net deferred income tax liabilities	(31,743)	(14,011)

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

	2019	2018
January 1	(14,011)	7,297
Impact of change in income tax rate – (charge)/credit to income	(2,655)	3,904
Impact of change in income tax rate – Other reserves	(284)	(119)
Current period charge to income	(13,061)	(19,518)
Adjustments to equity – Other reserves	(1,258)	(5,744)
Other adjustments	(474)	169
December 31	(31,743)	(14,011)
	2019	2018
Deferred income tax to be settled after more than 12 months	(31,743)	(14,011)
Deferred income tax to be recovered within 12 months	–	–
Net deferred income tax liabilities	(31,743)	(14,011)

8. Income taxes continued

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

	Post-employment benefit obligations	Investment in subsidiary	Undistributed earnings	Provisions and other	Loss carry-forward	Property plant and equipment and intangibles	Investments in securities at FVOCI	Total
January 1, 2018								
Deferred tax assets	19,411	–	–	12,554	4,960	(20,797)	(2,522)	13,606
Deferred tax liabilities	–	(6,726)	(885)	(1,079)	2,381	–	–	(6,309)
	19,411	(6,726)	(885)	11,475	7,341	(20,797)	(2,522)	7,297
Recognized during the year								
Impact of change in income tax rate	(119)	–	–	(538)	–	4,442	–	3,785
Current period (charges)/ credits to income	(1,404)	3,094	105	(2,267)	433	(19,479)	–	(19,518)
Other reserves (charges)/ credits	(6,636)	–	–	–	–	–	892	(5,744)
Other adjustments	–	–	–	169	–	–	–	169
	(8,159)	3,094	105	(2,636)	433	(15,037)	892	(21,308)
December 31, 2018								
Deferred tax assets	1,873	–	–	1,256	6,737	–	–	9,866
Deferred tax liabilities	9,379	(3,632)	(780)	7,583	1,037	(35,834)	(1,630)	(23,877)
	11,252	(3,632)	(780)	8,839	7,774	(35,834)	(1,630)	(14,011)
Recognized during the year								
Impact of change in income tax rate	(464)	–	–	(457)	–	(2,198)	180	(2,939)
Current period credits/ (charges) to income	194	(1,196)	44	3,285	2,043	(17,431)	–	(13,061)
Impact of adoption of IFRS 16	–	–	–	7,906	–	(7,906)	–	–
Other reserves charges	(526)	–	–	–	–	–	(732)	(1,258)
Other adjustments	–	–	–	(474)	–	–	–	(474)
	(796)	(1,196)	44	10,260	2,043	(27,535)	(552)	(17,732)
December 31, 2019								
Deferred tax assets	3,328	–	–	685	8,715	–	–	12,728
Deferred tax liabilities	7,128	(4,828)	(736)	18,414	1,102	(63,369)	(2,182)	(44,471)
	10,456	(4,828)	(736)	19,099	9,817	(63,369)	(2,182)	(31,743)

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

A deferred income tax liability has not been recognized with regard to the undistributed earnings of certain subsidiaries which are considered to be permanently reinvested in their respective businesses. Such earnings would be taxed only upon distribution. The cumulative amount of the undistributed earnings of such subsidiaries is SAR 32,674 and SAR 31,922 at December 31, 2019 and 2018, respectively, and the unrecognized deferred income tax liability is SAR 3,215 and SAR 3,547 at December 31, 2019 and 2018, respectively.

(e) Tax assessments

The Company and its subsidiaries and affiliates are subject to tax review and audit in tax jurisdictions where they operate. In October 2019, the Company and its wholly owned domestic affiliates were notified that the Saudi Arabian income tax submissions for all years up to and including the year ended December 31, 2018 were accepted as filed.

For the Company's other domestic and international affiliates, examinations of tax returns for certain prior tax years had not been completed as of December 31, 2019; however, the Company is not aware of any significant claims. Therefore, no material provision for any additional income tax liability has been recorded in the consolidated financial statements.

9. Other assets and receivables

	2019	2018
Non-current:		
Contractor advances	6,768	305
Home loans	5,999	5,023
Loans to joint ventures and associates (Note 32(b))	4,480	2,777
Home ownership construction	3,160	4,088
Lease receivable from associates (Note 32(b))	440	452
Derivative assets	–	191
Other	525	291
	21,372	13,127
Current:		
Employee and other receivables	4,999	3,557
Tax receivables	2,569	2,347
Interest receivable	1,144	171
Prepaid expenses	1,400	2,984
Home loans	848	750
Derivative assets	331	2,610
Investments in securities (Note 10)	281	558
Rig mobilization fees	242	398
Assets held for sale	81	81
Receivables from joint ventures and associates (Note 32(b))	15	71
Other	199	248
	12,109	13,775

Home loans

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

	2019	2018
Gross amounts receivable	9,317	8,470
Less:		
Discount	(1,610)	(1,868)
Allowance for doubtful home loans	(536)	(480)
Subsidies	(324)	(349)
Net amounts receivable	6,847	5,773
Current	(848)	(750)
Non-current	5,999	5,023

10. Investments in securities

	2019	2018
January 1	17,772	19,142
Acquisitions	–	11
Net additions	889	490
Net unrealized fair value gain/(loss)	1,598	(1,871)
Net unrealized foreign currency loss	(22)	–
December 31	20,237	17,772
Current (Note 9)	(281)	(558)
Non-current	19,956	17,214

Net additions include unsettled transactions of SAR 21 at December 31, 2019 (2018: SAR (125)). Investments in securities are carried at fair value.

10. Investments in securities continued

The components of Investments in securities are as follows:

	2019	
	Percentage ownership	Carrying amount as of December 31
Equity investments classified as FVOCI:		
Equity investments – listed securities:		
Saudi Electricity Company (“SEC”)	6.9%	5,835
Idemitsu Kosan Co., Ltd. (“Idemitsu”)	7.7%	2,411
Equity investments – unlisted securities:		
Arab Petroleum Pipeline Company (“Sumed”)	15.0%	817
Industrialization & Energy Services Company (“TAQA”)	4.6%	270
Daehan Oil Pipeline Corporation (“Daehan”)	8.9%	157
Investments in debt securities classified as FVOCI:		
USD debt securities with fixed interest rates ranging from 0.7% to 8.8% and maturity dates between January 2020 and September 2057		3,840
USD debt securities with variable interest rates and maturity dates between January 2020 and October 2069		724
		14,054
Equity investments classified as FVPL:		
Listed securities – mutual and hedge funds		4,796
Unlisted securities		1,387
		20,237
Current portion (Note 9)		(281)
Non-current		19,956
2018		
	Percentage ownership	Carrying amount as of December 31
Equity investments classified as FVOCI:		
Equity investments – listed securities:		
Saudi Electricity Company (“SEC”)	6.9%	4,369
Showa Shell Sekiyu K.K. (“Showa Shell”)	15.1%	2,955
Equity investments – unlisted securities:		
Arab Petroleum Pipeline Company (“Sumed”)	15.0%	824
Industrialization & Energy Services Company (“TAQA”)	4.6%	315
Daehan Oil Pipeline Corporation (“Daehan”)	8.9%	154
Investments in debt securities classified as FVOCI:		
USD debt securities with fixed interest rates ranging from 0.7% to 8.8% and maturity dates between January 2019 and February 2051		3,338
USD debt securities with variable interest rates and maturity dates between January 2019 and October 2068		589
		12,544
Equity investments classified as FVPL:		
Listed securities – mutual and hedge funds		4,189
Unlisted securities		1,039
		17,772
Current portion (Note 9)		(558)
Non-current		17,214

10. Investments in securities continued

On April 1, 2019, Saudi Aramco received 23.1 million common shares of Idemitsu in exchange for its shareholding of 56.4 million common shares of Showa Shell Sekiyu, K.K. ("Showa Shell"). As a result of this transaction, Saudi Aramco's interest in Idemitsu is 7.7% of Idemitsu's total common shares, which does not meet the requirement for significant influence. The investment in Idemitsu in the amount of SAR 2,411 at December 31, 2019 is accounted for at fair value through other comprehensive income.

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

The fair value of Sumed is based on expected cash flows discounted using a rate based on market interest rates and a risk premium specific to the unlisted security which was 8.0% and 10.6% at December 31, 2019 and 2018, respectively. The fair value of TAQA is based on an earnings growth factor for unlisted equity securities from market information for similar types of companies. The fair value of Daehan is determined using discounted cash flow analysis based on the risk adjusted yield.

The maximum exposure to credit risk at the reporting date of the investments in debt securities is the fair value. To limit credit risk, Saudi Aramco's investment policy requires that these securities be diversified. Credit ratings for debt securities held at December 31, 2019 range from AAA to BB (2018: AAA to BB) as set out by internationally recognized credit rating agencies.

11. Inventories

	2019	2018
Crude oil, refined products and chemicals	35,839	37,241
Materials and supplies – net	6,595	6,130
Natural gas liquids and other	173	209
	42,607	43,580

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

	2019	2018
Balance, January 1	2,088	1,911
Net movement in allowance	(91)	177
Balance, December 31	1,997	2,088

12. Trade receivables

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

The components of trade receivables are as follows:

	2019	2018
Arising from export and local sales at international prices	86,058	81,662
Arising from local sales at Kingdom regulated prices	8,322	12,995
	94,380	94,657
Less: Loss allowance	(854)	(839)
	93,526	93,818

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

As described in Note 2(n), the Government through the Ministry of Finance provided a guarantee to the Company in the event that certain Government and semi-Government agencies are unable to settle within the terms agreed with the Company.

12. Trade receivables continued

The movement of the allowance for trade receivables related to past due sales is as follows:

	2019	2018
January 1	839	856
Net movement in allowance	15	(17)
December 31	854	839

13. Due from the Government

	2019	2018
Other income related to sales (Note 2(y))	28,670	35,267
Government guarantee (Note 2(n))	7,189	12,872
Other	922	725
Note 32(b)	36,781	48,864

14. Short-term investments

	2019	2018
USD time deposits	42,585	–
USD Murabaha time deposits (Shari'a compliant)	1,875	–
South Korean Won time deposits	875	154
SAR time deposits	132	40
	45,467	194

15. Cash and cash equivalents

	2019	2018
Cash at bank and in hand	45,063	31,015
USD time deposits	119,031	146,886
USD Murabaha time deposits (Shari'a compliant)	2,570	1,440
SAR time deposits	4,959	1,277
SAR repurchase agreements	2,800	328
SAR Murabaha time deposits (Shari'a compliant)	2,369	–
South Korean Won time deposits	914	2,206
	177,706	183,152

16. Treasury shares

On December 11, 2019, the Company acquired 117.2 million ordinary shares from the Government for cash consideration of SAR 3,750, which continue to be held at December 31, 2019 (2018: nil). These shares are held by the Company as treasury shares for the purposes of issuing them to the Company's employees upon the vesting of the grant award (Note 17) and any other employee share plans that the Company may adopt in the future.

17. Share-based compensation

The Company recognized the following share-based compensation expense in the Consolidated Statement of Income, as an employee benefit expense, for the year ended December 31, 2019.

	2019	2018
Equity-settled	32	–
Cash-settled	1	–
	33	–

This share-based compensation relates to a grant of ordinary shares awarded in December 2019 to the Company's eligible employees under the plan terms of the grant.

The grant is subject to a 12-month vesting period from its grant date and is subject to a service condition during the vesting period, except for certain qualifying leavers. The grant will be settled with the employees in shares on vesting, except for certain qualifying employees who will receive cash settlement.

The fair value of the grant was determined by reference to the market value of the Company's ordinary shares on the date of grant for equity-settled awards and at the balance sheet date for cash-settled awards. The participants in the grant are entitled to dividend equivalents, if dividends are declared to ordinary shareholders, during the vesting period. Such dividend equivalents will be paid in cash on vesting of the grant or upon separation for qualifying leavers. Accordingly, no adjustment for expected dividends during the vesting period was made in determining the fair value of the grant.

The number of shares and weighted average fair value per share ("WAFV"), under the grant, granted during the year were:

	2019	
	Number of shares (in millions)	WAFV (SAR)
Grant	16	35.20

At December 31, 2019, the total carrying amount of the liabilities in respect of the cash settlement elements of the grant was SAR 2 (2018: nil). There were no outstanding vested awards at December 31, 2019 (2018: nil).

18. Other reserves

	Currency translation differences	Investments in securities at FVOCI	Post-employment benefit obligations	Share-based payment reserve	Cash flow hedges and other	Share of other comprehensive income (loss) of joint ventures and associates		Total
						Post-employment benefit obligations and other	Foreign currency translation gains (losses)	
January 1, 2018	798	4,492	–	–	(105)	(153)	638	5,670
Current period change	(1,110)	(2,547)	–	–	36	157	(440)	(3,904)
Remeasurement gain	–	82	13,556	–	–	–	–	13,638
Transfer to retained earnings	–	–	(6,822)	–	–	–	–	(6,822)
Tax effect	–	892	(6,755)	–	–	–	–	(5,863)
Less: amounts related to non-controlling interests	441	–	21	–	(5)	–	–	457
December 31, 2018	129	2,919	–	–	(74)	4	198	3,176
Current period change	(1,027)	1,517	–	31	(353)	(480)	(7)	(319)
Remeasurement (loss)/gain	–	(539)	3,154	–	–	2	–	2,617
Transfer to retained earnings	–	–	(2,178)	–	–	(2)	–	(2,180)
Tax effect	–	(552)	(990)	–	–	–	–	(1,542)
Less: amounts related to non-controlling interests	313	(3)	14	–	–	–	–	324
December 31, 2019	(585)	3,342	–	31	(427)	(476)	191	2,076

19. Borrowings

	2019	2018
Non-current:		
Borrowings	39,957	25,934
Debentures	60,957	17,014
Sukuk (Shari'a compliant)	12,649	12,821
Lease liabilities (Note 2(c)(i))	33,831	12,329
Other ¹	3,296	3,231
	150,690	71,329
Current:		
Short-term bank financing	12,660	23,174
Borrowings	4,957	5,906
Sukuk (Shari'a compliant)	175	180
Lease liabilities (Note 2(c)(i))	7,103	729
	24,895	29,989
	2019	2018
Finance costs:		
Conventional borrowing	3,144	1,576
Lease liabilities	1,790	480
Shari'a compliant financial instruments	652	593
Unwinding of discount (Note 21)	440	310
	6,026	2,959

1. Other borrowings comprise loans from non-financial institutions under commercial terms.

Borrowing facilities

Saudi Aramco has entered into long-term financing arrangements with various lenders. These financing arrangements limit the creation of additional liens and/or financing obligations and certain of these arrangements are secured over certain property, plant and equipment of Saudi Aramco with a carrying value of SAR 38,074 (2018: SAR 39,699). Additionally, certain financing arrangements require compliance by Saudi Aramco with covenants to maintain certain financial and other conditions. Saudi Aramco has complied with these covenants throughout the reporting period.

Details of financing facilities at December 31 are as follows:

	Note	Total facility		Total undrawn	
		2019	2018	2019	2018
Conventional facilities:					
Revolving credit facilities	a	49,350	47,677	46,489	47,677
Commercial and other	b	41,576	25,218	4,249	3,263
Short-term borrowings	c	25,500	33,840	15,698	10,928
Export credit agencies	d	6,354	13,854	–	7,500
Public Investment Fund	e	4,594	4,594	–	–
Shari'a compliant facilities:					
Sukuk	a	39,844	39,844	26,250	26,250
Murabaha	b	3,750	3,750	–	–
Saudi Industrial Development Fund	c	3,248	3,248	–	–
Ijarah/Procurement	d	1,811	2,528	–	–
Wakala	e	345	821	–	–
		176,372	175,374	92,686	95,618

19. Borrowings continued

Conventional facilities

(a) Revolving credit facilities

At December 31, 2019, Saudi Aramco held facilities that total SAR 49,350 (2018: SAR 47,677) consisting of:

- (i) The Company maintains USD denominated facilities comprising a conventional five-year facility equivalent to SAR 22,500 (\$6,000) and a 364-day facility equivalent to SAR 3,750 (\$1,000) along with SAR denominated Islamic Murabaha facilities comprising a five-year facility of SAR 7,500 and a 364-day facility of SAR 3,750. The facilities were established in March 2015 and were extended for two years in 2019 and will mature in March 2022. The credit facility documentation provides for certain limits on the creation of liens on or other security interests in the assets of the Company, and on the sale, lease or transfer, of its assets to third parties.
- (ii) Saudi Aramco subsidiaries maintain facilities of SAR 11,850 (2018: SAR 10,177), consisting of revolving credit facilities of SAR 9,056 (\$2,415), and a letter of credit facility of SAR 2,794 (\$745) for working capital requirements and to support trading activities. The facilities are expected to be renewed in 2020 and 2022. The remaining revolving credit facilities are executed with a group of foreign and domestic banks for general corporate purposes and working capital requirements.

(b) Commercial and other

Saudi Aramco has commercial and other facility agreements with a number of banks. The facilities are primarily repayable in twelve to twenty-seven installments on a semi-annual basis from June 15, 2014 to December 21, 2034. Commission is payable on amounts drawn that are primarily calculated at a market rate plus a margin.

In 2019, Saudi Aramco refinanced an existing commercial facility having a balance of SAR 2,818 repayable to December 20, 2025. Under the refinancing agreement, the facility of SAR 3,105 is repayable in seven installments starting June 20, 2026 to June 20, 2029. Commission is payable on amounts drawn that are primarily calculated at a market rate plus a margin starting June 20, 2020.

(c) Short-term borrowings

- (i) On December 18, 2019, Saudi Aramco refinanced certain short-term bank financing through long-term project financing with 21 commercial banks and 6 export credit agencies. These long-term facilities were established in the amount of SAR 17,438 and payable in twenty-seven installments on a semi-annual basis commencing on December 2021 to December 2034. Commission is payable on amounts drawn and calculated at market rate plus margin.
- (ii) Saudi Aramco has facilities with a number of banks for short-term borrowing with each borrowing less than one year and which incur interest at market rates plus a margin.

(d) Export credit agencies

(i) UK Export Finance facility

On October 11, 2017, Saudi Aramco entered into a USD denominated facility equivalent to SAR 7,500 (\$2,000) with five commercial banks which is guaranteed by UK Export Finance. The facility expired during 2019 and no portion was drawn down as of the expiration date.

(ii) Other Export Credit Agencies

Saudi Aramco has facility agreements with six export credit agencies. The facilities are repayable in twenty-three installments on a semi-annual basis from December 20, 2014 to December 20, 2025. Commission is payable on amounts drawn and is calculated at a market rate plus a margin.

(e) Public Investment Fund

Saudi Aramco has facility agreements with the Saudi Public Investment Fund. The facilities are repayable in fourteen to twenty-three installments on a semi-annual basis from December 20, 2014 to December 20, 2025. Commission is payable on amounts drawn and is calculated at a market rate plus a margin.

Shari'a compliant facilities

(a) Sukuk

A Sukuk is a financial instrument similar to a bond that complies with Islamic financing principles.

- (i) On April 10, 2017, Saudi Aramco issued a Sukuk for SAR 11,250 at par value as part of a SAR 37,500 program. The Sukuk issuance provides a return based on Saudi Arabian Interbank Offered Rate ("SAIBOR") plus a pre-determined margin payable semi-annually on April 10 and October 10. The Sukuk matures on April 10, 2024. In accordance with the terms of the Sukuk, 51% of the proceeds from issuance are invested in Mudaraba assets and the remaining 49% are used in a Murabaha arrangement.
- (ii) On October 9, 2011, Saudi Aramco issued a Sukuk for SAR 2,344 at par value with semi-annual payments from December 20, 2014 to December 20, 2025 that provides a rate of return above SAIBOR. The Sukuk was structured as Istisnah for pre-construction and Ijara for post-construction of the project.

19. Borrowings continued

(b) Murabaha

Saudi Aramco has a Murabaha Shari'a compliant Islamic facility. The facility is repayable in ten equal installments of 7% on a semi-annual basis from April 20, 2018 to October 20, 2022, and a 30% balloon payment on April 20, 2023. Commission is payable on amounts drawn and is calculated at a market rate plus a margin.

(c) Saudi Industrial Development Fund

Saudi Aramco has facility agreements with the Saudi Industrial Development Fund. The facilities bear no periodic financial charges and borrowings are repayable in fourteen to twenty-two unequal installments on a semi-annual basis according to the Hijri calendar commencing from 15 Sha'aban 1437 H (May 22, 2016) to 15 Safar 1452 (June 30, 2030).

(d) Ijarah/Procurement

Saudi Aramco had Procurement Shari'a compliant Islamic facility agreements with a number of banks. The facilities were repayable in twenty-three unequal installments on a semi-annual basis commencing December 20, 2014 to December 20, 2025. In 2019, Saudi Aramco refinanced the balance of the procurement facility with an Ijarah Shari'a compliant facility repayable in seven unequal installments on a semi-annual basis starting June 20, 2026 to June 20, 2029. Commission is payable on amounts drawn that are primarily calculated at a market rate plus a margin starting June 20, 2020.

(e) Wakala

Saudi Aramco has Shari'a compliant Islamic facility agreements with two lenders. The facilities utilize a Wakala financing structure which is an agency arrangement.

In 2019, Saudi Aramco refinanced the Wakala Shari'a compliant Islamic facilities. The facilities were repayable in twenty-three unequal installments on a semi-annual basis commencing December 20, 2014 to December 20, 2025. In 2019, Saudi Aramco refinanced the balance of the facility to be repayable in seven unequal installments on a semi-annual basis starting June 20, 2026 to June 20, 2029. Commission is payable on amounts drawn that are primarily calculated at a market rate plus a margin starting June 20, 2020.

At the Consolidated Balance Sheet date, the carrying values of Saudi Aramco's non-current borrowings approximate their fair values.

The carrying amounts of non-current borrowings, excluding lease liabilities, at December 31 are as follows:

	2019	2018
Conventional facilities:		
Commercial and other	32,996	16,972
Export credit agencies	3,743	4,230
Public Investment Fund (Note 32(b))	2,880	3,341
Other	3,300	3,231
Shari'a compliant facilities:		
Sukuk	12,825	13,009
Saudi Industrial Development Fund (Note 32(b))	2,486	2,778
Ijarah/Procurement	1,811	1,901
Murabaha	1,084	2,456
Wakala	345	615
	61,470	48,533
Less: unamortized transaction costs	(436)	(461)
	61,034	48,072
Debentures denominated in USD	52,283	8,479
Debentures denominated in Korean Won	9,206	8,535
Less: unamortized transaction costs	(532)	-
	121,991	65,086
Less: current portion	(5,132)	(6,086)
Non-current portion	116,859	59,000

19. Borrowings continued

Movements in unamortized transaction costs are as follows:

	2019	2018
January 1	461	364
Additional transaction costs incurred	769	157
Less: amortization	(262)	(60)
December 31	968	461

Debentures

- (i) Certain debentures denominated in USD are issued in capital markets. Interest rates are fixed and variable with maturities that range between 2027 and 2049.
- (ii) Debentures denominated in Korean Won are issued in capital markets. Interest rates range from 1.65% to 3.53% with maturities beginning in 2020 through 2029.
- (iii) On April 16, 2019, the Company issued five tranches of USD denominated unsecured notes aggregating equivalent to SAR 45,000 (\$12,000) and consisting of three-year maturities for SAR 3,750 (\$1,000) with a coupon rate of 2.75%, five-year maturities for SAR 7,500 (\$2,000) with a coupon rate of 2.875%, ten-year maturities for SAR 11,250 (\$3,000) with a coupon rate of 3.5%, twenty-year maturities for SAR 11,250 (\$3,000) with a coupon rate of 4.25%, and thirty-year maturities for SAR 11,250 (\$3,000) with a coupon rate of 4.375%. The notes were issued and sold in accordance with Rule 144A/Regulation S under the U.S. Securities Act of 1933, as amended. Interest is payable semi-annually in arrears on April 16 and October 16. The notes are listed on the London Stock Exchange's Regulated Market and the proceeds were for general corporate purposes. At initial recognition, the Company recorded an amount of SAR 44,460 (\$11,856) for the issuance proceeds, net of discounts and estimated transaction costs. Discounts and transaction costs are amortized using the effective interest method and are reflected as finance costs in the Consolidated Statement of Income.

Lease liabilities

Covenants of certain long-term financing facilities require Saudi Aramco to maintain defined financial and other conditions. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. The lessor has ownership of the assets during the term of the contract and is responsible for the operation, insurance and maintenance of the assets until termination of the underlying agreements. For certain leases, the lessor shall transfer its rights, title and interest in the assets to the lessee on the last day of the agreements; for others, there are no further obligations on completion of agreements. Performance guarantees are provided by the lessor under the terms of the agreements.

The total cash outflow for leases for the year ended December 31, 2019 was SAR 7,751. Expenses relating to short-term and low value leases were recognized in the Consolidated Statement of Income for the year ended December 31, 2019 and amounted to SAR 2,558 and SAR 540, respectively.

Maturities of long-term borrowings and leases are as follows:

	No later than one year	Later than one year and no later than five years	Later than five years	Total contractual amount	Total carrying amount
2019					
Borrowings	8,165	51,383	104,202	163,750	122,959
Leases	8,405	21,867	30,067	60,339	40,934
	16,570	73,250	134,269	224,089	163,893
2018					
Borrowings	6,946	28,931	41,163	77,040	65,547
Leases	1,655	5,601	15,711	22,967	13,058
	8,601	34,532	56,874	100,007	78,605

19. Borrowings continued

The movement of borrowings is as follows:

	Long-term borrowings	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
January 1, 2018	67,787	4,857	4,954	77,598
Cash flows	(3,083)	3,986	(339)	564
Non-cash changes:				
Acquisitions (Note 33)	–	14,331	248	14,579
Finance lease additions (Note 25)	–	–	8,195	8,195
Foreign exchange adjustment	(540)	–	–	(540)
Others	922	–	–	922
December 31, 2018	65,086	23,174	13,058	101,318
Cash flows	14,011	(11,662)	(7,751)	(5,402)
Debentures	44,460	–	–	44,460
Non-cash changes:				
Acquisitions (Note 33)	–	–	94	94
Lease liabilities on adoption of IFRS 16 (Note 2(c)(i))	–	–	26,051	26,051
Lease additions (Note 25)	–	–	9,670	9,670
Foreign exchange adjustment	(454)	27	8	(419)
Others	(1,112)	1,121	(196)	(187)
December 31, 2019	121,991	12,660	40,934	175,585

20. Post-employment benefit obligations

Saudi Aramco sponsors several funded and unfunded defined benefit pension plans and other post-employment benefit plans that provide pension, severance, death, medical and/or other benefits to substantially all of its employees primarily in Saudi Arabia. Majority of the defined benefit plans for Saudi Arabia based employees are governed under the Kingdom of Saudi Arabia employment law, Pension Protection Act ("PPA") rules of the USA, and Company policies. Benefits to employees of group companies are provided based on local regulations and practices of the respective jurisdiction.

Retirement benefits for defined benefit pension plans are paid, primarily, in the form of lump sum payments upon retirement based on final salary and length of service. Other post-employment benefits such as medical are used to cover retired employees and eligible dependents of retirees for medical services in line with the plan policy documents.

At December 31, the net liability recognized for employee defined benefit plans in the Consolidated Balance Sheet is as follows:

	2019	2018
Pension plans	(1,600)	(1,080)
Medical and other post-employment benefit plans	22,774	24,289
Net benefit liability	21,174	23,209

20. Post-employment benefit obligations continued

The status of Saudi Aramco's pension and other post-employment defined benefit plans is as follows:

	Pension benefits		Other benefits	
	2019	2018	2019	2018
Net benefit obligation by funding:				
Present value of funded obligations	59,824	52,023	87,090	78,548
Fair value of plan assets	(67,156)	(58,376)	(73,136)	(60,758)
Benefit (surplus)/deficit	(7,332)	(6,353)	13,954	17,790
Present value of unfunded obligations	5,732	5,273	8,820	6,499
Net benefit (asset)/liability	(1,600)	(1,080)	22,774	24,289
Change in benefit obligations:				
Benefit obligations, January 1	57,296	54,837	85,047	98,741
Current service cost	3,004	3,270	1,924	2,303
Interest cost	2,453	2,010	3,720	3,698
Past service credit	(8)	(4)	–	(1,016)
Remeasurement	6,481	(3,280)	6,754	(17,431)
Plan participants' contribution	105	113	–	–
Benefits paid	(3,563)	(3,330)	(1,804)	(1,725)
Settlements	(274)	–	–	–
Acquisitions (Note 33)	131	3,668	94	109
Foreign currency translation and other	(69)	12	175	368
Benefit obligations, December 31	65,556	57,296	95,910	85,047
Change in plan assets:				
Fair value of plan assets January 1	(58,376)	(53,726)	(60,758)	(61,661)
Interest income	(2,475)	(1,905)	(2,696)	(2,378)
Remeasurement	(6,604)	195	(9,785)	6,960
Employer contributions	(3,480)	(3,330)	(1,699)	(5,404)
Benefits paid	3,563	3,330	1,804	1,725
Settlements	274	–	–	–
Acquisitions (Note 33)	(56)	(3,023)	–	–
Foreign currency translation and other	(2)	83	(2)	–
Fair value of plan assets, December 31	(67,156)	(58,376)	(73,136)	(60,758)
Net benefit (asset)/liability at December 31	(1,600)	(1,080)	22,774	24,289

The weighted average duration of the pension benefit obligations is 13 years at December 31, 2019 and 11 years at December 31, 2018. The weighted average duration of the other benefit obligations is 21 years at December 31, 2019 and 19 years at December 31, 2018.

20. Post-employment benefit obligations continued

The components of net defined benefit cost, before tax, are primarily recognized in producing and manufacturing, and selling, administrative and general expenses in the Consolidated Statement of Income. Remeasurements are included in the Consolidated Statement of Comprehensive Income. Net defined benefit cost and remeasurements for the years ended December 31 are as follows:

	Pension benefits		Other benefits	
	2019	2018	2019	2018
Amounts recognized in net income:				
Current service cost	3,004	3,270	1,924	2,303
Past service credit	(8)	(4)	–	(1,016)
Net interest (income)/cost	(22)	105	1,024	1,320
Other	19	(11)	98	360
	2,993	3,360	3,046	2,967
Amounts recognized in other comprehensive income:				
Losses (gains) from changes in demographic assumptions	35	83	154	(19)
Losses (gains) from changes in financial assumptions	6,544	(4,316)	14,633	(12,578)
(Gains) losses from changes in experience adjustments	(98)	953	(8,033)	(4,834)
(Returns) losses on plan assets (excluding interest income)	(6,604)	195	(9,785)	6,960
	(123)	(3,085)	(3,031)	(10,471)
Net defined benefit loss (gain) before income taxes	2,870	275	15	(7,504)

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions, based in part on market conditions. Any changes in these assumptions will impact the carrying amount of the defined benefit obligations.

The significant assumptions used to determine the present value of the defined benefit obligations for the years ended December 31 are as follows:

	Pension benefits		Other benefits	
	2019	2018	2019	2018
Discount rate	3.2%	4.3%	3.6%	4.4%
Salary growth rate	5.5%	5.5%	–	–
Annual average medical claim cost, in whole SAR			22,110	22,350
Health care participation rate			90.0%	90.0%
Assumed health care trend rates:				
Cost-trend rate			6.0%	7.0%
Rate to which cost-trend is to decline			5.0%	5.0%
Year that the rate reaches the ultimate rate			2021	2021

All the above assumptions are reviewed and updated as necessary as part of the periodic actuarial valuation of the defined benefit obligations.

Saudi Aramco determines the discount rate used to calculate the present value of estimated future cash outflows expected to be required to settle the post-employment benefit plan obligations. In determining the appropriate discount rate, Saudi Aramco considers the interest rates of high-quality corporate bonds in the USA that have terms to maturity approximating the terms of the related defined benefit obligation.

Mortality assumptions are reviewed regularly and set based on actuarial advice in accordance with best practice and statistics, adjusted to reflect the experience and improvements to longevity. Relevant life expectancies are as follows:

Life expectancy at age:	Saudi Plans		U.S. Plans	
	Male	Female	Male	Female
50	31.6	34.7	33.9	35.9
60	23.0	25.7	24.9	26.7
60 (currently aged 40)	23.0	25.7	26.7	28.4

20. Post-employment benefit obligations continued

The salary growth rate assumption is based on a study of recent years' salary experience and reflects management's outlook for future increases. The annual average medical claim cost assumption is based on medical costs incurred in external medical providers, on behalf of the Company's employees and retirees. The health care participation rate considers the historical participation rate, amongst others, derived from the best available historical data. The assumed health care cost-trend rates reflect Saudi Aramco's historical experience and management's expectations regarding future trends.

The sensitivity of the overall defined benefit obligations to changes in the principal assumptions, keeping all other assumptions constant is presented below. The sensitivity analysis may not be representative of an actual change in the defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation from one another.

	Change in assumption	Impact on obligation	2019	2018
Ultimate health care cost-trend rates	Increase by 0.5%	Increase by	9,926	8,066
	Decrease by 0.5%	Decrease by	(8,659)	(7,095)
Discount rate other benefits	Increase by 0.5%	Decrease by	(9,195)	(7,463)
	Decrease by 0.5%	Increase by	10,669	8,569
Discount rate pension benefits	Increase by 0.5%	Decrease by	(3,889)	(3,011)
	Decrease by 0.5%	Increase by	4,331	3,315
Salary growth rate	Increase by 0.5%	Increase by	1,890	1,433
	Decrease by 0.5%	Decrease by	(2,201)	(1,646)
Annual average medical claim cost	Increase by 5%	Increase by	4,463	3,904
	Decrease by 5%	Decrease by	(4,463)	(3,896)
Life expectancy	Increase by 1 year	Increase by	4,245	3,371
	Decrease by 1 year	Decrease by	(4,234)	(3,383)
Health care participation rate	Increase by 5%	Increase by	1,706	1,560
	Decrease by 5%	Decrease by	(1,751)	(1,635)

Plan assets consisted of the following:

	2019	2018
Cash	2,670	3,008
Time deposits	–	68
Equity instruments	39,199	34,433
Investment funds	48,845	42,045
Bonds	48,202	38,520
Sukuk (Shari'a compliant)	1,376	1,060
	140,292	119,134

Plan assets are administered under the oversight of the Company and are held and managed by independent trustees or separate entities, in a manner consistent with fiduciary obligations and principles, acting in the best interest of plan participants. The Company is responsible for the implementation of Board approved investment policy and making investment recommendations to the legal entities holding the plan assets. The investment objective is to maximize investment returns consistent with prudent risk over a long-term investment horizon in order to secure retiree benefits and minimize corporate funding. Plan assets are held separately, solely to pay retiree benefits. Saudi Aramco has no rights to plan assets. Funded Saudi Plans have the right to transfer assets held in excess of the Plan's defined benefit obligation to another funded Saudi Plan. The right to transfer such assets is solely in respect of amounts held in excess of the Plans defined benefit obligations and solely to Plan's with defined benefit obligations exceeding the value of assets held.

20. Post-employment benefit obligations continued

Through its post-employment benefit plans, Saudi Aramco is exposed to a number of risks including asset volatility, changes in bond yields, inflation and life expectancy. Investment risk is minimized through diversification of investments among fixed income, equity, and alternative asset classes. Asset allocation is determined by an asset liability modeling study. The target asset allocation is, approximately, 38% (2018: 36%) equity instruments, 32% (2018: 32%) debt instruments, and 30% (2018: 32%) alternative assets. Inflation risk is partially offset by equities inflation and life expectancy risk is borne by Saudi Aramco.

Employer contributions to defined benefit plans are estimated to be SAR 5,997 in 2020. While the Saudi plans are generally not governed by regulatory minimum funding requirements, the funding objective is to reach full funding of the larger plans only. Saudi Aramco pays annual contributions equal to the cost of accrual on a Board approved cash funding basis. Asset outperformance is expected to meet the shortfall between assets and the assessed liabilities within a reasonable period. Funding for the U.S. plans is recommended by the actuary in order to meet Saudi Aramco's funding strategy to meet benefit plan expenses using PPA rules. Other plans follow local regulation or contractual obligations to meet minimum funding requirements.

In addition to the above plans, Saudi Aramco maintains defined contribution plans for which Saudi Aramco's legal or constructive obligation for these plans is limited to the contributions. The costs of the defined contribution plans, which are included principally within producing and manufacturing, and selling, administrative and general expenses in the Consolidated Statement of Income, are SAR 1,028 and SAR 926 for the years ended December 31, 2019 and 2018, respectively (Note 30).

21. Provisions

	Asset retirement	Environmental	Other	Total
January 1, 2018	12,134	796	1,067	13,997
Revision to estimate	886	–	(234)	652
Additional provisions	418	177	308	903
Unwinding of discount (Note 19)	320	(10)	–	310
Amounts charged against provisions	(51)	(114)	(91)	(256)
December 31, 2018	13,707	849	1,050	15,606
Revision to estimate	(748)	45	(154)	(857)
Additional provisions	392	106	467	965
Unwinding of discount (Note 19)	412	28	–	440
Amounts charged against provisions	(47)	(91)	(31)	(169)
December 31, 2019	13,716	937	1,332	15,985

These provisions consist primarily of asset retirement provisions for the future plugging and abandonment of oil and natural gas wells and the decommissioning of certain Downstream assets. The environmental provision is for the remediation of ground water and soil contamination. Payments to settle these provisions will occur on an ongoing basis and will continue over the lives of the operating assets, which can exceed 50 years for the time when it is necessary to abandon oil and natural gas wells. The amount and timing of settlement in respect of these provisions are uncertain and dependent on various factors that are not always within management's control.

22. Trade and other payables

	2019	2018
Trade payables	38,629	32,897
Accrued materials and services	24,544	26,393
Amounts due to related parties (Note 32(b))	7,587	6,761
Other accruals	7,471	6,235
	78,231	72,286

23. Revenue

	2019	2018
Revenue from contracts with customers	1,096,444	1,192,965
Movement between provisional and final prices	5,650	(2,270)
Other revenue	3,602	3,681
	1,105,696	1,194,376
Other revenue:		
Services provided to:		
Government agencies (Note 32(a))	1,058	731
Third parties	510	626
Joint ventures and associates (Note 32(a))	266	311
Freight	161	101
Other	1,607	1,912
	3,602	3,681

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:

	2019			Total
	Upstream	Downstream	Corporate	
Crude oil	645,499	22,049	–	667,548
Refined and chemical products	–	369,478	–	369,478
Natural gas and NGLs	57,649	1,769	–	59,418
Revenue from contracts with customers	703,148	393,296	–	1,096,444
Movement between provisional and final prices	5,405	245	–	5,650
Other revenue	697	1,558	1,347	3,602
External revenue	709,250	395,099	1,347	1,105,696
	2018			
	Upstream	Downstream	Corporate	Total
Crude oil	720,010	8,268	–	728,278
Refined and chemical products	–	392,882	–	392,882
Natural gas and NGLs	69,649	2,156	–	71,805
Revenue from contracts with customers	789,659	403,306	–	1,192,965
Movement between provisional and final prices	(1,756)	(514)	–	(2,270)
Other revenue	569	1,783	1,329	3,681
External revenue	788,472	404,575	1,329	1,194,376

Revenue from contracts with customers includes local sales at Kingdom regulated prices as follows:

	2019	2018
Crude oil	2,745	1,847
Refined and chemical products	56,777	55,790
Natural gas and NGLs	15,341	16,037
	74,863	73,674

24. Finance and other income

	2019	2018
Interest income on time deposits and loans receivable	5,359	2,777
Gain on remeasurement of existing interest in equity investments (Note 33)	1,278	870
Dividend income from investments in securities	509	143
Investment income	175	63
Gain on derivative transactions	6	4
Other	24	8
	7,351	3,865

25. Non-cash transactions in the Consolidated Statement of Cash Flows

Investing activities during 2019 include additions to right-of-use assets of SAR 9,670 (2018: finance lease assets of SAR 8,195), subordinated shareholder loans and trade receivables with a joint venture that were converted to equity of SAR 1,706 and SAR 1,098 (2018: SAR 1,915 and SAR 583), respectively, and asset retirement provisions of SAR 50 (2018: SAR 1,533).

26. Commitments

(a) Capital commitments

Capital expenditures contracted for but not yet incurred were SAR 154,181 and SAR 90,034 at December 31, 2019 and 2018, respectively. In addition, leases contracted for but not yet commenced were SAR 7,467 at December 31, 2019.

(b) Operating leases

Prior to the adoption of IFRS 16, Leases, effective January 1, 2019, non-cancellable operating leases on drilling rigs, tankers, real estate, transportation equipment, light industrial equipment and office equipment were classified as operating leases. The leases have varying terms, escalation clauses and renewal rights. Rates are generally fixed at the contract date. The approximate minimum payments on the non-cancellable operating leases at December 31, 2018 were as follows:

	2019	2018
No later than one year	–	8,078
Later than one year and no later than five years	–	15,625
Later than five years	–	11,862
	–	35,565

From January 1, 2019, Saudi Aramco has recognized right-of-use assets for these leases, except for short-term and low-value leases. Refer to Note 2(c)(i) and Note 5 for further information.

(c) IMIC

In 2017, Saudi Aramco Development Company (“SADCO”), a wholly owned subsidiary of the Company, and Lamprell plc (“Lamprell”), Bahri and Korea Shipbuilding and Offshore Engineering (“KSOE”), formerly known as Hyundai Heavy Industries, formed a company, IMIC, in which SADCO owns 50.1%, Lamprell owns 20%, Bahri owns 19.9% and KSOE owns 10%. The principal activities of IMIC are the development, operation, and maintenance of a maritime yard under construction by the Government, as well as, the design, manufacture, maintenance and repair of ships and rigs. The maritime yard will be divided into four main zones and completion of the construction of the individual zones will vary but is expected to be partially completed and operational by 2021. SADCO has committed to fund IMIC up to SAR 1,316 through equity contributions. At December 31, 2019, SAR 555 (2018: SAR 555) has been drawn down by IMIC.

(d) Saudi Aramco Rowan Offshore Drilling Company (“ARO Drilling”)

In 2017, SADCO and Rowan Rex Limited formed a company, ARO Drilling (Note 36), to provide offshore drilling services to the Company. In 2018, Mukamala Oil Field Services Limited (“MOFSL”) was incorporated as a subsidiary of SADCO and all the investment and related commitments of ARO Drilling were transferred to MOFSL by way of a Novation Agreement. MOFSL has committed to invest SAR 2,494 through equity and shareholder loans, of which SAR 2,453 (2018: SAR 2,453) has been drawn down at December 31, 2019. In addition, Saudi Aramco has committed to lease 20 offshore rigs over a ten-year period beginning in 2021 for an estimated value of SAR 52,489.

26. Commitments continued

(e) Saudi Aramco Nabors Drilling Company ("SANAD")

In 2017, SADCO and Nabors International Netherlands BV formed a company, SANAD (Note 36), to provide onshore drilling services to the Company. In 2018, MOFSL was incorporated as a subsidiary of SADCO and all the investment and related commitments of SANAD were transferred to MOFSL by way of a Novation Agreement. Saudi Aramco has committed to lease 50 onshore rigs over a ten-year period beginning in 2021 for an estimated value of SAR 24,263.

(f) Arabian Rig Manufacturing Company ("ARM")

In June 2018, SADCO and NOV Downhole Eurasia Limited formed a company, ARM (Note 7), to provide onshore land drilling manufacturing, equipment and services to SANAD and the Middle East and North Africa region. Saudi Aramco committed to invest SAR 225, of which, SAR 9 is invested at December 31, 2019 (2018: nil). In addition, SADCO has guaranteed the purchase of 50 onshore rigs over a ten-year period beginning in 2021 for an estimated value of SAR 6,754, and has the option to cancel the onshore rig orders for a maximum financial exposure of SAR 1,358.

(g) Other

- (i) In order to comply with past Government directives, the Company expects to sell portions of its equity in Saudi Aramco Total Refining and Petrochemical Company and Yanbu Aramco Sinopec Refining Company Ltd. (Note 37) through a public offering of shares in Saudi Arabia. Also in order to comply with a past Government directive, Excellent Performance Chemical Company ("EPCC"), a wholly owned subsidiary of the Company, expects to sell portions of its equity in Sadara (Note 27(a)) through a public offering of shares in Saudi Arabia.
- (ii) Saudi Aramco is committed to comply with the Government directive to guarantee that Saudi Aramco Total Refining and Petrochemical Company and Yanbu Aramco Sinopec Refining Company Ltd. shall spend a total of SAR 750 over a ten year period ending December 31, 2025 on social responsibility programs. At December 31, 2019, SAR 461 (2018: SAR 641) remains to be spent.
- (iii) Saudi Aramco has commitments of SAR 384 (2018: SAR 370) to invest in private equity investments both inside and outside the Kingdom. Such commitments can be called on demand.
- (iv) Saudi Aramco has commitments of SAR 58 (2018: SAR 56) to fund additional loans and acquire additional unlisted equity investments of certain small to mid-sized enterprises in the Kingdom. The commitments can be called by the enterprises upon meeting certain conditions.

27. 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 contingent liabilities with respect to the following:

(a) Sadara

In 2011, EPCC and Dow Saudi Arabia Holding B.V. (together to be referred to as the "Founding Shareholders") signed a shareholder agreement with a term of 99 years to construct and operate a fully-integrated chemicals complex at Jubail II Industrial City in Saudi Arabia ("the Project"). Shortly thereafter, the Founding Shareholders formed Sadara to execute the Project. In May 2019, Saudi Aramco committed to increase the total financing facility provided to Sadara from SAR 25,125 to SAR 32,035. As of December 31, 2019, SAR 28,362 (2018: SAR 25,125) has been drawn down.

In 2013, Sadara entered into definitive agreements with certain export credit agencies and commercial banks for approximately SAR 39,505 of project financing of which approximately SAR 34,009 (2018: SAR 36,566) was outstanding at December 31, 2019. Saudi Aramco provided guarantees for 65% of such facilities, which will be released upon declaration of project completion on or before December 31, 2020. In December 2018, Sadara successfully satisfied all requirements of the Creditor's Reliability Test ("CRT") in its initial attempt. Completion of the CRT is, among other conditions, a key condition to achieve project completion.

In 2013, Sadara conducted a project Sukuk issuance in Saudi Arabia for approximately SAR 7,500 with a final maturity in December 2028. Saudi Aramco provided a guarantee for 65% of the Sukuk on a limited recourse basis, which may be called at any time, upon the occurrence of certain trigger events prior to the project completion date. The Sukuk proceeds were utilized for funding the Project of which approximately SAR 6,478 (2018: SAR 7,178) was outstanding at December 31, 2019.

With respect to Sadara's fuel and feed-stock allocation, the Company has provided two letters of credit to the Ministry of Energy for SAR 169 (2018: SAR 169) and SAR 225 (2018: SAR 225) to construct epoxy plants and for the development of projects to support conversion industries in the Kingdom, respectively.

27. Contingencies continued

(b) Petro Rabigh

In March 2015, the two founding shareholders of Petro Rabigh, the Company and Sumitomo Chemical Co. Ltd., concluded external long-term debt financing arrangements with lenders on behalf of Petro Rabigh for the Rabigh II Project ("the Project") in the amount of SAR 19,380 for which the two shareholders provided guarantees for their equal share of the debt financing until project completion expected in 2020. As of December 31, 2019, SAR 17,909 (2018: SAR 19,380) is outstanding. The external debt financing is expected to provide approximately 50% of total capital requirements of SAR 38,689 (2018: SAR 36,086) for the Project with the remaining financing to be provided by a rights offering of additional shares by Petro Rabigh and other sources.

The founding shareholders also arranged an equity bridge loan of SAR 11,250 with equal share guarantees provided to meet the equity financing requirements until the equity rights offering. The guarantees will continue until July 1, 2020. Petro Rabigh has drawn down SAR 11,250 (2018: SAR 8,888) of this loan as of December 31, 2019.

28. Derivative instruments and hedging activities

Saudi Aramco uses interest rate swap contracts to manage exposure to interest rate risk resulting from borrowings. These hedges are designated as cash flow hedges. Saudi Aramco also engages in hedging activities through the use of currency forward contracts in relation to firm commitments under procurement contracts and transactions for foreign currency payrolls. These hedges are designated as fair value hedges. Further, Saudi Aramco uses short-term commodity swap contracts to manage exposure to price fluctuations.

The notional amounts of currency forward contracts and interest rate swap contracts designated as hedging instruments and outstanding commodity swap contracts are as follows:

	2019	2018
Interest rate swaps	12,911	14,404
Commodity swap contracts	17,370	24,146
Currency forward contracts	8,452	15,821
	38,733	54,371

29. Purchases

	2019	2018
Refined products and chemicals	157,438	160,045
Crude oil	67,732	41,131
	225,170	201,176

Purchases primarily consist of refined products, chemicals and crude oil purchased from third parties for use in Downstream operations and to meet demand for products in the Kingdom when it exceeds Saudi Aramco's production of the relevant product. Saudi Aramco also purchases products from third parties in certain markets where it is more cost effective compared to procuring them from other business units.

30. Employee benefit expense

	2019	2018
Salaries and wages	32,528	29,849
Social security costs	1,967	1,804
Post-retirement benefits (Note 20):		
Defined benefit plans	6,039	6,327
Defined contribution plans	1,028	926
Share-based compensation (Note 17)	33	-
	41,595	38,906

31. Payments to the Government by Saudi Arabian Oil Company

	2019	2018
Income taxes (Note 8(c))	149,780	180,225
Royalties	170,256	213,514
Dividends (Note 34)	274,388	217,500

32. Related party transactions

(a) Transactions

	2019	2018
Joint ventures:		
Revenue from sales	7,485	4,159
Other revenue (Note 23)	83	30
Interest income	30	49
Purchases	544	–
Service expenses	19	26
Associates:		
Revenue from sales	36,866	39,356
Other revenue (Note 23)	183	281
Interest income	165	113
Purchases	36,960	39,480
Service expenses	188	195
Government and semi-Government agencies:		
Revenue from sales	45,079	50,111
Other income related to sales	131,089	152,641
Other revenue (Note 23)	1,058	731
Purchases	11,606	3,394
Service expenses	409	323
Acquisition of treasury shares (Note 16)	3,750	–
Sale of partial interest in joint venture (Note 7)	14	–

Goods are purchased and sold according to supply agreements in force. Note 27 includes additional information on loans to a joint venture and an associate.

32. Related party transactions continued

(b) Balances

	2019	2018
Joint ventures:		
Other assets and receivables (Note 9)	1,609	4
Trade receivables	836	176
Interest receivable	30	–
Trade and other payable (Note 22)	15	–
Associates:		
Other assets and receivables (Note 9)	3,326	3,296
Trade receivables	8,715	10,388
Trade and other payables (Note 22)	4,553	4,492
Government and semi-Government agencies:		
Trade receivables	5,985	8,764
Due from the Government (Note 13)	36,781	48,864
Trade and other payables (Note 22)	3,019	2,269
Borrowings (Note 19)	5,366	6,119

Sales to and receivables from Government and semi-Government agencies are made on specific terms within the relevant regulatory framework in the Kingdom.

(c) Compensation of key management personnel

Key management personnel of Saudi Aramco included directors and senior executive management. The compensation paid or payable to key management for services is shown below:

	2019	2018
Short-term employee benefits	63	57
Post-employment benefits	31	27
Other long-term benefits	7	10
Termination benefits	–	17
	101	111

(d) Other transactions with key management personnel

Other than as set out in Note 32(c), there were no reportable transactions between Saudi Aramco and members of the key management personnel and their close family members during the year ended December 31, 2019 (2018: nil).

33. Investments in affiliates

(a) Investments in subsidiaries

(i) Saudi Basic Industries Corporation ("SABIC")

On March 27, 2019, the Company announced that it had entered into a Share Purchase Agreement with the Public Investment Fund ("PIF") to acquire the PIF's 70% equity interest in SABIC for total consideration of SAR 259,125 (\$69,100), which is equivalent to SAR 123.39 per share. In February 2020, the Company received final unconditional approval from all remaining jurisdictions in which pre-notification antitrust filings are required. The closing of the proposed transaction remains subject to the remaining customary closing conditions contained in the Share Purchase Agreement. SABIC is headquartered in Riyadh, Saudi Arabia and operates in over 50 countries with approximately 34,000 employees. SABIC produces ethylene, ethylene glycol, methanol, methyl tertiary butyl ether ("MTBE"), polyethylene and engineering plastics and their derivatives, among other products. The Company believes that purchasing a majority interest in SABIC will advance its strategy to increase the proportion of petrochemicals production in its Downstream portfolio, capture additional value and support the Company's Downstream growth ambitions. The acquisition will result in the Company obtaining control of SABIC. The Share Purchase Agreement provided that the purchase price for the acquisition would be paid on the closing date in the form of a cash payment equal to 50% of the purchase price (to be adjusted for certain expenses) and a seller loan in an amount equal to 50% of the purchase price. On October 6, 2019, the Company and the PIF agreed to amend the payment terms to provide that, on the closing date, 36% of the purchase price (to be adjusted for certain expenses) will be paid in the form of cash and 64% of the purchase price will be paid in the form of a seller loan. In addition, SAR 9,375 (\$2,500) in loan charges will be paid by Saudi Aramco, including a SAR 1,875 (\$500) loan charge paid in cash on the closing date. The seller loan will be secured by four separate promissory notes issued by Saudi Aramco in favor of the PIF and the balance of the loan charges will be secured by five additional promissory notes. These amounts will be payable over a period from September 30, 2020 to September 30, 2025 and are currently intended to be paid in a phased manner through cash from operations, external debt financing or a combination thereof.

(ii) Saudi Aramco Shell Refinery Company

On September 18, 2019, the Company completed the acquisition of Shell Saudi Arabia Limited's 50% equity interest for cash consideration of SAR 2,366. As a result of this transaction, the Company has become the sole shareholder of the Saudi Aramco Jubail Refinery Company ("SASREF"). SASREF owns and operates a 305,000 barrel per day refinery that includes a hydrocracker unit, a visbreaker unit and a thermal gas-oil unit. Located in the Kingdom in Jubail, the refinery began commercial operations in 1986 and currently produces naphtha, high-sulfur fuel oil, jet fuel and diesel fuel. This acquisition is in line with Saudi Aramco's strategy of expanding its Downstream portfolio, and strengthening its capabilities across the energy value chain. On increasing its ownership, Saudi Aramco remeasured its investment to fair value and recognized a gain of SAR 1,278, which is reflected in the Consolidated Statement of Income within finance and other income.

The transaction was accounted for using the acquisition method of accounting which requires the assets acquired and liabilities assumed to be recognized at their fair value as of the acquisition date. If the acquisition had occurred on January 1, 2019, the consolidated revenue of Saudi Aramco would have been an additional SAR 394 and net income would have been an additional SAR 47. In determining these amounts, management has assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition occurred on the first day of the accounting period.

The preliminary fair values of identifiable assets and liabilities have been determined by management, assisted by an independent valuer, as part of the purchase price allocation process, which has not been concluded.

The following table summarizes the estimated goodwill and fair values of SASREF's assets and liabilities acquired on September 18, 2019:

Cash and cash equivalents	1,233
Trade accounts receivable and other current assets	3,938
Inventories	1,260
Property, plant and equipment	5,461
Intangible assets	57
Other non-current assets	385
Trade and other payables	(6,249)
Accrued expenses and other current liabilities	(866)
Deferred tax liabilities	(528)
Employee benefit obligations	(298)
Lease liabilities	(188)
Total identifiable net assets and liabilities at fair value	4,205
Goodwill	527
Total consideration	4,732
Acquisition date fair value of previously held interest	(2,366)
Purchase consideration	2,366

Acquisition and transaction costs of SAR 2 for the year ended December 31, 2019 were expensed as selling, administrative and general in the Consolidated Statement of Income. The post-acquisition revenue of SAR 39 and net loss of SAR 925 is included in the consolidated statement of comprehensive income.

33. Investments in affiliates continued

(iii) Investment in Motiva Chemicals LLC (“Motiva Chemicals”)

On October 31, 2019, Motiva Enterprises LLC (“Motiva”), a wholly owned subsidiary of the Company, acquired 100% of the equity interest in Flint Hills Resources Port Arthur LLC which was immediately re-named as Motiva Chemicals. Motiva Chemicals was acquired for total cash consideration of SAR 7,090. Motiva Chemicals owns and operates a chemical plant located in Port Arthur, Texas, comprised of a mixed feed cracker, a cyclohexane unit, a benzene unit, NGL and ethylene pipelines and storage facilities. The acquisition extends Motiva’s logistics capabilities, provides an early entry into petrochemicals and creates the opportunity to further improve planned chemicals projects.

The transaction was accounted for using the acquisition method of accounting which requires the assets acquired and liabilities assumed to be recognized at their fair value as of the acquisition date. If the acquisition had occurred on January 1, 2019, the consolidated revenue of Saudi Aramco would have been an additional SAR 2,928 and net loss would have been an additional SAR 28.

Saudi Aramco has engaged an independent valuer in order to determine the fair value of the assets and liabilities of Motiva Chemicals as part of the purchase price allocation, which had not been concluded as at December 31, 2019. The preliminary fair values of the identifiable assets and liabilities of Motiva Chemicals as at the date of acquisition are as follows:

Cash and cash equivalents	11
Accounts receivable and other assets	229
Inventories	266
Property, plant and equipment	6,263
Intangible assets	544
Trade and other payables	(184)
Post-employment benefit obligations and provisions	(39)
Total identifiable net assets at fair value/purchase consideration	7,090

Acquisition and transaction costs of SAR 13 were expensed as selling, administrative and general in the Consolidated Statement of Income for the year ended December 31, 2019. The post-acquisition revenue of SAR 372 and net loss of SAR 151 is included in the Consolidated Statement of Comprehensive Income.

(iv) ARLANXEO Holding B.V. (“ARLANXEO”)

On December 31, 2018, ARLANXEO, previously a joint venture between Saudi Aramco and LANXESS Deutschland GmbH (“LANXESS”), became a wholly owned subsidiary as a result of Saudi Aramco acquiring the remaining 50% equity interest in ARLANXEO. The initial 50% share acquisition was made on April 1, 2016. The transaction comprised the exchange of the ownership shares of LANXESS, including all the rights and obligations attached to the shares, and cash payments to LANXESS in the amount of SAR 6,106. As a result of this transaction, Saudi Aramco obtained the sole ownership of ARLANXEO, which consists of all the 15 subsidiaries (the full ownership of 14 subsidiaries and a 50% non-wholly owned interest in ARLANXEO-TSRC) that have 20 manufacturing sites in nine countries. This acquisition is in line with Saudi Aramco’s strategy of enabling further diversification of the downstream portfolio, and strengthening its capabilities across the energy and chemicals value chain.

As part of this transaction, Saudi Aramco’s equity investment in ARLANXEO of SAR 4,943, previously classified as Investment in joint ventures and associates in the Consolidated Balance Sheet, was remeasured to fair value which resulted in a gain of SAR 870 recognized in finance and other income for the year ended December 31, 2018.

The transaction was accounted for using the acquisition method of accounting which requires the assets acquired and liabilities assumed to be recognized at their fair value as of the acquisition date. If the acquisition had occurred on January 1, 2018, the consolidated revenue of Saudi Aramco would have been an additional SAR 14,288 and net income would have been reduced by share of net loss of SAR 98. In determining these amounts, management has assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition occurred on first day of accounting period.

The fair values of identifiable assets and liabilities have been determined by management, assisted by an independent valuer, as part of the purchase price allocation process, which has been concluded.

33. Investments in affiliates continued

The following table summarizes the goodwill and the fair values of ARLANXEO's assets and liabilities acquired on December 31, 2018:

Cash and cash equivalents	528
Accounts receivable and other assets	2,983
Inventories	3,112
Property, plant and equipment	9,725
Intangible assets	268
Trade and other payables	(2,396)
Borrowings	(511)
Post-employment benefit obligations and provisions	(1,038)
Other liabilities	(1,055)
Total identifiable net assets at fair value	11,616
Non-controlling interest	(53)
Acquisition date fair value of previously held interest	(5,813)
Fair value of additional interest acquired on December 31, 2018	5,750
Goodwill	191
Other adjustments	165
Net purchase consideration	6,106

Acquisition and transaction costs of nil and SAR 10 were expensed as selling, administrative and general in the Consolidated Statement of Income for the years ended December 31, 2019 and 2018, respectively.

(b) Investment in joint operation

On March 28, 2018, Aramco Overseas Holdings Coöperatief U.A. ("AOHC"), a wholly owned subsidiary of The Company, acquired from Petronas Refinery and Petrochemical Corporation Sdn. Bhd. ("PETRONAS") a 50% voting interest in Pengerang Refining Company Sdn. Bhd. ("PRefChem Refining"), and also acquired from Petronas Chemicals Group Berhad, a PETRONAS publicly traded affiliate, a 50% participation in Pengerang Petrochemical Company Sdn. Bhd. ("PRefChem Petrochemical"). The total cash consideration of the transactions amounted to SAR 3,534.

In addition, Saudi Aramco had acquired 50% of the subordinated shareholder loan of SAR 791 from PRefChem Petrochemical. PRefChem Refining and PRefChem Petrochemical own certain refinery and steam cracker assets under construction which will be dedicated to the production of refining and petrochemicals products and are scheduled to commence commercial operations in 2020. Saudi Aramco has performed an assessment of the accounting treatment for these investments under IFRS 11, Joint Arrangements, and determined that the two investments are joint operations.

Saudi Aramco had engaged an independent valuer in order to determine the fair values of the assets and liabilities of PRefChem Refining and PRefChem Petrochemical as part of the purchase price allocation. Based on the valuation, the fair values of the assets and liabilities acquired on March 28, 2018 were as follows:

Construction-in-progress (Note 5)	36,345
Cash and cash equivalents	1,744
Other non-current assets and liabilities, net	(1,541)
Net working capital	(1,212)
Short-term bank financing	(28,136)
Total identifiable net assets at fair value	7,200
Saudi Aramco's 50% share	3,600
Other adjustments	(66)
Purchase consideration	3,534

Acquisition and transaction costs of nil and SAR 128 were expensed as selling, administrative and general in the Consolidated Statement of Income for the years ended December 31, 2019 and 2018, respectively.

33. Investments in affiliates continued

(c) Investments in joint ventures and associates

(i) Investment in Tas'helat Marketing Company ("TMC")

On June 17, 2019, Saudi Aramco Retail Company, a wholly owned subsidiary of the Company, and Total Marketing S.A., a subsidiary of Total S.A., each acquired a 50% interest in Tas'helat Marketing Company ("TMC") for a total of SAR 770. TMC operates a network of 270 retail service stations under the "Sahel" brand name and 73 convenience stores across the Kingdom. The two partners, over the next several years, will invest SAR 2,800 in upgrading the existing retail facilities and rebranding an equal number of the retail service stations with the two partners' brand names.

The purchasers have engaged an independent valuer in order to determine the fair value of the assets and liabilities of TMC as part of the purchase price allocation, which had not been concluded as at December 31, 2019.

The preliminary fair values of the identifiable assets and liabilities of TMC as of the date of acquisition are as follows:

Cash and cash equivalents	26
Accounts receivable and other assets	328
Inventories	44
Property, plant and equipment	362
Intangible assets	78
Trade and other payables	(28)
Borrowings	(128)
Post-employment benefit obligations and provisions	(24)
Other liabilities	(286)
Total identifiable net assets at fair value	372
Saudi Aramco's 50% share	186
Goodwill	199
Purchase consideration	385

Acquisition and transaction costs of SAR 4 were expensed as selling, administrative, and general in the Consolidated Statement of Income for the year ended December 31, 2019.

(ii) Hyundai Oilbank

On December 17, 2019, Aramco Overseas Company B.V. ("AOC"), a wholly owned subsidiary of the Company, acquired a 17% equity interest in Hyundai Oilbank, a subsidiary of Hyundai Heavy Industries Holdings, for SAR 4,414 with an option to acquire an additional 2.9% within five years of the closing date. Hyundai Oilbank is a private oil refining company in South Korea established in 1964. The business portfolio of Hyundai Oilbank and its subsidiaries includes oil refining, base oil, petrochemicals, and a network of gas stations. The investment in Hyundai Oilbank supports Saudi Aramco's Downstream growth strategy of expanding its global footprint in key markets in profitable integrated refining, chemicals and marketing businesses which enable Saudi Aramco to place crude oil and leverage its trading capabilities.

The carrying value of Hyundai Oilbank is recorded as an investment in associate (Note 7). 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 a preliminary 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	1,556
Trade and other receivables	5,157
Inventories	8,089
Other assets	649
Investments in affiliates	1,913
Property, plant and equipment	25,781
Trade and other payables	(9,611)
Borrowings	(12,758)
Other liabilities	(1,684)
Total identifiable net assets at fair value	19,092
Non-controlling interest	(1,688)
Total identifiable net assets attributable to equity owners	17,404
Saudi Aramco's 17% share	2,960
Call option	206
Intangibles and goodwill	1,248
Purchase consideration	4,414

33. Investments in affiliates continued

(iii) Saudi Engines Manufacturing Company ("SEMC")

On May 19, 2019, Saudi Aramco Development Company ("SADCO"), a wholly owned subsidiary of the Company, Korea Shipbuilding and Offshore Engineering ("KSOE"), and the Saudi Arabian Industrial Investment Company ("Dussur") concluded an agreement to establish an affiliate to form an engine manufacturing and aftersales facility in the Kingdom. SADCO will own 55% of the affiliate, expected to be named Saudi Engines Manufacturing Company ("SEMC"), while KSOE and Dussur will own 30% and 15%, respectively. SADCO is a 25% shareholder of Dussur. Total investment in SEMC will be up to SAR 646 of which SADCO's share will be up to SAR 355. Additionally, under the agreement, KSOE will have the option to sell up to 20% of the total investment in the affiliate for up to SAR 129, representing KSOE's cost, back to SADCO. The option expires on November 19, 2020.

(iv) Investment in Juniper Ventures of Texas LLC ("Juniper")

On December 6, 2018, Motiva acquired a fuel retail business for the amount of SAR 331 which was immediately contributed to the formation of the joint venture, Juniper. Upon completion of the transaction, Motiva owns 60% interest in Juniper which operates certain retail gas stations and convenience stores in the state of Texas, USA. The fair values of the net identifiable assets and liabilities acquired were determined to be equal to the purchase consideration and no goodwill was recorded from the transaction. The carrying value of Juniper is recorded as an investment in joint ventures (Note 7).

34. Dividends

Dividends declared and paid on ordinary shares are as follows:

	2019	2018	SAR per share	
			2019	2018
Quarter:				
March ¹	123,750	71,250	0.62	0.37
June	50,213	48,750	0.25	0.24
September	50,212	48,750	0.25	0.24
December	50,213	48,750	0.25	0.24
Total paid (Note 31)	274,388	217,500	1.37	1.09
Dividend declared in December, paid in January 2020	35,475	–	0.18	–
Total declared	309,863	217,500	1.55	1.09
Dividend declared March 12, 2020	14,760	–	0.07	–

1. Out of SAR 123,750 declared in March 2019, SAR 37,500 was paid in April 2019.

The consolidated financial statements do not reflect a dividend to shareholders of SAR 14,760, which was approved in March 2020. This dividend will be deducted from unappropriated retained earnings in the year ending December 31, 2020. A total of SAR 200,873 in dividends were declared in 2019 and 2020 that relate to 2019 results.

35. Earnings per share

The following table reflects the net income and number of shares used in the earnings per share calculations:

	2019	2018
Net income attributable to the ordinary shareholders of the Company	330,816	416,196
Weighted average number of ordinary shares (in millions) (Note 2(cc))	199,993	200,000
Earnings per share for net income attributable to the ordinary shareholders of the Company (in Saudi Riyal)	1.65	2.08

Potential ordinary shares during the year ended December 31, 2019 related to employees' share-based compensation in respect of a grant that was awarded to the Company's eligible employees under the plan terms of the grant (Note 17). The grant did not have a significant dilution effect on basic earnings per share for the year ended December 31, 2019. There were no issuances involving potential ordinary shares for the year ended December 31, 2018.

36. Subsidiaries of Saudi Arabian Oil Company

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2019 ^{1,2}	Conventional financial liabilities as of December 31, 2019 ²	Interest income from conventional financial assets for the year ended December 31, 2019 ²
A. Wholly owned:					
Aramco Affiliated Services Company	Support services	USA	2	–	–
Aramco Asia India Private Limited	Purchasing and other services	India	7	24	–
Aramco Asia Japan K.K.	Purchasing and other services	Japan	20	76	2
Aramco Asia Korea Ltd.	Purchasing and other services	South Korea	36	9	–
Aramco Asia Singapore Pte. Ltd.	Purchasing and other services	Singapore	21	59	–
Aramco Associated Company	Aircraft operations	USA	140	538	24
Aramco (Beijing) Venture Management Consultant Co. Ltd	Investment	People's Republic of China	–	–	–
Aramco Capital Company, LLC	Aircraft leasing	USA	219	1	4
Aramco Chemicals Company	Chemicals	Saudi Arabia	244	946	4
Aramco Far East (Beijing) Business Services Co., Ltd.	Petrochemical purchasing/sales and other services	People's Republic of China	409	146	5
Aramco Financial Services Company	Financing	USA	7	–	–
Aramco Gulf Operations Company Ltd.	Production and sale of crude oil	Saudi Arabia	100	1,301	3
Aramco Innovations LLC	Research and commercialization	Russia	13	–	–
Aramco International Company Limited	Support services	British Virgin Islands	–	–	–
Aramco Overseas Company Azerbaijan	Support services	Azerbaijan	3	1	–
Aramco Overseas Company B.V.	Purchasing and other services	Netherlands	11,966	1,252	240
Aramco Overseas Company Spain, S.L.	Personnel and other support services	Spain	–	–	–
Aramco Overseas Company UK, Limited	Personnel and other support services	United Kingdom	–	18	–
Aramco Overseas Egypt LLC	Personnel and other support services	Egypt	–	–	–
Aramco Overseas Malaysia Sdn. Bhd	Personnel and other support services	Malaysia	13	18	–
Aramco Partnerships Company	Support services	USA	–	–	–
Aramco Performance Materials LLC	Petrochemical manufacture and sales	USA	6	7	–

1. Conventional financial assets comprise cash, time deposits, short term investments and investments in securities.

2. Represents 100% amounts of subsidiaries, after elimination of intercompany transactions.

3. Agreements and constitutive documents provide Saudi Aramco control.

36. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2019 ^{1,2}	Conventional financial liabilities as of December 31, 2019 ²	Interest income from conventional financial assets for the year ended December 31, 2019 ²
Aramco Services Company	Purchasing, engineering and other services	USA	286	484	6
Aramco Shared Benefits Company	Benefit administration	USA	–	–	–
Aramco Trading Company (formerly, Saudi Aramco Products Trading Company)	Importing, exporting and trading of crude oil, refined and chemical products	Saudi Arabia	7,000	5,826	133
Aramco Trading Fujairah FZE	Importing/exporting refined products	UAE	3	1,453	1
Aramco Trading Limited	Importing/exporting refined products	United Kingdom	107	10	–
Aramco Trading Singapore PTE-LTD	Marketing and sales support	Singapore	168	1,819	5
Aramco Ventures Holdings Limited	Investment	Guernsey	28	–	–
Aramco Ventures Investments Limited	Investment	Guernsey	–	–	–
ARLANXEO Holding B.V.	Development, manufacture, and marketing of high-performance rubber	Netherlands	338	33	7
ARLANXEO Belgium N.V.		Belgium	–	172	–
ARLANXEO Branch Offices B.V.		Netherlands	4	1	–
ARLANXEO Brasil S.A.		Brazil	170	179	6
ARLANXEO Canada Inc.		Canada	6	284	–
ARLANXEO Deutschland GmbH		Germany	–	236	–
ARLANXEO Elastomères Frances S.A.S.		France	–	128	–
ARLANXEO Emulsion Rubber France S.A.S.		France	–	154	–
ARLANXEO High Performance Elastomers (Changzhou) Co., Ltd.		People's Republic of China	1	335	–
ARLANXEO Netherlands B.V.		Netherlands	14	278	–
ARLANXEO Singapore Pte. Ltd.		Singapore	3	484	–
ARLANXEO Switzerland S.A.		Switzerland	4	73	–
ARLANXEO USA Holdings Corp.		USA	–	–	–
ARLANXEO USA LLC		USA	24	196	–
Petroflex Trading S.A.		Uruguay	–	–	–
Aurora Capital Holdings LLC	Real estate holdings	USA	–	–	–
Bolanter Corporation N.V.	Crude oil storage	Curaçao	12	–	1
Briar Rose Ventures LLC	Real estate holdings	USA	–	–	–
Canyon Lake Holdings LLC	Retail fuel operations	USA	–	–	–
Excellent Performance Chemicals Company	Petrochemical manufacture and sales	Saudi Arabia	1	–	29
4 Rivers Energy LLC	Retail fuel operations	USA	–	–	–
Motiva Chemicals LLC	Petrochemical manufacture	USA	221	173	–
Motiva Enterprises LLC	Refining and marketing	USA	1,903	21,481	129
Motiva Pipeline LLC	Refining	USA	–	–	–
Motiva Trading LLC	Purchasing and sale of petroleum goods and other services	USA	292	244	–
Mukamala Oil Field Services Limited Company	Oil field services	Saudi Arabia	449	–	8

36. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2019 ^{1,2}	Conventional financial liabilities as of December 31, 2019 ²	Interest income from conventional financial assets for the year ended December 31, 2019 ²
Pandlewood Corporation N.V.	Financing	Curaçao	6,305	5	158
Pedernales Ventures LLC	Retail fuel operations	USA	–	–	–
SAEV Europe Ltd.	Investment	United Kingdom	1	5	–
SAEV Guernsey 1 Ltd.	Investment	Guernsey	130	–	–
SAEV Guernsey Holdings Ltd.	Investment	Guernsey	1,072	–	–
Saudi Aramco Asia Company Ltd.	Investment	Saudi Arabia	1,952	–	39
Saudi Aramco Capital Company Limited	Investment	Guernsey	–	–	–
Saudi Aramco Development Company	Investment	Saudi Arabia	422	–	11
Saudi Aramco Energy Ventures LLC	Investment	Saudi Arabia	68	–	–
Saudi Aramco Energy Ventures – U.S. LLC	Investment	USA	2	2	–
Saudi Aramco Entrepreneurship Center Company Ltd.	Financing	Saudi Arabia	162	5	7
Saudi Aramco Entrepreneurship Venture Company, Ltd.	Investment	Saudi Arabia	144	–	–
Saudi Aramco Investment Management Company	Investment management of post-employment benefit plans	Saudi Arabia	3	–	–
Saudi Aramco Jubail Refinery Company	Refining	Saudi Arabia	–	2,800	15
Saudi Aramco Power Company	Power generation	Saudi Arabia	25	–	–
Saudi Aramco Retail Company	Retail fuel marketing	Saudi Arabia	20	–	–
Saudi Aramco Sukuk Company	Investment	Saudi Arabia	–	65	–
Saudi Aramco Technologies	Research and commercialization	Saudi Arabia	99	75	–
Saudi Aramco Upstream Technology Company	Research and commercialization	Saudi Arabia	8	–	–
Saudi Petroleum International, Inc.	Marketing support services	USA	39	44	1
Saudi Petroleum, Ltd.	Marketing support and tanker services	British Virgin Islands	38	–	–
Saudi Petroleum Overseas, Ltd.	Marketing support and tanker services	United Kingdom	45	36	1
Saudi Refining, Inc.	Refining and marketing	USA	357	83	9
Stellar Insurance, Ltd.	Insurance	Bermuda	9,161	661	162
Vela International Marine Ltd.	Marine management and transportation	Liberia	21,259	–	566
Wisayah Global Investment Company (formerly: Wisayah Alkhaleej Investment Company)	Financial support	Saudi Arabia	139	30	2
B. Unconsolidated structured entity					
Energy City Development Company (“SPARK”)	Industrial development	Saudi Arabia	–	–	–

1. Conventional financial assets comprise cash, time deposits, short term investments and investments in securities.

2. Represents 100% amounts of subsidiaries, after elimination of intercompany transactions.

3. Agreements and constitutive documents provide Saudi Aramco control.

36. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2019 ^{1,2}	Conventional financial liabilities as of December 31, 2019 ²	Interest income from conventional financial assets for the year ended December 31, 2019 ²
C. Non-wholly owned					
49% ownership of Aramco Training Services Company ³	Training	USA	1	–	–
50% ownership of ARLANXEO-TSRC (Nantong) Chemical Industries Co.,Ltd. ³	Development, manufacture, and marketing of high-performance rubber	People's Republic of China	3	85	–
80% ownership of Johns Hopkins Aramco Healthcare Company	Healthcare	Saudi Arabia	527	669	6
61.6% ownership of North East Chemicals Company, Ltd	Liquid chemicals storage	South Korea	–	–	–
70% ownership of Saudi Aramco Base Oil Company – LUBEREF	Production and sale of petroleum based lubricants	Saudi Arabia	–	1,531	17
50% ownership of Saudi Aramco Nabors Drilling Company ³	Drilling	Saudi Arabia	1,085	1,984	23
50% ownership of Saudi Aramco Rowan Offshore Drilling Company ³	Drilling	Saudi Arabia	889	2,629	26
61.6% ownership of S-Oil Corporation	Refining	South Korea	1,987	26,464	45
61.6% ownership of S-International Ltd.	Purchasing and sale of petroleum goods	The Independent State of Samoa	–	–	–

1. Conventional financial assets comprise cash, time deposits, short term investments and investments in securities.

2. Represents 100% amounts of subsidiaries, after elimination of intercompany transactions.

3. Agreements and constitutive documents provide Saudi Aramco control.

37. Joint operations of Saudi Arabian Oil Company

	Principal business activity	Percent ownership	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2019 ^{1,2}	Conventional financial liabilities as of December 31, 2019 ²	Interest income from conventional financial assets for the year ended December 31, 2019 ²
Al-Khafji Joint Operations	Oil and gas exploration and production	50%	Saudi-Kuwaiti Partitioned Zone	–	–	–
Fadhili Plant Cogeneration Company	Power generation	30%	Saudi Arabia	17	1,211	–
Maasvlakte Olie Terminal C.V.	Tank storage	9.61%	Netherlands	–	644	–
Maasvlakte Olie Terminal N.V.	Tank storage	16.67%	Netherlands	–	2	–
Pengerang Refining Company Sdn. Bhd.	Refining	50%	Malaysia	936	20,439	6
Pengerang Petrochemical Company Sdn. Bhd.	Petrochemical	50%	Malaysia	189	2,637	2
Power Cogeneration Plant Company, LLC	Power generation	50%	Saudi Arabia	40	961	56
Saudi Aramco Mobil Refinery Company Ltd.	Refining	50%	Saudi Arabia	839	1,088	20
Saudi Aramco Total Refining and Petrochemical Company ³	Refining and petrochemical	62.50%	Saudi Arabia	261	9,444	39
Yanbu Aramco Sinopec Refining Company Limited ³	Refining	62.50%	Saudi Arabia	241	7,037	–

1. Conventional financial assets comprise cash, time deposits, short term investments and investments in securities.

2. Represents Saudi Aramco's share of conventional financial assets, financial liabilities and interest income.

3. Agreements and constitutive documents do not give a single shareholder control; therefore, the joint operation does not qualify as a subsidiary.

SAUDI ARABIAN OIL COMPANY

**CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021 (UNAUDITED)**



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

Omar M. Al Sagga
License Number 369

May 3, 2021

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T: +966 (13) 873-6800, F: +966 (13) 873-8883, www.pwc.com/middle-east*

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

* 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, 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.


Amin H. Nasser
Director,
President & Chief Executive Officer


Khalid H. Al-Dabbagh
Senior Vice President,
Finance, Strategy & Development


Salah M. Al-Hareky
Controller

Condensed consolidated statement of changes in equity

	SAR								USD*
	Shareholders' equity								Total
	Share capital	Additional paid-in capital	Treasury shares	Retained earnings		Other reserves (Note 9)	Non-controlling interests	Total	
				Unappropriated	Appropriated				
Balance at January 1, 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

* Supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only.



Amin H. Nasser
Director,
President & Chief Executive Officer



Khalid H. Al-Dabbagh
Senior Vice President,
Finance, Strategy & Development



Salah M. Al-Hareky
Controller

Condensed consolidated statement of cash flows

	Note	SAR		USD*	
		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

* 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

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 AGRY-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.r.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

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

mmbspd

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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