



2020

Saudi Arabian Oil Company Second quarter interim report

For the three months and half year ended
June 30, 2020

Aramco at a glance

Second quarter 2020

Financial highlights

Net income (billion)	EBIT* (billion)	Earnings per share (basic and diluted)	Net cash provided by operating activities (billion)
SAR 24.6 \$6.6	SAR 51.2 \$13.6	SAR 0.13 \$0.03	SAR 46.3 \$12.3
Capital expenditures (billion)	Free cash flow* (billion)	Average realized crude oil price (\$/barrel)	Gearing* (%)
SAR 23.4 \$6.2	SAR 22.9 \$6.1	23.4	20.1
Dividends paid (billion)	Dividends paid per share	ROACE* (%)	
SAR 70.32 \$18.75	SAR 0.35 \$0.09	17.4	

Operational highlights

Hydrocarbon production (mmbod)	Crude oil production (mmbpd)	Reliability¹ (%)	Gross refining capacity (mmbpd)
12.7	9.3	99.8	6.4

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

1. For Saudi Arabian Oil Company ('The Company') only.

Key results

Financial results

	Second quarter ended June 30			
	SAR		USD*	
	2020	2019	2020	2019
All amounts in millions unless otherwise stated				
Net income	24,621	92,585	6,565	24,689
EBIT	51,170	180,950	13,645	48,253
Capital expenditures	23,432	27,363	6,248	7,297
Free cash flow	22,878	77,299	6,101	20,614
Dividends paid	70,319	87,713	18,751	23,390
ROACE ¹	17.4%	36.0%	17.4%	36.0%
Average realized crude oil price (\$/barrel)	n/a	n/a	23.4	68.4

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

1. Calculated on a 12-month rolling basis.

	Half year ended June 30			
	SAR		USD*	
	2020	2019	2020	2019
All amounts in millions unless otherwise stated				
Net income	87,099	175,871	23,226	46,899
EBIT	179,428	346,899	47,847	92,506
Capital expenditures	51,172	54,263	13,645	14,470
Free cash flow	79,205	142,426	21,122	37,980
Dividends paid	120,545	173,963	32,145	46,390
ROACE ¹	17.4%	36.0%	17.4%	36.0%
Average realized crude oil price (\$/barrel)	n/a	n/a	37.4	66.0

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

1. Calculated on a 12-month rolling basis.

Operational results

	Second quarter		Half year	
	2020	2019	2020	2019
Hydrocarbon production (mmbpd)	12.7	13.2	12.7	13.2
Crude oil production (mmbpd)	9.3	9.7	9.5	9.9
Reliability ¹ (%)	99.8	99.9	99.8	99.9
Gross refining capacity (mmbpd)	6.4	5.4	6.4	5.4

1. For the Company only.

CEO's statement

Aramco President & CEO Amin H. Nasser

Despite COVID-19 bringing the world to a standstill, Aramco kept going. We have proven our resilience and reliability, setting a record in our business operations, while at the same time ensuring the health and safety of our people.

Strong headwinds from reduced demand and lower oil prices are reflected in our second quarter results. Yet we delivered solid earnings because of our low production costs, unique scale, agile workforce, and unrivalled financial and operational strength. This helped us deliver on our plan to maintain a second quarter dividend of \$18.75 billion to be paid in the third quarter.

We will continue to pursue our long-term growth and diversification strategy to capture unrealized and additional value from every hydrocarbon molecule we produce – driving global commerce and enhancing people's lives. The completion of our historic acquisition of a 70% stake in SABIC is yet more evidence of that forward momentum and a testament to our healthy financial position.

We are seeing a partial recovery in the energy market as countries around the world take steps to ease restrictions and reboot their economies. Meanwhile, we continue to place people's safety first and have adapted to the new normal, implementing wide-ranging precautions to limit the spread of COVID-19 wherever we operate.

We are determined to emerge from the pandemic stronger and will continue making progress on our long-term strategic journey, through ongoing investments in our business – which has one of the lowest upstream carbon footprints in the world.

Second quarter highlights

As a result of the COVID-19 pandemic, the second quarter has proven to be the most challenging economic period in a generation, with most industries suffering severe disruptions and significant economic losses - including the energy sector.

Despite these difficult conditions, Aramco has demonstrated once again its remarkable operational resilience in the face of unprecedented adversity. Aramco also maintained its strong financial position through strategic capital allocation choices and resource optimization.

The Company rapidly executed a comprehensive response that included numerous mitigation efforts to combat the spread of COVID-19 to ensure the safety and well-being of its employees and their dependents, contractors and communities in which it operates. The Company also maintained a firm focus on ensuring business continuity and integrity of its supply chain. Aramco's operations were sustained without interruption with the crude business demonstrating its unique operational flexibility to rapidly adjust production levels as required.

Efforts to rationalize capital spending were also implemented through the ongoing optimization and efficiency programs, with capital expenditures for the fiscal year 2020 expected to be within the lower end of the \$25 billion to \$30 billion range (2019: \$32.8 billion).

To maintain financial flexibility, Aramco, in May 2020, entered into a \$10 billion one-year Term Loan Facility for general corporate purposes with various financial institutions, with an option to extend for another year at lenders' discretion. The facility was fully utilized on July 27, 2020.

Despite continued global economic disruption, Aramco maintained its planned dividend levels by declaring a dividend of SAR 70.32 billion (\$18.75 billion) for the second quarter (Q2 2019: SAR 50.2 billion (\$13.4 billion)), demonstrating its strength and resilience across crude oil price cycles.

Through an inspiring display of leadership and unity across the Company, Aramco is well positioned to continue navigating through the disruption caused by the COVID-19 pandemic, and is prepared to take further actions as necessary to reinforce its competitive position across its Upstream and Downstream operations.

Upstream

Aramco continues to demonstrate reliable Upstream performance with total hydrocarbon production of 12.7 mmoed and 13.2 mmoed in the second quarter of 2020 and 2019, respectively. This included an average crude oil production of 9.3 mmbpd (Q2 2019: 9.7 mmbpd).

Significant Upstream developments in the second quarter of 2020:

- Aramco achieved a historic highest single day crude oil production of 12.1 million barrels on April 2, 2020; and
- The Fadhili Gas Plant reached its full production capacity of 2.5 bscfd during the second quarter after successfully completing its commissioning activities.

Downstream

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

Aramco maintains its position as one of the world's largest refining businesses, with gross refining capacity of 6.4 mmbpd as at June 30, 2020 (June 30, 2019: 5.4 mmbpd). In the first half of 2020, the Downstream segment consumed 37.4% (half year 2019: 37.2%) of Aramco's crude oil production, which helps to ensure a secure and reliable supply of refined products to its customers.

Significant Downstream developments in the second quarter of 2020:

- In June 2020, Aramco successfully completed the acquisition of a 70% stake in Saudi Basic Industries Corporation (SABIC) from the Public Investment Fund (PIF), the sovereign wealth fund of Saudi Arabia, for a purchase price of SAR 259.1 billion (\$69.1 billion). SABIC is a globally diversified chemicals company with manufacturing in the Americas, Europe, Middle East and Asia Pacific. Following the SABIC acquisition, Aramco's chemicals business now operates in over 50 countries. The completion of this transaction enhances Aramco's presence in the global petrochemicals industry, a sector expected to record the fastest growth in oil demand in the years ahead.

The acquisition is the largest transaction in Aramco's history and marks a crucial accomplishment, driving forward the Downstream strategy to grow its integrated refining and petrochemicals capacity and create value from integration across the hydrocarbon value chain. It specifically enhances Aramco's chemicals strategy by: (a) transforming it into one of the major global petrochemicals players; (b) expanding capabilities in procurement, supply chain, manufacturing, marketing and sales; (c) complementing geographic presence, projects and partners; and (d) increasing the resilience of cash flow generation with synergistic opportunities; and
- The Company continued its strong track record of supply reliability, despite disruptions caused by COVID-19, by delivering crude and other products in a timely manner with 99.8% reliability in the second quarter of 2020 (Q2 2019: 99.9%). This robust performance was supported by Aramco Trading Company's (ATC) operational agility and logistics optimization.

Financial performance

Summary of financial performance

	Second quarter					Half year				
	SAR		USD*		%	SAR		USD*		%
All amounts in millions unless otherwise stated	2020	2019	2020	2019		change	2020	2019	2020	
Income before income taxes and zakat	49,828	180,706	13,287	48,188	(72.4)%	177,563	346,834	47,350	92,489	(48.8)%
Income taxes and zakat	(25,207)	(88,121)	(6,722)	(23,499)	(71.4)%	(90,464)	(170,963)	(24,124)	(45,590)	(47.1)%
Net income	24,621	92,585	6,565	24,689	(73.4)%	87,099	175,871	23,226	46,899	(50.5)%

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

Financial results

Key factors affecting Aramco's financial results

- Global economic activity in the first half of 2020 was impacted by COVID-19 and the associated containment measures introduced by countries world-wide to limit the spread of the virus. This led to significant volatility in crude oil prices and continued pressure on refining and chemicals margins, particularly in the second quarter of 2020. Despite these unprecedented challenges, Aramco demonstrated significant operational and financial flexibility to deliver solid earnings.
- A number of changes to the fiscal regime under which the Company operates became effective on January 1, 2020, impacting the financial results of Aramco. The key changes include: (a) an amendment to the royalty rates applicable to the Company's crude oil production; (b) inclusion of LPGs and certain other products to the price equalization mechanism; and (c) a reduction in the tax rate applicable to the Company's Downstream activities from 50% to 20%.
- The half year of 2020 was positively impacted by the addition of the Regulated Gas Products to the price equalization mechanism to compensate the Company for the revenue it directly forgoes as a result of selling these products in the Kingdom at Domestic Prices.
- During the second quarter of 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 the corporate income tax. As a result, the Company's ownership interests in SABIC, Rabigh Refining and Petrochemical Company, National Shipping Company of Saudi Arabia and Saudi Electricity Company are now subject to zakat. Zakat is levied based on adjusted income subject to zakat or the zakat base in accordance with the Regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom, whichever is higher. Refer to note 8 of the Condensed Consolidated Interim Financial report for details.
- On June 16, 2020, Aramco completed its acquisition of a 70% equity interest in SABIC and fully consolidated SABIC's financial results into its financial statements. Accordingly, Aramco's consolidated statement of income includes SABIC's results for the period following the acquisition date. Refer to note 4 of the Condensed Consolidated Interim Financial report for details.

Second quarter

Notwithstanding the economic challenges caused by the COVID-19 pandemic, Aramco achieved solid results and continued to deliver on its commitments to shareholders. Aramco swiftly navigated through the challenges posed by the current market conditions and recorded net income of SAR 24,621 (\$6,565) for the second quarter of 2020.

Net income for the second quarter of 2020, compared to the same quarter of 2019, was impacted by lower crude oil prices and declining refining and chemicals margins, partly offset by a decrease in production royalties resulting from lower crude oil prices and a decrease in the royalty rate from 20% to 15%, and higher other income related to sales for gas products.

The charge for income taxes and zakat for the second quarter of 2020 was SAR 25,207 (\$6,722), compared to SAR 88,121 (\$23,499) for the same quarter in 2019, mainly reflecting lower earnings in 2020.

Half year

Net income for the first half of 2020 was SAR 87,099 (\$23,226), compared to SAR 175,871 (\$46,899) for the same period in 2019. The impact of lower prices, inventory re-measurement losses and reduced refining and chemicals margins on 2020 net income was partly offset by the decrease in production royalties, and higher other income related to sales for gas products.

In the first half of 2020, income taxes and zakat decreased to SAR 90,464 (\$24,124) from SAR 170,963 (\$45,590) for the same period in 2019, predominantly in line with 2020 earnings.

These solid results demonstrate Aramco's agility, strength and resilience across economic cycles.

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

Upstream financial performance

	Second quarter					%	Half year					%
	SAR		USD*		change		SAR		USD*		change	
All amounts in millions unless otherwise stated	2020	2019	2020	2019			2020	2019	2020	2019		
Earnings before interest, income taxes and zakat	55,185	184,162	14,716	49,110	(70.0)%	196,296	354,108	52,346	94,429	(44.6)%		
Capital expenditures - cash basis	19,077	20,966	5,087	5,591	(9.0)%	39,610	41,930	10,563	11,181	(5.5)%		

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

Second quarter

Upstream's operational flexibility and efficient cost structure contributed positively to its financial performance, in light of the current global economic conditions. Despite the volatility in the current environment, earnings before interest, income taxes and zakat (EBIT) for the second quarter of 2020 was SAR 55,185 (\$14,716), compared to SAR 184,162 (\$49,110) for the same quarter in 2019. This was mainly impacted by lower realized crude oil prices, with a favorable movement in production royalties in line with a reduction in crude oil prices and a decrease in the royalty rate. EBIT also benefited from higher other income related to sales of gas products.

Capital expenditures for the second quarter of 2020 were SAR 19,077 (\$5,087), compared with SAR 20,966 (\$5,591) for the same quarter in 2019. This decrease was mainly attributable to optimizations of the drilling program.

Half year

EBIT for the first half of 2020 was SAR 196,296 (\$52,346), compared to SAR 354,108 (\$94,429) for the same period in 2019. The decrease in EBIT was in line with the decline in global crude oil prices. This was partially offset by lower production royalties and higher other income related to sales of gas products.

Capital expenditures for the first half of 2020 were SAR 39,610 (\$10,563), compared to SAR 41,930 (\$11,181) for the same period in 2019. The reduced level of spending during the first half of 2020 was primarily due to portfolio wide optimizations.

Downstream financial performance

	Second quarter					%	Half year					%
	SAR		USD*		change		SAR		USD*		change	
All amounts in millions unless otherwise stated	2020	2019	2020	2019			2020	2019	2020	2019		
Earnings (losses) before interest, income taxes and zakat	(1,290)	(3,247)	(344)	(866)	(60.3)%	(20,296)	1,869	(5,412)	498	(1,186)%		
Capital expenditures - cash basis	4,125	6,114	1,100	1,630	(32.5)%	11,025	11,564	2,940	3,084	(4.7)%		

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

Second quarter

Downstream EBIT in the second quarter of 2020 improved in comparison to the same quarter in 2019, despite the challenging market environment with weakened refining and chemicals margins. In view of these conditions, Downstream EBIT for the second quarter of 2020 was a loss of SAR 1,290 (\$344), compared to a loss of SAR 3,247 (\$866) in the same quarter of 2019. This was mainly due to stronger trading margins and inventory re-measurement gains compared to the second quarter of 2019. The second quarter EBIT was partly offset by SABIC's post-acquisition results.

Capital expenditures for the second quarter of 2020 were SAR 4,125 (\$1,100), compared to SAR 6,114 (\$1,630) for the same quarter in 2019. The decrease was driven by capital projects optimization and streamlining efforts. This was offset by the inclusion of SABIC's capital expenditures from the date of acquisition.

Half year

Downstream EBIT for the first half of 2020 reflects a loss of SAR 20,296 (\$5,412), compared to a profit of SAR 1,869 (\$498) for the same period in 2019. Due to challenges posed by the COVID-19 pandemic, EBIT in the first half of 2020 was impacted by declining crude and refined product prices resulting in inventory re-measurement losses and lower refining and chemicals margins.

Capital expenditures for the first half of 2020 were SAR 11,025 (\$2,940), compared to SAR 11,564 (\$3,084) for the same period in 2019. The decrease was principally due to efforts to reduce capital expenditures. This was offset by the consolidation of SABIC's capital expenditures post-acquisition.

Working safely, responsibly and sustainably

Aramco's response to COVID-19

The well-being, health, and safety of the Company's employees, dependents and their communities and contractors are a top priority for Aramco. This has been demonstrated and reinforced through the Company's response to COVID-19.

At the outset of the pandemic, an execution team composed of two new dedicated committees was established to ensure the safety and well-being of the Company's employees, contractors, and their communities, as well as to maintain business continuity in a challenging environment of increased production and growing uncertainty. The Company promptly actioned a wide variety of mitigation measures including, but not limited to, thermal screening at facilities, aircrafts, buses, and ships. It also introduced contactless entry to high volume areas, sanitized work locations, deployed solutions to work from home, and continuously engaged the workforce and community through numerous educational and awareness activities. Furthermore, the Company communicated with all its international suppliers to preserve the robustness of its supply chain network, and to ensure multiple geographical sourcing of materials. Virtual bidding solutions and sourcing by video streaming are two examples of how the Company quickly adapted to COVID-19 related restrictions.

The Company's contribution was also evident through providing different social initiatives including targeted donations, socioeconomic projects and activities at the King Abdulaziz Center for World Culture (Ithra). During the first half of 2020, Ithra provided a multitude of dynamic and cultural offerings to the public, albeit, through the use of technology in accordance with COVID-19 preventive measures. A wide variety of programs, including Ithra Virtual 360 Tour, Ithra Kids and IthraConnect, were launched through an online platform to provide the opportunities to learn, and connect with communities virtually to develop new skills. These programs were recognized by the United Nations Educational, Scientific, and Cultural Organization (UNESCO) as initiatives helping communities to stay at home and prevent the spread of COVID-19.

Oil and Gas Climate Initiative

Despite these uncertain times, Aramco continues to focus on sustainability initiatives that align with its goal of creating value over the long term.

Responding to the challenges posed by COVID-19, in May 2020, Aramco, as part of the Oil and Gas Climate Initiative (OGCI), along with other member companies, reiterated its focus on health, safety and protection of the environment while providing the energy and vital products that society needs to support economic recovery.

Aramco is committed to keeping its people and communities safe and capable of confronting the pandemic effectively and is taking measures to help the world recover from the economic shock of this crisis that has undoubtedly hit some more than others, yet impacts everyone. Aramco, along with other OGCI member companies, reiterate their continued efforts to contribute to climate challenge solutions including:

- Accelerate emissions reduction efforts in their own companies;
- Continue to support the development, implementation and scale-up of innovative low carbon solutions in oil and gas, other industries and commercial transportation through OGCI Climate Investments; and
- Advance opportunities to scale up commercially viable, environmentally responsible, and safe carbon capture, use and storage.

The OGCI member companies recently announced a target to reduce the average carbon intensity of their aggregated upstream oil and gas operations to between 20 kg and 21 kg of CO₂ equivalent per barrel of oil equivalent (CO₂e/boe) by 2025, from a collective baseline of 23 kg CO₂e/boe in 2017. Aramco's 2019 upstream carbon intensity was 10.4 kg CO₂e/boe. The Company's Greenhouse Gas (GHG) emissions were verified by an independent third party.

About Saudi Aramco

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

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Condensed consolidated interim financial report

For the three-month and six-month periods ended
June 30, 2020 (Unaudited)

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Report on review of the condensed consolidated interim financial report

To the shareholders of Saudi Arabian Oil Company

Introduction

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

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Bader I. Benmohareb', is written over the PricewaterhouseCoopers logo.

Bader I. Benmohareb

License Number 471

August 7, 2020

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Second quarter and half year interim report 2020

All amounts in millions of Saudi Riyals unless otherwise stated

Condensed consolidated statement of income

	Note	SAR				USD*			
		2 nd quarter 2020	2 nd quarter 2019	Six months 2020	Six months 2019	2 nd quarter 2020	2 nd quarter 2019	Six months 2020	Six months 2019
Revenue	11	123,231	286,809	348,798	556,105	32,862	76,483	93,013	148,295
Other income related to sales		16,123	35,498	40,901	63,836	4,299	9,466	10,907	17,023
Revenue and other income related to sales		139,354	322,307	389,699	619,941	37,161	85,949	103,920	165,318
Royalties and other taxes		(16,705)	(47,988)	(45,750)	(94,158)	(4,455)	(12,797)	(12,200)	(25,109)
Purchases		(24,898)	(56,035)	(75,547)	(105,893)	(6,640)	(14,942)	(20,146)	(28,238)
Producing and manufacturing		(15,331)	(13,961)	(32,861)	(26,316)	(4,088)	(3,724)	(8,763)	(7,018)
Selling, administrative and general		(10,897)	(9,083)	(17,199)	(16,922)	(2,906)	(2,422)	(4,586)	(4,512)
Exploration		(1,299)	(1,553)	(2,984)	(3,527)	(347)	(414)	(796)	(941)
Research and development		(529)	(504)	(944)	(951)	(141)	(135)	(252)	(254)
Depreciation and amortization	6,7	(16,603)	(11,927)	(31,590)	(24,297)	(4,427)	(3,180)	(8,424)	(6,479)
Operating costs		(86,262)	(141,051)	(206,875)	(272,064)	(23,004)	(37,614)	(55,167)	(72,551)
Operating income		53,092	181,256	182,824	347,877	14,157	48,335	48,753	92,767
Share of results of joint ventures and associates		(2,148)	(588)	(3,733)	(1,432)	(572)	(157)	(995)	(382)
Finance and other income		800	1,556	1,971	3,168	213	415	525	845
Finance costs		(1,916)	(1,518)	(3,499)	(2,779)	(511)	(405)	(933)	(741)
Income before income taxes and zakat		49,828	180,706	177,563	346,834	13,287	48,188	47,350	92,489
Income taxes and zakat	8	(25,207)	(88,121)	(90,464)	(170,963)	(6,722)	(23,499)	(24,124)	(45,590)
Net income		24,621	92,585	87,099	175,871	6,565	24,689	23,226	46,899
Net income (loss) attributable to									
Shareholders' equity		25,370	92,791	88,902	176,017	6,765	24,744	23,707	46,938
Non-controlling interests		(749)	(206)	(1,803)	(146)	(200)	(55)	(481)	(39)
		24,621	92,585	87,099	175,871	6,565	24,689	23,226	46,899
Earnings per share (basic and diluted)		0.13	0.46	0.44	0.88	0.03	0.12	0.12	0.23

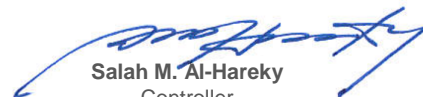
* Supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only.



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*			
		2 nd quarter 2020	2 nd quarter 2019	Six months 2020	Six months 2019	2 nd quarter 2020	2 nd quarter 2019	Six months 2020	Six months 2019
Net income		24,621	92,585	87,099	175,871	6,565	24,689	23,226	46,899
Other comprehensive income (loss), net of tax	9								
Items that will not be reclassified to net income									
Remeasurement of post-employment benefit obligations		477	(2,627)	(10,218)	(4,668)	127	(701)	(2,725)	(1,245)
Changes in fair value of equity investments classified as fair value through other comprehensive income		(188)	(308)	(1,234)	144	(50)	(82)	(329)	38
Items that may be reclassified subsequently to net income									
Cash flow hedges and other		(107)	(358)	(726)	(482)	(29)	(95)	(194)	(128)
Changes in fair value of debt securities classified as fair value through other comprehensive income		44	37	(12)	60	12	10	(3)	16
Share of other comprehensive loss of joint ventures and associates		(35)	(344)	(699)	(464)	(9)	(92)	(186)	(124)
Currency translation differences		85	(275)	(1,383)	(784)	23	(73)	(369)	(209)
		276	(3,875)	(14,272)	(6,194)	74	(1,033)	(3,806)	(1,652)
Total comprehensive income		24,897	88,710	72,827	169,677	6,639	23,656	19,420	45,247
Total comprehensive income (loss) attributable to									
Shareholders' equity		25,805	89,080	75,282	170,132	6,881	23,754	20,075	45,368
Non-controlling interests		(908)	(370)	(2,455)	(455)	(242)	(98)	(655)	(121)
		24,897	88,710	72,827	169,677	6,639	23,656	19,420	45,247

* 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

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Second quarter and half year interim report 2020

All amounts in millions of Saudi Riyals unless otherwise stated

Condensed consolidated balance sheet

	Note	SAR		USD*	
		June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Assets					
Non-current assets					
Property, plant and equipment	6	1,189,980	982,014	317,328	261,870
Intangible assets	7	168,703	30,122	44,987	8,033
Investments in joint ventures and associates		62,260	19,738	16,603	5,263
Deferred income tax assets		15,287	12,728	4,077	3,394
Other assets and receivables		30,504	21,372	8,134	5,699
Investments in securities		20,883	19,956	5,569	5,322
		1,487,617	1,085,930	396,698	289,581
Current assets					
Inventories		54,670	42,607	14,579	11,362
Trade receivables		66,119	93,526	17,632	24,940
Due from the Government		17,995	36,781	4,798	9,808
Other assets and receivables		15,833	12,109	4,222	3,230
Short-term investments		10,332	45,467	2,755	12,125
Cash and cash equivalents		206,593	177,706	55,092	47,388
		371,542	408,196	99,078	108,853
Total assets		1,859,159	1,494,126	495,776	398,434
Equity and liabilities					
Shareholders' equity					
Share capital		60,000	60,000	16,000	16,000
Additional paid-in capital		26,981	26,981	7,195	7,195
Treasury shares		(3,750)	(3,750)	(1,000)	(1,000)
Retained earnings:					
Unappropriated		937,668	943,758	250,045	251,669
Appropriated		6,000	6,000	1,600	1,600
Other reserves	9	(1,332)	2,076	(355)	553
		1,025,567	1,035,065	273,485	276,017
Non-controlling interests		106,953	11,170	28,520	2,979
		1,132,520	1,046,235	302,005	278,996
Non-current liabilities					
Borrowings	10	406,272	150,690	108,339	40,184
Deferred income tax liabilities		45,954	44,471	12,255	11,859
Post-employment benefit obligations		56,897	21,174	15,173	5,646
Provisions and other liabilities		19,615	15,985	5,230	4,263
		528,738	232,320	140,997	61,952
Current liabilities					
Trade and other payables		83,439	78,231	22,251	20,862
Obligations to the Government:					
Income taxes and zakat	8	23,057	62,243	6,149	16,598
Dividend payable		-	35,475	-	9,460
Royalties		5,534	14,727	1,475	3,927
Borrowings	10	85,871	24,895	22,899	6,639
		197,901	215,571	52,774	57,486
		726,639	447,891	193,771	119,438
Total equity and liabilities		1,859,159	1,494,126	495,776	398,434

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



Amin H. Nasser
Director,
President & Chief Executive Officer



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



Salah M. Al-Hareky
Controller

Condensed consolidated statement of changes in equity

	SAR								USD*
	Shareholders' equity								Total
	Share capital	Additional paid-in capital	Treasury shares	Retained earnings		Other reserves (Note 9)	Non-controlling interests	Total	
Unappropriated				Appropriated					
Balance at January 1, 2019	60,000	26,981	-	920,625	6,000	3,176	11,653	1,028,435	274,249
Net income (loss)	-	-	-	176,017	-	-	(146)	175,871	46,899
Other comprehensive loss	-	-	-	-	-	(5,885)	(309)	(6,194)	(1,652)
Total comprehensive income (loss)	-	-	-	176,017	-	(5,885)	(455)	169,677	45,247
Transfer of post-employment benefit obligations remeasurement	-	-	-	(4,668)	-	4,668	-	-	-
Dividends (Note 18)	-	-	-	(173,963)	-	-	-	(173,963)	(46,390)
Dividends to non-controlling interests	-	-	-	-	-	-	(22)	(22)	(6)
Balance at June 30, 2019	60,000	26,981	-	918,011	6,000	1,959	11,176	1,024,127	273,100
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)	-	-	-	88,902	-	-	(1,803)	87,099	23,226
Other comprehensive loss	-	-	-	-	-	(13,620)	(652)	(14,272)	(3,806)
Total comprehensive income (loss)	-	-	-	88,902	-	(13,620)	(2,455)	72,827	19,420
Acquisition of subsidiary (Note 4)	-	-	-	-	-	-	98,252	98,252	26,201
Transfer of post-employment benefit obligations remeasurement	-	-	-	(9,920)	-	9,920	-	-	-
Share-based compensation	-	-	-	(2)	-	292	-	290	77
Dividends (Note 18)	-	-	-	(85,070)	-	-	-	(85,070)	(22,685)
Dividends to non-controlling interests	-	-	-	-	-	-	(14)	(14)	(4)
Balance at June 30, 2020	60,000	26,981	(3,750)	937,668	6,000	(1,332)	106,953	1,132,520	302,005

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All amounts in millions of Saudi Riyals unless otherwise stated

Condensed consolidated statement of cash flows

Note	SAR				USD*			
	2 nd quarter 2020	2 nd quarter 2019	Six months 2020	Six months 2019	2 nd quarter 2020	2 nd quarter 2019	Six months 2020	Six months 2019
	49,828	180,706	177,563	346,834	13,287	48,188	47,350	92,489
	49,828	180,706	177,563	346,834	13,287	48,188	47,350	92,489
	16,603	11,927	31,590	24,297	4,427	3,180	8,424	6,479
	357	595	1,096	1,539	96	158	293	410
	2,148	588	3,733	1,432	572	157	995	382
	(574)	(1,274)	(1,634)	(2,714)	(153)	(340)	(436)	(724)
	1,916	1,518	3,499	2,779	511	405	933	741
	(223)	(264)	(332)	(432)	(60)	(70)	(89)	(115)
	(381)	(409)	484	(216)	(102)	(109)	129	(58)
	104	193	(263)	87	28	51	(70)	23
	2,297	(97)	1,181	197	613	(26)	315	53
	4,043	(1,548)	13,760	(1,584)	1,078	(412)	3,669	(422)
	7,690	(3,224)	41,236	(7,458)	2,050	(860)	10,996	(1,989)
	10,989	(1,516)	18,786	1,425	2,931	(404)	5,010	380
	5,447	352	135	2,562	1,453	94	36	683
	(8,633)	(1,003)	(21,827)	(4,328)	(2,302)	(267)	(5,820)	(1,154)
	(438)	(2,847)	(9,193)	1,128	(117)	(759)	(2,452)	300
	(1,161)	(3,349)	(3,200)	(5,732)	(309)	(893)	(853)	(1,528)
	(249)	673	145	737	(67)	180	38	197
	563	2,641	1,155	1,062	150	704	308	283
	(44,016)	(79,000)	(127,537)	(164,926)	(11,737)	(21,066)	(34,009)	(43,980)
	46,310	104,662	130,377	196,689	12,349	27,911	34,767	52,450
	(23,432)	(27,363)	(51,172)	(54,263)	(6,248)	(7,297)	(13,645)	(14,470)
	27,515	-	27,515	-	7,337	-	7,337	-
	-	(385)	-	(385)	-	(103)	-	(103)
	289	626	314	660	77	167	84	176
	(270)	(236)	(276)	(321)	(72)	(63)	(74)	(86)
	223	264	332	432	60	70	89	115
	570	962	2,580	2,463	152	257	688	657
	(555)	(549)	(619)	(607)	(148)	(147)	(165)	(162)
	(1,898)	(44,900)	43,341	(45,258)	(506)	(11,973)	11,558	(12,068)
	2,442	(71,581)	22,015	(97,279)	652	(19,089)	5,872	(25,941)
	(70,319)	(87,713)	(120,545)	(173,963)	(18,751)	(23,390)	(32,145)	(46,390)
	-	(22)	(14)	(22)	-	(6)	(4)	(6)
	(2,261)	(1,432)	(3,393)	(2,376)	(603)	(382)	(905)	(634)
	1,466	46,555	9,925	47,963	390	12,414	2,646	12,790
	(6,480)	(4,091)	(9,478)	(5,939)	(1,728)	(1,090)	(2,527)	(1,583)
	(77,594)	(46,703)	(123,505)	(134,337)	(20,692)	(12,454)	(32,935)	(35,823)
	(28,842)	(13,622)	28,887	(34,927)	(7,691)	(3,632)	7,704	(9,314)
	235,435	161,847	177,706	183,152	62,783	43,159	47,388	48,841
	206,593	148,225	206,593	148,225	55,092	39,527	55,092	39,527

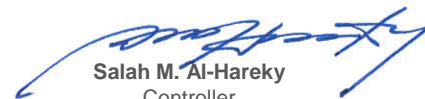
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Notes to the condensed consolidated interim financial report

1. General information

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

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

The condensed consolidated interim financial report of the Company and its subsidiaries (together "Saudi Aramco") was approved by the Board of Directors on August 7, 2020.

2. Basis of preparation and other significant accounting policies

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

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

Translations from SAR to USD presented as supplementary information in the Condensed Consolidated Statement of Income, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity, and Condensed Consolidated Statement of Cash Flows at June 30, 2020 and December 31, 2019 and for the three-month and six-month periods ended June 30, 2020 and 2019, are for convenience and were calculated at the rate of USD 1.00 = SAR 3.75 representing the exchange rate at the balance sheet dates.

In response to the novel Coronavirus (COVID-19), which has caused global economic disruption, Saudi Aramco has implemented active prevention programs at its sites and contingency plans in order to minimize the risks related to COVID-19 and to continue business operations. Crude oil accounts for a substantial portion of the Company's revenue. Crude oil is also a fundamental feedstock to the Company's Downstream operations. The COVID-19 pandemic has had an adverse impact on oil demand, which has led to an oversupply in global markets. This has resulted in a reduction in crude oil prices, which has significantly impacted Saudi Aramco's revenue and overall financial performance during the second quarter of 2020. Management has taken measures to optimize spending, which resulted in reducing operational and capital expenditures during the period. Additionally, the Company has secured additional credit facilities (Note 10) to ensure sufficient funding to meet forecasted cash flow requirements and limit any potential financial exposure. International markets and crude oil prices have recovered during the last two months but continue to remain volatile. Management continues monitoring the situation, including the impact on Saudi Aramco's results of operations and cash flows and will take further actions as necessary. Additionally, management has considered the potential impact of the COVID-19 pandemic on Saudi Aramco's significant accounting judgements and estimates and there are no changes to the significant judgements and estimates disclosed in the December 31, 2019 consolidated financial statements, other than those disclosed in this condensed consolidated interim financial report.

(a) Fiscal regime changes

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

- (i) The Company and the Government executed an amendment to the Concession Agreement, which changed the effective royalty rate applied to crude oil production based on the Company's official selling prices. The effective royalty rate is determined based on a baseline marginal rate of 15% (from 20%) applied to prices up to \$70 per barrel, increasing to 45% (from 40%) applied to prices above \$70 per barrel and 80% (from 50%) applied to prices above \$100 per barrel.
- (ii) LPGs and certain other products were added to the price equalization mechanism to compensate the Company for revenue directly foregone as a result of the Company's compliance with the Government mandates related to domestic sales of those products by the Company.

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- (iii) The tax rate applicable to the Company's Downstream activities was reduced from the 50% rate applicable to qualified domestic oil and hydrocarbon production companies to the general corporate tax rate of 20% applicable to similar domestic downstream companies under the Saudi Arabian Income Tax Law of 2004 and its amendments (the "Tax Law"). The new rate is conditioned on the Company separating its Downstream activities under the control of one or more separate wholly owned subsidiaries before December 31, 2024, otherwise, the Company's Downstream activities will be retroactively taxed at 50%. The Company expects to transfer all its Downstream activities into a separate legal entity or entities within the period specified (Note 8).

During the current quarter, 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 the corporate income tax. As a result, the Company's ownership interests in SABIC, Rabigh Refining and Petrochemical Company ("Petro Rabigh"), National Shipping Company of Saudi Arabia ("Bahri") and Saudi Electricity Company ("SEC") are now subject to zakat (Note 8).

(b) New or amended standards

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

In September 2019, the IASB amended IAS 39, Financial Instruments: Recognition and Measurement, IFRS 7, Financial Instruments: Disclosures, and IFRS 9, Financial Instruments, which modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the Interbank Offered Rate ("IBOR") reform in which the London Interbank Offered Rate ("LIBOR") interest benchmark will cease after 2021. The amendments also require companies to provide additional information about their hedging relationships that are directly affected by these uncertainties. Additionally, the IASB is considering the potential consequences on financial reporting of replacing an existing benchmark with an alternative. IBOR reforms and expectation of cessation of LIBOR will impact Saudi Aramco's current risk management strategy and possibly accounting for certain financial instruments used for hedging. Saudi Aramco has recognized the following hedging instruments at fair value (Note 3) which are exposed to the impact of LIBOR with a nominal value of SAR 11,745:

- Financial Liabilities: SAR 1,061

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

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

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

(c) Reclassifications

Certain comparative amounts in the Condensed Consolidated Statement of Income for the three-month and six-month periods ended June 30, 2019 have been reclassified to conform to the current period presentation. Such reclassifications did not impact the previously reported net income. These include certain sales of crude oil and related purchases of refined products in the amount of SAR 2,849 and SAR 5,385, respectively, which are presented in the Condensed Consolidated Statement of Income as revenue and purchases, reflecting current trading arrangements, and producing and manufacturing costs in the amount of SAR 1,625 and SAR 3,196, respectively, which are presented in the Condensed Consolidated Statement of Income as purchases.

(d) Inventories

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

3. Fair value estimation

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

The following table presents Saudi Aramco's assets and liabilities measured and recognized at fair value at June 30, 2020 and December 31, 2019, based on the prescribed fair value measurement hierarchy on a recurring basis. Saudi Aramco did not measure any financial assets or financial liabilities at fair value on a non-recurring basis at June 30, 2020 and December 31, 2019. There were no changes made to any of the valuation techniques and valuation processes applied as of December 31, 2019 and changes in unobservable inputs are not expected to materially impact the fair value.

Assets	Level 1 ⁱ	Level 2 ⁱⁱ	Level 3 ⁱⁱⁱ	Total
June 30, 2020:				
Investments in securities:				
Equity securities at Fair Value Through Other Comprehensive Income ("FVOCI")	6,354	464	1,412	8,230
Debt securities at FVOCI	235	5,612	-	5,847
Equity securities at Fair Value Through Profit Or Loss ("FVPL")	500	1,929	3,580	6,009
Trade receivables related to contracts with provisional pricing arrangements	-	-	38,675	38,675
	7,089	8,005	43,667	58,761
Other assets and receivables:				
Commodity swaps	-	248	46	294
Currency forward contracts	-	251	-	251
	-	499	46	545
Total assets	7,089	8,504	43,713	59,306
December 31, 2019:				
Investments in securities:				
Equity securities at FVOCI	8,246	-	1,244	9,490
Debt securities at FVOCI	1	4,563	-	4,564
Equity securities at FVPL	-	1,265	4,918	6,183
Trade receivables related to contracts with provisional pricing arrangements	-	-	75,723	75,723
	8,247	5,828	81,885	95,960
Other assets and receivables:				
Interest rate swaps	-	13	-	13
Commodity swaps	-	288	-	288
Currency forward contracts	-	30	-	30
	-	331	-	331
Total assets	8,247	6,159	81,885	96,291
Liabilities				
	Level 1 ⁱ	Level 2 ⁱⁱ	Level 3 ⁱⁱⁱ	Total
June 30, 2020:				
Trade and other payables:				
Interest rate swaps	-	1,061	-	1,061
Commodity swaps	-	1,082	-	1,082
Currency forward contracts	-	261	-	261
Total liabilities	-	2,404	-	2,404
December 31, 2019:				
Trade and other payables:				
Interest rate swaps	-	338	-	338
Commodity swaps	-	521	-	521
Currency forward contracts	-	109	-	109
Total liabilities	-	968	-	968

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

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

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

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

	June 30, 2020	December 31, 2019
Beginning	6,162	5,530
Net (disposals)/ additions	(997)	286
Acquisition of SABIC	280	-
Net movement in unrealized fair value	(407)	346
Ending	5,038	6,162

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

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

On June 16, 2020, the Company completed its acquisition of 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 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, which requires the assets acquired and liabilities assumed to be recognized at their 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 fair values in the following table are provisional in nature due to the limited period between the acquisition date and information required to assess the fair values of the assets acquired and liabilities assumed:

Cash and cash equivalents	27,515
Trade receivables	13,829
Inventories	24,522
Other current assets and receivables	4,803
Short-term investments	8,206
Property, plant and equipment (Note 6)	179,050
Intangible assets (Note 7)	37,044
Investments in joint ventures and associates	47,089
Other non-current assets	10,746
Trade and other payables	(23,586)
Income tax and zakat payable	(4,051)
Current borrowings	(8,148)
Non-current borrowings	(37,173)
Post-employment benefit obligations	(16,547)
Other non-current liabilities	(6,892)
Total identified net assets at fair value	256,407
Non-controlling interests	(98,252)
Goodwill (Note 7)	100,970
Purchase consideration in the form of promissory notes	259,125

Non-controlling interests, which result from both the Company's partial ownership of SABIC as well as SABIC's partial ownership of a number of its subsidiaries, were measured at their proportionate share of recognized net assets.

The purchase price amount will be paid over several installments pursuant to a seller loan provided by PIF (Note 10). Loan payments, which are represented by promissory notes denominated in US Dollars, are payable 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
	259,125	22,125

The combined fair value of the principal loan amounts and loan charges amount to SAR 259,125 (\$69,100). This is presented on a combined basis as 'Deferred consideration' within 'Borrowings' (Note 10) and is subsequently measured at amortized cost using the effective interest method.

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 100,970 arising from the transaction includes synergies expected from the transaction, representing value chain capture through downstream integration, procurement, supply chain, manufacturing, marketing and sales, future customer relationships and intangibles such as acquired work force. Goodwill has been provisionally allocated to the Downstream operating segment, which is expected to benefit from the synergies of the acquisition.

Acquisition and transaction costs of SAR 343 were expensed as selling, administrative and general expenses in the Condensed Consolidated Statement of Income. The post-acquisition revenue of SAR 4,432 and net loss of SAR 2,038 are included in the Condensed Consolidated Statement of Income.

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 June 30, 2020, Saudi Aramco had two reportable segments, Upstream and Downstream, with all other supporting functions aggregated into a Corporate segment. Upstream activities include crude oil, natural gas and natural gas liquids exploration, field development and production. Downstream activities, which now include SABIC's operations from the date of acquisition, consist primarily of refining and petrochemical manufacturing, supply and trading, distribution and power generation, logistics, and marketing of crude oil and related services to international and domestic customers. Corporate activities include primarily supporting services including Human Resources, Finance and IT not allocated to Upstream and Downstream. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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

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

	Upstream	Downstream	Corporate	Eliminations	Consolidated
External revenue	67,864	55,043	324	-	123,231
Other income related to sales	7,484	8,639	-	-	16,123
Inter-segment revenue	20,142	8,057	85	(28,284)	-
Earnings (losses) before interest, income taxes and zakat	55,185	(1,290)	(2,348)	(377)	51,170
Finance income					574
Finance costs					(1,916)
Income before income taxes and zakat					49,828
Capital expenditures - cash basis	19,077	4,125	230	-	23,432

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

	Upstream	Downstream	Corporate	Eliminations	Consolidated
External revenue	185,375	101,147	287	-	286,809
Other income related to sales	9,669	25,829	-	-	35,498
Inter-segment revenue	62,069	9,149	58	(71,276)	-
Earnings (losses) before interest, income taxes and zakat	184,162	(3,247)	(2,905)	2,940	180,950
Finance income					1,274
Finance costs					(1,518)
Income before income taxes and zakat					180,706
Capital expenditures - cash basis	20,966	6,114	283	-	27,363

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

	Upstream	Downstream	Corporate	Eliminations	Consolidated
External revenue	204,169	143,909	720	-	348,798
Other income related to sales	16,298	24,603	-	-	40,901
Inter-segment revenue	67,760	15,510	173	(83,443)	-
Earnings (losses) before interest, income taxes and zakat	196,296	(20,296)	(6,847)	10,275	179,428
Finance income					1,634
Finance costs					(3,499)
Income before income taxes and zakat					177,563
Capital expenditures - cash basis	39,610	11,025	537	-	51,172

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

	Upstream	Downstream	Corporate	Eliminations	Consolidated
External revenue	361,913	193,655	537	-	556,105
Other income related to sales	15,170	48,666	-	-	63,836
Inter-segment revenue	117,135	16,711	147	(133,993)	-
Earnings (losses) before interest, income taxes and zakat	354,108	1,869	(6,003)	(3,075)	346,899
Finance income					2,714
Finance costs					(2,779)
Income before income taxes and zakat					346,834
Capital expenditures - cash basis	41,930	11,564	769	-	54,263

6. Property, plant and equipment

	Crude oil facilities	Refinery and petrochemical facilities	Gas and NGL facilities	General service plant	Construction-in-progress	Total
Cost						
January 1, 2020	537,299	231,049	396,400	108,582	291,482	1,564,812
Additions	6,255	1,248	216	4,140	49,619	61,478
Acquisition (Note 4)	-	150,620	-	-	28,430	179,050
Construction completed	38,060	14,931	33,794	10,270	(97,055)	-
Currency translation differences	-	(1,874)	-	(3)	(185)	(2,062)
Transfers and adjustments	(15)	(367)	(14)	(30)	64	(362)
Transfer of exploration and evaluation assets	-	-	-	-	463	463
Retirements and sales	(696)	(2,719)	(166)	(1,023)	(21)	(4,625)
June 30, 2020	580,903	392,888	430,230	121,936	272,797	1,798,754
Accumulated depreciation						
January 1, 2020	(271,105)	(78,033)	(174,300)	(59,360)	-	(582,798)
Additions ⁽¹⁾	(11,622)	(7,726)	(7,778)	(3,933)	-	(31,059)
Currency translation differences	-	647	-	1	-	648
Transfers and adjustments	(1)	(183)	-	2	-	(182)
Retirements and sales	637	2,707	160	1,113	-	4,617
June 30, 2020	(282,091)	(82,588)	(181,918)	(62,177)	-	(608,774)
Property, plant and equipment - net, June 30, 2020	298,812	310,300	248,312	59,759	272,797	1,189,980

(1) Includes impairments of SAR 722.

Additions to right-of-use assets during the three-month and six-month periods ended June 30, 2020 were SAR 5,572 and SAR 11,164, respectively. Acquisition of right-of-use assets during the three-month and six-month periods ended June 30, 2020 were SAR 7,003 and SAR 7,003, respectively. The following table presents depreciation charges and net carrying amounts of right-of-use assets by class of assets.

	Depreciation expense for the six-month period ended June 30, 2020	Carrying amount at June 30, 2020
Crude oil facilities	1,999	12,338
Refinery and petrochemical facilities	861	16,831
Gas and NGL facilities	89	241
General service plant	2,194	25,007
	5,143	54,417

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7. Intangible assets

	Goodwill	Exploration and evaluation	Brands and trademarks	Franchise/customer relationships	Computer software	Other	Total
Cost							
January 1, 2020	1,077	21,913	4,791	1,764	4,428	1,680	35,653
Additions	-	2,667	-	-	69	10	2,746
Acquisition (Note 4)	100,970	-	18,140	17,963	257	684	138,014
Currency translation differences	(7)	-	(57)	(13)	4	9	(64)
Transfers and adjustments	-	-	(28)	(31)	7	(18)	(70)
Transfer of exploration and evaluation assets	-	(463)	-	-	-	-	(463)
Retirements	-	(1,096)	-	-	-	(5)	(1,101)
June 30, 2020	102,040	23,021	22,846	19,683	4,765	2,360	174,715
Accumulated amortization							
January 1, 2020	-	-	(1,448)	(866)	(2,835)	(382)	(5,531)
Charge for the period	-	-	(200)	(83)	(162)	(86)	(531)
Currency translation differences	-	-	3	-	(6)	(15)	(18)
Transfers and adjustments	-	-	28	31	(11)	19	67
Retirements	-	-	-	-	1	-	1
June 30, 2020	-	-	(1,617)	(918)	(3,013)	(464)	(6,012)
Intangible assets - net, June 30, 2020	102,040	23,021	21,229	18,765	1,752	1,896	168,703

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

Other intangible assets include licenses and usage rights of SAR 686, patents and intellectual property of SAR 526 and new intangible assets recognized as a result of the acquisition of SABIC consisting of technology and licenses of SAR 684.

8. Income taxes and zakat

(a) Kingdom income tax rates

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

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

During the current quarter, 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 the corporate income tax. As a result, the Company's ownership interests in SABIC, Rabigh Refining and Petrochemical Company ("Petro Rabigh"), National Shipping Company of Saudi Arabia ("Bahri") and Saudi Electricity Company ("SEC") are now subject to zakat. Zakat is levied based on adjusted income subject to zakat or the zakat base in accordance with the Regulations of the General Authority of Zakat and Tax ("GAZT") in KSA, whichever is higher. Zakat is computed by using the zakat base and the zakat provision is charged to the Condensed Consolidated Statement of Income.

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

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

	2 nd quarter 2020	2 nd quarter 2019	Six months 2020	Six months 2019
Income before income taxes and zakat	49,828	180,706	177,563	346,834
(Less)/add: (Income)/loss subject to zakat	139	-	139	-
Income subject to income tax	49,967	180,706	177,702	346,834
Income taxes at the Kingdom's statutory tax rates	24,356	87,924	87,101	169,153
Tax effect of:				
Income not subject to tax at statutory rates and other	766	197	3,278	1,810
Income tax expense	25,122	88,121	90,379	170,963
Zakat expense	85	-	85	-
Total income tax and zakat expense	25,207	88,121	90,464	170,963

(b) Income tax and zakat expense

	2 nd quarter 2020	2 nd quarter 2019	Six months 2020	Six months 2019
Current income tax - Kingdom	21,134	84,855	84,935	164,397
Current income tax - Foreign	2	32	52	176
Deferred income tax - Kingdom:				
Charge for the period	4,474	3,542	7,686	5,661
Deferred income tax - Foreign	(488)	(308)	(2,294)	729
Zakat - Kingdom	85	-	85	-
	25,207	88,121	90,464	170,963

(c) Income tax and zakat obligations to the Government

	2020	2019
January 1	62,243	70,299
Acquisition	3,288	-
Provided during the period	85,020	164,397
Payments during the period by the Company (Note 15)	(59,450)	(81,743)
Payments during the period by subsidiaries and joint operations	(439)	(379)
Settlements of due from the Government	(64,108)	(81,609)
Other settlements	(3,497)	(1,791)
June 30	23,057	69,174

9. Other reserves

	Currency translation differences	Investments in securities at FVOCI	Post-employment benefit obligations	Share-based payment reserve	Cash flow hedges and other	Share of other comprehensive income (loss) of joint ventures and associates		Total
						Post-employment benefit obligations and other	Foreign currency translation gains (losses)	
January 1, 2020	(585)	3,342	-	31	(427)	(476)	191	2,076
Current period change	(1,383)	(1,910)	-	292	(726)	(664)	(35)	(4,426)
Remeasurement loss ⁽¹⁾	-	-	(18,021)	-	-	-	-	(18,021)
Transfer to retained earnings	-	-	9,920	-	-	-	-	9,920
Tax effect	-	664	7,803	-	-	-	-	8,467
Less: amounts related to non-controlling interests	341	-	298	-	13	-	-	652
June 30, 2020	(1,627)	2,096	-	323	(1,140)	(1,140)	156	(1,332)

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

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10. Borrowings

	June 30, 2020	December 31, 2019
Non-current:		
Deferred consideration (Note 4)	214,736	-
Borrowings	61,348	39,957
Debentures	69,822	60,957
Sukuk (Shari'a compliant)	12,738	12,649
Lease liabilities	44,300	33,831
Other ⁽¹⁾	3,328	3,296
	406,272	150,690
Current:		
Deferred consideration (Note 4)	44,617	-
Short-term bank financing	16,258	12,660
Borrowings	14,935	4,957
Sukuk (Shari'a compliant)	199	175
Lease liabilities	9,862	7,103
	85,871	24,895

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

On June 9, 2020, the Company amended and restated certain agreements with respect to its SAR 22,500 (\$6,000) five-year conventional revolving credit facility to incorporate a SAR 7,500 (\$2,000) swing line sublimit-facility in support of the Company's establishment of a U.S. commercial paper program. The facility has not been utilized as of June 30, 2020.

On May 7, 2020, the Company entered into a SAR 37,500 (\$10,000) one-year term loan facility with various financial institutions for general corporate purposes. The one-year term loan facility currently terminates on May 6, 2021 but the Company has the option to extend the facility date by up to 364 days from May 6, 2021. The facility has not been utilized as of June 30, 2020. Subsequently, on July 27, 2020, the facility was fully utilized and the outstanding loan balance is SAR 37,500 (\$10,000).

11. Revenue

	2 nd quarter 2020	2 nd quarter 2019	Six months 2020	Six months 2019
Revenue from contracts with customers	125,452	285,478	356,578	551,322
Movement between provisional and final prices	(3,151)	650	(9,590)	3,357
Other revenue	930	681	1,810	1,426
	123,231	286,809	348,798	556,105

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:

	2 nd quarter 2020			Total
	Upstream	Downstream	Corporate	
Crude oil	61,547	2,505	-	64,052
Refined and chemical products	-	50,619	-	50,619
Natural gas and NGLs	9,450	541	-	9,991
Other ⁽¹⁾	-	790	-	790
Revenue from contracts with customers	70,997	54,455	-	125,452
Movement between provisional and final prices	(3,238)	87	-	(3,151)
Other revenue	105	501	324	930
External revenue	67,864	55,043	324	123,231

	2 nd quarter 2019			Total
	Upstream	Downstream	Corporate	
Crude oil	168,608	6,369	-	174,977
Refined and chemical products	-	93,370	-	93,370
Natural gas and NGLs	16,118	1,013	-	17,131
Revenue from contracts with customers	184,726	100,752	-	285,478
Movement between provisional and final prices	594	56	-	650
Other revenue	55	339	287	681
External revenue	185,375	101,147	287	286,809

	Six months 2020			Total
	Upstream	Downstream	Corporate	
Crude oil	190,420	12,893	-	203,313
Refined and chemical products	-	128,544	-	128,544
Natural gas and NGLs	22,912	1,019	-	23,931
Other ⁽¹⁾	-	790	-	790
Revenue from contracts with customers	213,332	143,246	-	356,578
Movement between provisional and final prices	(9,408)	(182)	-	(9,590)
Other revenue	245	845	720	1,810
External revenue	204,169	143,909	720	348,798

	Six months 2019			Total
	Upstream	Downstream	Corporate	
Crude oil	327,970	9,069	-	337,039
Refined and chemical products	-	182,632	-	182,632
Natural gas and NGLs	30,548	1,103	-	31,651
Revenue from contracts with customers	358,518	192,804	-	551,322
Movement between provisional and final prices	3,176	181	-	3,357
Other revenue	219	670	537	1,426
External revenue	361,913	193,655	537	556,105

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

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

	2 nd quarter 2020	2 nd quarter 2019	Six months 2020	Six months 2019
Crude oil	670	748	1,149	1,137
Refined and chemical products	7,004	14,003	20,638	26,969
Natural gas and NGLs	4,313	3,962	7,663	7,422
	11,987	18,713	29,450	35,528

12. Non-cash investing and financing activities

Investing and financing activities for the three-month and six-month periods ended June 30, 2020 include the acquisition of SABIC for deferred consideration of SAR 259,125 (Note 4), additions to right-of-use assets of SAR 5,572 and SAR 11,164 (June 30, 2019: SAR 1,913 and SAR 3,957), respectively, subordinated shareholder loans and trade receivables with a joint venture that were converted to equity of nil and nil (June 30, 2019: SAR 731 and SAR 1,829), respectively, and asset retirement provisions of SAR 77 and SAR 156 (June 30, 2019: SAR 112 and SAR 176), respectively.

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13. Commitments

(a) Capital commitments

Capital expenditures contracted for but not yet incurred were SAR 162,204 and SAR 154,181 at June 30, 2020 and December 31, 2019, respectively. In addition, leases contracted for but not yet commenced were SAR 10,443 and SAR 7,467 at June 30, 2020 and December 31, 2019, respectively.

(b) Sadara Chemical Company ("Sadara")

In March 2020, Saudi Aramco and Dow Chemical Company equally committed to comply with the Ministry of Energy feedstock agreement to support the development of Chemical Value Parks in the Kingdom with an amount of SAR 375. The first payment of SAR 38 shall be deposited within one month from the date of supplying Sadara with additional ethane. The remaining funds shall be deposited over 9 years at SAR 38 annually. Saudi Aramco's commitment of SAR 188 is outstanding at June 30, 2020.

14. Contingencies

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

Saudi Aramco also has bank guarantees with respect to the acquisition of a subsidiary (Note 4) amounting to SAR 3,980 as of June 30, 2020 arising in the ordinary course of business.

15. Payments to the Government by the Company

	2 nd quarter 2020	2 nd quarter 2019	Six months 2020	Six months 2019
Income taxes (Note 8(c))	14,032	38,299	59,450	81,743
Royalties	12,495	48,893	45,867	88,294
Dividends	69,105	87,713	119,078	173,963

16. Related party transactions and balances

(a) Transactions

	2 nd quarter 2020	2 nd quarter 2019	Six months 2020	Six months 2019
Joint ventures:				
Revenue from sales	915	855	2,760	1,159
Other revenue	4	3	23	11
Interest income	23	-	38	-
Purchases	22	-	45	-
Service expenses	4	3	8	11
Associates:				
Revenue from sales	5,617	9,622	9,645	18,386
Other revenue	87	26	158	56
Interest income	41	33	86	71
Purchases	2,846	8,887	6,739	16,211
Service expenses	86	30	116	56
Government and semi-Government agencies:				
Revenue from sales	7,346	12,577	17,089	23,415
Other income related to sales	16,123	35,498	40,901	63,836
Other revenue	108	105	266	353
Purchases	2,291	851	4,646	1,519
Service expenses	90	105	188	188

(b) Balances

	June 30, 2020	December 31, 2019
Joint ventures:		
Other assets and receivables	3,244	1,609
Trade receivables	469	836
Interest receivable	68	30
Trade and other payables	26	15
Associates:		
Other assets and receivables	3,356	3,326
Trade receivables	10,639	8,715
Trade and other payables	2,648	4,553
Government and semi-Government agencies:		
Trade receivables	3,086	5,985
Due from the Government	17,995	36,781
Trade and other payables	3,128	3,019
Borrowings	265,959	5,366

(c) Compensation of key management personnel

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

17. Investment in Hyundai Oilbank

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

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

Cash and cash equivalents	1,541
Trade and other receivables	5,096
Inventories	8,074
Other assets	634
Investments in affiliates	6,769
Property, plant and equipment	26,100
Intangible assets	3,566
Trade and other payables	(9,491)
Borrowings	(12,604)
Other liabilities	(4,432)
Total identifiable net assets at fair value	25,253
Hybrid securities	(720)
Non-controlling interest	(3,045)
Total identifiable net assets attributable to equity owners	21,488
Saudi Aramco's 17% share	3,653
Call option	143
Goodwill	618
Purchase consideration	4,414

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18. Dividends

Dividends declared and paid on ordinary shares are as follows:

	Six months 2020	Six months 2019	SAR per share	
			Six months 2020	Six months 2019
Quarter:				
March	50,226	86,250	0.25	0.43
June	70,319	87,713	0.35	0.44
Total dividends paid ⁽¹⁾	120,545	173,963	0.60	0.87
Declared in December 2019, paid in January 2020	(35,475)	-	(0.18)	-
Total dividends declared	85,070	173,963	0.42	0.87
Dividends declared in August 2020 and 2019 ⁽²⁾	70,324	50,213	0.35	0.25

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

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

19. Events after the reporting period

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

Non-IFRS measures reconciliations and definitions

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

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

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

ROACE

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

ROACE for the second quarter and half year ended June 30, 2020, calculated on a twelve-month rolling basis, was 17.4% compared to 36.0% for the same periods in 2019. This decrease was principally due to lower net income, and to a lesser extent, higher borrowings resulting from the deferred consideration in connection with the SABIC acquisition.

	SAR		USD*	
	Twelve months ended June 30		Twelve months ended June 30	
	2020	2019	2020	2019
<small>All amounts in millions unless otherwise stated</small>				
Net income	241,921	393,566	64,512	104,951
Finance costs, net of income taxes and zakat	3,373	2,175	900	580
Net income before finance costs, net of income taxes and zakat	245,294	395,741	65,412	105,531
As at period start:				
Non-current borrowings	134,472	63,696	35,859	16,986
Current borrowings	38,407	27,735	10,242	7,396
Total equity	1,024,127	908,341	273,100	242,224
Capital employed	1,197,006	999,772	319,201	266,606
As at period end:				
Non-current borrowings	406,272	134,472	108,339	35,859
Current borrowings	85,871	38,407	22,899	10,242
Total equity	1,132,520	1,024,127	302,005	273,100
Capital employed	1,624,663	1,197,006	433,243	319,201
Average capital employed	1,410,835	1,098,389	376,222	292,904
ROACE	17.4%	36.0%	17.4%	36.0%

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

All amounts in millions unless otherwise stated

Free cash flow

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 decreased from SAR 77,299 (\$20,614) in the second quarter of 2019 to SAR 22,878 (\$6,101) for the same quarter in 2020, a decrease of SAR 54,421 (\$14,513). This was mainly driven by lower operating cash flow, reflecting a decrease in crude oil prices and declining refining and chemicals margins, partially offset by a reduction in settlement of taxes and zakat and favourable movements in working capital. Capital expenditures decreased by SAR 3,931 (\$1,049) in the second quarter of 2020, compared to the same quarter in 2019, reflecting the implementation of capital spending optimization and efficiency programs.

Free cash flow decreased from SAR 142,426 (\$37,980) in the first half of 2019 to SAR 79,205 (\$21,122) for the same period in 2020, a decrease of SAR 63,221 (\$16,858). The impact of lower earnings on operating cash flow was partially offset by cash released from working capital changes and a decrease in settlement of taxes and zakat. The implementation of capital spending optimization and efficiency programs led to lower capital expenditures in 2020.

	Second quarter				Half year			
	SAR		USD*		SAR		USD*	
All amounts in millions unless otherwise stated	2020	2019	2020	2019	2020	2019	2020	2019
Net cash provided by operating activities	46,310	104,662	12,349	27,911	130,377	196,689	34,767	52,450
Capital expenditures	(23,432)	(27,363)	(6,248)	(7,297)	(51,172)	(54,263)	(13,645)	(14,470)
Free cash flow	22,878	77,299	6,101	20,614	79,205	142,426	21,122	37,980

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

Gearing

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

Gearing increased from -0.2% (net cash position) as at December 31, 2019 to 20.1% as at June 30, 2020. This was primarily due to the deferred consideration in relation to the SABIC acquisition and the consolidation of SABIC's net debt onto Aramco's balance sheet.

	SAR		USD*	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
All amounts in millions unless otherwise stated				
Total borrowings (current and non-current)	492,143	175,585	131,238	46,823
Cash and cash equivalents	(206,593)	(177,706)	(55,092)	(47,388)
Net debt / (cash)	285,550	(2,121)	76,146	(565)
Total equity	1,132,520	1,046,235	302,005	278,996
Total equity and net debt / (cash)	1,418,070	1,044,114	378,151	278,431
Gearing	20.1%	(0.2)%	20.1%	(0.2)%

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

Earnings before interest, income taxes and zakat (EBIT)

Aramco 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 second quarter ended June 30, 2020 was SAR 51,170 (\$13,645) compared to SAR 180,950 (\$48,253) during the same quarter in 2019. The decrease of SAR 129,780 (\$34,608) was mainly attributable to lower crude oil prices and reduced refining and chemicals margins.

EBIT for the half year ended June 30, 2020 was SAR 179,428 (\$47,847) compared to SAR 346,899 (\$92,506) during the same period in 2019, representing a decrease of SAR 167,471 (\$44,659). This principally reflects the impact of lower crude oil prices, challenging market conditions in the chemicals and refining business and inventory re-measurement losses recorded during the period.

	Second quarter				Half year			
	SAR		USD*		SAR		USD*	
All amounts in millions unless otherwise stated	2020	2019	2020	2019	2020	2019	2020	2019
Net income	24,621	92,585	6,565	24,689	87,099	175,871	23,226	46,899
Finance income	(574)	(1,274)	(153)	(340)	(1,634)	(2,714)	(436)	(724)
Finance costs	1,916	1,518	511	405	3,499	2,779	933	741
Income taxes and zakat	25,207	88,121	6,722	23,499	90,464	170,963	24,124	45,590
Earnings before interest, income taxes and zakat	51,170	180,950	13,645	48,253	179,428	346,899	47,847	92,506

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

Terms and abbreviations

Currencies

SAR/Riyal
Saudi Arabian riyal

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

Units of measurement

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

boe
Barrels of oil equivalent

bpd
Barrels per day

bscf
Billion standard cubic feet

bscfd
Billion standard cubic feet per day

mboed
Thousand barrels of oil equivalent per day

mbpd
Thousand barrels per day

mmbbl
Million barrels

mmboe
Million barrels of oil equivalent

mmboed
Million barrels of oil equivalent per day

mmbpd
Million barrels per day

mmscf
Million standard cubic feet

mmscfd
Million standard cubic feet per day

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

scf
Standard cubic feet

Miscellaneous abbreviations

CO₂e
Carbon dioxide equivalent

COVID-19
The coronavirus disease 2019

IAS
International Accounting Standard

IASB
International Accounting Standards Board

IFRS
International Financial Reporting Standards

SOCPA
Saudi Organization for Certified Public Accountants

Technical terms

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

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

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

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

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

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

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

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

Glossary

Bylaws

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

Company

Saudi Arabian Oil Company.

Council of Ministers

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

Domestic

Refers to the Kingdom of Saudi Arabia.

Domestic Prices

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

Exchange or Tadawul

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

Government

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

Kingdom

Kingdom of Saudi Arabia.

Price Equalization

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

Regulated Gas Products

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

SABIC

Saudi Basic Industries Corporation.

Saudi Aramco / Aramco

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

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

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

Shareholder

Any holder of shares.

Tax Law

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

Disclaimer

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

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

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

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

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

Please note the following additional risk factor:

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

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

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

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

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

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

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

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

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