



Saudi Arabian Oil Company
Consolidated financial statements
for the year ended December 31, 2022



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

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saudi Arabian Oil Company (the “Company”) and its subsidiaries (together the “Group”) as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group’s consolidated financial statements comprise:

- the consolidated statement of income for the year ended December 31, 2022;
- the consolidated statement of comprehensive income for the year ended December 31, 2022;
- the consolidated balance sheet as at December 31, 2022;
- the consolidated statement of changes in equity for the year ended December 31, 2022;
- the consolidated statement of cash flows for the year ended December 31, 2022; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

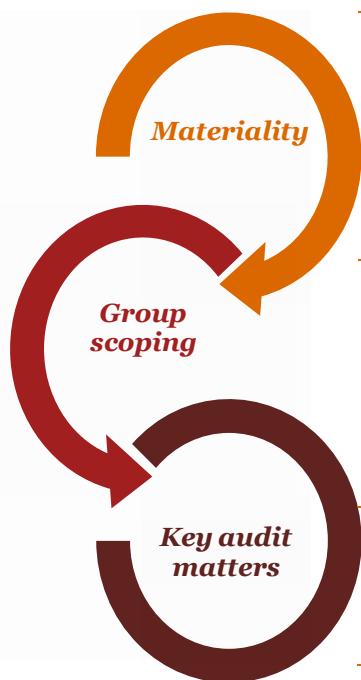
Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the “Code”), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code’s requirements.

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

Our audit approach

Overview



- We determined overall Group materiality taking into account the profit-oriented nature of the Group.
- Based on income before income taxes and zakat of Saudi Riyals (“SAR”) 1,153 billion, we determined our overall Group materiality at SAR 37.5 billion.
- Our quantitative threshold for reporting misstatements to those charged with governance was set at SAR 2.8 billion.

Based on their size, complexity and risk:

- We selected the Company’s standalone operations and five other components located in the Kingdom of Saudi Arabia, the United States of America, the Republic of Korea and Malaysia for full-scope audits; and
- We also determined a number of other components to be in scope for the Group audit, in respect of which appropriate audit procedures were performed.

Our key audit matters comprise the following:

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

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

Materiality

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

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



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

Overall Group materiality	SAR 37.5 billion (2021: SAR 28.1 billion).
How we determined it	Based on income before income taxes and zakat.
Rationale for the materiality benchmark applied	Income before income taxes and zakat is an important benchmark for the Group's stakeholders and is a generally accepted benchmark for profit-oriented groups.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above SAR 2.8 billion.

How we tailored our Group audit scope

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

The Group's operations are conducted through many components in different parts of the world. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, or component auditors from other PwC network firms or other audit firms operating under our instructions. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group's consolidated financial statements as a whole.

The most significant component within the Group is the Company itself and most of the audit effort was spent by the Group engagement team based in Dhahran, Kingdom of Saudi Arabia. We identified five additional components where a full-scope audit on the respective components' financial information was performed under our instructions. Members of the Group engagement team performed the full-scope audit of the component located in Dhahran, Kingdom of Saudi Arabia. Component teams in Riyadh, Kingdom of Saudi Arabia, the United States of America, the Republic of Korea and Malaysia performed full-scope audits of the components at those locations based on our instructions. We also instructed certain other component teams to perform an audit or specified procedures on material consolidated financial statement line items as part of our overall Group audit scoping strategy. The selection of these components was based on qualitative and quantitative considerations, including whether the component accounted for a significant proportion of individual consolidated financial statement line items.

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

Key audit matters

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



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

Key audit matter

How our audit addressed the key audit matter

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

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

Management performed an assessment of recoverability of the goodwill and brand (determined to have an indefinite useful life) recognised as part of the SABIC acquisition. The carrying amounts of these assets were SAR 99.1 billion and SAR 18.1 billion, respectively, at December 31, 2022.

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

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

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

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

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

Refer to Note 2(f), Note 2(i) and Note 6 to the consolidated financial statements for further information.

Our procedures included the following:

- We evaluated the appropriateness of management's allocation of goodwill to the Downstream operating segment and brand to the aggregation of the relevant cash-generating units, based on the requirements of IAS 36 'Impairment of Assets', that is endorsed in the Kingdom of Saudi Arabia.
- We assessed the completeness of the carrying values of the assets and liabilities considered as part of the impairment tests for the goodwill and brand in light of the requirements of IAS 36 'Impairment of Assets', that is endorsed in the Kingdom of Saudi Arabia.
- With input from internal valuation experts, where considered necessary, we performed the following procedures on management's value-in-use calculations, as deemed appropriate:
 - Considered the consistency of certain unobservable inputs underlying the 10-year cash flows such as expected product volumes and future costs with approved financial plans;
 - Compared a sample of forecast commodity prices and margins underlying the 10-year cash flows to market data points;
 - Evaluated the reasonableness of approved financial plans by comparison to historical results;
 - Assessed the reasonableness of the approach and inputs used to determine the terminal values by benchmarking to observable market practice and information;
 - Evaluated the reasonableness of the pre-tax discount rates used by cross-checking the underlying assumptions against observable market data;
 - Tested the mathematical accuracy and logical integrity of the models; and
 - Tested management's sensitivity analyses that considered the impact of changes in assumptions on the outcome of the impairment assessments.
- We considered the reasonableness of the movement in the recoverable amounts at December 31, 2022 compared to the prior year in light of changes in the underlying inputs and assumptions.
- We considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.



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

Key audit matter	How our audit addressed the key audit matter
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Accounting for the gas pipelines transaction

The Company sold a 49% equity interest in Aramco Gas Pipelines Company (“AGPC”) in February 2022 to GreenSaif Pipelines Bidco S.à r.l. (formerly, GEPIF III Finance III Lux S.à r.l.) (“GreenSaif”) for upfront sale proceeds of SAR 58.1 billion.

As part of the arrangement, immediately prior to the sale, the Company leased usage rights to its gas pipelines network to AGPC for a 20-year period. Simultaneously, AGPC granted the Company the exclusive right to use, operate and maintain the pipelines during this period in exchange for a tariff. The Company retained title to, and operational control of, the pipelines.

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

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

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

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

Our procedures included the following:

- We held discussions with management to understand the legal structure of the arrangement and the nature of transactions on closing in February 2022 and during the 20-year period.
- We read the relevant agreements and considered the consistency of the underlying terms and conditions with the accounting treatments.
- With input from internal accounting specialists, we considered appropriateness of the accounting treatment of:
 - AGPC as a subsidiary; and
 - Sale proceeds as a non-controlling interest, keeping in view the potential alternative treatment.
- With input from internal valuation experts, where considered necessary, we assessed the reasonableness of the carrying value determined by management of AGPC’s net assets immediately prior to the sale.
- We considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.



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

Other information

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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



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

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

PricewaterhouseCoopers



A handwritten signature in black ink, appearing to read "Omar M. Al Sagga".

Omar M. Al Sagga
License No. 369

March 10, 2023

Consolidated statement of income

All amounts in millions of Saudi Riyals unless otherwise stated

	Note	SAR		USD*	
		Year ended December 31		Year ended December 31	
		2022	2021	2022	2021
Revenue	24	2,006,955	1,346,930	535,188	359,181
Other income related to sales		259,418	154,828	69,178	41,287
Revenue and other income related to sales		2,266,373	1,501,758	604,366	400,468
Royalties and other taxes		(341,510)	(144,793)	(91,069)	(38,611)
Purchases	25	(490,690)	(352,377)	(130,851)	(93,967)
Producing and manufacturing		(101,912)	(76,495)	(27,177)	(20,399)
Selling, administrative and general		(83,700)	(59,496)	(22,320)	(15,866)
Exploration		(8,447)	(7,285)	(2,253)	(1,943)
Research and development		(4,419)	(3,873)	(1,178)	(1,033)
Depreciation and amortization	5,6	(91,618)	(85,521)	(24,431)	(22,805)
Operating costs		(1,122,296)	(729,840)	(299,279)	(194,624)
Operating income		1,144,077	771,918	305,087	205,844
Share of results of joint ventures and associates	7	2,873	7,874	766	2,100
Finance and other income	27	14,894	1,787	3,972	477
Finance costs	20	(8,882)	(12,058)	(2,369)	(3,215)
Income before income taxes and zakat		1,152,962	769,521	307,456	205,206
Income taxes and zakat	8	(548,957)	(357,125)	(146,388)	(95,234)
Net income		604,005	412,396	161,068	109,972
Net income attributable to					
Shareholders' equity		597,215	395,203	159,257	105,387
Non-controlling interests		6,790	17,193	1,811	4,585
		604,005	412,396	161,068	109,972
Earnings per share (basic and diluted)	37	2.72	1.80	0.72	0.48

* This supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only, and is presented in millions of U.S. dollars.



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



Amin H. Nasser
President & Chief Executive Officer



Ziad T. Al Murshed
Executive Vice President
& Chief Financial Officer

Consolidated statement of comprehensive income

All amounts in millions of Saudi Riyals unless otherwise stated

	Note	SAR		USD*	
		Year ended December 31		Year ended December 31	
		2022	2021	2022	2021
Net income		604,005	412,396	161,068	109,972
Other comprehensive income (loss), net of tax	18				
Items that will not be reclassified to net income					
Remeasurement of post-employment benefits		21,208	10,190	5,655	2,717
Share of post-employment benefits remeasurement from joint ventures and associates		144	270	38	72
Changes in fair value of equity investments classified as fair value through other comprehensive income		(211)	851	(56)	227
Items that may be reclassified subsequently to net income					
Cash flow hedges and other		1,450	323	387	86
Changes in fair value of debt securities classified as fair value through other comprehensive income		(427)	(556)	(114)	(148)
Share of other comprehensive income (loss) of joint ventures and associates		351	(417)	94	(111)
Currency translation differences		(3,889)	(2,798)	(1,037)	(746)
Total comprehensive income		18,626	7,863	4,967	2,097
		622,631	420,259	166,035	112,069
Total comprehensive income attributable to					
Shareholders' equity		615,245	403,586	164,065	107,623
Non-controlling interests		7,386	16,673	1,970	4,446
		622,631	420,259	166,035	112,069

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President & Chief Executive Officer



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Executive Vice President & Chief Financial Officer

Consolidated balance sheet

All amounts in millions of Saudi Riyals unless otherwise stated

	Note	SAR		USD*		
		At December 31		At December 31		
		2022	2021	2022	2021	
Assets						
Non-current assets						
Property, plant and equipment	5	1,303,266	1,244,316	347,538	331,818	
Intangible assets	6	159,328	160,668	42,487	42,845	
Investments in joint ventures and associates	7	72,196	69,559	19,252	18,549	
Deferred income tax assets	8	18,093	14,969	4,825	3,992	
Post-employment benefits	21	23,034	—	6,142	—	
Other assets and receivables	9	32,418	37,776	8,645	10,073	
Investments in securities	10	26,758	24,161	7,136	6,443	
		1,635,093	1,551,449	436,025	413,720	
Current assets						
Inventories	11	100,528	74,703	26,808	19,921	
Trade receivables	12	164,442	140,373	43,851	37,433	
Due from the Government	13	54,545	41,317	14,545	11,018	
Other assets and receivables	9	31,054	28,196	8,281	7,519	
Short-term investments	14	281,215	27,073	74,991	7,219	
Cash and cash equivalents	15	226,047	299,579	60,279	79,888	
		857,831	611,241	228,755	162,998	
Total assets		2,492,924	2,162,690	664,780	576,718	
Equity and liabilities						
Shareholders' equity						
Share capital		75,000	60,000	20,000	16,000	
Additional paid-in capital		26,981	26,981	7,195	7,195	
Treasury shares	16	(2,236)	(2,828)	(596)	(754)	
Retained earnings:						
Unappropriated		1,339,892	1,018,443	357,305	271,585	
Appropriated		6,000	6,000	1,600	1,600	
Other reserves	18	3,279	4,661	874	1,243	
		1,448,916	1,113,257	386,378	296,869	
Non-controlling interests	19	217,231	167,411	57,928	44,643	
		1,666,147	1,280,668	444,306	341,512	
Non-current liabilities						
Borrowings	20	318,380	436,371	84,901	116,366	
Deferred income tax liabilities	8	122,311	74,850	32,616	19,960	
Post-employment benefits	21	26,923	40,729	7,179	10,861	
Provisions and other liabilities	22	27,777	26,244	7,408	6,998	
		495,391	578,194	132,104	154,185	
Current liabilities						
Trade and other payables	23	135,390	124,689	36,104	33,251	
Obligations to the Government:						
Income taxes and zakat	8	104,978	90,525	27,995	24,140	
Royalties		16,254	14,064	4,334	3,750	
Borrowings	20	74,764	74,550	19,937	19,880	
		331,386	303,828	88,370	81,021	
Total liabilities		826,777	882,022	220,474	235,206	
Total equity and liabilities		2,492,924	2,162,690	664,780	576,718	

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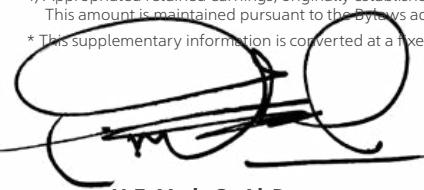
Consolidated statement of changes in equity

All amounts in millions of Saudi Riyals unless otherwise stated

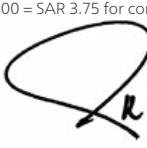
	SAR							USD*	
	Shareholders' equity								
	Share capital	Additional paid-in capital	Treasury shares	Retained earnings		Other reserves (Note 18)	Non-controlling interests	Total	Total
Balance at January 1, 2021	60,000	26,981	(3,264)	895,273	6,000	5,858	110,246	1,101,094	293,625
Net income	–	–	–	395,203	–	–	17,193	412,396	109,972
Other comprehensive income (loss)	–	–	–	–	–	8,383	(520)	7,863	2,097
Total comprehensive income	–	–	–	395,203	–	8,383	16,673	420,259	112,069
Transfer of post-employment benefits remeasurement (Note 18)	–	–	–	9,392	–	(9,392)	–	–	–
Transfer of share of post-employment benefits remeasurement from joint ventures and associates (Note 18)	–	–	–	270	–	(270)	–	–	–
Treasury shares issued to employees (Note 16)	–	–	436	38	–	(125)	–	349	94
Share-based compensation	–	–	–	(13)	–	207	–	194	52
Dividends (Note 36)	–	–	–	(281,305)	–	–	–	(281,305)	(75,015)
Sale of non-controlling equity interest in a subsidiary (Note 34)	–	–	–	–	–	–	46,547	46,547	12,412
Change in ownership interest of certain subsidiaries	–	–	–	(415)	–	–	838	423	113
Dividends to non-controlling interests and other	–	–	–	–	–	–	(6,893)	(6,893)	(1,838)
Balance at December 31, 2021	60,000	26,981	(2,828)	1,018,443	6,000	4,661	167,411	1,280,668	341,512
Net income	–	–	–	597,215	–	–	6,790	604,005	161,068
Other comprehensive income	–	–	–	–	–	18,030	596	18,626	4,967
Total comprehensive income	–	–	–	597,215	–	18,030	7,386	622,631	166,035
Transfer of post-employment benefits remeasurement (Note 18)	–	–	–	19,427	–	(19,427)	–	–	–
Transfer of share of post-employment benefits remeasurement from joint ventures and associates (Note 18)	–	–	–	144	–	(144)	–	–	–
Treasury shares issued to employees (Note 16)	–	–	592	99	–	(137)	–	554	147
Share-based compensation	–	–	–	(3)	–	296	–	293	78
Dividends (Note 36)	–	–	–	(281,318)	–	–	–	(281,318)	(75,018)
Bonus shares issued (Note 36)	15,000	–	–	(15,000)	–	–	–	–	–
Sale of non-controlling equity interest in a subsidiary (Note 34)	–	–	–	–	–	–	58,125	58,125	15,500
Acquisition of non-controlling interests in certain subsidiaries	–	–	–	(3)	–	–	(227)	(230)	(62)
Dividends to non-controlling interests and other	–	–	–	888	–	–	(15,464)	(14,576)	(3,886)
Balance at December 31, 2022	75,000	26,981	(2,236)	1,339,892	6,000	3,279	217,231	1,666,147	444,306

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

* This supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only, and is presented in millions of U.S. dollars.



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Chairman of the Board



Amin H. Nasser
President & Chief Executive Officer



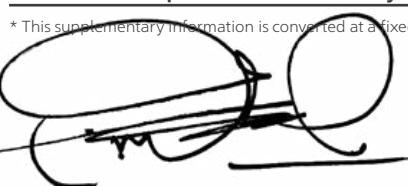
Ziad T. Al Murshed
Executive Vice President & Chief Financial Officer

Consolidated statement of cash flows

All amounts in millions of Saudi Riyals unless otherwise stated

	Note	SAR		USD*	
		Year ended December 31		Year ended December 31	
		2022	2021	2022	2021
Income before income taxes and zakat		1,152,962	769,521	307,456	205,206
Adjustments to reconcile income before income taxes and zakat to net cash provided by operating activities					
Depreciation and amortization	5,6	91,618	85,521	24,431	22,805
Exploration and evaluation costs written off	6	2,916	2,875	777	767
Loss on disposal of property, plant and equipment		3,861	3,971	1,029	1,059
Inventory movement		1,525	453	407	121
Share of results of joint ventures and associates	7	(2,873)	(7,874)	(766)	(2,100)
Finance and other income	27	(14,894)	(1,787)	(3,972)	(477)
Finance costs	20	8,882	12,058	2,369	3,215
Change in fair value of investments through profit or loss		237	27	64	7
Change in joint ventures and associates inventory profit elimination	7	(373)	550	(99)	147
Other		1,205	3,256	322	868
Change in working capital					
Inventories		(26,555)	(23,157)	(7,082)	(6,175)
Trade receivables		(22,906)	(55,190)	(6,108)	(14,718)
Due from the Government		(13,228)	(12,422)	(3,527)	(3,313)
Other assets and receivables		(462)	(8,565)	(123)	(2,284)
Trade and other payables		13,745	35,763	3,665	9,537
Royalties payable		2,190	5,809	584	1,549
Other changes					
Other assets and receivables		2,973	1,263	792	337
Provisions and other liabilities		(411)	680	(109)	181
Post-employment benefits		596	2,667	158	712
Settlement of income, zakat and other taxes	8	(502,856)	(292,818)	(134,094)	(78,084)
Net cash provided by operating activities		698,152	522,601	186,174	139,360
Capital expenditures	4	(141,161)	(119,645)	(37,643)	(31,905)
Acquisition of affiliates, net of cash acquired		(1,708)	–	(455)	–
Distributions from joint ventures and associates	7	4,535	4,651	1,210	1,240
Additional investments in joint ventures and associates	7	(1,489)	(557)	(397)	(149)
Proceeds from sale of equity interest in an associate	34(a)	1,651	–	440	–
Dividends from investments in securities	27	390	369	104	99
Interest received		5,950	1,232	1,587	329
Net investments in securities		(3,035)	(1,519)	(810)	(406)
Net purchases of short-term investments		(254,142)	(20,272)	(67,772)	(5,405)
Net cash used in investing activities		(389,009)	(135,741)	(103,736)	(36,197)
Dividends paid to shareholders of the Company	36	(281,318)	(281,305)	(75,018)	(75,015)
Dividends paid to non-controlling interests in subsidiaries		(14,417)	(7,112)	(3,845)	(1,896)
Proceeds from sale of non-controlling equity interest in a subsidiary		58,125	46,547	15,500	12,412
Acquisition of non-controlling interests in certain subsidiaries		(230)	–	(62)	–
Proceeds from issue of treasury shares	16	550	384	146	103
Proceeds from borrowings		9,082	42,213	2,422	11,256
Repayments of borrowings		(132,514)	(73,563)	(35,337)	(19,617)
Principal portion of lease payments		(12,114)	(12,143)	(3,230)	(3,238)
Interest paid		(9,839)	(9,534)	(2,623)	(2,542)
Net cash used in financing activities		(382,675)	(294,513)	(102,047)	(78,537)
Net (decrease) increase in cash and cash equivalents		(73,532)	92,347	(19,609)	24,626
Cash and cash equivalents at beginning of the year		299,579	207,232	79,888	55,262
Cash and cash equivalents at end of the year		226,047	299,579	60,279	79,888

* This supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only, and is presented in millions of U.S. dollars.



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



Amin H. Nasser
President & Chief Executive Officer



Ziad T. Al Murshed
Executive Vice President & Chief Financial Officer

Notes to the consolidated financial statements

All amounts in millions of Saudi Riyals unless otherwise stated

1. General information

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

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

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

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

Effective January 1, 2018, Council of Minister's Resolution No. 180, dated 1/4/1439H (December 19, 2017) converted the Company to a Saudi Joint Stock Company with new Bylaws. The Company's 1988 Articles were cancelled as of January 1, 2018, pursuant to Royal Decree No. M/36, dated 2/4/1439H (December 20, 2017). The Company's Commercial Registration Number is 2052101150. The Company's share capital was set at Saudi Riyal ("SAR") 60,000, divided into 200 billion fully paid ordinary shares with equal voting rights without par value. On May 12, 2022, after obtaining necessary approvals from the competent authorities in relation to the issuance of bonus shares, the Extraordinary General Assembly ("EGA") approved the increase in the Company's share capital by SAR 15,000 and the commensurate increase in the number of the Company's issued ordinary shares by 20 billion without par value. The Company's share capital after the increase is SAR 75,000, divided into 220 billion fully paid ordinary shares with equal voting rights without par value (Note 36).

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

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

The consolidated financial statements of the Company and its subsidiaries (together "Saudi Aramco") were approved by the Board of Directors on March 10, 2023.

2. Summary of significant accounting policies, judgments and estimates

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

(a) Basis of preparation

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

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

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

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

(b) Significant accounting judgments and estimates

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

Net zero ambition and the energy transition

Saudi Aramco's ambition is to achieve net-zero Scope 1 and Scope 2 greenhouse gas emissions by 2050 across its wholly-owned operated assets. Low lifting costs and low-carbon production intensity, compared to its peers, facilitates Saudi Aramco to continuously supply hydrocarbon products through the energy transition for the foreseeable future. Saudi Aramco is targeting emissions reductions to be achieved by improving energy efficiency and management of flaring and methane emissions; investing in renewable energy projects and certificates; carbon capture and storage; and developing an offsetting program that includes planting mangroves and purchasing carbon offsets through voluntary markets.

Saudi Aramco performed a review of the impact of climate change on its financial statements, including an assessment of risks due to climate change on material financial statement line items, significant judgments, and material estimation uncertainties. Estimates, such as the pace of energy transition and demand forecasts, and their impact on commodity prices, margins, and growth rates, include assumptions and inherent uncertainties that will be subject to change as market factors, policy and regulation evolve. The outcome of our review confirmed that the judgments and estimates used in the preparation of the 2022 consolidated financial statements are consistent with Saudi Aramco's long-term strategy and the profile of its operations. Saudi Aramco will continue to update its financial plans, estimates, and assumptions concerning the economic environment and the pace of the energy transition.

(c) New or amended standards

- (i) Saudi Aramco adopted the following IASB pronouncement, as endorsed in the Kingdom, effective for annual periods beginning on or after January 1, 2022:

Amendment to IAS 16, Property, Plant and Equipment

In May 2020, the IASB issued an amendment to IAS 16, Property, Plant and Equipment, which prohibits the deduction from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the proceeds from selling such items, and the costs of producing those items, are recognized in profit or loss. There is no material impact on Saudi Aramco's consolidated financial statements from adopting this amendment to IAS 16.

- (ii) There are no standards, amendments or interpretations that are not yet effective that are expected to have a material impact in the current or future reporting periods or on foreseeable future transactions.

(d) Interbank Offered Rate ("IBOR") reform

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

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

Saudi Aramco has established an IBOR Transition Project, the scope of which includes analyzing the exposure to IBOR benchmarks, evaluating the impact of the transition and providing support and guidance to all impacted internal stakeholders. As per the transition plan, all contracts and agreements related to the below mentioned financial instruments will be renegotiated with counterparties to reflect the alternative benchmark.

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

(d) Interbank Offered Rate ("IBOR") reform continued

The following table contains details of all financial instruments of Saudi Aramco referencing USD LIBOR, recognized at December 31, 2022, which expire after the cessation dates, and which have not yet transitioned to an alternative benchmark:

As at December 31, 2022	Carrying amounts of financial instruments yet to transition to alternative benchmarks: USD LIBOR
Non-derivative financial assets	4,826
Non-derivative financial liabilities	35,719
Derivative financial assets ¹	720

1. Represents hedging instruments with a nominal value of SAR 8,768.

(e) Principles of consolidation, acquisition and equity accounting

(i) Subsidiaries

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

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

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

Saudi Aramco recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated balance sheet, respectively.

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

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

(ii) Joint arrangements

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

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

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

(e) Principles of consolidation, acquisition and equity accounting continued

1) Joint operations

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

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

2) Joint ventures

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

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

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, the difference between the carrying amount derecognized and the proceeds received is recognized in the consolidated statement of income.

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

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

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

(iii) Associates

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

Significant accounting judgments and estimates

The acquisition of subsidiaries, joint arrangements and associates require management to estimate the fair values of the assets acquired and liabilities assumed. In addition, judgments are applied in the determination of whether control, joint control or significant influence is present with respect to investments in subsidiaries, joint arrangements or associates. Judgment is applied when determining if an entity is controlled by voting rights, potential voting rights or other rights granted through contractual arrangements and includes consideration of an entity's purpose and design, among other factors. Judgment is applied when assessing whether an arrangement is jointly controlled by all of its parties or by a group of the parties by taking decisions about relevant activities through unanimous consent of the parties sharing control. Judgment is also applied as to whether a joint arrangement is classified as a joint venture or joint operation taking into account specific facts and circumstances, such as the purpose and design of the arrangement, including with respect to its output, its relationship to the parties and its source of cash flows. Judgment is applied in determining whether significant influence is held by assessing factors such as representation on the board of directors, participation in policy-making processes, material transactions with the entity, interchange of managerial personnel, and provision of essential technical information. Refer to Notes 7, 34, 35, 38, and 39.

(f) Intangible assets

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

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

(f) Intangible assets continued

Intangible assets other than exploration and evaluation costs (Note 2(g)) and those with indefinite useful lives such as goodwill and brand acquired on acquisition of Saudi Basic Industries Corporation ("SABIC") in 2020, consist primarily of brands and trademarks, franchise/customer relationships and computer software. If acquired in a business combination, these intangible assets are recognized at their fair value at the date of acquisition and, if acquired separately, these intangible assets are recognized at cost. All these intangible assets are subsequently amortized on a straight-line basis over their estimated useful lives.

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

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

Amortization is recorded in depreciation and amortization in the consolidated statement of income.

(g) Exploration and evaluation

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

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

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

(h) Property, plant and equipment

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

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

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

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

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

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

(h) Property, plant and equipment continued

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

Land and land improvements	3 to 54
Buildings	5 to 50
Oil and gas properties	15 to 30
Plant, machinery and equipment	2 to 52
Depots, storage tanks and pipelines	4 to 30
Fixtures, IT and office equipment	2 to 20

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

(i) Impairment of non-financial assets

Saudi Aramco assesses, at each reporting date, whether there is an indication that a non-financial asset may be impaired except that assets with indefinite useful lives such as goodwill and brand acquired on acquisition of SABIC in 2020 are reviewed for impairment on an annual basis. If an indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal or value in use ("VIU"). The fair value less costs of disposal calculation is based on either, post-tax discounted cash flow models or available data from binding arm's length sales transactions for similar assets, or observable market prices less incremental costs for disposing of the asset. The VIU calculation is based on a post-tax risk adjusted discounted cash flow model. The use of post-tax discount rates in determining VIU does not result in a materially different determination of the need for, or the amount of, impairment that would be required if pre-tax discount rates had been used.

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

Significant accounting judgments and estimates

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

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

(j) Leases

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

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

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

(j) Leases continued

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

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

Significant accounting judgments and estimates

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

(k) Investments and other financial assets

(i) Classification

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

Equity investments:

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

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

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

(k) Investments and other financial assets continued

Debt securities:

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

1) Amortized cost:

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

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

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

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

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

Other financial assets:

Other financial assets are classified into the following categories:

1) Amortized cost:

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

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

2) Fair value through profit or loss:

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

(iv) Impairment

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

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

(l) Derivative instruments and hedging activities

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

(i) Derivative instruments classified as held for trading

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

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

(ii) Derivative instruments designated as hedges

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

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

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

(I) Derivative instruments and hedging activities continued

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

1) Fair value hedges

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

2) Cash flow hedges

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

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

(m) Income tax and zakat

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

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

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

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

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

Significant accounting judgments and estimates

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

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

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

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

(n) Inventories

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

(o) Due from the Government

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

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

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

(p) Cash and cash equivalents

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

(q) Treasury shares

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

(r) Financial liabilities

Saudi Aramco recognizes a financial liability when it becomes party to the contractual provisions of an instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Upon derecognition, the difference between the carrying amount and the consideration paid to discharge or cancel the liability is recognized in the consolidated statement of income. Further, when an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

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

Saudi Aramco's financial liabilities are:

(i) Financial liabilities at FVPL

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

(ii) Financial liabilities at amortized cost

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

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

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

(s) Borrowing costs

Any difference between borrowing proceeds and the redemption value is recognized as finance costs in the consolidated statement of income over the term of the borrowing using the effective interest method.

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

(t) Post-employment benefit plans

(i) Pension plans

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

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

Past service costs, representing plan amendments, are recognized immediately as pension costs in the consolidated statement of income, regardless of the remaining vesting period.

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

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

(ii) Other post-employment benefits

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

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

Significant accounting judgments and estimates

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

(u) Share-based compensation

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

The cost of a cash-settled award granted to employees is measured by reference to the fair value of the liability at each consolidated balance sheet date until settlement. This cost is recognized as an employee benefit expense in the consolidated statement of income with the corresponding recognition of a liability on the consolidated balance sheet.

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

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

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

(u) Share-based compensation continued

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

(v) Provisions and contingencies

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

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

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

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

Significant accounting judgments and estimates

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

(w) Foreign currency translation

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

Significant accounting judgments and estimates

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

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

(x) Presentation currency

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

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

Translations from SAR to USD presented as supplementary information in the consolidated statement of income, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, and consolidated statement of cash flows at December 31, 2022 and 2021, are for convenience and were calculated at the rate of USD 1.00 = SAR 3.75 representing the exchange rate at the consolidated balance sheet dates.

(y) Revenue recognition and sales prices

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

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

(z) Other income related to sales

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

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

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

(aa) Production royalties

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

(bb) Research and development

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

(cc) Dividends

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

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

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

(dd) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

3. Financial risk management

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

(a) Financial risk factors

(i) Market risk

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

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

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

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

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

a) Investments in securities

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

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

At December 31, 2022 and 2021, a change in fair value due to a movement of 5% in the price of listed equity securities would result in a change in other comprehensive income before income taxes of SAR 435 and SAR 457, respectively.

At December 31, 2022 and 2021, a change in fair value due to a movement of 5% in the unit price of equities and mutual and hedge funds would result in a change in income before income taxes of SAR 15 and SAR 18, respectively.

b) Commodity derivative contracts

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

3. Financial risk management continued

(a) Financial risk factors continued

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

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

At December 31, 2022 and 2021, a change of 1% in market interest rates, with all other variables held constant, would result in a net change of SAR 2,161 and SAR 2,127, respectively, in Saudi Aramco's income before income taxes as a result of the effect of higher or lower market interest rates.

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

(ii) Credit risk

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

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

Saudi Aramco's trade receivables arise from a global customer base, which limits geographic concentrations of credit risk. Moreover, a credit risk policy is in place to ensure credit limits are extended to creditworthy counterparties and risk mitigation measures are defined and implemented accordingly. Saudi Aramco performs ongoing evaluations of its counterparties' financial standing and takes additional measures to mitigate credit risk when considered appropriate, including but not limited to letters of credits, bank guarantees or parent company guarantees.

In addition, the credit risk policy limits the amount of credit exposure to any individual counterparty based on their credit rating as well as other factors. Moreover, Saudi Aramco's investment policy limits exposure to credit risk arising from investment activities. The policy requires that cash and cash equivalents and short-term investments be invested with a diversified group of financial institutions with acceptable credit ratings. Saudi Aramco ensures that each counterparty is of an acceptable credit quality by relying on quantitative and qualitative measures compiled from internal and third-party rating models. At December 31, 2022, all short-term investments were with financial institutions assigned a long-term credit rating of "BBB" (2021: "BBB") or above.

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

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

(iii) Liquidity risk

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

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

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

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

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

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

3. Financial risk management continued

(b) Capital structure management

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

Gearing is a measure of the degree to which Saudi Aramco's operations are financed by debt. Saudi Aramco defines gearing as the ratio of net (cash) / debt (total borrowings less cash and cash equivalents, short-term investments, investments in debt securities (current and non-current), and non-current cash investments) to total equity and net (cash) / debt. Saudi Aramco's gearing ratios at December 31, 2022, and December 31, 2021, were as follows:

	2022	2021
Total borrowings (current and non-current)	393,144	510,921
Cash and cash equivalents	(226,047)	(299,579)
Short-term investments	(281,215)	(27,073)
Investments in debt securities (current and non-current)	(8,565)	(8,966)
Non-current cash investments	—	—
Net (cash) / debt	(122,683)	175,303
Total equity	1,666,147	1,280,668
Total equity and net (cash) / debt	1,543,464	1,455,971
Gearing	(7.9)%	12.0%

Previously, Saudi Aramco defined gearing as the ratio of net debt (total borrowings less cash and cash equivalents) to net debt plus total equity. The gearing under the previous definition would have been 9.1% and 14.2% as at December 31, 2022, and December 31, 2021, respectively.

(c) Casualty loss risk retention

Saudi Aramco's casualty loss risk strategy includes a risk retention and insurance program, including providing coverage to certain joint arrangements and associates limited to Saudi Aramco's percentage interest in the relevant entity. Current maximum risk retention is SAR 3,190 per loss event (2021: SAR 2,988) and various insurance limits apply, of which the risk retention forms a part. Should a credible loss event occur, the maximum insurance limit above retention is SAR 4,498 (2021: SAR 4,700) per event dependent on the circumstances.

(d) Fair value estimation

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

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

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

All amounts in millions of Saudi Riyals unless otherwise stated

3. Financial risk management continued

(d) Fair value estimation continued

The following table presents Saudi Aramco's assets and liabilities measured and recognized at fair value at December 31, 2022 and 2021, based on the prescribed fair value measurement hierarchy on a recurring basis. Saudi Aramco did not measure any financial assets or financial liabilities at fair value on a non-recurring basis at December 31, 2022 and 2021.

Assets	Level 1	Level 2	Level 3	Total
2022				
Investments in securities:				
Equity securities at FVOCI	8,699	33	2,285	11,017
Debt securities at FVOCI	47	7,463	—	7,510
Equity securities at FVPL	318	1,562	6,201	8,081
Debt securities at FVPL	53	82	4	139
Trade receivables related to contracts with provisional pricing arrangements	—	—	113,542	113,542
	9,117	9,140	122,032	140,289
Other assets and receivables:				
Interest rate swaps	—	734	—	734
Commodity derivative contracts	—	2,987	47	3,034
Currency forward contracts	—	130	—	130
Financial assets – option rights	—	—	2,687	2,687
	—	3,851	2,734	6,585
Total assets	9,117	12,991	124,766	146,874
2021				
Investments in securities:				
Equity securities at FVOCI	9,134	88	1,340	10,562
Debt securities at FVOCI	37	7,846	—	7,883
Equity securities at FVPL	359	1,861	3,928	6,148
Debt securities at FVPL	53	—	—	53
Trade receivables related to contracts with provisional pricing arrangements	—	—	109,440	109,440
	9,583	9,795	114,708	134,086
Other assets and receivables:				
Interest rate swaps	—	9	—	9
Commodity derivative contracts	—	1,489	83	1,572
Currency forward contracts	—	32	—	32
Financial assets – option rights	—	—	2,390	2,390
	—	1,530	2,473	4,003
Total assets	9,583	11,325	117,181	138,089
Liabilities	Level 1	Level 2	Level 3	Total
2022				
Trade and other payables:				
Interest rate swaps	—	16	—	16
Commodity derivative contracts	228	2,358	81	2,667
Currency forward contracts	—	134	—	134
Provisions and other liabilities:				
Financial liabilities – options and forward contracts	—	—	2,929	2,929
Total liabilities	228	2,508	3,010	5,746
2021				
Trade and other payables:				
Interest rate swaps	—	427	—	427
Commodity derivative contracts	201	1,755	43	1,999
Currency forward contracts	—	151	—	151
Provisions and other liabilities:				
Financial liabilities – options and forward contracts	—	—	3,301	3,301
Total liabilities	201	2,333	3,344	5,878

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

3. Financial risk management continued

(d) Fair value estimation continued

The valuation techniques for Saudi Aramco's investments in securities are described in Note 10. The changes in Level 3 investments in securities for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
January 1	5,268	4,970
Net additions (disposals)	2,790	(5)
Net unrealized fair value gain	391	407
Realized gain (loss)	41	(104)
December 31	8,490	5,268

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

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

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

4. Operating segments

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

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

For management purposes, Saudi Aramco is organized into business units based on the main types of activities. At December 31, 2022, 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 consist primarily of refining and petrochemical manufacturing, supply and trading, distribution and power generation, logistics, and marketing of crude oil and related services to international and domestic customers. Corporate activities include primarily supporting services including Human Resources, Finance and IT not allocated to Upstream and Downstream. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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

Information by segments is as follows:

	Upstream	Downstream	Corporate	Eliminations	Consolidated
2022					
External revenue	1,024,628	980,681	1,646	–	2,006,955
Other income related to sales	85,475	173,943	–	–	259,418
Inter-segment revenue	463,302	45,090	305	(508,697)	–
Share of results of joint ventures and associates	(16)	3,195	(306)	–	2,873
Depreciation and amortization	(44,209)	(41,425)	(5,984)	–	(91,618)
Dividends and other income	–	2,469	–	–	2,469
Earnings (losses) before interest, income taxes and zakat	1,092,425	79,292	(19,667)	(2,631)	1,149,419
Finance income					12,425
Finance costs					(8,882)
Income before income taxes and zakat					1,152,962
Capital expenditures – cash basis	109,789	29,541	1,831	–	141,161

All amounts in millions of Saudi Riyals unless otherwise stated

4. Operating segments continued

	Upstream	Downstream	Corporate	Eliminations	Consolidated
2021					
External revenue	656,066	689,377	1,487	–	1,346,930
Other income related to sales	58,905	95,923	–	–	154,828
Inter-segment revenue	300,466	37,728	291	(338,485)	–
Share of results of joint ventures and associates	(6)	8,066	(186)	–	7,874
Depreciation and amortization	(42,503)	(37,764)	(5,254)	–	(85,521)
Dividends and other income	–	336	46	–	382
Earnings (losses) before interest, income taxes and zakat	750,118	62,190	(13,533)	(18,601)	780,174
Finance income					1,405
Finance costs					(12,058)
Income before income taxes and zakat					769,521
Capital expenditures – cash basis	88,758	28,724	2,163	–	119,645

Information by geographical area is as follows:

	In-Kingdom	Out-of-Kingdom	Total
2022			
External revenue	1,293,097	713,858	2,006,955
Property, plant and equipment, intangible assets, investments in joint ventures and associates	1,328,545	206,245	1,534,790
2021			
External revenue	892,467	454,463	1,346,930
Property, plant and equipment, intangible assets, investments in joint ventures and associates	1,221,638	252,905	1,474,543

Revenue from sales to external customers by region is based on the location of the Saudi Aramco entity, which made the sale. Out-of-Kingdom revenue includes sales of SAR 223,731 originating from the United States of America ("USA") (2021: SAR 148,488).

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

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

5. Property, plant and equipment

	Land and land improvements	Buildings	Oil and gas properties	Plant, machinery and equipment	Depots, storage tanks and pipelines	Fixtures, IT and office equipment	Construction-in-progress	Total
Cost								
January 1, 2022	53,099	86,411	596,495	878,043	84,110	19,554	246,175	1,963,887
Additions ¹	1,118	642	281	19,209	294	293	132,819	154,656
Acquisitions	42	39	—	62	—	17	14	174
Construction completed	1,839	6,056	46,991	47,748	11,695	1,441	(115,770)	—
Currency translation differences	(452)	(578)	2	(5,041)	(438)	(105)	(253)	(6,865)
Transfers and adjustments ²	331	(240)	17	(198)	365	46	(3,088)	(2,767)
Transfer of exploration and evaluation assets	—	—	—	—	—	—	3,386	3,386
Retirements and sales	(66)	(713)	(2,757)	(7,689)	(416)	(491)	(380)	(12,512)
December 31, 2022	55,911	91,617	641,029	932,134	95,610	20,755	262,903	2,099,959
Accumulated depreciation								
January 1, 2022	(17,989)	(38,603)	(225,273)	(382,413)	(43,679)	(11,614)	—	(719,571)
Charge for the year ²	(1,441)	(4,810)	(19,766)	(58,945)	(2,646)	(1,565)	—	(89,173)
Currency translation differences	5	317	—	2,976	175	84	—	3,557
Transfers and adjustments	(13)	138	20	(245)	(34)	(23)	—	(157)
Retirements and sales	27	628	341	6,787	382	486	—	8,651
December 31, 2022	(19,411)	(42,330)	(244,678)	(431,840)	(45,802)	(12,632)	—	(796,693)
Property, plant and equipment – net, December 31, 2022	36,500	49,287	396,351	500,294	49,808	8,123	262,903	1,303,266
Cost								
January 1, 2021	52,464	83,070	560,187	827,044	78,357	18,902	242,450	1,862,474
Additions ¹	581	2,093	386	13,025	144	579	109,792	126,600
Construction completed	799	2,919	37,146	57,832	5,215	941	(104,852)	—
Currency translation differences	(619)	(748)	—	(5,702)	(602)	(131)	(497)	(8,299)
Transfers and adjustments ²	99	386	(229)	(2,804)	1,280	(44)	(2,336)	(3,648)
Transfer of exploration and evaluation assets	—	—	—	—	—	—	2,365	2,365
Retirements and sales	(225)	(1,309)	(995)	(11,352)	(284)	(693)	(747)	(15,605)
December 31, 2021	53,099	86,411	596,495	878,043	84,110	19,554	246,175	1,963,887
Accumulated depreciation								
January 1, 2021	(16,618)	(36,587)	(207,678)	(339,740)	(41,364)	(11,027)	—	(653,014)
Charge for the year ²	(1,407)	(3,549)	(18,026)	(55,505)	(3,077)	(1,390)	—	(82,954)
Currency translation differences	4	434	—	3,023	232	103	—	3,796
Transfers and adjustments	(10)	40	20	648	249	20	—	967
Retirements and sales	42	1,059	411	9,161	281	680	—	11,634
December 31, 2021	(17,989)	(38,603)	(225,273)	(382,413)	(43,679)	(11,614)	—	(719,571)
Property, plant and equipment – net, December 31, 2021	35,110	47,808	371,222	495,630	40,431	7,940	246,175	1,244,316

1. Additions include borrowing costs capitalized during the year ended December 31, 2022, amounting to SAR 4,826 (2021: SAR 3,285), which were calculated using an average annualized capitalization rate of 3.24% (2021: 2.65%).

2. During the year ended December 31, 2022, Saudi Aramco recognized an impairment loss of SAR 3,690 mainly relating to plant, machinery and equipment of certain downstream facilities. The impairment loss was recognized as a result of changed market conditions and was calculated based on the recoverable amount of SAR 25,100, which was determined using value in use calculations. In addition, Saudi Aramco recognized a write-down of SAR 476 (2021: SAR 875) on certain downstream facilities, including facilities under construction of SAR 122 (2021: SAR 140).

All amounts in millions of Saudi Riyals unless otherwise stated

5. Property, plant and equipment continued

Additions to right-of-use assets during the year ended December 31, 2022, were SAR 16,065 (2021: SAR 12,270). Acquisition of right-of-use assets during the year ended December 31, 2022, amounted to SAR 8 (2021: nil). The following table presents depreciation charges and net carrying amounts of right-of-use assets by class of assets. Information on lease liabilities and related finance costs is provided in Note 20.

	Depreciation expense for the year ended December 31, 2022	Net carrying amount at December 31, 2022	Depreciation expense for the year ended December 31, 2021	Net carrying amount at December 31, 2021
Land and land improvements	199	5,044	190	3,773
Buildings	596	2,981	727	3,596
Oil and gas properties	15	11	5	25
Plant, machinery and equipment	10,455	48,735	10,134	36,933
Depots, storage tanks and pipelines	296	2,194	334	2,198
Fixtures, IT and office equipment	124	345	93	463
	11,685	59,310	11,483	46,988

6. Intangible assets

	Goodwill	Exploration and evaluation ¹	Brands and trademarks	Franchise/customer relationships	Computer software	Other ²	Total
Cost							
January 1, 2022	100,188	19,219	22,874	19,720	5,149	2,929	170,079
Additions	—	5,054	—	—	292	89	5,435
Acquisitions	426	—	—	4	400	1,108	1,938
Currency translation differences	(11)	—	(74)	(12)	(24)	(92)	(213)
Transfers and adjustments	—	—	(70)	(65)	55	23	(57)
Transfer of exploration and evaluation assets	—	(3,386)	—	—	—	—	(3,386)
Retirements and write offs	—	(2,916)	—	—	(18)	(26)	(2,960)
December 31, 2022	100,603	17,971	22,730	19,647	5,854	4,031	170,836
Accumulated amortization							
January 1, 2022	—	—	(2,235)	(2,367)	(3,721)	(1,088)	(9,411)
Charge for the year ³	—	—	(391)	(980)	(359)	(593)	(2,323)
Currency translation differences	—	—	(3)	(1)	20	63	79
Transfers and adjustments	—	—	70	(14)	(11)	92	137
Retirements and write offs	—	—	—	—	5	5	10
December 31, 2022	—	—	(2,559)	(3,362)	(4,066)	(1,521)	(11,508)
Intangible assets – net, December 31, 2022	100,603	17,971	20,171	16,285	1,788	2,510	159,328

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

6. Intangible assets continued

	Goodwill	Exploration and evaluation ¹	Brands and trademarks	Franchise/customer relationships	Computer software	Other ²	Total
Cost							
January 1, 2021	100,204	21,160	23,077	19,827	5,065	2,849	172,182
Additions	–	3,299	–	–	134	243	3,676
Currency translation differences	(16)	–	(119)	(23)	(36)	(136)	(330)
Transfers and adjustments	–	–	(84)	(84)	1	128	(39)
Transfer of exploration and evaluation assets	–	(2,365)	–	–	–	–	(2,365)
Retirements and write offs	–	(2,875)	–	–	(15)	(155)	(3,045)
December 31, 2021	100,188	19,219	22,874	19,720	5,149	2,929	170,079
Accumulated amortization							
January 1, 2021	–	–	(1,915)	(1,501)	(3,270)	(949)	(7,635)
Charge for the year	–	–	(410)	(953)	(483)	(581)	(2,427)
Currency translation differences	–	–	6	3	10	285	304
Transfers and adjustments	–	–	84	84	7	6	181
Retirements and write offs	–	–	–	–	15	151	166
December 31, 2021	–	–	(2,235)	(2,367)	(3,721)	(1,088)	(9,411)
Intangible assets – net, December 31, 2021	100,188	19,219	20,639	17,353	1,428	1,841	160,668

1. Cash used for exploration and evaluation operating activities in 2022 was SAR 5,531 (2021: SAR 4,410) and expenditures for investing activities were SAR 5,054 (2021: SAR 3,299).

2. Other intangible assets with a net book value of SAR 2,510 (2021: SAR 1,841) comprise of licenses, technology, usage rights and processing and offtake agreements of SAR 1,695 (2021: SAR 593) and patents and intellectual property of SAR 815 (2021: SAR 1,248). Processing and offtake agreements of SAR 1,083 were acquired during 2022 (2021: Nil).

3. Saudi Aramco recognized a write-down of SAR 330 on certain other intangible assets during the year (2021: Nil).

Intangible assets recognized on acquisitions are amortized on a straight-line basis over their estimated useful lives, with the exception of goodwill, which has an indefinite useful life, and the SABIC brand, which has been determined to have an indefinite useful life and are not subject to amortization.

Saudi Aramco performed an annual impairment test for the goodwill acquired as part of the SABIC acquisition, amounting to SAR 99,116 at December 31, 2022 and 2021, which is allocated to the Downstream operating segment. The recoverable amount of the Downstream operating segment was determined based on VIU calculations which require use of certain assumptions. The calculations used cash flow projections for a period of 10 years based on financial plans approved by management. Cash flows were discounted and aggregated with a terminal value. Management's estimate for the cash flows is based on past performance and management's expectation of the future. This includes management's forecast for prices and margins for the downstream operations. The growth rate used in the terminal value calculation represents long-term inflation forecast. Pre-tax discount rate of 11.1% (2021: 8.6%) was applied to the cash flows. As a result of the analysis, management did not identify any impairment of goodwill related to the SABIC acquisition.

Saudi Aramco also performed an annual impairment test for the brand acquired as part of the SABIC acquisition amounting to SAR 18,140 at December 31, 2022 and 2021. The impairment test was performed by aggregating the relevant cash-generating units. Cash flows were calculated in the same way as for the goodwill impairment test. The cash flows were discounted using the pre-tax discount rate of 10.9% (2021: 7.8%). As a result of the analysis, management did not identify any impairment.

Management believes that a 1% increase in the discount rates, a 1% decrease in the growth rate, or a reasonable range of increase or decrease in any of the other assumptions used for cash flow projections, individually, would not change the outcome of the impairment analysis for the goodwill or the brand.

All amounts in millions of Saudi Riyals unless otherwise stated

7. Investments in joint ventures and associates

Company	Equity ownership 2022/2021	Principal place of business	Nature of activities	Carrying amount at December 31, 2022	Carrying amount at December 31, 2021
Joint ventures					
Saudi Yanbu Petrochemical Company ("Yanpet") ¹	50%	Saudi Arabia	Petrochemicals	10,362	10,597
Al-Jubail Petrochemical Company ("Kemya") ¹	50%	Saudi Arabia	Petrochemicals	6,438	6,229
Sinopec SABIC Tianjin Petrochemical Company Limited ("SSTPC") ¹	50%	China	Petrochemicals	6,251	7,644
Eastern Petrochemical Company ("Sharq") ¹	50%	Saudi Arabia	Petrochemicals	5,235	5,912
Sadara Chemical Company ("Sadara") ^{2,3}	65%	Saudi Arabia	Petrochemicals	3,769	4,070
Other				4,646	3,551
				36,701	38,003
Associates					
Clariant AG ("Clariant") ^{1,4}	31.5%	Switzerland	Specialty chemical	7,968	8,465
Rabigh Refining and Petrochemical Company ("Petro Rabigh") ^{3,4,5}	37.5%	Saudi Arabia	Refining/ petrochemicals	4,415	1,838
Hyundai Oilbank Co. Ltd. ("Hyundai Oilbank") ⁶	17%	South Korea	Refining/marketing/ petrochemicals	3,467	3,684
Ma'aden Phosphate Company ("MPC") ¹	30%	Saudi Arabia	Agri-nutrients	3,396	2,162
Aluminium Bahrain BSC ("ALBA") ^{1,4}	20.6%	Bahrain	Aluminum	3,208	2,477
Power and Water Utility Company for Jubail and Yanbu ("Marafiq") ⁴ (Note 34(a))	35%/49.6%	Saudi Arabia	Utilities	3,020	3,924
National Shipping Company of Saudi Arabia ("Bahri") ⁴	20%	Saudi Arabia	Global logistics services	2,262	2,141
Ma'aden Wa'ad Al Shamal Phosphate Company ("MWSPC") ^{1,6}	15%	Saudi Arabia	Agri-nutrients	2,075	1,586
Fujian Refining and Petrochemical Company Limited ("FREP")	25%	China	Refining/ petrochemicals	1,790	2,466
Other				3,894	2,813
				35,495	31,556
				72,196	69,559

1. Equity ownership represents shareholding by SABIC, which is 70% owned by Saudi Aramco.

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

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

4. Listed company.

5. On July 6, 2022, the Company subscribed to its share in the Petro Rabigh Rights Issue Offering for an amount of SAR 2,981 through the conversion of an outstanding loan receivable as described in Note 32(c).

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

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

	Joint ventures		Associates	
	2022	2021	2022	2021
January 1	38,003	36,198	31,556	29,778
Acquisitions (Note 35(c))	36	–	853	–
Share of results of joint ventures and associates	(918)	4,606	3,791	3,268
Additional investment	1,338	373	3,132	184
Distributions	(2,856)	(3,738)	(1,679)	(913)
Sale of equity interest (Note 34(a))	–	–	(1,187)	–
Change in elimination of profit in inventory	352	(442)	21	(108)
Share of other comprehensive income (loss)	748	145	(253)	(292)
Other	(2)	861	(739)	(361)
December 31	36,701	38,003	35,495	31,556

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

7. Investments in joint ventures and associates continued

Summarized financial information (100%) for joint ventures and associates and reconciliation with the carrying amount of the investments in the consolidated financial statements at December 31, 2022, are set out below:

Summarized balance sheet

At December 31, 2022

	Yanpet	Clariant	Kemya	SSTPC	Sharq	Petro Rabigh	Sadara	Hyundai Oilbank	MPC	ALBA	Marafiq	Bahri	MWSPC	FREP
Current assets:														
Cash and cash equivalents	395	1,436	688	2,455	270	2,045	2,058	1,205	328	6,190	686	2,529	1,274	2,002
Other	4,419	9,951	4,164	1,400	3,977	10,216	8,409	19,797	5,932	932	3,187	3,039	6,226	6,066
Total current assets	4,814	11,387	4,852	3,855	4,247	12,261	10,467	21,002	6,260	7,122	3,873	5,568	7,500	8,068
Non-current assets	4,784	16,377	10,532	10,882	10,662	53,318	49,747	34,733	12,327	18,931	20,354	17,329	24,166	7,035
Current liabilities:														
Financial liabilities (excluding trade and other payables)	34	2,379	563	899	10	14,038	289	4,365	62	1,236	744	1,078	659	3,569
Other	2,189	6,597	1,855	2,549	1,723	12,893	5,005	13,528	1,532	1,586	1,669	1,727	2,755	2,230
Total current liabilities	2,223	8,976	2,418	3,448	1,733	26,931	5,294	17,893	1,594	2,822	2,413	2,805	3,414	5,799
Non-current liabilities	1,140	6,932	1,248	3,830	2,569	23,393	48,335	20,186	4,049	5,089	13,568	8,963	17,557	2,142
Net assets	6,235	11,856	11,718	7,459	10,607	15,255	6,585	17,656	12,944	18,142	8,246	11,129	10,695	7,162
Saudi Aramco interest	50%	31.5%	50%	50%	50%	37.5%	65%	17%	30%	20.6%	35%	20%	15%	25%
Saudi Aramco share	3,118	3,735	5,859	3,730	5,304	5,721	4,280	3,002	3,883	3,737	2,886	2,226	1,604	1,791
Fair value and other adjustments at Saudi Aramco level	7,244	4,233	579	2,521	(69)	(1,306)	(511)	465	(487)	(529)	134	36	471	(1)
Investment balance at December 31	10,362	7,968	6,438	6,251	5,235	4,415	3,769	3,467	3,396	3,208	3,020	2,262	2,075	1,790

Summarized statement of comprehensive income

Year ended December 31, 2022

	Yanpet	Clariant	Kemya	SSTPC	Sharq	Petro Rabigh	Sadara	Hyundai Oilbank	MPC	ALBA	Marafiq	Bahri	MWSPC	FREP
Revenue	6,993	10,457	10,157	9,793	9,654	55,952	16,725	95,665	10,701	18,325	6,505	8,583	10,313	33,114
Depreciation and amortization	483	559	819	542	1,378	3,039	3,314	1,789	1,061	1,269	1,174	1,332	1,323	1,033
Conventional interest income	7	33	2	–	5	280	–	183	61	–	51	–	66	60
Interest expense	41	180	58	62	24	1,359	2,278	2,409	185	189	298	297	586	184
Income tax expense	176	265	334	–	11	48	61	2,113	152	4	6	93	308	321
Net income (loss)	1,171	1,575	2,229	(915)	(266)	(1,115)	(1,993)	4,772	4,870	4,143	846	1,075	3,477	(922)
Dividends received from JVs/associates	720	163	1,045	257	773	–	–	224	225	247	189	–	–	256

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

	Joint ventures	Associates
Net income	87	1,513

All amounts in millions of Saudi Riyals unless otherwise stated

7. Investments in joint ventures and associates continued

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

Summarized balance sheet

At December 31, 2021

	Yanpet	Clariant	Kemya	SSTPC	Sharq	Petro Rabigh	Sadara	Hyundai Oilbank	MPC	ALBA	Marafiq	Bahri	MWSPC	FREP
Current assets:														
Cash and cash equivalents	555	1,693	89	2,838	663	3,972	1,990	1,101	687	928	657	1,666	1,300	3,859
Other	4,435	7,328	4,224	2,023	4,831	13,923	10,175	16,554	3,664	6,180	3,387	2,564	2,545	5,505
Total current assets	4,990	9,021	4,313	4,861	5,494	17,895	12,165	17,655	4,351	7,108	4,044	4,230	3,845	9,364
Non-current assets	4,576	16,316	11,119	11,932	11,408	55,467	51,415	39,244	12,860	19,000	20,100	17,519	25,029	8,314
Current liabilities:														
Financial liabilities (excluding trade and other payables)	1,713	3,093	1,922	1,285	1,370	19,487	3,294	4,517	2,615	2,245	1,369	4,921	608	686
Other	647	5,977	336	1,155	839	14,314	2,448	11,815	238	1,848	1,483	2,205	2,462	2,952
Total current liabilities	2,360	9,070	2,258	2,440	2,209	33,801	5,742	16,332	2,853	4,093	2,852	7,126	3,070	3,638
Non-current liabilities	1,434	8,258	2,000	4,699	2,700	31,255	50,829	22,915	5,528	7,064	13,955	4,780	18,583	4,175
Net assets	5,772	8,009	11,174	9,654	11,993	8,306	7,009	17,652	8,830	14,951	7,337	9,843	7,221	9,865
Saudi Aramco interest	50%	31.5%	50%	50%	50%	37.5%	65%	17%	30%	20.6%	49.6%	20%	15%	25%
Saudi Aramco share	2,886	2,523	5,587	4,827	5,997	3,115	4,556	3,001	2,649	3,080	3,639	1,969	1,083	2,466
Fair value and other adjustments at Saudi Aramco level	7,711	5,942	642	2,817	(85)	(1,277)	(486)	683	(487)	(603)	285	172	503	-
Investment balance at December 31	10,597	8,465	6,229	7,644	5,912	1,838	4,070	3,684	2,162	2,477	3,924	2,141	1,586	2,466

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

7. Investments in joint ventures and associates continued

Summarized statement of comprehensive income

Year ended December 31, 2021

	Yanpet	Clariant	Kemya	SSTPC	Sharq	Petro Rabigh	Sadara	Hyundai Oilbank	MPC	ALBA	Marafiq	Bahri	MWSPC	FREP
Revenue	7,597	17,838	9,820	11,157	10,420	45,683	17,697	59,815	6,567	15,766	4,636	5,073	6,161	27,451
Depreciation and amortization	463	1,089	874	682	1,379	3,185	3,498	1,218	1,068	1,223	1,033	890	–	1,428
Conventional interest income	1	98	–	123	3	196	2	301	9	23	14	–	1	85
Interest expense	38	286	70	53	36	1,089	2,178	817	–	389	182	178	441	239
Income tax expense	350	416	456	239	311	263	223	625	56	10	72	63	97	347
Net income	2,522	1,522	2,550	594	1,753	2,037	2,903	1,387	1,769	4,495	423	178	918	1,109
Dividends received from JVs/associates	1,360	298	730	275	1,273	–	–	54	–	77	75	158	–	37

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

	Joint ventures	Associates
Net income (loss)	227	(581)

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

	Fair value		Carrying value	
	2022	2021	2022	2021
Clariant	6,217	8,160	7,968	8,465
Petro Rabigh	6,692	6,800	4,415	1,838
Marafiq (Note 34(a))	4,104	–	3,020	3,924
Bahri	2,904	2,555	2,262	2,141
ALBA	3,165	2,330	3,208	2,477

8. Income taxes and zakat

(a) Kingdom income tax rates

The Company is subject to an income tax rate of 20% on its Downstream activities and on the activities of exploration and production of non-associated natural gas, including gas condensates, as well as the collection, treatment, processing, fractionation and transportation of associated and non-associated natural gas and their liquids, gas condensates and other associated elements. All other activities are subject to an income tax rate of 50%, in accordance with the Tax Law. The 20% income tax rate applicable to the Company's Downstream activities, which came into effect on January 1, 2020, is conditional on the Company separating its Downstream activities under the control of one or more separate wholly owned subsidiaries before December 31, 2024, otherwise the Company's Downstream activities will be retroactively taxed at 50%. The Company expects to transfer all its Downstream activities into a separate legal entity or entities within the period specified.

Additionally, according to the Tax Law, shares held directly or indirectly in listed companies on the Saudi Exchange by taxpayers engaged in oil and hydrocarbon activities are exempt from the application of corporate income tax. As a result, the Company's ownership interests in such companies are subject to zakat.

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

	2022	2021
Income before income taxes and zakat	1,152,962	769,521
Less: Income subject to zakat	(24,682)	(27,766)
Income subject to income tax	1,128,280	741,755
Income taxes at the Kingdom's statutory tax rates	548,473	356,610
Tax effect of:		
Income not subject to tax at statutory rates and other	(1,497)	(1,455)
Income tax expense	546,976	355,155
Zakat expense	1,981	1,970
Total income tax and zakat expense	548,957	357,125

(b) Income tax and zakat expense

	2022	2021
Current income tax – Kingdom	512,587	338,506
Current income tax – Foreign	5,331	877
Deferred income tax – Kingdom	28,091	13,060
Deferred income tax – Foreign	967	2,712
Zakat – Kingdom	1,981	1,970
	548,957	357,125

Saudi Aramco paid foreign taxes of SAR 2,741 and SAR 808 for the years ended December 31, 2022 and 2021, respectively.

Income tax charge recorded through other comprehensive income was SAR 14,936 for the year ended December 31, 2022 (2021: SAR 6,010).

(c) Income tax and zakat obligation to the Government

	2022	2021
January 1	90,525	42,059
Provided during the period	514,568	340,476
Payments during the period by the Company (Note 28)	(232,661)	(141,699)
Payments during the period by subsidiaries and joint operations	(10,644)	(3,816)
Settlements of due from the Government	(251,476)	(142,419)
Other settlements	(5,334)	(4,076)
December 31	104,978	90,525

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

8. Income taxes and zakat continued

(d) Deferred income tax

	2022	2021
Deferred income tax assets:		
Kingdom	16,680	13,716
U.S. Federal and State	134	88
Other foreign	1,279	1,165
	18,093	14,969
Deferred income tax liabilities:		
Kingdom	113,163	67,298
U.S. Federal and State	5,355	3,422
Other foreign	3,793	4,130
	122,311	74,850
Net deferred income tax liabilities	(104,218)	(59,881)

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

	2022	2021
January 1	(59,881)	(38,341)
Current period charge to income	(29,058)	(15,772)
Other reserves charge	(14,936)	(6,010)
Other adjustments	(343)	242
December 31	(104,218)	(59,881)

All amounts in millions of Saudi Riyals unless otherwise stated

8. Income taxes and zakat continued

(d) Deferred income tax continued

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

	Post-employment benefits	Investment in subsidiary	Undistributed earnings	Provisions and other	Loss carry-forward	Property plant and equipment and intangible assets	Investments in securities at FVOCI	Total
January 1, 2021								
Deferred income tax assets	4,301	–	–	1,650	9,983	(654)	–	15,280
Deferred income tax liabilities	13,657	(4,519)	(787)	17,809	11,694	(91,229)	(246)	(53,621)
	17,958	(4,519)	(787)	19,459	21,677	(91,883)	(246)	(38,341)
Recognized during the year								
Current period credits (charges) to income	457	(461)	(310)	2,254	(1,877)	(15,835)	–	(15,772)
Other reserves charges	(5,865)	–	–	–	–	–	(145)	(6,010)
Other adjustments	–	–	–	242	–	–	–	242
	(5,408)	(461)	(310)	2,496	(1,877)	(15,835)	(145)	(21,540)
December 31, 2021								
Deferred income tax assets	4,236	–	–	1,806	9,661	(734)	–	14,969
Deferred income tax liabilities	8,314	(4,980)	(1,097)	20,149	10,139	(106,984)	(391)	(74,850)
	12,550	(4,980)	(1,097)	21,955	19,800	(107,718)	(391)	(59,881)
Recognized during the year								
Current period (charges) credits to income ¹	(792)	354	(193)	(4,268)	(5,366)	(18,793)	–	(29,058)
Other reserves (charges) credits	(14,979)	–	–	–	–	–	43	(14,936)
Other adjustments	–	–	–	(343)	–	–	–	(343)
	(15,771)	354	(193)	(4,611)	(5,366)	(18,793)	43	(44,337)
December 31, 2022								
Deferred income tax assets	2,953	–	–	7,729	8,137	(726)	–	18,093
Deferred income tax liabilities	(6,174)	(4,626)	(1,290)	9,615	6,297	(125,785)	(348)	(122,311)
	(3,221)	(4,626)	(1,290)	17,344	14,434	(126,511)	(348)	(104,218)

1. Current period charge includes the net impact of SAR 8,971 recognized in relation to unrealized fair value movements on the long-term agreements for the pipelines transactions (Note 34).

A deferred income tax liability has not been recognized with regard to the undistributed earnings of certain subsidiaries, which are considered to be permanently reinvested in their respective businesses. Such earnings would be taxed only upon distribution. There was no material cumulative taxable undistributed earnings or unrecognized deferred income tax liability for such subsidiaries at December 31, 2022 and 2021. Also, a deferred income tax asset has not been recognized largely related to cumulative unused tax losses of certain subsidiaries with carry-forward periods from 2023 to indefinite. Such losses are available for offsetting against future taxable profits of the subsidiaries in which the losses arose. The cumulative amount of the unused tax losses and other items is SAR 41,178 and SAR 37,791 at December 31, 2022 and 2021, respectively, and the unrecognized deferred income tax asset is SAR 11,077 and SAR 9,296 at December 31, 2022 and 2021, respectively.

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

8. Income taxes and zakat continued

(e) Income tax and zakat assessments

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

For the Company's other domestic and international affiliates, examinations of tax and zakat returns for certain prior years had not been completed as of December 31, 2022; however, the Company is not aware of any significant claims. Therefore, no material provision for any additional income tax and zakat liability has been recorded in the consolidated financial statements.

9. Other assets and receivables

	2022	2021
Non-current:		
Home loans	12,890	12,919
Loans and advances	7,734	6,819
Loans to joint ventures and associates (Note 29(b))	6,461	12,299
Financial assets – option rights	2,687	2,390
Receivable from Government, semi-Government and other entities with Government ownership or control (Note 29(b))	510	509
Lease receivable from associates (Note 29(b))	408	416
Home ownership construction	364	1,529
Other	1,364	895
	32,418	37,776
Current:		
Tax receivables	9,302	9,442
Employee and other receivables	7,613	9,066
Investments in securities (Note 10)	905	1,515
Derivative assets	3,898	1,613
Prepaid expenses	3,493	4,358
Interest receivable	3,396	390
Home loans	1,115	1,088
Receivables from joint ventures and associates (Note 29(b))	13	41
Assets held for sale	–	78
Other	1,319	605
	31,054	28,196

Home loans

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

	2022	2021
Gross amounts receivable	18,568	16,251
Less:		
Discount	(3,830)	(1,503)
Allowance for doubtful home loans	(528)	(495)
Subsidies	(205)	(246)
Net amounts receivable	14,005	14,007
Current	(1,115)	(1,088)
Non-current	12,890	12,919

10. Investments in securities

	Equity ownership percentage 2022/2021	Carrying amount at December 31, 2022	Carrying amount at December 31, 2021
Investments in equity securities			
Equity securities at FVOCI:			
Listed securities:			
Saudi Electricity Company ("SEC")	6.9%	6,667	6,921
Idemitsu Kosan Co. Ltd. ("Idemitsu")	7.8%	2,032	2,213
Unlisted securities:			
Arab Petroleum Pipelines Company ("Sumed")	15.0%	859	821
Industrialization and Energy Services Company ("TAQA")	7.1%/4.6%	611	152
Daehan Oil Pipeline Corporation ("Daehan")	8.9%	158	168
Other		690	287
Equity securities at FVPL:			
Listed securities		318	359
Unlisted securities		7,763	5,789
		19,098	16,710
Investments in debt securities			
Debt securities at FVOCI:			
Listed securities		47	37
Unlisted securities:			
USD debt securities with fixed interest rates ranging from 0.1% to 13.9% (2021: 0.1% to 13.9%) and maturity dates between 2023 and 2071 (2021: 2022 and 2071)		5,865	6,248
USD debt securities with variable interest rates and maturity dates between 2023 and 2069 (2021: 2022 and 2069)		915	938
Mutual and hedge funds		683	660
Debt securities at FVPL:			
Listed securities		53	53
Unlisted securities		86	–
Debt securities at amortized cost:			
Unlisted securities:			
Debt securities with fixed interest rates ranging from 3.2% to 5.1% (2021: 2.5% to 5.1%) and maturity dates between 2023 and 2043 (2021: 2022 and 2043)		523	603
Debt securities with variable interest rates and maturity dates between 2024 and 2028 (2021: 2022 and 2028)		393	427
		8,565	8,966
Total investments in securities		27,663	25,676
Current portion (Note 9)		(905)	(1,515)
Non-current		26,758	24,161

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

The fair value of Sumed is based on expected cash flows discounted using a rate based on market interest rates and a risk premium specific to the unlisted security which was 16.1% and 11.35% at December 31, 2022 and 2021, respectively. The fair value of TAQA is based on an earnings growth factor for unlisted equity securities from market information for similar types of companies. The fair value of Daehan is determined using discounted cash flow analysis based on the risk-adjusted yield.

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

10. Investments in securities continued

The maximum exposure to credit risk at the reporting date of the investments in debt securities is the fair value. To limit credit risk, Saudi Aramco's investment policy requires that these securities be diversified. Credit ratings for debt securities held at December 31, 2022, range from AAA to BB (2021: AAA to BB) as set out by internationally recognized credit rating agencies.

The movement in investments in securities is as follows:

	2022	2021
January 1	25,676	23,687
Net additions	3,002	1,252
Net unrealized fair value (loss) gain	(918)	413
Net unrealized foreign currency (loss) gain	(97)	324
December 31	27,663	25,676
Current (Note 9)	(905)	(1,515)
Non-current	26,758	24,161

Net additions include unsettled transactions of SAR (33) at December 31, 2022 (2021: SAR (267)).

11. Inventories

	2022	2021
Crude oil, refined products and chemicals	81,698	58,242
Materials and supplies – net	17,054	16,104
Natural gas liquids and other	1,776	357
	100,528	74,703

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

	2022	2021
Balance, January 1	3,448	2,995
Net movement in allowance	(234)	453
Balance, December 31	3,214	3,448

During 2022, a portion of the inventory purchased from third parties by certain affiliates amounting to SAR 1,759 (2021: nil) was written-down to its net realizable value.

12. Trade receivables

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

The components of trade receivables are as follows:

	2022	2021
Arising from export and local sales at international prices	154,858	130,821
Arising from local sales at Kingdom regulated prices	9,865	9,817
	164,723	140,638
Less: Loss allowance	(281)	(265)
	164,442	140,373

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

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

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

	2022	2021
January 1	265	1,069
Net movement in allowance	16	(804)
December 31	281	265

All amounts in millions of Saudi Riyals unless otherwise stated

13. Due from the Government

	2022	2021
Other income related to sales (Note 2(z))	53,109	42,960
Government guarantee (Note 2(o))	603	(2,150)
Other	833	507
Note 29(b)	54,545	41,317

14. Short-term investments

	2022	2021
USD time deposits	206,633	1,661
USD Murabaha time deposits (Shari'a compliant)	11,809	1,957
USD commercial paper	28,241	–
SAR time deposits	5,843	1,880
SAR repurchase agreements (Shari'a compliant)	11,700	–
SAR Murabaha time deposits (Shari'a compliant)	16,514	21,510
South Korean Won time deposits	475	65
	281,215	27,073

15. Cash and cash equivalents

	2022	2021
Cash at bank and in hand	95,579	52,805
USD time deposits	91,490	195,766
USD Murabaha time deposits (Shari'a compliant)	15,544	21,210
SAR time deposits	323	3,574
SAR repurchase agreements (Shari'a compliant)	5,351	–
SAR Murabaha time deposits (Shari'a compliant)	17,190	20,119
South Korean Won time deposits	570	6,105
	226,047	299,579

16. Treasury shares

On December 11, 2019, the Company acquired 117.2 million ordinary shares from the Government for cash consideration of SAR 3,750. These shares were classified by the Company as treasury shares for the purposes of issuing them to the Company's employees upon vesting or purchase of the shares in the employee share plans, including those that the Company may adopt in the future. The number of treasury shares issued to employees during 2022 was 19.7 million (2021: 13.7 million) in relation to employee share plans (Note 17). Further, the number of treasury shares held by the Company increased by 8 million ordinary shares as a result of the issuance of bonus shares during 2022 (Note 36). The number of treasury shares outstanding as at December 31, 2022, was 76.6 million (2021: 88.3 million).

17. Share-based compensation

Share-based compensation relates to grants or issuance of ordinary shares awarded to the Company's eligible employees under the respective plan terms. Awards are generally equity-settled; however, in limited circumstances awards may be settled in cash. The Company recognized the following share-based compensation expense in the consolidated statement of income, as an employee benefit expense, for the years ended December 31, 2022 and 2021:

	Equity-settled	Cash-settled	Total
2022			
Share-based compensation expense	296	3	299
 2021			
Share-based compensation expense	207	2	209

At December 31, 2022, the total carrying amount of the liabilities in respect of the cash settlement elements and dividend equivalents of the respective awards was SAR 20 (2021: SAR 17) and the intrinsic value of such liabilities, which had vested during the year, was SAR 5 (2021: SAR 3).

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

17. Share-based compensation continued

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

Awards for all plans were granted for nil consideration, with the exception for ESPP, under which shares were issued at a discount of 20% to the fair market value of the shares at each purchase date. The fair values of awards granted were determined by reference to the market values of the Company's ordinary shares on the grant dates for equity-settled awards and at the consolidated balance sheet date for cash-settled awards. Where applicable, the fair values of the awards subject to market-based performance measures were estimated using an appropriate valuation method.

	Number of shares granted (in millions)	Weighted average fair value per share (SAR)
2022		
ESPP	18	38.51
ELTIP	2	41.55
MLTIP	3	41.55
LTIP	1	41.85
2021		
ESPP	14	35.28
ELTIP	2	32.59
MLTIP	3	34.50
LTIP	1	35.50

The number of awards settled in shares during the year in relation to the employee share plans was 19.7 million (2021: 13.7 million).

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

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

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

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

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

All amounts in millions of Saudi Riyals unless otherwise stated

18. Other reserves

								Share of other comprehensive income (loss) of joint ventures and associates
	Currency translation differences	Investments in securities at FVOCI	Post-employment benefits	Share-based compensation reserve	Cash flow hedges and other	Foreign currency translation gains (losses)	Cash flow hedges and other	Total
January 1, 2021	1,192	5,356	–	57	(727)	1,022	(1,042)	5,858
Current period change	(2,798)	440	–	207	323	(440)	23	(2,245)
Remeasurement gain	–	–	16,055	–	–	–	270	16,325
Transfer to retained earnings	–	–	(9,392)	(125)	–	–	(270)	(9,787)
Tax effect	–	(145)	(5,865)	–	–	–	–	(6,010)
Less: amounts related to non-controlling interests	1,042	118	(798)	–	7	151	–	520
December 31, 2021	(564)	5,769	–	139	(397)	733	(1,019)	4,661
Current period change	(3,889)	(681)	–	296	1,450	(672)	1,023	(2,473)
Remeasurement gain	–	–	36,187	–	–	–	144	36,331
Transfer to retained earnings	–	–	(19,427)	(137)	–	–	(144)	(19,708)
Tax effect	–	43	(14,979)	–	–	–	–	(14,936)
Less: amounts related to non-controlling interests	1,046	24	(1,781)	–	(19)	134	–	(596)
December 31, 2022	(3,407)	5,155	–	298	1,034	195	4	3,279

19. Non-controlling interests

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

Summarized statement of comprehensive income Year ended December 31

	2022				2021		
	SABIC	AOPC	AGPC ¹	S-Oil Corporation	SABIC	AOPC ¹	S-Oil Corporation
Revenue and other income (loss)	199,556	(9,536)	(5,438)	123,300	174,885	5,301	89,993
Net income (loss)	17,456	(7,841)	(4,358)	5,513	25,890	4,451	4,463
Other comprehensive income (loss)	2,471	–	–	(1,466)	199	–	(1,988)
Total comprehensive income (loss)	19,927	(7,841)	(4,358)	4,047	26,089	4,451	2,475
Net income (loss) attributable to non-controlling interests	9,915	(3,842)	(2,135)	2,116	12,691	2,181	1,712
Dividends paid to non-controlling interests	(10,163)	(2,258)	(908)	(705)	(6,687)	–	(145)

1. Amounts included are for the period from the date of sale of the non-controlling equity interest in the subsidiary.

On June 17, 2021, the Company sold a 49% equity interest in Aramco Oil Pipelines Company ("AOPC") to EIG Pearl Holdings S.à r.l. Further, on February 23, 2022, the Company sold a 49% equity interest in Aramco Gas Pipelines Company ("AGPC") to GreenSaif Pipelines Bidco S.à r.l. Both companies are expected to make quarterly distributions to their respective ordinary shareholders from available cash (Note 34). Current assets of these companies as at December 31, 2022, provided in the table below, mainly include cash received and trade receivables from the Company in respect of quarterly volume-based tariff. Net losses of AOPC and AGPC for 2022 include unrealized losses of SAR 13,819 and SAR 10,105, respectively, on their financial assets measured at FVPL at December 31, 2022.

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

19. Non-controlling interests continued

Summarized balance sheet

At December 31

	2022				2021		
	SABIC	AOPC	AGPC	S-Oil Corporation	SABIC	AOPC	S-Oil Corporation
Current assets	106,620	1,526	4,481	27,240	107,509	229	26,483
Non-current assets	259,613	86,276	109,376	33,866	270,960	100,065	36,341
Total assets	366,233	87,802	113,857	61,106	378,469	100,294	62,824
Current liabilities	48,679	806	1,444	24,281	49,864	851	26,543
Non-current liabilities	49,759	-	-	9,461	60,844	-	11,145
Total liabilities	98,438	806	1,444	33,742	110,708	851	37,688
Net assets	267,795	86,996	112,413	27,364	267,761	99,443	25,136
Accumulated non-controlling interest	106,535	42,628	55,082	10,502	106,909	48,728	9,647

Summarized statement of cash flows

Year ended December 31

	2022				2021		
	SABIC	AOPC	AGPC ¹	S-Oil Corporation	SABIC	AOPC ¹	S-Oil Corporation
Cash flows from operating activities	34,418	4,384	2,479	4,628	39,225	229	5,693
Cash flows from investing activities	(9,375)	-	-	(2,209)	(5,760)	-	180
Cash flows from financing activities	(26,385)	(4,609)	(1,853)	(4,695)	(25,219)	-	(2,318)
Net (decrease) increase in cash and cash equivalents	(1,342)	(225)	626	(2,276)	8,246	229	3,555

1. Amounts included are for the period from the date of sale of the non-controlling equity interest in the subsidiary.

20. Borrowings

Note	2022			2021		
	Non-current	Current	Total	Non-current	Current	Total
Conventional:						
Deferred consideration	a	81,168	40,995	122,163	188,723	33,544
Debentures	b	89,585	7,627	97,212	98,449	3,750
Bank borrowings	c	20,998	2,166	23,164	22,937	6,850
Short-term borrowings	d	—	10,205	10,205	—	11,981
Revolving credit facilities	e	—	—	—	—	5,370
Export credit agencies	f	1,582	657	2,239	2,065	770
Public Investment Fund	g	820	365	1,185	1,185	641
Other financing arrangements	h	23,570	408	23,978	24,251	—
Shari'a compliant:						
Sukuk	i	34,300	281	34,581	34,560	266
Murabaha	j	16,158	2,135	18,293	19,099	390
Saudi Industrial Development Fund	k	3,441	295	3,736	3,428	1,083
Ijarah/Procurement	l	2,688	13	2,701	2,534	800
Wakala	m	997	26	1,023	1,032	22
		275,307	65,173	340,480	398,263	65,467
Lease liabilities		43,073	9,591	52,664	38,108	9,083
		318,380	74,764	393,144	436,371	74,550

The carrying amounts of borrowings above are net of unamortized transaction costs of SAR 1,477 (2021: SAR 1,605).

The finance costs recognized in the consolidated statement of income are as follows:

	2022	2021
Finance costs:		
Conventional borrowings	4,863	8,490
Shari'a compliant financial instruments	1,777	980
Lease liabilities	1,732	2,138
Unwinding of discount	510	450
	8,882	12,058

In addition, finance costs amounting to SAR 4,826 were capitalized in property, plant and equipment during the year ended December 31, 2022 (2021: SAR 3,285) (Note 5).

Borrowings – other than leases

Saudi Aramco has entered into long-term financing arrangements with various lenders. These financing arrangements limit the creation of additional liens and/or financing obligations and certain of these arrangements are secured over certain property, plant and equipment, and other non-current assets of Saudi Aramco with a total carrying value of SAR 95,018 (2021: SAR 94,379). Additionally, certain financing arrangements require compliance by Saudi Aramco with covenants to maintain certain financial and other conditions. Saudi Aramco has complied with these covenants throughout the reporting period. The fair value of borrowings excluding lease liabilities at December 31, 2022, was approximately SAR 319,910. This was mainly determined using inputs that are categorized in level 1 or level 2 of the fair value hierarchy, except for the fair value of other financing arrangements that was primarily determined using level 3 inputs.

(a) Deferred consideration

Deferred consideration represents the amount payable to PIF for the SABIC acquisition in 2020. The amount is payable over several installments from August 2020 to April 2028, pursuant to a seller loan provided by PIF. On January 24, 2022, the Company, in agreement with PIF, made a partial prepayment of SAR 28,579 (\$7,621), which reduced the principal amounts of two promissory notes payable on or before April 7, 2024 and April 7, 2026, by SAR 26,250 (\$7,000) and SAR 3,750 (\$1,000), respectively. In addition, on June 30, 2022, the Company made a second partial prepayment of SAR 38,192 (\$10,185), which reduced the principal amount of a promissory note payable on or before April 7, 2025 by SAR 9,375 (\$2,500) and further reduced the principal amount of the promissory note payable on or before April 7, 2026 by SAR 35,625 (\$9,500). These partial prepayments resulted in a net gain of SAR 3,064 (\$817), which was recognized in the consolidated statement of income.

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

20. Borrowings continued

Borrowings – other than leases continued

The amounts of outstanding installments as at December 31, 2022, which are represented by promissory notes denominated in USD, are as follows:

	Original		Repayment/ partial prepayment	Outstanding	
	Principal	Loan charge		Principal	Loan charge
On or before August 2, 2020	26,250	–	(26,250)	–	–
On or before April 7, 2021	18,750	–	(18,750)	–	–
On or before April 7, 2022	31,875	1,875	(33,750)	–	–
On or before April 7, 2023	39,375	1,875	–	39,375	1,875
On or before April 7, 2024 ¹	39,375	2,250	(26,250)	13,125	2,250
On or before April 7, 2025 ¹	39,375	3,000	(9,375)	30,000	3,000
On or before April 7, 2026 ¹	64,125	5,625	(39,375)	24,750	5,625
On or before April 7, 2027	–	3,750	–	–	3,750
On or before April 7, 2028	–	3,750	–	–	3,750
Total amount of outstanding installments	259,125	22,125	(153,750)	107,250	20,250

1. Amount for partial prepayment represents the reduction in the principal amount of the promissory note.

The carrying amount of deferred consideration at the reporting date is measured at amortized cost using the effective interest method.

On March 7, 2023, the Company agreed with PIF to make a third partial prepayment of SAR 59,040 (\$15,744) on or before March 15, 2023, which will fully or partially reduce the above outstanding amounts of the promissory notes payable between 2024 and 2028 (Note 40).

(b) Debentures

- (i) In October 2018, SABIC issued five-year and 10-year USD denominated \$1,000 bonds each, equivalent to a total of SAR 7,500 (\$2,000). These bonds are unsecured and carry coupon rates of 4% and 4.5%, respectively. The bonds are issued in accordance with the Rule 144A/Regulation S offering requirements under the U.S. Securities Act of 1933, as amended. The bonds are listed on the Irish Stock Exchange ("Euronext Dublin") and the proceeds were used for refinancing maturing debt. In September 2020, SABIC issued 10-year and 30-year USD denominated \$500 bonds each, equivalent to a total of SAR 3,750 (\$1,000). These bonds are unsecured and carry coupon rates of 2.15% and 3%, respectively. Both bonds are issued in accordance with Rule 144A/Regulation S offering requirements under the U.S. Securities Act of 1933, as amended. These bonds are listed on the Euronext Dublin and the 30-year bond is dual listed on the Taipei Exchange in Taiwan, China. The proceeds were used for general purposes and refinancing maturing debt.

- (ii) On April 16, 2019, the Company issued five tranches of USD denominated unsecured notes aggregating to an equivalent of SAR 45,000 (\$12,000) and consisting of three-year maturities for SAR 3,750 (\$1,000) with a coupon rate of 2.75%, five-year maturities for SAR 7,500 (\$2,000) with a coupon rate of 2.875%, 10-year maturities for SAR 11,250 (\$3,000) with a coupon rate of 3.5%, 20-year maturities for SAR 11,250 (\$3,000) with a coupon rate of 4.25%, and 30-year maturities for SAR 11,250 (\$3,000) with a coupon rate of 4.375%. The notes were issued and sold in accordance with Rule 144A/Regulation S under the U.S. Securities Act of 1933, as amended. Interest is payable semi-annually in arrears on April 16 and October 16. The notes are listed on the London Stock Exchange's Regulated Market and the proceeds were for general corporate purposes. At initial recognition, the Company recorded an amount of SAR 44,460 (\$11,856) for the issuance proceeds, net of discounts and estimated transaction costs. On April 16, 2022, notes with three-year maturities, aggregating to a principal amount of SAR 3,750 (\$1,000) and carrying a coupon rate of 2.75%, were repaid.

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

- (iii) Debentures amounting to SAR 8,931, denominated in South Korean Won, have been issued in capital markets with interest rates ranging from 1.40% to 3.47% and with maturities from 2023 to 2032.

- (iv) Certain notes denominated in USD have been issued in capital markets, by a wholly owned subsidiary of the Company, with fixed and variable interest rates and with maturities from 2027 to 2040. In September 2022, following a cash tender offer to buy-back its outstanding senior notes issued in January 2010 and maturing on January 15, 2040, notes with a principal amount of SAR 1,226 (\$327) were redeemed for a cash payment of SAR 1,260 (\$336). The buy-back resulted in a gain of SAR 188 (\$50), which was recognized in the consolidated statement of income. The remaining principal amount of the notes at December 31, 2022, was SAR 2,524 (\$673).

Discounts and transaction costs are amortized using the effective interest method and are reflected as finance costs in the consolidated statement of income.

(c) Bank borrowings

Saudi Aramco has commercial and other facility agreements with a number of banks with a total carrying amount at December 31, 2022, of SAR 23,164 (2021: SAR 29,787). The facilities are primarily repayable in semi-annual installments from November 2008 to September 2045. Commission is payable on amounts drawn and is mainly calculated at a market rate plus a margin.

20. Borrowings continued

Borrowings – other than leases continued

In 2021, Saudi Aramco entered into certain new conventional borrowing facilities aggregating to SAR 3,296. The facilities' tenors range from seven years to 24 years and these are repayable in semi-annual installments from August 2025 to September 2045.

As at December 31, 2022, an amount of SAR 2,259 (2021: SAR 1,909) was undrawn against these facilities.

(d) Short-term borrowings

Saudi Aramco has short-term borrowing facilities with a number of banks with a total carrying amount at December 31, 2022, of SAR 10,205 (2021: SAR 11,981), including debt factoring arrangements of SAR 3,551 (2021: SAR 4,398). These facilities have a maturity period of less than one year and incur interest at a market rate plus a margin. As at December 31, 2022, an amount of SAR 16,795 (2021: SAR 12,844) was available for drawdown against these facilities.

(e) Revolving credit facilities

On April 4, 2022, the Company entered into a new five-year common terms agreement for unsecured revolving credit facilities aggregating to SAR 37,500 (\$10,000), to replace facilities which expired during the year. The new facilities comprise USD denominated conventional facilities of SAR 30,000 (\$8,000) and a SAR denominated Shari'a compliant Murabaha facility of SAR 7,500 (\$2,000) (Note 20(j)). The conventional facilities also incorporate a SAR 7,500 (\$2,000) swingline sublimit facility in support of the Company's establishment of a U.S. commercial paper program. The common terms agreement provides the framework and common lending terms for the facilities and the Company has the option of up to two extensions of one year each. The Company shall apply all amounts advanced to it under these facilities for general corporate purposes and towards its general working capital requirements. The entire amounts of these facilities were undrawn as at December 31, 2022. In addition, Saudi Aramco has a number of other revolving credit facilities with an aggregate carrying amount of nil (2021: SAR 5,370), and undrawn amount of SAR 17,708 (2021: SAR 44,205) at December 31, 2022.

(f) Export credit agencies

Saudi Aramco has borrowing agreements with a number of export credit agencies with a total carrying amount at December 31, 2022, of SAR 2,239 (2021: SAR 2,835). The amounts borrowed are repayable in semi-annual installments from December 2014 to December 2025. Commission is payable on amounts drawn and is calculated at a market rate plus a margin.

(g) Public Investment Fund

Saudi Aramco has borrowing agreements with the PIF with a total carrying amount at December 31, 2022, of SAR 1,185 (2021: SAR 1,826). The amounts borrowed are repayable in semi-annual installments from December 2014 to December 2025. Commission is payable on amounts drawn and is calculated at a market rate plus a margin.

(h) Other financing arrangements

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

On September 27, 2021, the Company entered into a financing arrangement with Air Products, ACWA Power and Air Products Qudra relating to the Jazan Integrated Gasification Combined-Cycle ("IGCC") power plant, an Air Separation Unit ("ASU") and certain ancillary assets. The transaction entailed creation of the Jazan Integrated Gasification and Power Company ("JIGPC"), a limited liability company, with Saudi Aramco Power Company ("SAPCO"), a wholly owned subsidiary of the Company owning 20%, while Air Products, ACWA Power and Air Products Qudra own 46%, 25% and 9%, respectively (Note 35(b)). The total proceeds of the transaction are SAR 44,063. Upon closing Saudi Aramco recognized an amount of SAR 21,226, representing the amount due to the other shareholders of JIGPC, in relation to the first tranche of SAR 26,532 under the financing arrangement. The second tranche of SAR 15,563 was received on January 19, 2023, of which SAR 12,450 is the amount due to the other shareholders of JIGPC (Note 40). The remaining amount of SAR 1,968 under the financing arrangement is expected to be received by the end of 2023. The total amount under the arrangement is repayable in monthly installments, commencing from October 2021 to October 2046.

(i) Sukuk

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

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

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

20. Borrowings continued

Borrowings – other than leases continued

(j) Murabaha

Saudi Aramco has various Murabaha Shari'a compliant borrowings from a number of financial intuitions. The borrowed amounts are repayable in semi-annual installments from 2008 to 2032. Commission is payable on amounts drawn and is calculated at a market rate plus a margin. In addition, Saudi Aramco also has access to unutilized Murabaha facilities of SAR 9,880, including the SAR denominated Islamic Murabaha facility of SAR 7,500 (Note 20(e)) (2021: SAR 11,625).

(k) Saudi Industrial Development Fund

Saudi Aramco has various borrowing agreements with the Saudi Industrial Development Fund. The amounts borrowed are not subject to periodic financial charges and are repayable in semi-annual installments from 2008 to 2035. As at December 31, 2022, an amount of SAR 48 (2021: SAR 115) was available for drawdown under these agreements.

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

(l) Ijarah/Procurement

Saudi Aramco has Procurement and Ijarah Shari'a compliant Islamic facility agreements with a number of banks. The facilities are repayable in semi-annual installments from 2014 to 2039.

In 2021, Saudi Aramco entered into new Ijarah Shari'a compliant Islamic facility agreements aggregating to SAR 1,542. The facilities are repayable in semi-annual installments from 2026 to 2028.

As at December 31, 2022, an amount of SAR 603 (2021: SAR 618) was undrawn under these facilities.

(m) Wakala

Saudi Aramco has Shari'a compliant Islamic facility agreements with a number of lenders. The facilities utilize a Wakala financing structure which is an agency arrangement. The facilities are repayable in installments on a semi-annual basis, from 2019 to 2036.

In 2021, Saudi Aramco entered into a new Wakala facility agreement amounting to SAR 394. The facility is repayable in semi-annual installments from 2026 to 2028. The total amount recognized as at December 31, 2022, was SAR 198 (2021: SAR 198).

An amount of SAR 271 was undrawn as at December 31, 2022 (2021: SAR 241), under these facilities.

Lease liabilities

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

The total cash outflow for leases for the year ended December 31, 2022, was SAR 12,114 (2021: SAR 12,143). Expenses relating to short-term and low value leases were recognized in the consolidated statement of income for the year ended December 31, 2022, and amounted to SAR 518 (2021: SAR 329) and SAR 261 (2021: SAR 403), respectively.

20. Borrowings continued

Lease liabilities continued

The maturities of borrowings are as follows:

	No later than one year	Later than one year and no later than five years	Later than five years	Total contractual amount	Total carrying amount
2022					
Borrowings – other than leases	74,640	171,825	214,391	460,856	340,480
Leases	12,788	28,118	29,194	70,100	52,664
	87,428	199,943	243,585	530,956	393,144
2021					
Borrowings – other than leases	71,989	295,106	216,161	583,256	463,730
Leases	10,823	23,696	21,994	56,513	47,191
	82,812	318,802	238,155	639,769	510,921

The movement of borrowings is as follows:

	Long-term borrowings	Short-term borrowings	Lease liabilities	Total liabilities from financing activities
January 1, 2021	422,417	60,085	53,575	536,077
Cash flows	12,406	(43,756)	(12,143)	(43,493)
Non-cash changes:				
Other financing arrangements (Note 35(b))	8,146	–	(7,333)	813
Lease additions	–	–	12,442	12,442
Foreign exchange adjustment	(1,033)	(35)	(197)	(1,265)
Accretion of liabilities and others	4,443	1,057	847	6,347
December 31, 2021	446,379	17,351	47,191	510,921
Cash flows	(116,281)	(7,151)	(12,114)	(135,546)
Non-cash changes:				
Lease additions	–	–	16,358	16,358
Foreign exchange adjustment	(665)	–	(170)	(835)
Accretion of liabilities and others	842	5	1,399	2,246
December 31, 2022	330,275	10,205	52,664	393,144

21. Post-employment benefits

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

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

At December 31, the net liability recognized for employee defined benefit plans in the consolidated balance sheet is as follows:

	2022	2021
Pension plans	(7,481)	(1,384)
Medical and other post-employment benefit plans	11,370	42,113
Net benefit liability	3,889	40,729
Represented by:		
Non-current assets	(23,034)	–
Non-current liabilities	26,923	40,729
Net benefit liability	3,889	40,729

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

21. Post-employment benefits continued

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

	Pension benefits		Other benefits	
	2022	2021	2022	2021
Net benefit obligation by funding:				
Present value of funded obligations	62,666	80,726	87,187	123,281
Fair value of plan assets	(74,393)	(86,888)	(84,270)	(93,929)
Benefit (surplus) deficit	(11,727)	(6,162)	2,917	29,352
Present value of unfunded obligations	4,246	4,778	8,453	12,761
Net benefit (asset) liability	(7,481)	(1,384)	11,370	42,113
Change in benefit obligations:				
Benefit obligations, January 1	85,504	90,495	136,042	124,669
Current service cost	4,455	4,560	3,551	3,008
Interest cost	2,546	2,269	4,305	3,799
Past service cost (credit)	173	(458)	—	1,755
Remeasurement	(21,161)	(4,065)	(44,351)	4,157
Plan participants' contribution	45	56	—	—
Benefits paid	(4,669)	(5,861)	(2,434)	(2,396)
Settlements	—	(38)	—	—
Foreign currency translation and other	19	(1,454)	(1,473)	1,050
Benefit obligations, December 31	66,912	85,504	95,640	136,042
Change in plan assets:				
Fair value of plan assets, January 1	(86,888)	(78,328)	(93,929)	(82,629)
Interest income	(2,726)	(2,295)	(2,948)	(2,749)
Remeasurement	13,965	(7,496)	15,360	(8,651)
Employer contributions	(3,746)	(5,130)	(5,258)	(2,288)
Benefits paid	4,669	5,861	2,434	2,396
Settlements	—	38	—	—
Foreign currency translation and other	333	462	71	(8)
Fair value of plan assets, December 31	(74,393)	(86,888)	(84,270)	(93,929)
Net benefit (asset) liability at December 31	(7,481)	(1,384)	11,370	42,113

The weighted average duration of the pension benefit obligations is 12 years at December 31, 2022, and 13 years at December 31, 2021. The weighted average duration of the other benefit obligations is 17 years at December 31, 2022, and 21 years at December 31, 2021.

All amounts in millions of Saudi Riyals unless otherwise stated

21. Post-employment benefits continued

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

	Pension benefits		Other benefits	
	2022	2021	2022	2021
Amounts recognized in net income:				
Current service cost	4,455	4,560	3,551	3,008
Past service cost (credit)	173	(458)	—	1,755
Net interest (income) cost	(180)	(26)	1,357	1,050
	4,448	4,076	4,908	5,813
Amounts recognized in other comprehensive income:				
Losses from changes in demographic assumptions	12	80	5,501	1,448
(Gains) losses from changes in financial assumptions	(23,044)	(4,351)	(50,212)	2,004
Losses from changes in experience adjustments	1,871	206	360	705
Returns on plan assets (excluding interest income)	13,965	(7,496)	15,360	(8,651)
	(7,196)	(11,561)	(28,991)	(4,494)
Net defined benefit (gain) loss before income taxes	(2,748)	(7,485)	(24,083)	1,319

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

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

	Pension benefits		Other benefits	
	2022	2021	2022	2021
Discount rate	5.4%	2.9%	5.6%	3.1%
Salary growth rate	5.2%	4.7%	—	—
Annual average medical claim cost, in whole SAR			29,138	27,638
Health care participation rate			95.0%	95.0%
Assumed health care trend rates:				
Cost-trend rate			6.5%	7.0%
Rate to which cost-trend is to decline			5.0%	5.0%
Year that the rate reaches the ultimate rate			2026	2026

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

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

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

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

21. Post-employment benefits continued

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

Life expectancy at age:	Saudi plans		U.S. plans	
	Male	Female	Male	Female
50	33.6	36.3	35.6	37.4
60	24.4	26.7	26.4	27.8
60 (currently aged 40)	26.1	28.3	27.9	29.3

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

	Change in assumption	Impact on obligation	2022	2021
Ultimate health care cost-trend rates	Increase by 0.5% Decrease by 0.5%	Increase by Decrease by	8,633 (7,624)	14,715 (12,795)
Discount rate – other benefits	Increase by 0.5% Decrease by 0.5%	Decrease by Increase by	(7,305) 8,336	(12,896) 14,993
Discount rate – pension benefits	Increase by 0.5% Decrease by 0.5%	Decrease by Increase by	(3,675) 3,638	(5,948) 6,319
Salary growth rate	Increase by 0.5% Decrease by 0.5%	Increase by Decrease by	2,055 (2,269)	3,210 (3,754)
Annual average medical claim cost	Increase by 5% Decrease by 5%	Increase by Decrease by	4,350 (4,350)	6,240 (6,240)
Life expectancy	Increase by 1 year Decrease by 1 year	Increase by Decrease by	2,963 (3,090)	6,090 (6,109)
Health care participation rate	Increase by 5% Decrease by 5%	Increase by Decrease by	1,245 (1,283)	1,984 (2,033)

Plan assets consist of the following:

	2022	2021
Cash	5,381	5,584
Equity instruments	30,315	48,703
Investment funds	65,663	72,031
Bonds	55,500	52,324
Sukuk (Shari'a compliant)	1,804	2,175
	158,663	180,817

Plan assets are administered under the oversight of the Company or one of its subsidiaries and managed by independent trustees or separate entities, in a manner consistent with fiduciary obligations and principles, acting in the best interest of plan participants. The objectives of the plans are to maximize investment returns consistent with prudent risk over a long-term investment horizon in order to secure retiree benefits and minimize corporate funding.

All plan assets are held separately, solely to pay retiree benefits. Funded Saudi plans have the right to transfer assets held in excess of the plan's defined benefit obligation to another funded Saudi plan. The right to transfer such assets is solely in respect of amounts held in excess of the plan's defined benefit obligations and solely to plans with defined benefit obligations exceeding the value of assets held. Where Saudi Aramco has no rights to a refund of plan assets, surplus assets are recognized on the consolidated balance sheet on the basis that economic benefit can be gained through a reduction in future contributions.

Through its post-employment benefit plans, Saudi Aramco is exposed to a number of risks including asset volatility, changes in bond yields, inflation and life expectancy. Investment risk is minimized through diversification of investments among fixed income, equity, and alternative asset classes. Asset allocation is determined by an asset liability modeling study. The target asset allocation is, approximately, 25% (2021: 36%) equity instruments, 38% (2021: 31%) debt instruments, and 37% (2021: 33%) alternative assets. Inflation risk is partially offset by equities inflation and life expectancy risk is borne by Saudi Aramco.

All amounts in millions of Saudi Riyals unless otherwise stated

21. Post-employment benefits continued

Plan assets include transferable securities with a fair value of SAR 6,794 (2021: SAR 7,192) in the Company and its affiliated entities.

Employer contributions to defined benefit plans are estimated to be SAR 6,738 in 2023. While the Saudi plans are generally not governed by regulatory minimum funding requirements, the funding objective is to reach full funding of the larger plans only. Saudi Aramco pays annual contributions equal to benefit payments. Asset outperformance is expected to meet the shortfall between assets and the assessed liabilities within a reasonable period. Funding for the U.S. plans sponsored by Aramco Shared Benefit Company, a wholly owned subsidiary of the Company, is recommended by the actuary in order to meet Saudi Aramco's funding strategy to meet benefit plan expenses using applicable U.S. plan funding rules. Other plans follow local regulations or contractual obligations to meet minimum funding requirements.

In addition to the above plans, Saudi Aramco maintains or participates in defined contribution plans for which Saudi Aramco's legal or constructive obligation is limited to the contributions. The costs of the defined contribution plans, which are included principally within producing and manufacturing, and selling, administrative and general expenses in the consolidated statement of income, are SAR 1,201 and SAR 1,634 for the years ended December 31, 2022 and 2021, respectively (Note 26).

22. Provisions and other liabilities

	2022	2021
Asset retirement	17,568	18,296
Environmental	770	824
Financial liability – options and forward contracts	2,929	3,301
Other non-current liabilities	6,510	3,823
	27,777	26,244

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

The movements in asset retirement and environmental provisions are as follows:

	Asset retirement	Environmental
January 1, 2021	17,339	940
Revision to estimate	154	(75)
Additional provisions	368	4
Unwinding of discount	446	4
Amounts charged against provisions	(11)	(49)
December 31, 2021	18,296	824
Revision to estimate	(1,770)	(8)
Additional provisions	626	4
Unwinding of discount	431	4
Amounts charged against provisions	(15)	(54)
December 31, 2022	17,568	770

23. Trade and other payables

	2022	2021
Trade payables	65,425	55,325
Accrued materials and services	36,900	37,509
Amounts due to related parties (Note 29(b))	15,431	17,678
Employee related payables	10,304	8,801
Other	7,330	5,376
	135,390	124,689

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

24. Revenue

	2022	2021
Revenue from contracts with customers	2,003,347	1,335,391
Movement between provisional and final prices	(3,397)	5,299
Other revenue	7,005	6,240
	2,006,955	1,346,930
Other revenue:		
Services provided to:		
Government, semi-Government and other entities with Government ownership or control (Note 29(a))	1,061	1,061
Third parties	698	814
Joint ventures and associates (Note 29(a))	195	683
Freight	1,076	1,474
Other	3,975	2,208
	7,005	6,240

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:

	2022			
	Upstream	Downstream	Corporate	Total
Crude oil	971,325	105,401	–	1,076,726
Refined and chemical products	–	835,884	–	835,884
Natural gas and NGLs	56,055	19,292	–	75,347
Metal products	–	15,390	–	15,390
Revenue from contracts with customers	1,027,380	975,967	–	2,003,347
Movement between provisional and final prices	(3,142)	(255)	–	(3,397)
Other revenue	390	4,969	1,646	7,005
External revenue	1,024,628	980,681	1,646	2,006,955

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

All amounts in millions of Saudi Riyals unless otherwise stated

25. Purchases

	2022	2021
Refined and chemical products	291,696	226,649
Crude oil	152,556	93,418
NGL and other products	46,438	32,310
	490,690	352,377

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

26. Employee benefit expense

	2022	2021
Salaries and wages	41,387	38,389
Social security costs	2,750	2,627
Post-retirement benefits (Note 21):		
Defined benefit plans	9,356	9,889
Defined contribution plans	1,201	1,634
Share-based compensation (Note 17)	299	209
	54,993	52,748

27. Finance and other income

	2022	2021
Interest income	7,955	795
Gain on partial prepayment of deferred consideration to PIF	3,281	–
Investment income	1,189	610
Dividend income from investments in securities	390	369
Other	2,079	13
	14,894	1,787

28. Payments to the Government by Saudi Arabian Oil Company

	2022	2021
Income taxes (Note 8(c))	232,661	141,699
Royalties	349,270	138,999
Dividends	265,066	276,335

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

29. Related party transactions

(a) Transactions

	2022	2021
Joint ventures:		
Revenue from sales	28,155	23,003
Other revenue (Note 24)	30	124
Interest income	161	105
Purchases	30,574	22,466
Service expenses	8	11
Associates:		
Revenue from sales	77,048	65,355
Other revenue (Note 24)	165	559
Interest income	113	135
Purchases	72,503	57,214
Service expenses	158	150
Lease expenses	-	188
Government, semi-Government and other entities with Government ownership or control:		
Revenue from sales	23,351	17,644
Other income related to sales	259,418	154,828
Other revenue (Note 24)	1,061	1,061
Purchases	12,761	73,091
Service expenses	409	634
Lease expenses	791	461

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

(b) Balances

	2022	2021
Joint ventures:		
Other assets and receivables (Note 9)	5,363	5,943
Trade receivables	5,096	4,755
Interest receivable	371	233
Trade and other payables (Note 23)	7,060	6,803
Associates:		
Other assets and receivables (Note 9)	1,519	6,813
Trade receivables	13,410	14,794
Trade and other payables (Note 23)	6,278	7,916
Borrowings	15	15
Government, semi-Government and other entities with Government ownership or control:		
Other assets and receivables (Note 9)	510	509
Trade receivables	3,874	3,056
Due from the Government (Note 13)	54,545	41,317
Trade and other payables (Note 23)	2,093	2,959
Borrowings	128,026	229,525

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

29. Related party transactions continued

(c) Compensation of key management personnel

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

	2022	2021
Short-term employee benefits	80	75
Post-employment benefits	43	31
Share-based compensation	25	-
Other long-term benefits	3	30
	151	136

(d) Other transactions with key management personnel

Other than as set out in Note 29(c), there were no reportable transactions between Saudi Aramco and members of key management personnel or their close family members during the year ended December 31, 2022 (2021: nil).

30. Derivative instruments and hedging activities

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

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

	2022	2021
Interest rate swaps	10,658	11,055
Currency forward contracts	4,830	7,512
Commodity derivative contracts	29,846	35,115
	45,334	53,682

31. Non-cash investing and financing activities

Investing and financing activities during 2022 include additions to right-of-use assets of SAR 16,065 (2021: SAR 12,270), asset retirement provisions of SAR 467 (2021: SAR 355), and equity awards issued to employees of SAR 70 (Note 17) (2021: SAR 52). Further, investing activities during 2022 include an additional investment in Petro Rabigh as part of a subscription to a rights issuance offering through conversion of a non-current loan receivable of SAR 2,981 (Note 32(c)). During 2021, investing and financing activities included proceeds from the JIGPC financing arrangement net of the ASU purchase consideration of SAR 8,146 (Note 35(b)).

32. Commitments

(a) Capital commitments

Capital expenditures contracted for but not yet incurred were SAR 172,639 and SAR 159,145 at December 31, 2022 and 2021, respectively. In addition, leases contracted for but not yet commenced were SAR 18,326 and SAR 10,309 at December 31, 2022 and 2021, respectively.

(b) Sadara

In March 2020, the Company and The Dow Chemical Company ("Dow") equally committed to comply with the Ministry of Energy feedstock agreement to support the development of Chemical Value Parks in the Kingdom with an amount of SAR 375. The first payment of nearly SAR 38 will be deposited within one month from the date of supplying Sadara with additional ethane. The remaining funds will be deposited over nine years at SAR 38 annually. Saudi Aramco's commitment of SAR 188 is outstanding at December 31, 2022.

(c) Petro Rabigh

In December 2021, the Company signed a commitment letter to fully exercise its right to subscribe to its 37.5% share in the Petro Rabigh Rights Issue Offering, representing 298 million shares, for a maximum commitment of SAR 2,981. After obtaining necessary approvals from the competent authorities, the shareholders of Petro Rabigh approved the capital increase through offering 795 million shares for a total amount of SAR 7,950, at the Extraordinary General Meeting held on June 8, 2022. The rights issuance closed on July 6, 2022 and the Company and Sumitomo Chemical Co. Ltd., the founding shareholders, subscribed to their proportionate share in the offering, funded through debt-to-equity conversion of their non-current loan receivable from Petro Rabigh. Upon closing of the rights issuance, the loan receivable of SAR 2,981 was converted to an equity investment.

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

32. Commitments continued

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

In 2017, Saudi Aramco Development Company ("SADCO"), a wholly owned subsidiary of the Company, Maritime Offshore Limited, a wholly owned subsidiary of Lamprell plc, Bahri and Korea Shipbuilding and Offshore Engineering ("KSOE") formed a company, IMIC, in which SADCO owns 40.1%, Maritime Offshore Limited owns 20%, Bahri owns 19.9% and KSOE owns 20%. The principal activities of IMIC are the development, operation, and maintenance of a maritime yard under construction by the Government, as well as, the design, manufacture, maintenance and repair of ships and rigs. The maritime yard is divided into four main operational zones and completion of the construction of the individual zones will vary, with the final yard completion and handover expected by the end of 2023. SADCO has committed to fund IMIC up to SAR 1,053 through equity contributions. At December 31, 2022, SAR 916 (2021: SAR 766) has been drawn down by IMIC.

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

In 2017, SADCO and Rowan Rex Limited formed a company, ARO Drilling (Note 38), to provide offshore drilling services to the Company. In 2018, Mukamala Oil Field Services Limited ("MOFSL") was incorporated as a subsidiary of SADCO and all the investment and related commitments of ARO Drilling were transferred to MOFSL by way of a Novation Agreement. MOFSL has committed to invest SAR 2,719 through equity and shareholder loans, of which SAR 2,453 has been drawn down at December 31, 2022. In addition, the Company has committed to lease 20 offshore rigs over a 10-year period beginning in 2023 for an estimated value of SAR 41,468.

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

In 2017, SADCO and Nabors International Netherlands BV formed a company, SANAD (Note 38), to provide onshore drilling services to the Company. In 2018, MOFSL was incorporated as a subsidiary of SADCO and all the investment and related commitments of SANAD were transferred to MOFSL by way of a Novation Agreement. The Company has committed to lease 50 onshore rigs over a 10-year period beginning in 2022 for an estimated value of SAR 23,214.

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

In June 2018, SADCO and NOV Downhole Eurasia Limited formed a company, ARM (Note 39), to provide onshore land drilling manufacturing, equipment and services to SANAD and the Middle East and North Africa region. The Company committed to invest SAR 225, of which, SAR 72 is invested at December 31, 2022. In addition, SADCO has guaranteed the purchase of 50 onshore rigs over a 10-year period beginning in 2022. Two of these rigs were delivered in 2022, and accordingly, the remaining commitment amount stands at SAR 8,348, as at December 31, 2022. SADCO has the option to cancel the rig orders for a maximum financial exposure of SAR 1,260.

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

On May 19, 2019, SADCO, Korea Shipbuilding and Offshore Engineering ("KSOE"), and the Saudi Arabian Industrial Investment Company ("Dussur") entered into an agreement to form a company to set up an engine manufacturing and aftersales facility in the Kingdom. A limited liability company, SEMCO, was formed on November 16, 2020 by SADCO, which owns 55% of the company, while KSOE and Dussur own 30% and 15%, respectively. SADCO is a 25% shareholder of Dussur. Total investment in SEMCO will be up to SAR 646 of which SADCO's share will be up to SAR 355. At December 31, 2022, SAR 86 has been drawn down by SEMCO.

(i) Other

- (i) In order to comply with past Government directives, the Company expects to sell portions of its equity in Saudi Aramco Total Refining and Petrochemical Company and Yanbu Aramco Sinopec Refining Company Limited (Note 39) through a public offering of shares in Saudi Arabia.
- (ii) Saudi Aramco is committed to comply with the Government directive to guarantee that Saudi Aramco Total Refining and Petrochemical Company shall spend a total of SAR 375 over a 10-year period ending December 31, 2025 on social responsibility programs. At December 31, 2022, SAR 217 remains to be spent.
- (iii) Saudi Aramco is committed to comply with the Government directive to guarantee that Yanbu Aramco Sinopec Refining Company Limited shall spend a total of SAR 375 on social responsibility programs by September 30, 2025. At December 31, 2022, SAR 131 remains to be spent.
- (iv) Saudi Aramco has commitments of SAR 264 (2021: SAR 287) to invest in private equity investments both inside and outside the Kingdom. Such commitments can be called on demand.
- (v) Saudi Aramco has commitments of SAR 173 (2021: SAR 79) to fund additional loans and acquire additional unlisted equity investments of certain small to mid-sized enterprises in the Kingdom. The commitments can be called by the enterprises upon meeting certain conditions.
- (vi) Saudi Aramco has commitments of SAR 2,107 (2021: SAR 602) in relation to capital contributions for certain other affiliates.

33. Contingencies

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

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

(a) Sadara

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

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

On June 17, 2021, Excellent Performance Chemical Company ("EPCC"), a wholly owned subsidiary of the Company, and Sadara entered into a new SAR 1,500 subordinated revolving credit facility to provide shortfall funding to Sadara. As of December 31, 2022, the facility was not utilized. Unless extended, the facility is scheduled to mature in June 2023. The unutilized amount of SAR 1,357 under the subordinated credit facility entered on June 17, 2013 has been cancelled.

With respect to Sadara's fuel and feedstock allocation, Saudi Aramco has provided two letters of credit to the Ministry of Energy for SAR 169 and SAR 225, respectively, to construct epoxy plants and for the development of projects to support conversion industries in the Kingdom. In July 2021, the second letter of credit was reduced from SAR 225 to SAR 169 reflecting the sponsor payment for the Ethylene Oxide and Propylene Oxide Pipeline project for Sadara. In April 2022, the second letter of credit was further reduced to SAR 152.

(b) Petro Rabigh

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

The founding shareholders arranged equity bridge loans ("the EBLs") in an aggregate amount of SAR 11,250 which the founding shareholders guarantee on a several and equal basis, to meet the equity financing requirements under the senior finance agreements. Upon closing of the rights issuance (Note 32(c)), Petro Rabigh repaid SAR 1,940 of its equity bridge loans out of the proceeds of the rights issuance. The maturity date for the remaining EBLs of SAR 9,310 was extended to March 20, 2023.

On September 30, 2020, Petro Rabigh entered into revolving loan facilities in an aggregate amount of SAR 5,625 with the Company and Sumika Finance Company Limited, a wholly owned subsidiary of Sumitomo Chemical Co. Ltd. Unless extended, these facilities will mature in December 2023. As of December 31, 2022, an amount of SAR 2,175 was outstanding under these facilities, of which the Company's share was SAR 1,088. Petro Rabigh also entered into another revolving loan facility for SAR 1,875 with the Company, which, unless extended, matures in December 2023. As at December 31, 2022, no amount was utilized under this facility.

(c) Other

Saudi Aramco has provided guarantees of SAR 2,110 (2021: SAR 4,151) in relation to borrowings and other obligations of certain other affiliates, arising in the ordinary course of business.

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

34. Sale of equity interests in affiliates

(a) Power and Water Utility Company for Jubail and Yanbu ("Marafiq")

On November 24, 2022, Marafiq, an associate of Saudi Aramco, announced the listing of its shares on the Main Market of the Saudi Exchange following the successful completion of its IPO. The IPO comprised shares offered by the majority shareholders of Marafiq, including Saudi Aramco Power Company and SABIC, in proportion to their shareholding. Following the completion of the IPO, the aggregate equity ownership of the aforementioned Saudi Aramco subsidiaries in Marafiq reduced from 49.6% to 35%, resulting in proceeds of SAR 1,651 and a gain of SAR 464. The carrying value of the investment in Marafiq in the consolidated financial statements at December 31, 2022, was SAR 3,020 (December 31, 2021: SAR 3,924).

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

On February 23, 2022, the Company sold a 49% equity interest in AGPC, a newly formed wholly owned subsidiary of the Company, to GreenSaif Pipelines Bidco S.à r.l. (formerly, GEPIF III Finance III Lux S.à r.l.) ("GreenSaif") for upfront proceeds of SAR 58,125 (\$15,500) in cash.

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

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

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

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

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

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

35. Investments in affiliates

(a) Investments in subsidiaries

(i) Grupa LOTOS S.A. transaction

On January 12, 2022, Aramco Overseas Company B.V. ("AOC"), a wholly owned subsidiary of Saudi Aramco, entered into share purchase agreements with Grupa LOTOS Spółka Akcyjna ("Grupa LOTOS S.A."), a subsidiary of Polski Koncern Naftowy ORLEN S.A. ("PKN ORLEN"), to purchase shares in certain entities of Grupa LOTOS S.A. Under this transaction, AOC acquired 100% equity interest in LOTOS SPV 1 Sp. z o.o. for a cash consideration of SAR 930 (\$248), in addition to acquiring 30% of the issued share capital of LOTOS Asfalt sp. z o.o. and 50% of the issued share capital of LOTOS-Air BP Polska sp. z o.o. for SAR 889 (\$237) (Note 35(c)). These acquisitions are in line with Saudi Aramco's strategy of expanding its downstream presence in Europe and further expanding its crude imports into Poland.

Prior to completion of the transaction, an organized part of the wholesale business operated by LOTOS Paliwa sp. z o.o. ("LOTOS Paliwa"), a subsidiary of Grupa LOTOS S.A., was transferred to LOTOS SPV 1 Sp. z o.o., subsequently renamed as Aramco Fuels Poland sp. z o.o. ("AFP"). AFP is engaged in the acquisition, storage, blending, marketing, transportation, distribution and the sale of fuel to wholesale customers.

The closing of the transaction occurred on November 30, 2022. The transaction resulted in Saudi Aramco obtaining control of AFP. Saudi Aramco accounts for acquisitions of subsidiaries using the acquisition method of accounting. This requires recognition of the assets acquired and liabilities assumed at fair value as of the acquisition date.

Saudi Aramco engaged an independent valuer in order to determine the fair value of the assets and liabilities of AFP as part of the purchase price allocation process. Based on the preliminary fair values of the total identifiable net assets and liabilities of SAR 909, including cash acquired of SAR 513, goodwill of SAR 21 has been recognized.

35. Investments in affiliates continued

(a) Investments in subsidiaries continued

Acquisition and transaction costs of SAR 37 were expensed as selling, administrative, and general expenses in the consolidated statement of income for the year ended December 31, 2022.

Post-acquisition, AFP contributed revenues of SAR 2,043 and net profit of SAR 14, which is included in the consolidated statement of income.

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

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

(b) Investments in joint operations

Jazan Integrated Gasification and Power Company ("JIGPC")

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

SAPCO's total contribution in JIGPC, as a shareholder, is expected to be SAR 3,600, of which an amount of SAR 3,443 has been contributed as of the date of issuance of the consolidated financial statements. The financial close of the transaction occurred on October 27, 2021. The total proceeds of the transaction are SAR 44,063, of which, the Company received the first tranche of SAR 18,386, net of the ASU purchase consideration of SAR 8,146. The ASU, which was previously accounted for as a lease, was purchased by the Company and transferred with the rest of the facility as part of the closing. The second tranche of SAR 15,563 was received on January 19, 2023, with the remaining amount of SAR 1,968 expected to be received by the end of 2023 (Notes 20(h), 40).

(c) Investments in joint ventures and associates

Grupa LOTOS S.A. transaction

On November 30, 2022, AOC acquired 30% of the issued share capital of LOTOS Asfalt sp. z o.o., subsequently renamed as Rafineria Gdańsk sp. z o.o. ("POLREF"), for SAR 853 (\$227). The remaining 70% of the equity interest is held by PKN ORLEN (Note 35(a)(i)). The investment in POLREF has been accounted for as an associate. POLREF operates an oil refinery located in Gdańsk, Poland. Post-acquisition, the refinery processes the crude oil supplied by PKN ORLEN and AFP into finished products, in exchange for a processing fee.

In addition, on November 30, 2022, AOC acquired 50% of the issued share capital of LOTOS-Air BP Polska sp. z o.o., subsequently renamed as Air BP Aramco Poland sp. z o.o. ("AIRBP"), for SAR 36 (\$10). The remaining 50% of the issued share capital of AIRBP is retained by BP Europa SE (Note 35(a)(i)). The investment in AIRBP has been accounted for as a joint venture. The business of AIRBP includes acquisition, storage, transport, distribution and sale of aviation fuels in bulk or having them delivered into aircrafts in and outside of Poland.

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

36. Dividends

Dividends declared and paid on ordinary shares are as follows:

	2022	2021	SAR per share	
			2022	2021
Quarter:				
March ¹	70,331	70,325	0.35	0.35
June ²	70,328	70,325	0.32	0.35
September ²	70,329	70,327	0.32	0.35
December ²	70,330	70,328	0.32	0.35
Total dividends declared and paid	281,318	281,305	1.31	1.40
Dividends declared on March 10, 2023 and March 18, 2022 ^{2,3}	73,150	70,331	0.33	0.35

1. Dividends of SAR 70,331 paid in 2022 relate to 2021 results. Dividends of SAR 70,325 paid in 2021 relate to 2020 results.

2. Dividend per share reflects the effect of the issuance of the bonus shares approved on May 12, 2022, as described below.

3. The consolidated financial statements do not reflect a dividend to shareholders of approximately SAR 73,150, which was declared on March 10, 2023 (March 18, 2022: SAR 70,331). This dividend will be deducted from unappropriated retained earnings in the year ending December 31, 2023.

On May 12, 2022, after obtaining necessary approvals from the competent authorities, the Extraordinary General Assembly ("EGA") approved the increase of the Company's share capital by SAR 15,000 and the commensurate increase of the number of the Company's issued ordinary shares by 20 billion without par value. Such increase was effected through capitalization of the Company's retained earnings. Each shareholder was granted one (1) bonus share for every ten (10) shares owned. The Company's share capital after the increase is SAR 75,000, divided into 220 billion fully paid ordinary shares with equal voting rights without par value.

On March 10, 2023, the Board of Directors recommended to the EGA to increase the Company's share capital by granting bonus shares to its shareholders through capitalization of SAR 15,000 from retained earnings and by increasing the number of the issued ordinary shares by 22 billion without par value. The increase of the share capital and the number of ordinary shares is subject to obtaining necessary approvals from competent authorities and the EGA, which will be announced later as per regulatory requirements. Once the EGA approves the capital increase, eligible shareholders will be entitled to receive one (1) bonus share for every ten (10) shares owned, and the Company's share capital will increase to SAR 90,000, divided into 242 billion fully paid ordinary shares with equal voting rights without par value.

37. Earnings per share

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

	2022	2021
Net income attributable to the ordinary shareholders of the Company	597,215	395,203
Weighted average number of ordinary shares (in millions) (Note 2(dd)) ¹	219,913	219,897
Earnings per share for net income attributable to the ordinary shareholders of the Company (in Saudi Riyals) ¹	2.72	1.80

1. Earnings per share for the years ended December 31, 2022 and 2021 have been calculated by retrospectively adjusting the weighted average number of outstanding shares to reflect the effect of the issuance of bonus shares approved on May 12, 2022 (Note 36).

Potential ordinary shares during the year ended December 31, 2022, related to employees' share-based compensation in respect of employee share plans that were awarded to the Company's eligible employees under those plan terms (Note 17). These share plans did not have a significant dilution effect on basic earnings per share for the years ended December 31, 2022 and 2021.

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company

	Principal business activity	Percent ownership ¹	Place of business/country of incorporation	Conventional financial assets as of December 31, 2022 ^{2,3}	Conventional financial liabilities as of December 31, 2022 ³	Interest income from conventional financial assets for the year ended December 31, 2022 ³
A. Wholly owned:						
4 Rivers Energy LLC	Retail fuel operations	100%	USA	—	—	—
Aramco (Beijing) Venture Management Consultant Co., Ltd.	Investment	100%	China	8	7	—
Aramco Affiliated Services Company	Support services	100%	USA	1	—	—
Aramco Asia India Private Limited	Purchasing and other services	100%	India	24	15	—
Aramco Asia Japan K.K.	Purchasing and other services	100%	Japan	86	305	1
Aramco Asia Korea Limited	Marketing and vendor sourcing activities	100%	South Korea	44	10	1
Aramco Asia Singapore Pte. Ltd.	Purchasing and other services	100%	Singapore	25	30	—
Aramco Associated Company	Aircraft operations	100%	USA	169	430	19
Aramco Capital Company, LLC	Aircraft leasing	100%	USA	38	—	—
Aramco Chemicals Company	Chemicals	100%	Saudi Arabia	339	54	6
Aramco Far East (Beijing) Business Services Co., Ltd.	Petrochemical purchasing, sales and other services	100%	China	642	53	10
Aramco Financial Services Company	Financing	100%	USA	20	(1)	—
Aramco Fuels Poland sp. z o.o.	Wholesale fuel operations	100%	Poland	597	1,936	2
Aramco Gulf Operations Company Limited	Production and sale of crude oil	100%	Saudi Arabia	2,397	1,869	44
Aramco Innovations Limited Liability Company	Research and commercialization	100%	Russia	16	20	—
Aramco International Company Limited ⁴	Support services	100%	British Virgin Islands	—	—	—
Aramco Lubricants and Retail Company	Retail fuel marketing	100%	Saudi Arabia	116	52	—
Aramco Overseas – Egypt	Personnel and other support services	100%	Egypt	—	—	—
Aramco Overseas Company B.V.	Purchasing and other services	100%	Netherlands	32,696	2,316	554
Aramco Overseas Company Spain, S.L.	Personnel and other support services	100%	Spain	—	1	—
Aramco Overseas Company UK Limited	Personnel and other support services	100%	United Kingdom	3	77	—
Aramco Overseas Malaysia SDN. BHD.	Personnel and other support services	100%	Malaysia	5	9	—
Aramco Performance Materials LLC	Petrochemical manufacture and sales	100%	USA	10	7	—
Aramco Services Company	Purchasing, engineering and other services	100%	USA	6,181	583	9
Aramco Shared Benefits Company	Benefits administration	100%	USA	1	1	—
Aramco Trading Americas Holding Inc.	Holding	100%	USA	—	—	—
Aramco Trading Americas LLC (formerly, Motiva Trading LLC)	Purchasing and sale of petroleum goods and other services	100%	USA	1,180	1,546	—
Aramco Trading Company	Importing, exporting and trading of crude oil, refined and chemical products	100%	Saudi Arabia	5,419	7,676	62
Aramco Trading Fujairah FZE	Importing and exporting refined products	100%	UAE	2,521	4,148	49

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Percent ownership ¹	Place of business/country of incorporation	Conventional financial assets as of December 31, 2022 ^{2,3}	Conventional financial liabilities as of December 31, 2022 ³	Interest income from conventional financial assets for the year ended December 31, 2022 ³
Aramco Trading Limited	Importing and exporting refined products	100%	United Kingdom	212	3,240	22
Aramco Trading Singapore Pte. Ltd.	Marketing and sales support	100%	Singapore	885	7,128	3
Aramco Venture Management Consultant Company LLC	Consulting services	100%	USA	1	12	—
Aramco Ventures Holdings Limited	Investment	100%	Guernsey	271	—	—
Aramco Ventures Investments Limited	Investment	100%	Guernsey	2,221	—	—
ARLANXEO Holding B.V.	Development, manufacture, and marketing of high-performance rubber	100%	Netherlands	582	2,886	16
ARLANXEO Belgium N.V.		100%	Belgium	306	(117)	—
ARLANXEO Branch Offices B.V.		100%	Netherlands	23	—	—
ARLANXEO Brasil S.A.		100%	Brazil	(317)	(180)	(4)
ARLANXEO Canada Inc.		100%	Canada	346	(221)	—
ARLANXEO Deutschland GmbH		100%	Germany	359	(345)	—
ARLANXEO Elastomères France S.A.S.		100%	France	(91)	(129)	—
ARLANXEO Emulsion Rubber France S.A.S.		100%	France	(474)	(144)	—
ARLANXEO High Performance Elastomers (Changzhou) Co., Ltd.		100%	China	396	(249)	(1)
ARLANXEO India Private Limited		100%	India	10	(1)	—
ARLANXEO Netherlands B.V.		100%	Netherlands	128	(219)	(7)
ARLANXEO Singapore Pte. Ltd.		100%	Singapore	49	(514)	—
ARLANXEO Switzerland S.A.		100%	Switzerland	382	(2)	—
ARLANXEO USA LLC		100%	USA	258	(325)	—
Aurora Capital Holdings LLC	Real estate holdings	100%	USA	—	—	—
Bolanter Corporation N.V.	Crude oil storage	100%	Curaçao	39	—	—
Briar Rose Ventures LLC	Real estate holdings	100%	USA	—	—	—
Canyon Lake Holdings LLC	Retail fuel operations	100%	USA	—	—	—
Excellent Performance Chemicals Company	Petrochemical manufacture and sales	100%	Saudi Arabia	708	2	161
Global Digital Integrated Solutions Company	Information technology	100%	Saudi Arabia	—	—	—
Investment Management Company	Investment management of post-employment benefit plans	100%	Saudi Arabia	4	—	—
Motiva Enterprises LLC	Refining and marketing	100%	USA	3,702	25,457	322
Motiva Pipeline LLC	Pipeline transport	100%	USA	—	—	—
Mukamala Oil Field Services Limited	Oil field services	100%	Saudi Arabia	295	—	2
Mukamalah Aviation Company (formerly, Mukamala International Investments Company)	Aviation	100%	Saudi Arabia	—	—	—
Pandlewood Corporation N.V.	Financing	100%	Curaçao	1,260	1	29
Pedernales Ventures LLC	Retail fuel operations	100%	USA	—	—	—
Pedernales Ventures II LLC	Investment	100%	USA	294	—	—
PT Aramco Overseas Indonesia	Project management support	100%	Indonesia	—	—	—
SAEV Europe Limited	Investment	100%	United Kingdom	5	3	—

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Percent ownership ¹	Place of business/country of incorporation	Conventional financial assets as of December 31, 2022 ^{2,3}	Conventional financial liabilities as of December 31, 2022 ³	Interest income from conventional financial assets for the year ended December 31, 2022 ³
SAEV Guernsey 1 Ltd	Investment	100%	Guernsey	226	-	-
SAEV Guernsey Holdings Limited	Investment	100%	Guernsey	1,794	-	-
Saudi Aramco Asia Company Limited	Investment	100%	Saudi Arabia	2,600	-	35
Saudi Aramco Capital Company Limited	Investment	100%	Guernsey	-	-	-
Saudi Aramco Development Company	Investment	100%	Saudi Arabia	880	-	5
Saudi Aramco Energy Ventures LLC	Investment	100%	Saudi Arabia	31	-	-
Saudi Aramco Energy Ventures US LLC	Investment	100%	USA	4	4	-
Saudi Aramco Entrepreneurship Center Company Limited	Financing	100%	Saudi Arabia	213	11	7
Saudi Aramco Entrepreneurship Venture Company Limited	Investment	100%	Saudi Arabia	824	-	-
Saudi Aramco Jubail Refinery Company	Refining	100%	Saudi Arabia	4,254	812	-
Saudi Aramco Power Company	Power generation	100%	Saudi Arabia	8,464	9	129
Saudi Aramco Sukuk Company	Investment	100%	Saudi Arabia	1	126	-
Saudi Aramco Technologies Company	Research and commercialization	100%	Saudi Arabia	250	93	-
Saudi Aramco Upstream Technology Company	Research and commercialization	100%	Saudi Arabia	20	7	-
Saudi Petroleum International, Inc.	Marketing support services	100%	USA	40	58	-
Saudi Petroleum Overseas, Ltd.	Marketing support and tanker services	100%	United Kingdom	53	29	1
Saudi Petroleum, Ltd. ⁴	Marketing support and tanker services	100%	British Virgin Islands	-	-	-
Saudi Refining, Inc.	Refining and marketing	100%	USA	570	441	20
Sofon Industries Company	Maritime holdings	100%	Saudi Arabia	-	-	-
Stellar Insurance, Ltd.	Insurance	100%	Bermuda	10,256	713	211
Vela International Marine Limited	Marine management and transportation	100%	Liberia	10,768	-	174
Wisayah Global Investment Company	Investment services	100%	Saudi Arabia	296	35	2
B. Non-wholly owned:						
Aramco Gas Pipelines Company	Pipeline transport	51%	Saudi Arabia	622	-	5
Aramco Oil Pipelines Company	Pipeline transport	51%	Saudi Arabia	2	2	-
Aramco Training Services Company ⁵	Training	49%	USA	1	-	-
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd. ⁵	Development, manufacture, and marketing of high-performance rubber	50%	China	98	(17)	(1)
Johns Hopkins Aramco Healthcare Company	Healthcare	80%	Saudi Arabia	624	619	1
SA Global Sukuk Limited ⁵	Investment	0%	Cayman Islands	-	-	-
Saudi Aramco Base Oil Company ⁶	Production and sale of petroleum-based lubricants	70%	Saudi Arabia	1,904	776	31
Saudi Aramco Nabors Drilling Company ⁵	Drilling	50%	Saudi Arabia	1,136	1,901	21
Saudi Aramco Rowan Offshore Drilling Company ⁵	Drilling	50%	Saudi Arabia	622	2,386	12
S-International Ltd.	Purchasing and sale of petroleum goods	61.6%	The Independent State of Samoa	4	-	-
S-Oil Corporation	Refining	61.6%	South Korea	4,535	26,098	90
S-Oil Singapore Pte. Ltd.	Marketing support	61.6%	Singapore	33	90	1

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Percent ownership ¹	Place of business/country of incorporation	Conventional financial assets as of December 31, 2022 ^{2,3}	Conventional financial liabilities as of December 31, 2022 ³	Interest income from conventional financial assets for the year ended December 31, 2022 ³
Saudi Basic Industries Corporation ("SABIC") ⁷	Holding	70%	Saudi Arabia			
SABIC Luxembourg S.à r.l. ("SLUX")	Petrochemicals	70%	Luxembourg			
SABIC Industrial Investments Company ("SIIC")	Investments	70%	Saudi Arabia			
SABIC Agri-Nutrients Company ("SABIC AN") ⁵	Agri-nutrients	35.1%	Saudi Arabia			
SABIC Investment and Local Content Development Company ("NUSANED")	Investment	70%	Saudi Arabia			
Arabian Petrochemical Company ("PETROKEMYA")	Petrochemicals	70%	Saudi Arabia			
Saudi Iron and Steel Company ("HADEED")	Metals	70%	Saudi Arabia			
Saudi European Petrochemical Company ("IBN ZAHR")	Petrochemicals	56%	Saudi Arabia			
Jubail United Petrochemical Company ("UNITED")	Petrochemicals	52.5%	Saudi Arabia			
Saudi Methanol Company ("AR-RAZI")	Petrochemicals	52.5%	Saudi Arabia			
National Industrial Gases Company ("GAS")	Utilities	51.8%	Saudi Arabia			
Yanbu National Petrochemical Company ("YANSAB") ⁵	Petrochemicals	36.4%	Saudi Arabia			
National Methanol Company ("IBN-SINA") ⁵	Petrochemicals	35%	Saudi Arabia			
Arabian Industrial Fibers Company ("IBN RUSHD") ⁵	Petrochemicals	33.9%	Saudi Arabia			
Saudi Kayan Petrochemical Company ("SAUDI KAYAN") ⁵	Petrochemicals	24.5%	Saudi Arabia			
SABIC Innovative Plastics Argentina SRL	Petrochemicals	70%	Argentina			
SABIC High Performance Plastic ("SHPP") Argentina SRL	Specialties	70%	Argentina			
SABIC Australia Pty Ltd.	Petrochemicals	70%	Australia			
SABIC Innovative Plastics Aus GmbH	Petrochemicals	70%	Austria			
SABIC Innovative Plastics GmbH & Co. KG	Petrochemicals	70%	Austria			
SABIC Innovative Plastics South America-Indústria e Comércio de Plásticos Ltda	Petrochemicals	70%	Brazil			
SHPP South America Comércio de Plásticos Ltda	Specialties	70%	Brazil			
NV Pijpleiding Antwerpen-Limburg-Luik (PALL)	Support services	70%	Belgium			
SABIC Belgium NV	Petrochemicals	70%	Belgium			
SHPP Canada, Inc.	Specialties	70%	Canada			
SABIC Petrochemicals Canada, Inc.	Petrochemicals	70%	Canada			
SABIC Innovative Plastics (China) Co., Ltd.	Petrochemicals	70%	China			
SABIC Innovative Plastics (Chongqing) Co., Ltd.	Petrochemicals	70%	China			
SABIC Innovative Plastics International Trading (Shanghai) Ltd.	Petrochemicals	70%	China			
SABIC Innovative Plastics Management (Shanghai) Co., Ltd. ⁴	Petrochemicals	70%	China			
SHPP (Shanghai) Co., Ltd.	Specialties	70%	China			

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Percent ownership ¹	Place of business/country of incorporation	Conventional financial assets as of December 31, 2022 ^{2,3}	Conventional financial liabilities as of December 31, 2022 ³	Interest income from conventional financial assets for the year ended December 31, 2022 ³
SABIC (Shanghai) Trading Co. Ltd.	Petrochemicals	70%	China			
SABIC (China) Research & Development Co. Ltd.	Petrochemicals	70%	China			
SABIC China Holding Co. Ltd.	Petrochemicals	70%	China			
SABIC Innovative Plastics Czech s.r.o.	Petrochemicals	70%	Czech Republic			
SHPP Czech s.r.o.	Specialties	70%	Czech Republic			
SABIC Innovative Plastics Denmark Aps	Petrochemicals	70%	Denmark			
SABIC Nordic A/S	Petrochemicals	70%	Denmark			
SABIC Innovative Plastics Finland OY	Petrochemicals	70%	Finland			
SHPP Finland OY	Specialties	70%	Finland			
SABIC France S.A.S.	Petrochemicals	70%	France			
SABIC Innovative Plastics France S.A.S.	Petrochemicals	70%	France			
SHPP France S.A.S.	Specialties	70%	France			
SABIC Deutschland GmbH	Petrochemicals	70%	Germany			
SABIC Holding Deutschland GmbH	Petrochemicals	70%	Germany			
SABIC Innovative Plastics GmbH	Petrochemicals	70%	Germany			
SABIC Innovative Plastics Holding Germany GmbH	Petrochemicals	70%	Germany			
SABIC Polyolefine GmbH	Petrochemicals	70%	Germany			
SHPP Germany GmbH	Specialties	70%	Germany			
SD Verwaltungs GmbH	Administrative company	70%	Germany			
SD Lizenzverwertungs GmbH & Co KG	License company	70%	Germany			
SD Beteiligungs GmbH & Co KG	Specialties	70%	Germany			
SABIC Greece M.E.P.E. ⁴	Petrochemicals	70%	Greece			
SABIC Innovative Plastics Hong Kong Ltd.	Petrochemicals	70%	Hong Kong, China			
SABIC Innovative Plastics SIT Holding Ltd.	Petrochemicals	70%	Hong Kong, China			
SABIC Taiwan Holding Ltd.	Petrochemicals	70%	Hong Kong, China			
SHPP Hong Kong	Specialties	70%	Hong Kong, China			
SABIC Hungary Kft.	Petrochemicals	70%	Hungary			
SABIC Innovative Plastics Kereskedelmi Kft.	Petrochemicals	70%	Hungary			
SHPP Hungary Kft.	Specialties	70%	Hungary			
SABIC India Pvt Ltd.	Petrochemicals	70%	India			
SABIC Innovative Plastics India Private Ltd.	Petrochemicals	70%	India			
SABIC R&T Pvt Ltd.	Petrochemicals	70%	India			
High Performance Plastics India Pvt Ltd.	Petrochemicals	70%	India			
SABIC Innovative Plastics Italy Srl	Petrochemicals	70%	Italy			
SABIC Italia Srl	Petrochemicals	70%	Italy			
SABIC Sales Italy Srl	Specialties	70%	Italy			
SHPP Italy Srl	Specialties	70%	Italy			
SHPP Sales Italy Srl	Specialties	70%	Italy			
SHPP Japan LLC	Petrochemicals	70%	Japan			
SABIC Petrochemicals Japan LLC	Petrochemicals	70%	Japan			

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Percent ownership ¹	Place of business/country of incorporation	Conventional financial assets as of December 31, 2022 ^{2,3}	Conventional financial liabilities as of December 31, 2022 ³	Interest income from conventional financial assets for the year ended December 31, 2022 ³
SABIC Korea Ltd.	Petrochemicals	70%	South Korea			
SHPP Korea Ltd.	Specialties	70%	South Korea			
SABIC Innovative Plastics Malaysia Sdn Bhd	Petrochemicals	70%	Malaysia			
SHPP Malaysia Sdn Bhd	Specialties	70%	Malaysia			
SABIC Innovative Plastics Mexico S de RL de CV	Petrochemicals	70%	Mexico			
High Performance Plastics Manufacturing Mexico S de RL de CV	Specialties	70%	Mexico			
BV Snij-Unie HiFi	Petrochemicals	70%	Netherlands			
SABIC Capital B.V.	Financing	70%	Netherlands			
SABIC Capital I B.V.	Financing	70%	Netherlands			
SABIC Capital II B.V.	Financing	70%	Netherlands			
Petrochemical Pipeline Services B.V.	Petrochemicals	70%	Netherlands			
SABIC Europe B.V.	Petrochemicals	70%	Netherlands			
SABIC Global Technologies B.V.	Petrochemicals	70%	Netherlands			
SABIC International Holdings B.V.	Petrochemicals	70%	Netherlands			
SABIC Innovative Plastics B.V.	Petrochemicals	70%	Netherlands			
SABIC Innovative Plastics GP B.V.	Petrochemicals	70%	Netherlands			
SABIC Innovative Plastics Holding B.V.	Petrochemicals	70%	Netherlands			
SABIC Innovative Plastics Utilities B.V.	Petrochemicals	70%	Netherlands			
SABIC Licensing B.V.	Petrochemicals	70%	Netherlands			
SABIC Limburg B.V.	Petrochemicals	70%	Netherlands			
SABIC Sales Europe B.V.	Petrochemicals	70%	Netherlands			
SABIC Petrochemicals B.V.	Petrochemicals	70%	Netherlands			
SABIC Ventures B.V.	Petrochemicals	70%	Netherlands			
SABIC Mining B.V.	Petrochemicals	70%	Netherlands			
SHPP Holding B.V.	Specialties	70%	Netherlands			
SHPP Global Technologies B.V.	Specialties	70%	Netherlands			
SHPP Ventures B.V.	Specialties	70%	Netherlands			
SHPP Capital B.V.	Financing	70%	Netherlands			
SHPP Capital I B.V.	Financing	70%	Netherlands			
SHPP Capital II B.V.	Financing	70%	Netherlands			
SHPP B.V.	Specialties	70%	Netherlands			
SHPP Sales B.V.	Specialties	70%	Netherlands			
SABIC Innovative Plastics Poland Sp. Z o.o.	Petrochemicals	70%	Poland			
SABIC Poland Sp. Z o.o.	Petrochemicals	70%	Poland			
SHPP Poland Sp. Z o.o.	Specialties	70%	Poland			
LLC SABIC Eastern Europe	Petrochemicals	70%	Russia			
SABIC Innovative Plastics Rus OOO	Petrochemicals	70%	Russia			
SHPP Russia OOO	Specialties	70%	Russia			
SABIC Innovative Plastics (SEA) Pte. Ltd.	Petrochemicals	70%	Singapore			
SABIC Innovative Plastics Holding Singapore Pte. Ltd.	Petrochemicals	70%	Singapore			
SHPP Singapore Pte. Ltd.	Specialties	70%	Singapore			
SABIC Asia Pacific Pte Ltd ("SAPPL")	Petrochemicals, agri-nutrients	70%	Singapore			

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Percent ownership ¹	Place of business/country of incorporation	Conventional financial assets as of December 31, 2022 ^{2,3}	Conventional financial liabilities as of December 31, 2022 ³	Interest income from conventional financial assets for the year ended December 31, 2022 ³
SABIC Innovative Plastics Espana ScpA	Petrochemicals	70%	Spain			
SABIC Innovative Plastics GP BV, Sociedad en Comandita	Petrochemicals	70%	Spain			
SABIC Sales Spain SL	Petrochemicals	70%	Spain			
SABIC Marketing Ibérica S.A.	Petrochemicals	70%	Spain			
SHPP Manufacturing Spain SL	Specialties	70%	Spain			
SHPP Marketing Plastics SL	Specialties	70%	Spain			
Saudi Innovative Plastics Sweden AB	Petrochemicals	70%	Sweden			
SHPP Thailand Co. Ltd.	Specialties	70%	Thailand			
SABIC (Thailand) Co. Ltd.	Petrochemicals	70%	Thailand			
SHPP Petrokimya Ticaret Ltd Sirketi	Specialties	70%	Turkey			
SABIC Global Ltd.	Petrochemicals	70%	United Kingdom			
SABIC Tees Holdings Ltd.	Petrochemicals	70%	United Kingdom			
SHPP Manufacturing UK Ltd.	Specialties	70%	United Kingdom			
SABIC Innovative Plastics Ltd.	Petrochemicals	70%	United Kingdom			
SABIC UK Ltd.	Petrochemicals	70%	United Kingdom			
SABIC UK Pension Trustee Ltd.	Petrochemicals	70%	United Kingdom			
SABIC UK Petrochemicals Ltd.	Petrochemicals	70%	United Kingdom			
SHPP Sales UK Ltd.	Specialties	70%	United Kingdom			
Exatec, LLC	Petrochemicals	70%	USA			
Mt. Vernon Phenol Plant Partnership ⁴	Petrochemicals	70%	USA			
SABIC Americas LLC	Petrochemicals, agri-nutrients	70%	USA			
SABIC US Holdings LP	Petrochemicals	70%	USA			
SABIC Innovative Plastics Mt. Vernon, LLC	Petrochemicals	70%	USA			
SABIC Innovative Plastics US LLC	Petrochemicals	70%	USA			
SABIC Petrochemicals Holding US, LLC	Petrochemicals	70%	USA			
SABIC Ventures US Holdings LLC	Petrochemicals	70%	USA			
SABIC US Projects LLC	Petrochemicals	70%	USA			
SABIC Americas Growth LLC	Petrochemicals	70%	USA			
SABIC US Methanol LLC	Petrochemicals	70%	USA			
SHPP US LLC	Specialties	70%	USA			
JVSS Holding Co Inc.	Specialties	70%	USA			
Scientific Design Co. Inc.	Specialties	70%	USA			
SABIC Vietnam Company Ltd.	Petrochemicals	70%	Vietnam			
SHPP Vietnam Co Ltd	Specialties	70%	Vietnam			
SABCAP Insurance Limited ("SABCAP")	Insurance	70%	Guernsey			
SABIC Petrokemya Ticaret Limited ("SABIC TURKEY")	Petrochemicals	70%	Turkey			
SABIC Middle East Offshore Company ("SABIC MIDDLE EAST") ⁴	Petrochemicals	70%	Lebanon			
SABIC Middle East Business Management LLC	Petrochemicals	70%	Jordan			
SABIC South Africa Proprietary Ltd.	Petrochemicals	70%	South Africa			
SABIC Africa for Trade & Marketing ("S.A.E.")	Petrochemicals	70%	Egypt			
SABIC Morocco	Petrochemicals	70%	Morocco			

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

38. Subsidiaries of Saudi Arabian Oil Company continued

	Principal business activity	Percent ownership ¹	Place of business/country of incorporation	Conventional financial assets as of December 31, 2022 ^{2,3}	Conventional financial liabilities as of December 31, 2022 ³	Interest income from conventional financial assets for the year ended December 31, 2022 ³
SABIC Global Mobility Company FZ LLC ("GMC")	Personnel and other support services	70%	UAE			
SABIC Global Mobility ("GMC LLC") ⁴	Personnel and other support services	70%	UAE			
SABIC Tunisia	Petrochemicals	70%	Tunisia			
SABIC Kenya	Petrochemicals	70%	Kenya			
SABIC Pakistan (Pvt.) Ltd.	Petrochemicals	70%	Pakistan			
SABIC East Africa for Trade and Marketing LLC	Petrochemicals	70%	Egypt			
International Shipping and Transportation Co. ("ISTC")	Supply chain	69.3%	Saudi Arabia			
SABIC Supply Chain Services Limited Company ("SSCS")	Supply chain	70%	Saudi Arabia			
SABIC Terminal Services ("SABTANK")	Supply chain	63%	Saudi Arabia			
Jubail Chemical Storage and Services Company ("CHEMTANK") ⁵	Supply chain	40.6%	Saudi Arabia			
SABIC Agri-Nutrients Investment Company ("SANIC")	Agri-nutrients	70%	Saudi Arabia			
National Chemical Fertiliser Company ("IBN AL-BAYTAR") ⁵	Agri-nutrients	35.1%	Saudi Arabia			
Al-Jubail Fertiliser Company ("AL BAYRONI") ⁵	Agri-nutrients	35%	Saudi Arabia			

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

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

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

4. Under liquidation.

5. Agreements and constitutive documents provide Saudi Aramco control.

6. In December 2022, Saudi Aramco Base Oil Company ("Luberef") listed its shares on the Saudi Exchange following the successful completion of its IPO. There was no change in the Company's shareholding interest following the listing.

7. Information for conventional financial assets, liabilities and interest income from conventional financial assets not included for entities and groups listed on the Saudi Exchange.

8. Energy City Development Company and Energy City Operating Company, which are wholly owned unconsolidated structured entities, and Energy City Logistics Company, a jointly-held entity whose shares are held by Energy City Development Company, are not included in the above listing.

All amounts in millions of Saudi Riyals unless otherwise stated

39. Joint arrangements and associates of Saudi Arabian Oil Company

	Principal business activity	Percent ownership ¹	Place of business/country of incorporation	Conventional financial assets as of December 31, 2022 ^{2,3}	Conventional financial liabilities as of December 31, 2022 ³	Interest income from conventional financial assets for the year ended December 31, 2022 ³
A. Joint operations:						
Al-Khafji Joint Operations	Oil and gas exploration and production	50%	Saudi-Kuwaiti Partitioned Zone	—	—	—
Fadhl Plant Cogeneration Company	Power generation	30%	Saudi Arabia	25	567	—
Jazan Integrated Gasification and Power Company	Power systems	20%	Saudi Arabia	132	1,491	(15)
Maasvlakte Olie Terminal C.V.	Tank storage	9.6%	Netherlands	—	691	5
Maasvlakte Olie Terminal N.V.	Tank storage	16.7%	Netherlands	—	—	—
Pengerang Petrochemical Company SDN. BHD.	Petrochemicals	50%	Malaysia	53	2,515	—
Pengerang Refining Company SDN. BHD.	Refining	50%	Malaysia	52	18,619	2
Power Cogeneration Plant Company	Power generation	50%	Saudi Arabia	34	342	—
Saudi Aramco Mobil Refinery Company Ltd	Refining	50%	Saudi Arabia	886	2,027	16
Saudi Aramco Total Refining and Petrochemical Company ⁴	Refining/petrochemicals	62.5%	Saudi Arabia	3,238	6,509	70
Tanajib Cogeneration Power Company	Power systems	40%	Saudi Arabia	13	496	—
Yanbu Aramco Sinopec Refining Company Limited ⁴	Refining	62.5%	Saudi Arabia	2,230	3,863	—
Geismar ⁵	Petrochemicals	8%	USA			
Gulf Coast Growth Venture LLC ("GCGV") ⁵	Petrochemicals	35%	USA			
Saudi Acrylic Butanol Company ("SABUCO") ⁵	Petrochemicals	8.2%	Saudi Arabia			
Saudi Methacrylates Company ("SAMAC") ⁵	Petrochemicals	35%	Saudi Arabia			
B. Joint ventures:						
AIR BP Aramco Poland sp. z o.o.	Aviation fuels	50%	Poland	71	69	—
Arabian Rig Manufacturing Company	Rig manufacturing	30%	Saudi Arabia	109	1,163	—
First Coast Energy, L.L.P.	Marketing	50%	USA	51	358	—
Huajin Aramco Petrochemical Co., Ltd.	Petrochemicals	35%	China	—	—	—
Jasara Program Management Company	Engineering services	20%	Saudi Arabia	209	66	—
Juniper Ventures of Texas LLC	Marketing	60%	USA	14	24	—
Middle East Cloud and Digital Transformation Company Limited	Information technology	51%	Saudi Arabia	—	—	—
Middle East Information Technology Solutions	Information technology	49%	Saudi Arabia	85	—	—
Novel Non-Metallic Solutions Manufacturing	Manufacturing	50%	Saudi Arabia	188	—	—
Port Neches Link LLC	Pipelines	5%	USA	—	—	—
Sadara Chemical Company	Petrochemicals	65%	Saudi Arabia	7,355	41,001	48
Saudi Arabian Industrial Investment Company	Investment	42.5%	Saudi Arabia	1,229	18	33
Saudi Engines Manufacturing Company	Manufacturing	55%	Saudi Arabia	92	10	—
Saudi Silk Road Industrial Services Company	Investment services	20%	Saudi Arabia	106	8	—
S-OIL TotalEnergies Lubricants Co., Ltd.	Lubricants production and sales	30.8%	South Korea	198	303	—
Star Enterprise ⁶	Pension administration	50%	USA	4	10	—
Tas'helat Marketing Company	Marketing	50%	Saudi Arabia	201	188	—

Notes to the consolidated financial statements continued

All amounts in millions of Saudi Riyals unless otherwise stated

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

	Principal business activity	Percent ownership ¹	Place of business/ country of incorporation	Conventional financial assets as of December 31, 2022 ^{2,3}	Conventional financial liabilities as of December 31, 2022 ³	Interest income from conventional financial assets for the year ended December 31, 2022 ³
Tuwaiq Casting & Forging Company	Metals	15%	Saudi Arabia	41	125	—
Advanced Energy Storage System Investment Company ("AESSIC") ⁵	Renewable energy	34.1%	Saudi Arabia			
Al-Jubail Petrochemical Company ("Kemya") ⁵	Petrochemicals	35%	Saudi Arabia			
Cosmar Company ("COSMAR") ⁵	Petrochemicals	35%	USA			
Eastern Petrochemical Company ("Sharq") ⁵	Petrochemicals	35%	Saudi Arabia			
Isotopes Company ("IHC") ⁵	Machinery equipment	9%	Saudi Arabia			
SABIC Fujian Petrochemicals Co., Ltd. ("FUJIAN") ⁵	Petrochemicals	35.7%	China			
SABIC Plastic Energy Advanced Recycling BV ("SPEAR") ⁵	Petrochemicals	35%	Netherlands			
SABIC SK Nexcelene Company Pte. Ltd. ("SSNC") ⁵	Petrochemicals	35%	Singapore			
Saudi Pallet Manufacturing Company ("SPMC") ⁵	Logistic	21.4%	Saudi Arabia			
Saudi Yanbu Petrochemical Company ("Yanpet") ⁵	Petrochemicals	35%	Saudi Arabia			
Sinopec SABIC Tianjin Petrochemical Company Limited ("SSTPC") ⁵	Petrochemicals	35%	China			
Utility Support Group B.V. ("USG") ⁵	Utilities	35%	Netherlands			
C. Associates:						
BP AOC Pumpstation Maatschap	Storage	50%	Netherlands	—	—	—
BP ESSO AOC Maatschap	Storage	34.4%	Netherlands	—	—	—
Fuel Cell Innovation Co., Ltd.	Fuel cell manufacturing	12.3%	South Korea	3	24	—
Fujian Refining and Petrochemical Company Limited	Refining/ petrochemicals	25%	China	4,296	7,829	60
GCC Electrical Equipment Testing Lab	Inspection	20%	Saudi Arabia	97	40	—
Hyundai Oilbank Co., Ltd.	Refining/ marketing/ petrochemicals	17%	South Korea	9,940	35,074	183
International Maritime Industries Company	Maritime	40.1%	Saudi Arabia British Virgin Islands	857	519	6
Lukoil Saudi Arabia Energy Limited ⁶	Exploration	20%	Saudi Arabia	—	—	—
Power and Water Utility Company for Jubail and Yanbu ⁵	Utilities	29.8%	Saudi Arabia	—	—	—
Rabigh Refining and Petrochemical Company ⁵	Refining/ petrochemicals	37.5%	Saudi Arabia			
Rafineria Gdanska sp. z o.o.	Refining	30%	Poland	365	721	2
Sinopec Senmei (Fujian) Petroleum Company Limited	Marketing/ petrochemicals	22.5%	China	2,633	5,603	47
Sudair 1 Holding Company	Holding	30.3%	Saudi Arabia	—	—	—
Team Terminal B.V.	Storage	34.4%	Netherlands	—	—	—
The National Shipping Company of Saudi Arabia ⁵	Global logistics services	20%	Saudi Arabia			
Aluminium Bahrain BSC ("ALBA") ⁵	Aluminum	14.4%	Bahrain			
ARG mbH & Co KG ("ARG") ⁵	Transportation	17.5%	Germany			
ARG Verwaltungs GmbH ⁵	Administrative company	17.5%	Germany			
Clariant AG ("Clariant") ⁵	Specialty chemical	22.1%	Switzerland			
German Pipeline Development Company GMBH ("GPDC") ⁵	Transportation	27.3%	Germany			
Gulf Aluminum and Rolling Mills Company ("GARMCO") ⁵	Aluminum	21.3%	Bahrain			

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

	Principal business activity	Percent ownership ¹	Place of business/country of incorporation	Conventional financial assets as of December 31, 2022 ^{2,3}	Conventional financial liabilities as of December 31, 2022 ³	Interest income from conventional financial assets for the year ended December 31, 2022 ³
Gulf Petrochemical Industries Company ("GPIC") ⁵	Agri-nutrients, petrochemicals	11.7%	Bahrain			
Ma'aden Phosphate Company ("MPC") ⁵	Agri-nutrients	21%	Saudi Arabia			
Ma'aden Wa'ad Al Shamal Phosphate Company ("MWSPC") ⁵	Agri-nutrients	10.5%	Saudi Arabia			
Mallinda, Inc. ("MALLINDA") ⁵	Ventures	18.3%	USA			
Mauritania Saudi Mining & Steel Company S.A. ("TAKAMUL") ⁵	Mining (metal)	35%	Mauritania			
National Chemical Carrier Company ("NCC") ⁵	Transportation	14%	Saudi Arabia			
Nusaned Fund I ⁵	Equity investments	35%	Saudi Arabia			
Nusaned Fund II ⁵	Equity investments	42%	Saudi Arabia			

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

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

3. Represents Saudi Aramco's share of conventional financial assets, financial liabilities and interest income.

4. Agreements and constitutive documents do not give a single shareholder control; therefore, the joint operation does not qualify as a subsidiary.

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

6. Under liquidation.

40. Events after the reporting period

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

On January 19, 2023, Saudi Aramco received SAR 15,563 in respect of the second tranche of the financing arrangement with JIGPC (Notes 20(h), 35(b)). The remaining amount of SAR 1,968 under the financing arrangement is expected to be received by the end of 2023.

(b) Valvoline Inc.'s global products business

On March 1, 2023, Aramco Overseas Company B.V. ("AOC"), a wholly owned subsidiary of the Company, closed the transaction for the acquisition of a 100% equity interest in Valvoline Inc.'s global products business ("VGP Holdings LLC"). The purchase price is SAR 9,938 (\$2,650) in cash, subject to certain customary adjustments. VGP Holdings LLC is a leading worldwide independent producer and distributor of premium branded automotive, commercial and industrial lubricants, and automotive chemicals. This strategic acquisition will complement Saudi Aramco's line of premium branded lubricant products, optimize its global base oils production capabilities, and expand its own research and development activities and partnerships with original equipment manufacturers.

The transaction resulted in Saudi Aramco obtaining control of VGP Holdings LLC. Saudi Aramco accounts for acquisitions of subsidiaries using the acquisition method of accounting. This requires recognition of the assets acquired and liabilities assumed at fair value as of the acquisition date. Due to the timing of the acquisition, the initial accounting for the business combination has not been completed at the time the consolidated financial statements were authorized for issuance.

(c) Private Sector Partnership Reinforcement Program ("Shareek")

On March 1, 2023, it was announced that Saudi Aramco executed the Shareek Support Framework Agreement (the "Agreement") with Shareek. The Agreement sets out the eligibility conditions that Saudi Aramco would need to satisfy in order to voluntarily apply for and receive incentives from Shareek. Saudi Aramco intends to utilize these incentives to expand its business and strengthen its supply chain in the Kingdom. To maintain eligibility for Shareek incentives, Saudi Aramco would need to, among other conditions, deploy certain of its capital and operational expenditure in the Kingdom until 2030. Any incentives received are subject to such eligibility conditions being met.

(d) Partial prepayment of deferred consideration to PIF

On March 7, 2023, the Company agreed with PIF to make a third partial prepayment of SAR 59,040 (\$15,744) on or before March 15, 2023. This partial prepayment will fully reduce the outstanding principal amount of SAR 13,125 (\$3,500) of the promissory note payable on or before April 7, 2024, and will partially reduce the outstanding principal amounts of the promissory notes payable on or before April 7, 2025, and April 7, 2026, by SAR 14,438 (\$3,850) and SAR 21,562 (\$5,750), respectively. The outstanding amounts of the loan charge promissory notes payable between 2024 and 2028, aggregating to SAR 18,375 (\$4,900), will also be fully reduced (Note 20). This partial prepayment will result in a gain of approximately SAR 4,635 (\$1,236).

