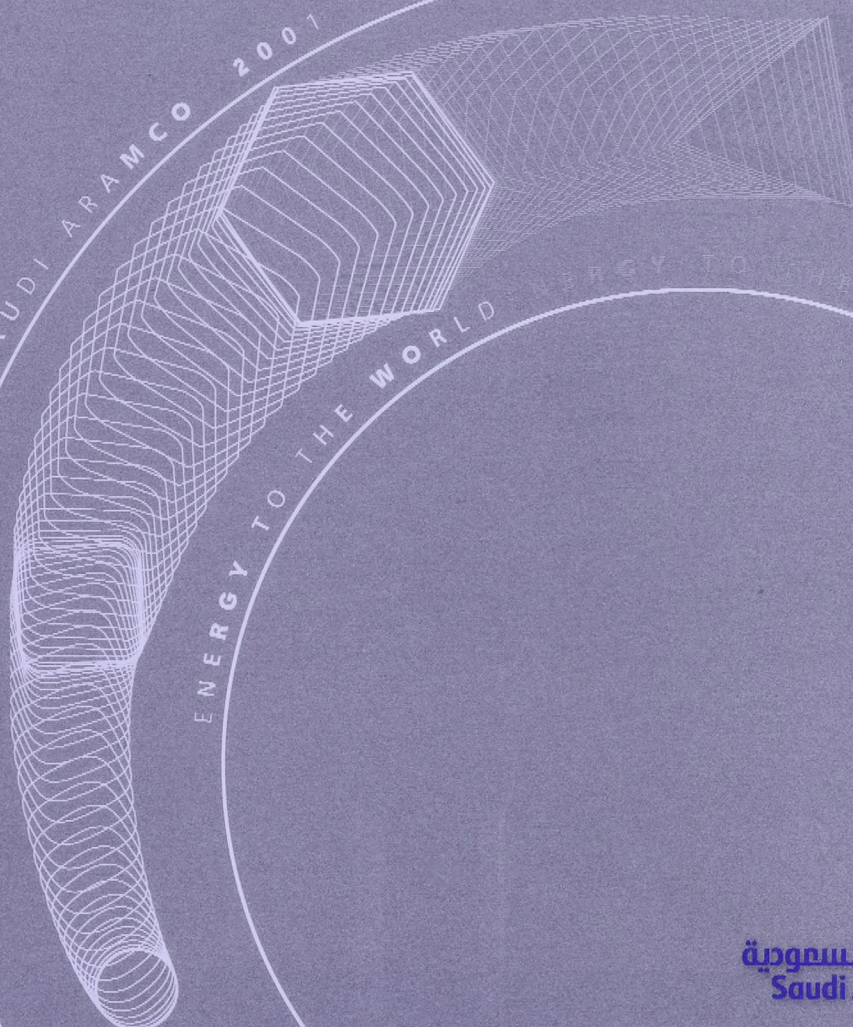


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SAUDI ARAMCO 2001
TRANSFORMATION
ENERGY TO THE WORLD



ارامكو السعودية
Saudi Aramco



ARAB WORLD
DOCUMENTATION UNIT
EXETER UNIVERSITY
26 MAR 2003



The Custodian of the Two Holy Mosques
King Fahd ibn 'Abd al-'Aziz Al Sa'ud



The Crown Prince, First Deputy Prime Minister and Head of the National Guard
His Royal Highness Amir 'Abd Allah ibn 'Abd al-'Aziz Al Sa'ud

OUR BOARD OF DIRECTORS



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CHAIRMAN'S FOREWORD



Minister of Petroleum & Mineral Resources and Chairman of the Board of Directors

H.E. Ali I. Al-Naimi

It is a truism that the greatest moments of an individual or organization often come during times of adversity. Over the years, I have found that to be the case with the Saudi Arabian Oil Company (Saudi Aramco), an enterprise whose people are motivated by challenges and who perform at the highest level when the going gets tough. We saw this vividly illustrated during the Gulf conflict of 1990-91. And we saw it again in 2001, when the world was hit with economic recession, declining oil prices and international crisis.

Despite the difficulties of this past year, Saudi Aramco managed to achieve great things once again, as this report will demonstrate. Most importantly from a global economic perspective, the company met the crude oil requirements of the world market and maintained sufficient excess capacity to assure flexibility and responsiveness in the face of market uncertainties.

From a Saudi Arabian domestic perspective, Saudi Aramco responded to the present and future needs of the Kingdom's own economy and pursued its Gas Initiative with great vigor. New deep gas discoveries were announced, and a major addition to the country's Master Gas System, the Hawiyah Gas Plant in the Ghawar field, began supplying fuel and petrochemical feedstock to the marketplace. Simultaneously, construction continued on a sister gas plant at Haradh, due to come on stream in 2003.

Saudi Aramco's dedication to serving the needs of the domestic economy is unwavering. More than two decades ago the company built the mammoth Master Gas System (MGS), demonstrating the depth of its commitment to provide local industries with the fuel and feedstock necessary for economic growth. The system proved to be a great success, and that very success required expansion of the

MGS, to meet the needs of the future. Today, Saudi Aramco renews its pledge with world-class gas processing facilities that will keep the domestic economy on a steady, upward track for many years to come.

Saudi Aramco has also begun discussions with the international oil companies (IOCs) invited by the Kingdom's leadership to participate in upstream and downstream gas activities and other energy-related ventures. The final agreements that emerge from these talks will lead to projects for further development of the Kingdom's gas resources. Saudi Aramco welcomes the IOCs and looks forward to cooperating with them for the betterment of the Kingdom's economy and fulfillment of our mutual business objectives.

Finally, I congratulate the management and employees of Saudi Aramco, for working together through difficult times and uncertain market conditions to achieve the substantial progress related in this report. The professionalism and dedication you have shown throughout the year bring credit not only upon yourselves, but upon the Kingdom of Saudi Arabia and the energy industry as a whole. For your perseverance, creativity and just plain hard work, we offer our deepest thanks.

A stylized signature of Ali I. Al-Naimi in black ink.

Ali I. Al-Naimi
Minister of Petroleum & Mineral Resources
and Chairman of the Board of Directors

P R E S I D E N T ' S M E S S A G E



President and Chief Executive Officer

Abdallah S. Jum'ah

Saudi Aramco performed to high expectations in 2001, meeting all its objectives and advancing well in a number of significant operations. While the year was beset with global challenges and more than its share of trouble spots, the company firmly remained committed to its mission of supplying crude oil, NGLs and refined products to its many customers around the world.

Importantly, 2001 was a year of transformation - a period in which Saudi Aramco realized remarkable changes in preparing for future business demands. These changes were overwhelmingly positive: new technologies to transform existing systems, the start-up of landmark gas development projects, and bright new opportunities to help employees pursue their career progress.

For such forward strides to take place, Saudi Aramco continued steadily on the fundamental values which have assured its success for so many years. Unerring dedication to the jobs at hand, an outlook of optimism and the resolve to accomplish beyond the ordinary were employee traits that again prevailed throughout 2001.

Likewise, the company's Board of Directors, under the chairmanship of HE Ali I. Al-Naimi, Minister of Petroleum & Mineral Resources, ably implemented Saudi Aramco's aggressive business plans through the strength of our outstanding management team. We again looked to the combined efforts of all - including our more than 54,000 employees - to mark the year's achievements.

A particular star in this year of transformation was the start-up of the Hawiyah Gas Plant, a mega-project that symbolizes the future of natural gas in the Kingdom. Brought on stream ahead of schedule and under budget, this magnificent facility is the first of two major new plants to process exclusively non-associated gas to fuel rapid industrial growth nationwide.

Teamwork also tackled another tremendous effort - the implementation of SAP to unify and expedite critical corporate business management systems. Capped by an enthusiastic "Big Bang" roll-out of two key modules near year-end, SAP virtually completed launching of the largest-ever transformation of the company's day-to-day operating procedures.

The "Year of Self-Development" marked 2001 as a turning point in the lives of Saudi Aramco employees. Introduced to a new world of computer-based, self-paced learning opportunities, individuals were offered the chance to take charge of their own training needs, personalizing their career plans through such innovations as distance learning and desktop studies.

Applied technologies abounded in Saudi Aramco during 2001, with all areas of operations - upstream to downstream - marking improvements. Our landmark new Research & Development Center opened its first phase, while other advances were measurable throughout the company's domestic and international scope.

This year of transformation was also a solid year of preparation. Recognizing its responsibilities as a world-leading energy provider, Saudi Aramco dedicated its best resources toward meeting the challenges ahead. I am pleased to report these efforts helped us draw 2001 to a close with continued full confidence in our abilities.

Abdallah S. Jum'ah
President and Chief Executive Officer



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THE YEAR IN BRIEF



As a prime provider of energy to the world, Saudi Aramco gathered significant strength in 2001, ending the year in near-peak condition. Its mission was met with confidence, building on the achievements of years past and preparing for the future with the talent, tools and technologies of a true leader.

Service remained a key driver throughout 2001 – service to the Kingdom of Saudi Arabia and service to the millions of people worldwide who depend on Saudi petroleum products. Yet for all its dependability, Saudi Aramco also embraced another dynamic sure to define the years ahead: *transformation*.



Distributing energy to the world requires a massive processing and distribution network. A portion of the massive Hudeybah Gas Program, completed this year, is shown during construction.

Transformation is the very essence of the energy industry. Converting raw hydrocarbons into products of vast versatility has required no less than all the industry's efforts of the past century. Even as oil and gas experts developed the processes, transformation has shaped the companies themselves. Change indeed has been their biggest challenge.

But change is also the prerequisite of progress, and Saudi Aramco began 2001 with a full slate of transformational projects. Chief among them was progress on the gas development front. The Kingdom's Gas activity engaged Saudi Aramco at the highest level throughout the year, culminating in completion of the first of two major gas plants and significant forward strides on related projects.

Natural gas is the centerpiece of Saudi Arabia's future. With international oil company investments and the solid foundation of the Master Gas System, the Kingdom has envisioned gas to lead the way in domestic development. Plans include extensive upstream and downstream projects, new power generation and water treatment systems and, most



Gas plants such as this one are critical to Saudi Arabia's development.

importantly, exciting economic opportunities for Saudi citizens.

Saudi Aramco intensified its role in the gas program during 2001. Around-the-clock work allowed the Hawiyah Gas Plant to come on stream in the third quarter, four months ahead of schedule and under budget. With its sister plant at Haradh well under construction by year-end, the two grassroots facilities will add 2.9 billion standard cubic feet of processed gas to the greatly expanded Master Gas System – itself the largest project of its kind when commissioned more than 20 years ago.

The surge in natural gas use will be met by reserves developed entirely independent from oil. These non-associated gas volumes, reached largely at depths well below oil-producing zones, are the core resource for the Kingdom's gas projects. Saudi Aramco remained busy throughout 2001 at selective exploration and production sites in support of this effort.

TRANSFORMATION

Through Business System Integration

While significant progress was made in the gas development area, Saudi Aramco marked other notable milestones in the past year of transformation. Basic business efficiencies were heightened through a series of applied programs advanced by the company's Information Technology organization. All were designed to streamline important corporate functions by way of integrating and simplifying complex procedures.

One such project was the Business System Integration Program (BSIP). By consolidating more



Abdulaziz Almutairi looks over a flashchart of flow data views through the SCM Component of SAP.

Information Technology (IT) and computers permeate Saudi Aramco operations. From geoscientists located in Dhahran sending immediate geo-steering instructions to a rig located in a remote corner of the Kingdom to providing computer-based training, distance learning and desktop video conferencing, the company and its employees are committed to using technology to enhance operations and cut costs.



While significant progress was made in the gas development area, Saudi Aramco marked other notable milestones in the past year of transformation. Basic business efficiencies were heightened through a series of applied programs advanced by the company's Information Technology organization. All were designed to streamline important corporate functions by way of integrating and simplifying complex procedures.

One such project was the Business System Integration Program (BSIP). By consolidating more



than 250 separate systems into one, BSIP broadened capabilities and increased operational efficiencies.

For example, a console operator at Ras Tanura Refinery can forecast with far greater accuracy the bottom-line effect of production run changes and other factors on future plant requirements, as well as better coordinate with other company refineries.



Saudi Aramco's operations use some of the world's most sophisticated computers and information technologies.

On December 29, 2001, a key business integration program reached a major milestone. On that day, the Business Systems Integration Program (BSIP) successfully incorporated numerous business systems into one and completed implementation of all the major modules of SAP, an Enterprise Resource System, to run day-to-day operations. This is one of Saudi Aramco's most ambitious business process programs ever. BSIP replaced 270 legacy computer systems with one and cut the access time for some critical documentation from days to minutes.

BSIP has taken many years of dedicated work by thousands of people in a multitude of disciplines and departments. Each has worked tirelessly, and each has grown as a result of their participation in the program. AbdulRauf Allarakia, administrator of the Supply Chain Management Design Team, is one of them. The experiences he gained leading the Supply Chain Management team provide valuable insight into this significant event and practical lessons for the company.

The Supply Chain Management (SCM) component is used to manage the vast inventory of goods that Saudi Aramco needs to conduct daily business. It required integration between many modules and materials vendors worldwide, and it required development of an electronic catalog containing the description, specification and price of more than 700,000 items.

The scale of BSIP has more than 23,000 users in the Kingdom and in the company's international offices. The system contains more than 150 million master data records and can handle more than 3,000 concurrent users.

"One key to the success of the Business Systems Integration Program was that we were able to match the right people with the right skills to the right jobs. When they needed further skills, we gave them full support to obtain these additional skills and knowledge," says Allarakia. "Another key is that project personnel were provided in-depth knowledge of the Saudi Aramco business processes we were working to improve. This allowed us to develop a system that truly enhanced those processes and moved company resource management activities well into the 21st century."

The year 2001 also saw major thrusts in Saudi Aramco's implementation of SAP; a key step in transforming the company's information management systems. Used by more than half of the world's Fortune 500 companies, SAP (Systems, Applications and Products) is a module-based program that facilitates information flow. Saudi Aramco neared completion of its SAP integration by year-end, including the successful "Big Bang" roll-out of two of the most complex SAP modules ever attempted – finance and logistics.



The Exploration and Petroleum Engineering Center located at the Dhahran headquarters. It is one of the most powerful geosciences supercomputer complexes in the industry.

The power of computer technology advanced as well on other fronts for Saudi Aramco during 2001.

Supporting its field operations and assuring that Saudi Aramco is wired to meet its worldwide business objectives, the company completed new facilities at the Exploration and Petroleum Engineering Computer Center, one of the most powerful geosciences supercomputer complexes in the industry.

Further stepping up its technical capabilities, the company inaugurated the first phase of a new Research & Development Center, a state-of-the-art facility equipped to perform key scientific research and testing programs. The center was designed to secure Saudi Aramco's leading position in cost-saving petroleum developments through innovative new technologies.

To reap the benefits of such advances, of course, requires the dedication of people willing to stretch their own abilities. Saudi Aramco poured immense resources into its most highly valued resource of all – company employees – throughout 2001.

More than 10 million man hours of training time, skills enhancement and career development were invested in company people – an investment with dividends payable in ever-higher performance.

Proclaimed as the Year of Self-Development, 2001 was dedicated to the ideal that Saudi Aramco employees take charge of their own careers. Self-learning opportunities on a scale never before possible were

offered, enabling a natural, maturing evolution from traditional classroom instruction to an almost unlimited array of computer-based education and training programs.



Exhibits such as this one were conducted to increase employee awareness of the many self-development resources available throughout the company.



This SAP team is one of many that have worked tirelessly to ensure that the Business Systems Integration Program is a success.



Saudi Aramco employees using some of the many company resources available for professional and personal development.

Saudi Aramco fully supported the initiative by providing resources through 41 Learning Centers at convenient locations company-wide. While scheduled company-sponsored programs assured continuity, self-development in 2001 – attainable through personal computers – added a broad new dimension. Such distance learning and self-paced developments added greatly to a year of transformation.



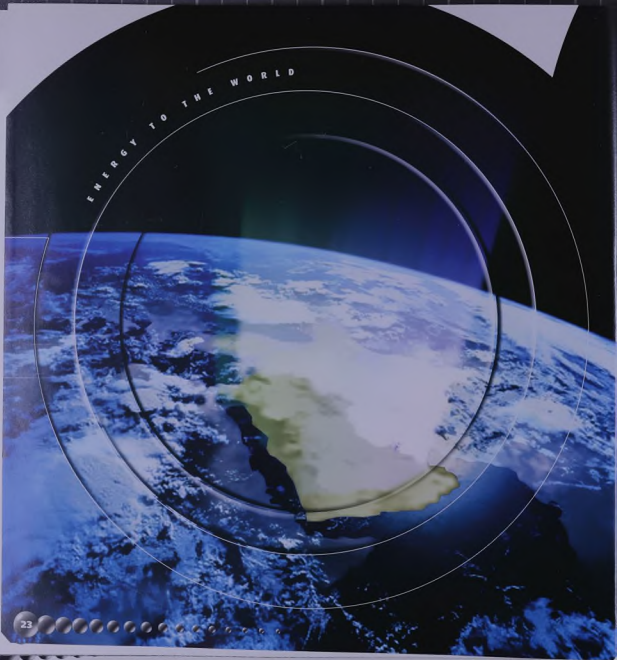
Taking responsibility in another area as well, Saudi Aramco completed 2001 on a high environmental note. Measures to safeguard the Kingdom's land, air and water resources remained a priority year-round, resulting in an outstanding record. By introducing unleaded-only motor fuel a full year ahead of the Gulf Cooperation Council's deadline, Saudi Aramco also advanced an important step in public health protection.

Above all, Saudi Aramco remained dedicated to its mission. As a reliable energy provider with incomparable capabilities in a competitive industry, it firmly secured its leadership rank. And as a corporate

citizen, the company worked diligently throughout the year to fulfill every obligation – in its homeland and around the world. The following presents a more detailed view of 2001, truly a year of transformation.



Saudi Aramco keeps its safety and environmental protection equipment and personnel in a constant state of readiness at both its land and marine facilities.



For nearly 70 years, Saudi Aramco has been a master of the trade in hydrocarbon exploration and production. This achievement has accrued tremendous benefits to Saudi Arabia as well as all nations who rely on Saudi petroleum resources for their energy needs. The influential *Petroleum Intelligence Weekly* in 2001 named Saudi Aramco the world's leader in crude oil reserves and production, a notable recognition in light of increasing world competition.

In 2001, the company produced 2,763,282,629 barrels of crude oil, an average of about 7.6 million bpd, while maintaining its crude oil and condensate reserves at 259.3 billion barrels. This placed Saudi Aramco in the enviable position of replacing its huge annual production with new-found reserves – a recurring feat owed to dedicated employees who combine experience with advanced technologies to achieve such a challenging goal.

Hydrocarbon exploration, production and distribution take place throughout much of the vast desert areas of Saudi Arabia.

On average, 6 million barrels of crude oil per day were exported, amounting to 2.18 billion barrels for the year. Sales to the Asian and United States markets increased, while sales to Europe decreased slightly and exports to other regions remained steady.

Premium crude oil grades – Arabian Super Light, Extra Light and Light – contributed 78 percent of total production. This slate maximized revenues while meeting customers' requirements for Arabian Medium and Heavy crude oil grades.

Domestically, Saudi Aramco's refineries maintained the previous year's throughput levels while continuing value-added programs to produce better cost and energy efficiencies. The five wholly owned refineries averaged 1.43 million barrels per day, and Saudi Aramco's 50 percent share of the two in-Kingdom joint venture refineries averaged another 319 thousand bpd. Domestic refined product requirements averaged 956 thousand bpd, including volumes dedicated to strategic storage.

Discoveries during the year were highlighted by *Jufayn*, a combined oil and gas find located east of the giant Ghawar field. More than 100 wells were tied in, enhancing oil production and spurring continued exploratory work in the area. These discoveries, in addition to reservoir studies and delineation drilling in existing fields, added 5.5 trillion scf of gas to reserves in addition to replacing annual oil and gas depletion.



Saudi Aramco operates a fleet of marine vessels and numerous jack-up barges to service and maintain its offshore O&G's, oil platforms and well heads.

Offshore, attention focused on the Qatif and Abu Sa'fah fields, two large oil and gas programs utilizing Saudi Aramco's proprietary Parallel Oil Water Reservoir Simulation software to guide field development.

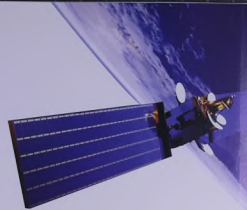
Exploratory efforts were enhanced in other practical ways during 2001. One of the largest aero-magnetic surveys ever conducted was begun, using low-flying aircraft to measure subsurface magnetic fields. Data collected will be used to determine multiple sedimentary features in deep Paleozoic reservoirs and other potential gas-bearing structures.



The Remotely Operated Vehicle is deployed to inspect underwater pipelines and infrastructure, while satellites are used to facilitate communications.

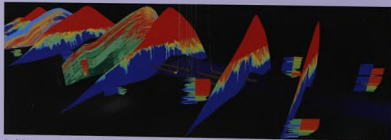
Communication across so vast an expanse of land and coastal waters as Saudi Arabia poses a constant challenge. To overcome such difficulties, the company relied on VSAT satellite communications to link remote areas with Dhahran headquarters. Capabilities were expanded to enable real-time transmission of well data from the field to geoscientists, improving "live" monitoring and control during drilling operations.

Another method used by Saudi Aramco in 2001 – a Remotely Operated Vehicle (ROV) or robot mini-sub – improved offshore safety and efficiency. This device tracks underwater pipelines and other sub-sea facilities as a routine inspection measure. Divers are now needed only if the ROV detects something that needs repair or closer examination.



GAS ACTIVITIES

Natural gas has been a key element of the Kingdom's transformation process. Moving from satisfying domestic needs as they existed in the recent past, the nation is now launching major new efforts to build its future on this versatile natural resource and strive toward new aspirations in its economic development. By year-end 2001, the Kingdom's known gas reserves stood at 224.2 trillion standard cubic feet, of which 87.9 trillion scf, or 39 percent, was non-associated gas. In addition to the discovery of Jufayn and other fields, Saudi Aramco geoscientists using precise 3D seismic data confirmed the existence of a link



Saudi Aramco uses 3-D visualization in developing and managing its many hydrocarbon fields and reserves.

between the Ghazal and Mazalij fields, improving their production efficiency.

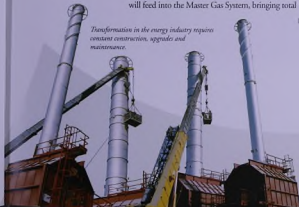
Saudi Aramco produced 1.94 trillion scf of gas during 2001, a 10 percent increase over 2000 due primarily to the early completion of the Hawiyah Gas Plant. Recovery of natural gas liquids (NGLs) totaled 292 million barrels for the year, 7 million barrels above the previous year following higher gas production. Sulfur recovery increased to 2.35 million tons for the year, also owing to higher rates of Khuff gas production.

Start-up of the Hawiyah Gas Plant, combined with rapid progress at the Haradh Gas Plant site, significantly advanced the company's gas program during 2001. By September, non-associated gas from 44 deep Khuff wells was brought into production, processed through Hawiyah at the rate of 1.4 billion scf per day and delivered to the Master Gas System. Success of the program was attributed to exceptional planning and cooperation from a multinational project team.

Concurrently, existing gas plant capacity was increased, with a debottlenecking project at Shedgum upping daily capacity by 400 million scf and allowing more flexibility to handle non-associated Khuff gas. At year-end, the company's total gas processing capacity was 8 billion scf per day, a 73 percent increase over the past five years.

When the Haradh Gas Plant is brought on-stream in 2003, an additional 1.5 billion std of non-associated gas will feed into the Master Gas System, bringing total

Transformation in the energy industry requires constant construction, upgrades and maintenance.



TRANSFORMATION Through Power Generation

The Hawiyah Gas Program is a Saudi Aramco success story of mega proportions. The first of the Kingdom's facilities to process only non-associated gas — gas that is not linked to oil production — the Hawiyah Program provides 1.4 billion cubic feet of dry gas to Saudi Arabia's Master Gas System each day. When used to generate electricity, this amount of gas is enough to provide the daily power needs of a city of about 6 million people.

By the end of 2002, the Hawiyah Program will have boosted the Kingdom's gas supply by more than 30 percent. Adding one-third additional gas supply to a system that is already supplied by two of the world's largest gas processing plants, 'Uthmaniyah and Shedgum, is a major achievement.

What follows is one person's perspective on how this accomplishment was achieved and the lessons learned from being part of this huge undertaking.



The efforts of many people, including Abdullah Al-Saleh pictured here, are what made construction of the Hawiyah Gas Program a success.

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When the Haradh Gas Plant is brought on-stream in 2003, an additional 1.5 billion scf of non-associated gas will feed into the Master Gas System, bringing total

capacity to well over 9 billion scf per day. These two mega-projects, the Kingdom's first solely dedicated to handling non-associated gas, join four existing plants and a network of significantly enhanced MGS facilities to support the nation's long-term gas objectives.

Toward that end, Saudi Aramco also provided key expertise and information to the Kingdom's representatives negotiating with select foreign investors. These International Oil Companies (IOCs) were pre-qualified to participate in a series of core ventures to develop a broad range of upstream and downstream projects.

These ventures include multiple projects in the Southern Ghawar area, the Southern Rub' al-Khali and the northwestern Red Sea coastal region. In addition to playing a significant role in reviewing the IOC proposals, Saudi Aramco established a specialized data center with relevant technical information.

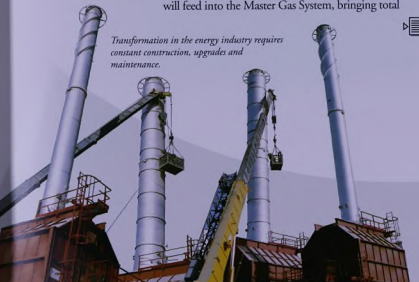
The Hawiyah Gas Program is a story of commitment and professionalism that ranks among the best, and Abdullah Al-Saleh, project manager, was with the program since its inception. "We measured success on safety, quality, meeting deadlines and staying within budget, and the Hawiyah Program easily met these criteria," says Al-Saleh. "It also gave us another important success criterion—synergy, which was a major factor in this project. Everyone involved in the program readily contributed their skills and knowledge to achieve this incredible accomplishment."

Another reason for the program's success, Al-Saleh says, was the extra effort put into ensuring that the proposal was as complete, clear and concise as possible. "This extra front-end effort paid dividends throughout the project," he notes. "Building a gas processing plant requires sophisticated engineering and precise specifications because it will be handling a highly flammable product. Mistakes can be costly in terms of people and materials. The proposal provided a complete road map that gave everyone clear direction."

With clear direction in hand, an integrated team was set up representing most major disciplines and organizations in Saudi Aramco. Vital to this team were the people who would operate the gas plant once it was completed. "These people were involved in planning and constructing the plant, and they brought practical operations knowledge to the project," recalls Al-Saleh. "Everyone pulled together and took ownership. Saudi Aramco set high quality, safety and material standards, and we met or exceeded them all."

The integrated team concept was expanded during design and construction to include the contractors who joined the program. Project and contractor personnel conducted biweekly dinners, and CEO meetings brought together Saudi Aramco's chief executive officer and other senior Saudi Aramco management with their counterparts at the contractor companies. All parties made daily efforts to strengthen relationships so that when a problem was encountered, everyone easily worked together to find the most effective solution.

"This project showed me that extra up-front effort pays rich dividends," said Al-Saleh, "and it showed me the power and value of building grassroots consensus among all stakeholders and establishing strong relationships built on trust and integrity."



Transformation in the energy industry requires constant construction, upgrades and maintenance.

SERVICE WITH RELIABILITY



The Saudi Aramco refinery at Ras Tanura.

The year of transformation extended across-the-board in Saudi Aramco during 2001. Benefiting from a recently improved distribution system that includes new bulk planes and pipelines, Saudi Aramco measured a higher level of efficiency in moving its products to market. This resulted in faster product deliveries and better service to its domestic customers.

Saudi Aramco also assumed a greater management role in the Kingdom's strategic storage system, adding the second of five planned sites to its responsibility in 2001. The system provides readily accessible petroleum products in the event of a national emergency, and is supplied through Saudi

Aramco's dedicated distribution channels.

Internationally, the company marked a number of achievements that will prepare it for further growth opportunities and assured reliability. Wholly owned subsidiary Aramco Overseas Company, based in Leiden, The Netherlands, completed a joint feasibility study with ExxonMobil China Petroleum and Fujian PetroChemical Co. Ltd. When approved by the State Development Planning Commission of the People's Republic of China, the project will entail development of a petroleum/petrochemical complex in Quangan, Fujian Province.

Another Saudi Aramco subsidiary, Saudi Refining Inc. in Houston, Texas, inked an agreement with Shell and Texaco whereby SRI and Shell agreed to purchase Texaco's share in Motiva Enterprises LLC. When the purchase is completed, SRI and Shell will each own 50 percent of Motiva. In a subsequent move, Motiva signed an agreement with one of North America's largest retailers of diesel fuel to develop a chain of travel centers.



Avin is the retailing affiliate of Motor Oil (Hellas) in Greece, one of Saudi Aramco's joint ventures.

Motor Oil (Hellas) in Greece, a public company in which Saudi Aramco holds 41.9 percent interest, improved gross margins from efficiencies resulting from its refinery upgrade of 2000, undertaken to meet more stringent European Union fuel quality standards.

Another significant upgrade, at S-Oil's Omsan, Republic of Korea refinery, proceeded well during 2001, and the partner posted impressive equity valuation gains in its competitive area, outperforming others in the market. Petron in the Philippines also marked improved profitability through high-value product sales and the general stabilization of the Philippine economy.



Transformation in 2001 benefited Saudi Aramco's shipping subsidiary,

Vela International Marine Limited. Its fleet of crude oil supertankers and product carriers, one of the world's largest and most modern, prepared for the arrival of four new tankers in the 300,000 deadweight ton class and a new Aframax product carrier. These new vessels will join the fleet under Vela's normal phase-out plan of older tankers

and strengthen Saudi Aramco's reliability to deliver around the world.

During 2001, Vela safely delivered more than 1.9 million barrels of oil per day across the world's oceans, nearly a third of Saudi Aramco's total export sales. Another 830 thousand barrels per day of refined products and LPG were also shipped.



Saudi Aramco has marine terminals on the Arabian Gulf capable of handling the world's largest supertankers. The company maintains a fleet of helicopters and airplanes to ferry people and supplies to and from remote locations and offshore facilities and marine units.

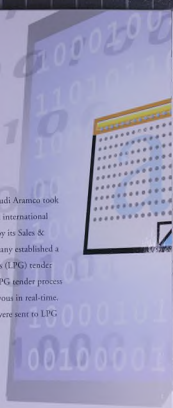
The international scope of Saudi Aramco was enhanced during 2001 in the critical area of information technology. A key success was marked when more than 12,000 Saudi Aramco employees in the Kingdom began using SAP to perform their daily tasks. This enterprise resource planning software provides users with access to shared data, allowing them to produce and exchange information in a real-time, integrated environment.

Part of the total Business Systems Integration Program undertaken by Saudi Aramco, SAP went live in key company support offices in North American and Europe, tying in essential functions with corporate headquarters in Saudi Arabia. A further advance during the year was Livelink, an electronic document access system containing 900,000 items.



Livelink captures essential documents from text-only formats to full-motion videos and presentations. Thousands of company employees throughout the Kingdom began using the system daily in 2001 to access these materials. The net result is a speedy, reliable venue through which users have controlled access.

Further on the computer front, Saudi Aramco took the first step toward developing an international e-commerce capability. Initiated by its Sales & Marketing organization, the company established a website for liquefied petroleum gas (LPG) tender sales. The site will facilitate the LPG tender process by providing an electronic rendezvous in real-time. By year-end, website agreements were sent to LPG customers for their acceptance.





RETAINING THE WINNING EDGE



Learning Centers such as this are located throughout the company to facilitate individualized learning.

The year 2001 posted remarkable gains in productivity, professionalism and pride for Saudi Aramco. Much of this can be attributed to recognition of its vital role in supplying the world with essential energy resources. But equally important is the ability of Saudi Aramco's people to sustain their global leadership role. To do that, the 54,077 employees assumed greater personal initiatives.

High among such initiatives was self-development, a theme adapted for the entire year and translated into positive moves for every employee seeking advancement.



TRANSFORMATION

Through Individual Initiative

From its very beginning, Saudi Aramco has understood that ongoing training and human development are essential elements of a world class organization, so it maintains some of the most extensive training and development programs and facilities in the world. Few companies have employees who've obtained their entire higher education at company expense, and few companies have more than 1 million square feet of building space dedicated to training and development. Even with this high level of commitment to its employees, this year Saudi Aramco began a new initiative to promote learning amongst its employees.

Hasibeen Rawalli looks over some MRI images to ensure that they are adequate for a radiologist to examine.





Learning Centers such as this are located throughout the company to facilitate individualized learning.

The year 2001 posted remarkable gains in productivity, professionalism and pride for Saudi Aramco. Much of this can be attributed to recognition of its vital role in supplying the world with essential energy resources. But equally important is the ability of Saudi Aramco's people to sustain their global leadership role. To do that, the 54,077 employees assumed greater personal initiatives.

High among such initiatives was self-development, a theme adapted for the entire year and translated into positive moves for every employee seeking advancement.



Saudi Aramco launched the Year of Self-Development in a dazzling succession of exhibitions that attracted more than 40,000 people and drew some 1.5 million hits to a special internal website.

Believing that its employees have reached a level of maturity to effectively take control of their career progress and training needs, the company shifted its focus to equipping them with stimulating new options. This is a transformational move with great potential in the field of human resource development.

Self-development effectively transferred the momentum of company programs to the individual employee. Now able to chart a custom-designed learning plan to suit his or her own needs, each worker can set the pace and choose from a large array of training options right at their fingertips. The ability to effect real change for the better is literally in the hands of the individual.

2001 was proclaimed as the Year of Self-Development. Saudi Aramco began a multifaceted self-development initiative targeting every employee in the company. Company sponsorship of self-directed learning is nothing new; however, the range and variety of learning resources for self-development available as a result of this initiative is something new.

At year's end, the initiative already had about 1.5 million visitors to its website and its on-line learning programs, and in addition to touring extensively around company facilities within the Kingdom, initiative representatives took their message to the Aramco Services Company in Houston, Texas and the Aramco Overseas Company in Leiden, The Netherlands.

One person who has benefited from the initiative is Haitham Ruwaili, coordinator of the Radiology group. He is a prime example of someone determined to continue professional development and one who has benefited from Saudi Aramco's support of self development.

Not long after joining Saudi Aramco in 1995 as a radiological technologist, the company selected him for a scholarship in the U.S. to obtain additional technical certification in radiation therapy. While that was being processed, Ruwaili spent his personal time driving to and from Riyadh pursuing a university degree.

"Eventually I had to choose. We [Ruwaili along with his wife of only four months] decided that I should continue pursuing the bachelor's degree in Riyadh," says Ruwaili. "We realized it would be difficult; however, we also realized that Saudi Aramco would give us full support regardless of the decision." He used vacation days and leaves without pay; and his managers allowed for flexibility in his work hours and offered tremendous encouragement. As a result, two years later he obtained his college degree.

"The company offers great training and development support and resources, and it offers the same for employees interested in self-development activities," says Ruwaili. "What you and your family must contribute are the dedication and determination."



Saudi Aramco is committed to the development of its current and future leaders.

Company support of self-development included numerous introductory programs and the operation of Learning Centers across the Kingdom. Equipped with computers easily accessible to courses and

programs from the most basic to interactive university-level symposia, these Saudi Aramco Learning Centers built an effective resource base for employees on the move up.

While expanded computer-based learning opportunities abounded during 2001, Saudi Aramco also focused on its best and brightest in other specialized programs. One successful program is the President's Leadership Challenge. Recognized as high-potential and nominated by their superiors, participants take leave from their regular jobs to engage in intensive leadership-building sessions.

Unlike programs in management theory or analysis, however, the President's Leadership Challenge poses real Saudi Aramco issues and concerns to the group, with the mandate to recommend real solutions. In the course of the program, an executive panel reviews their findings and, in many cases, proceeds with their implementation.

Such programs assure Saudi Aramco of effective leadership for the future. In 2001, the PLC and similar programs nurtured the inherent talents of its highly valued employees, affording both the opportunity to develop leadership skills and contribute to Saudi Aramco in very practical ways.

The company also remained committed to hiring and developing the Kingdom's youth. Some 99 percent of Saudi Aramco's field workforce is Saudi, operating the

plants and pipelines that connect the company's energy resources with their ultimate markets

A broad range of specialized training and development programs were offered in 2001 to meet their needs, as well as those of professionals and employees in all other areas. At year-end, there were 1,986 participants in the company's Apprenticeship Program and more than 1,200 students on Saudi Aramco scholarships.



Tamworth is evident in all areas of Saudi Aramco operations.



Many of these exceptional students found covered places in North American colleges and universities, with 322 graduates completing various academic programs in 2001. These included 266 scholars who earned bachelor's degrees, 37 who received masters or doctoral degrees, and 75 who completed advanced technical training programs.



HRH Amir Mahamud bin Fahd bin 'Abd al 'Aziz - Amir of the Eastern Province and Shidehah S. Jamah, CEO and President of Saudi Aramco congratulate graduates who were sponsored by the company.

A winning edge was also advanced in the initial phase opening of Saudi Aramco's new Research & Development Center. By year end, more than 550 active research and technology projects were under way, with potential benefits to operations from applied technical solutions in 2001 alone estimated to exceed \$260 million.

Saudi Aramco's dedicated Intellectual Assets Management Team developed 15 patent applications and filed two in 2001, advancing the company's initiative to protect proprietary assets and create opportunities to increase future revenues.

*Opposite page:
The Research and Development Center Phase 1
was completed this year.*

SERVICE TO OUR PEOPLE

Saudi Aramco has long recognized that productive employees are well cared for. To assure that it offers the best possible working and living environments, the company provides numerous incentives. One of the most important for Saudi nationals is the Home Ownership Program. This program makes possible loans and building sites that enable qualified employees to accommodate their families.



Saudi Aramco builds comfortable communities and modern schools for its employees and their families.

Since 1951, when the program began, Saudi Aramco has provided loans to some 45,000 families. In 2001 alone, the Home Ownership Program benefited nearly 1,500 families. These growing communities of employees are also served by Saudi Aramco-built schools – 127 since inception and four new facilities built in 2001 – and extensive amenities that include parks, playgrounds, mosques and well-landscaped environs. They also promote a sense of community with common interests and aspirations.

Healthcare remained another priority of Saudi Aramco in 2001, with transformation leading to expanded services and facilities. The company's hospital system and other Saudi Aramco-designated medical facilities treated 396,608 people during the year, while the community clinics handled more than 2.3 million outpatient visits.

To promote patient feedback, a Healthcare Advocacy Program was initiated. Questions and concerns from patients were screened by a special panel of professionals, all in the interest of improving relations between medical staff and the patient population. And to advance their own training, 19 Saudis completed medical or dental programs under Saudi Aramco sponsorship.

The importance of natural resource conservation is second nature to Saudi Aramco; nevertheless, the company took stringent measures in 2001 to further improve the environment. Maintenance of Saudi Aramco communities extended not only to the visual



The Health Advocacy Program facilitates communication between medical staff and patients.

effects of grounds-keeping but to the careful management of wastewater and other water distribution systems.

Two water conservation projects were completed in 2001, including major expansions of treatment plants in Dhahran. The upgrades allow for the annual reclamation of about 3.65 billion gallons of water which in turn can be used for plant and lawn irrigation primarily throughout the residential areas.

SERVICE TO THE COMMUNITY

Saudi Aramco's presence as a corporate citizen is well known and highly applauded. One of its most visible and certainly most visited icons in the Kingdom is the Saudi Aramco Exhibit. Housed in its distinctive architectural setting, the Exhibit is a world-class institution that brings to life the story of petroleum in Saudi Arabia and the role of Saudi Aramco in its development.

But the Exhibit is far more than that. It's also a treasure of Islamic heritage and accomplishments, and a practical insight into the fascinating world of oil and natural gas. Such attractions drew more than 150,000 visitors to the Exhibit in 2001, including 1,336 scholars from Saudi Aramco's Outstanding Students Program.



The Saudi Aramco Exhibit, located in Dhahran, houses informative and interactive displays that provide fun and learning to adults and children alike.

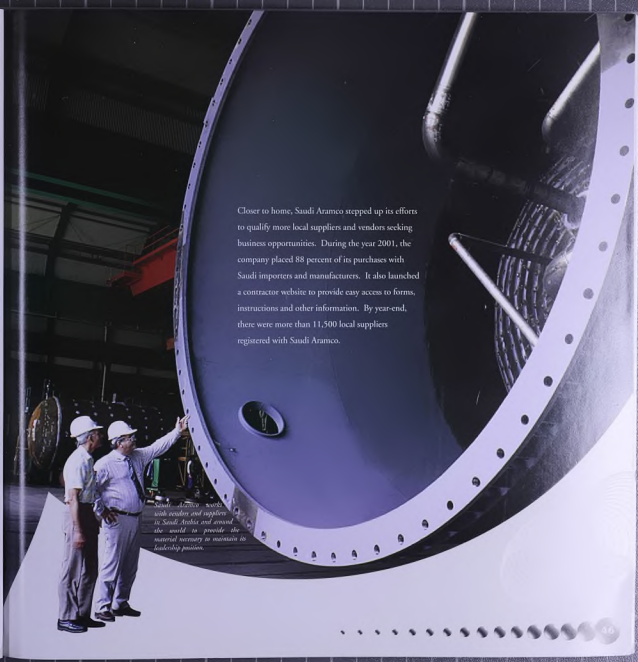
To reach young readers who may have limited library visiting opportunities, Saudi Aramco offers an enticing alternative: its own mobile library program. These specialized vehicles literally take the library to their patrons, last year visiting 52 schools and providing 6,706 students with 13,412 books. In addition, Saudi Aramco assisted the Government in conducting safety inspections of 159 school buses.



Saudi Aramco World's Felix Award for Editorial Excellence is pinned here. The company's fleet of mobile libraries delivers books and learning to children located throughout Saudi Arabia.

Outreach to the communities was strengthened in 2001 through Saudi Aramco's participation in significant conferences and exhibitions. Its traveling exhibit program educated and informed people around the world about the company's many activities and contributions. For the year, the company took part in three major international and 23 regional exhibitions.

Saudi Aramco further spread its message through such quality publications as *Saudi Aramco World*, a highly respected journal that covers topics of interest to readers worldwide. Recognized for its sensitive treatments of Islamic issues, culture and history, in 2001, the magazine won a prestigious publishing industry award for editorial excellence.



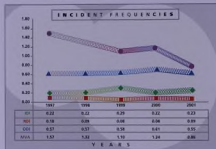
Closer to home, Saudi Aramco stepped up its efforts to qualify more local suppliers and vendors seeking business opportunities. During the year 2001, the company placed 88 percent of its purchases with Saudi importers and manufacturers. It also launched a contractor website to provide easy access to forms, instructions and other information. By year-end, there were more than 11,500 local suppliers registered with Saudi Aramco.

Saudi Aramco works with vendors and suppliers in Saudi Arabia and around the world to provide the material necessary to maintain its leadership position.

SAFETY & ENVIRONMENT

Well-established priorities resulted in Saudi Aramco having one of its safest years ever. Ten Executive Management Safety Reviews were conducted, with senior corporate leaders visiting field locations for in-depth reviews of safety practices. As a core value, safety was stressed at every job level and operation, resulting in heightened awareness of accident-free work.

One notable achievement during the year was the company's motor vehicle accident frequency rate -- 86 per million kilometers driven and the lowest ever recorded in company history. This outstanding performance was attributed to driver training programs and increased emphasis on safe driving habits, both on and off-the-job.



Restricted Duty Injury (RDI) - On-job injury resulting in one or more full days of restricted duty per 200,000 on-job man-hours.

Industrial Disabling Injury (IDI) - On-job lost workday cases with days away from work per 200,000 on-job man-hours, including fatalities (ANSI Z16.4 - 1977).

Off-job Disabling Injury (ODI) - Off-job injury resulting in one or more full days away from work per 200,000 off-job man-hours.

Motor Vehicle Accidents (MVA) - Any recordable accident involving a Saudi Aramco fleet vehicle per million kilometers (ANSI D15.1 - 1976).



Well established safety procedures are followed throughout the company's operations.

Care was taken by the company to safeguard every facility and assure they comply with environmental rules. Because Saudi Aramco at any given moment may have as many as 500 million barrels of oil and product in shipment, its safe handling is a company priority.

To assure the avoidance of accidents and response to the unexpected, Saudi Aramco practices strict preparedness. In April, the company participated in an oil spill exercise organized by the Meteorological and Environmental Protection Administration (MEPA), in cooperation with Eastern Province authorities. Its purpose was to test the collective ability to protect seawater intakes at the Jubail Desalination Plant and to contain spills with existing resources.

While it was just an exercise, the drill was an effective training program, reaffirming Saudi Aramco's commitment to keeping its products safely contained even in emergencies. Additional exercises were conducted during 2001 by Vela International Marine and the company's Global Oil Spill Coordination group.



Safety professionals regularly monitor facilities and maintain a constant state of readiness.



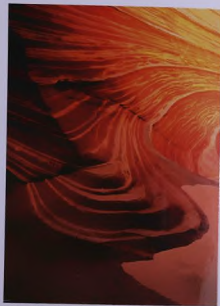
On World Environment Day, Saudi Aramco conducted a workshop entitled "Environmental Challenges Facing the Saudi Industrial Sector." This event joined forces with several government agencies and promoted public awareness on the importance of preserving the quality of natural resources.

Further efforts during 2001 focused on conservation, engaging the public in an important cause. As the first major company in the Arabian Peninsula to launch a materials recycling program, Saudi Aramco annually collects more than 900 metric tons of discarded paper. Additional paper conservation moves included greater use of electronic means to exchange documents.



Rains turn the desert into a sea of flowers, and Saudi Aramco is determined to conserve and protect such environments.

Transformation is recognized as a gradual process, much as in nature. Yet Saudi Aramco dedicated the entire year of 2001 to that process, gaining the rewards of diligence and dedication. In every area of operation, signs of change are signs for the better.



Transformation, much as geology, is mostly a gradual process of development and maturation.

PRINCIPAL PRODUCTS

Manufactured at In-Kingdom Refineries

2001	Ras Tanura	Yanbu	Riyadh	Jeddah	Rabigh	Total Domestic	Saudi Aramco Share	TOTAL JV	Grand Total
							SAMREF	SASREF	
LPG	5,016,545	2,645,118	1,304,251	1,212,369	-	10,178,283	98,000	1,426,000	1,524,000
NAPHTHA	(6,283,669)	2,198,079	-	3,222,872	27,519,561	26,656,843	-	13,344,000	13,344,000
GASOLINE	22,216,330	11,706,084	9,270,116	4,738,433	-	47,930,963	23,405,000	2,074,000	25,479,000
JET FUEL / KEROSENE	1,898,081	762,698	4,726,222	(766,759)	10,856,788	17,477,030	9,702,000	11,586,000	21,288,000
DIESEL	40,788,301	28,800,524	15,990,206	5,802,985	41,027,423	132,409,439	18,336,000	12,343,000	30,679,000
FUEL OIL	39,745,544	31,306,585	3,468	4,079,308	46,299,871	121,434,776	10,539,000	13,507,000	24,046,000
ASPHALT & MISC.	2,478,645	-	4,983,066	1,186,695	-	8,648,406	-	-	8,648,406
TOTAL	105,859,777	77,419,888	36,277,329	19,475,903	125,703,643	364,735,740	62,080,000	54,280,000	116,360,000

2000	Ras Tanura	Yanbu	Riyadh	Jeddah	Rabigh	Total Domestic	Saudi Aramco Share	TOTAL JV	Grand Total
							SAMREF	SASREF	
LPG	2,402,467	2,557,100	1,039,590	1,307,467	-	7,306,624	(178,000)	1,341,500	1,163,500
NAPHTHA	(2,579,133)	1,293,837	-	3,146,272	28,774,638	30,635,634	-	12,202,500	12,202,500
GASOLINE	23,959,914	12,929,107	8,710,406	4,766,495	-	51,365,922	22,952,000	1,622,500	24,574,500
JET FUEL / KEROSENE	4,927,871	2,454,647	4,485,489	(1,038,708)	10,873,661	21,702,562	10,956,500	11,632,000	22,608,500
DIESEL	42,066,389	27,868,842	14,349,723	6,212,104	46,983,922	137,080,980	18,018,500	12,529,000	30,547,500
FUEL OIL	38,220,733	22,846,427	67,222	3,240,457	50,443,903	114,018,742	11,586,000	12,975,000	24,561,000
ASPHALT & MISC.	2,069,559	-	4,245,843	1,827,137	-	8,082,539	-	-	8,082,539
TOTAL	111,007,800	69,949,960	33,898,273	19,461,224	136,676,146	370,993,403	63,335,000	52,322,500	115,657,500

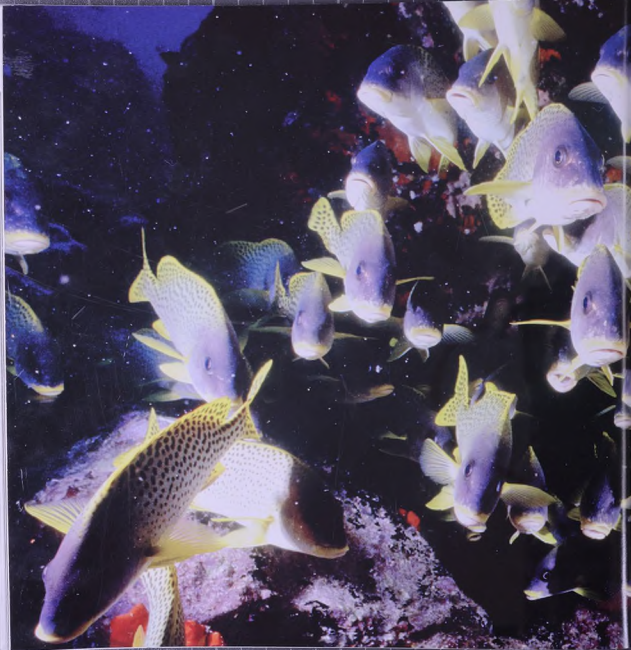
* Negative figures primarily indicate products that were reprocessed into other refined products.

PRODUCTION/EXPORTS

	2000	2001
Crude Oil Production (excl. NG blended) (bbls)	2,847,026,609	2,763,207,629
Crude Oil Exports (bbls)	2,263,876,508	2,178,400,024
Crude Oil transported using Company or chartered vessels	104,515,675	695,605,000
Refined Products Production (bbls)	486,650,903	481,095,740
Refined Products Exports (bbls)	175,609,230	154,937,492
NGL Production from Hydrocarbon Gases (bbls)		
Propane	126,116,694	130,525,408
Butane	83,759,158	83,219,701
Natural Gasoline	73,112,868	78,589,405
Total NGL's	283,007,720	292,334,652
NGL Exports from Hydrocarbon Gases (bbls)		
Propane	117,245,072	103,058,400
Butane	66,968,110	62,681,553
Natural Gasoline	57,008,829	57,136,022
Total NGL's	241,222,011	222,875,975
Sulfur Production (MT)	2,107,091	2,244,634
Sulfur Exports (excl. sh on behalf of Samref & Sauref) (MT)	1,855,319	1,859,077

Product Sale by Region (Barrels)

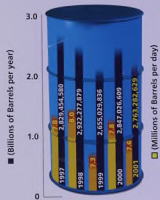
2001	Western	Central	Eastern	Total
LPG	4,931,170	1,373,569	4,195,292	10,500,031
Gasoline	37,962,103	34,841,528	17,082,275	89,885,906
Jet Fuel/Kerosene	10,462,294	6,508,019	2,555,751	19,527,064
Diesel	75,010,400	46,662,937	21,280,657	142,953,994
Fuel Oil	56,040,488	-	6,206,703	62,247,191
Asphalt & Misc.	1,633,064	5,092,084	2,399,938	9,145,086
Total	166,060,518	94,478,137	53,720,616	314,259,272
2000	Western	Central	Eastern	Total
LPG	4,752,469	1,041,230	4,339,310	10,133,009
Gasoline	36,786,113	33,760,166	16,312,841	86,859,120
Jet Fuel/Kerosene	10,748,059	6,839,908	2,857,511	20,445,478
Diesel	68,266,732	45,901,772	19,937,764	134,106,268
Fuel Oil	53,181,411	-	6,672,074	59,853,485
Asphalt & Misc.	1,814,822	4,048,615	1,991,116	7,854,553
Total	175,549,606	91,591,691	52,110,616	319,251,913



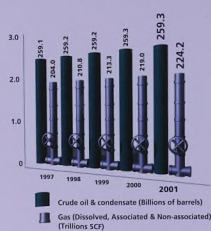
Environments such as this are precious to Saudi Arabia and are being preserved.

PRODUCTION and RESERVES

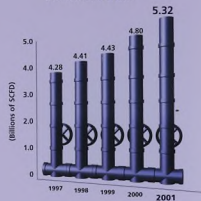
CRUDE OIL PRODUCTION



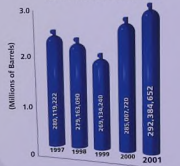
RECOVERABLE RESERVES



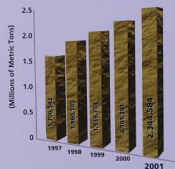
RAW GAS TO GAS PLANTS



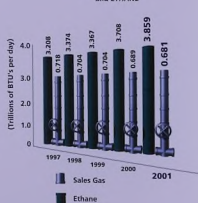
NGL from HYDROCARBON GASES



SULFUR RECOVERY



DELIVERED SALES GAS and ETHANE



DOMESTIC OPERATIONS



INTERNATIONAL OPERATIONS

EXPORT BY DESTINATION (BARRELS)



Destination	Crude Oil (%)	Refined Products (%)	NGL* (%)
Europe	8.6%	6.7%	0.0%
Far East	42.8%	61.1%	49.6%
Mediterranean Area	9.5%	6.4%	2.6%
USA	24.2%	1.6%	0.9%
Other	14.9%	24.2%	46.9%
Total	100.0%	100.0%	100.0%

* (Include Sales on behalf of SAMREF & SASREF)

Principal Export Routes →

	United States
	Republic of Korea
	The Philippines
	Greece
	Yanbu
	Jubail
	Jiddah
	Jiddah

	Saudi Aramco Headquarters	Dhahran
	Saudi Petroleum International, Inc.	New York
	Aramco Services Company	Houston
	Saudi Refining Inc.	Houston
	Saudi Petroleum Overseas Ltd.	London
	Aramco Overseas Company B.V.	Leiden - Hong Kong - Seoul
	Saudi Petroleum, Ltd.	Beijing - Singapore - Tokyo
	Vela International Marine Limited	Dhahran
	Aramco Gulf Operations Company Ltd.	Al-Khafj



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