

**GENERAL INSTRUCTION MANUAL**ISSUING  
ORG.**ACCOUNTING POLICIES & SYSTEMS DEPARTMENT**ISSUE DATE  
03-26-08REPLACES  
NEW

SUBJECT

**Provision of Services and Sale of Materials to  
External Parties**APPROVAL  
MOSPAGE NO.  
1 OF 17CONTENT: The text of this Instruction includes:

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2. OBJECTIVE
3. GLOSSARY
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9. SERVICE PROVIDER RESPONSIBILITIES
10. AGREEMENT ADMINISTRATION

**1. OVERVIEW**

- 1.1 Saudi Aramco's core business activities include the exploration, production, refining and marketing of oil, gas and refined hydrocarbon products for the economic benefit of Saudi Aramco and its shareholder. Any revenue generated from Saudi Aramco's core business activities will result directly from the sale of hydrocarbons and directly related byproducts.
- 1.2 In addition to these core business activities, Saudi Aramco provides Service and Materials to subsidiary companies, affiliates (both joint ventures and associates) and unaffiliated parties under a variety of agreements.
- 1.3 Questions regarding the classification of agreements and the applicability of this Instruction to specific transactions should be directed to AP&SD.

**2. OBJECTIVE**

- 2.1 The objective of this Instruction is to define External Party Services and various related terms and provide general principles that apply to such agreements. All such agreements must be approved by the Law Department and undergo a Functional Review by the Controller's organization prior to being executed.
- 2.2 This Instruction applies to Saudi Aramco's provision of Services and sales of Materials both within and outside the Kingdom of Saudi Arabia to entities that are partially or entirely owned by parties other than Saudi Aramco. The provision of Loaned Employees (as defined herein) is addressed in AI 717, Loan of Saudi Aramco Employees and is not covered by this Instruction.
- 2.3 In addition to future External Party Service Agreements, this instruction is intended to apply to any existing External Party Service Agreements to which Saudi Aramco is currently a party; subject to the exceptions noted in Section 6.2.

**3. GLOSSARY****3.1 Abbreviations and Acronyms**

AI	Accounting Instruction
AP&SD	Accounting Policies & Systems Department

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C&C	Credit and Collections Division, Treasury
FA&PAD	Financial Analysis & Performance Advisory Department
GI	General Instruction
GL&AD	General Ledger & Accounting Division/Financial Accounting Department
NDE	Net Direct Expenditures
OAD	Operations Accounting Department
PAD	Payables Accounting Division/OAD
PMBA&CD	Performance Management, Business Advisory & Costing Division/FA&PAD

**3.2 Related Instructions**

AI 735	Saudi Arabian Oil Company Worldwide Operations
GI 230.035	Invoice Accrual Procedures
GI 020.004	Operating Plan Instructions

**4. ATTACHMENTS**

Attachment I	Agreement Administration Process Flow
Attachment II	External Party Services Rate Sheet
Attachment III	Agreement Administration Logs
Attachment IV	Revenue Accounts (for External Parties)
Attachment V	Sample Invoice Request Letter (External Parties)

**5. DEFINITIONS**

- 5.1 Agreement Identification Number: A unique alphanumeric number assigned by a Proponent to a Billing Agreement to facilitate the administration of the service provision. This number is the basis for organizing the Billing Agreement log and other tools used in the administration of External Party Services. Each Proponent is responsible for developing a numbering scheme consisting of an abbreviation for the Proponent's department followed by a number (e.g., ABCD-023).
- 5.2 Billing Agreement: A stand-alone External Party Services agreement or an External Party Services agreement combined with a related Service Authorization. The document(s) provide the relevant information for a particular provision of External Party Services to a customer, including customer, billing and administrative information. All Billing Agreements to provide External Party Services must be documented in writing and properly executed in accordance with Saudi Aramco Company policies.
- 5.3 Downstream Ventures: An entity involved in the refining and marketing of petroleum and petroleum products in which Saudi Aramco holds a partial ownership interest.
- 5.4 External Party: Any of the following (i) any entity in which Saudi Aramco owns an interest (excluding, AOC and ASC along with their subsidiaries and affiliates) and (ii) any entity that Saudi Aramco does not have an ownership interest in. For the purposes of this Instruction, Saudi Aramco employees will not be considered External Parties.

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- 5.5 External Party Services Rate Sheet ("Rate Sheet"): An internal document that specifies the revenues and costs and/or revenue and cost rates for the applicable Billing Agreement. This document is revised periodically to reflect changes in the revenues / costs. Rate Sheets are internal documents and should not be distributed outside of Saudi Aramco.
- 5.6 Invoice Request: A request from the Proponent to PAD requesting the preparation of a customer invoice.
- 5.7 Invoice Collector: The organization responsible for communicating the invoice to the customer and collecting outstanding invoices. Depending on the customer, either an OAD group or C&C performs this function. Currently, OAD is responsible for affiliated company, government and semi-government miscellaneous invoices, while C&C handles all other miscellaneous invoices. These responsibilities may be changed from time to time as agreed upon by Treasury and Controllers.
- 5.8 Loaned / Seconded Employee: Saudi Aramco may periodically make its employees available to External Parties to meet a business requirement such as: a project assignment, vacation relief, workforce supplement or a professional development assignment. Loaned Employees include Saudi Aramco employees assigned in this manner where there is a clear and definite intent to recall the employees to Saudi Aramco at the conclusion of the assignment. Saudi Aramco employees performing work for the benefit of an External Party, under the direction of Saudi Aramco's management and without being placed on assignment to the External Party would not be considered Loaned Employees. The work these employees perform for the External Party would be treated as a Service to an External Party. A transfer is a permanent work location change from Saudi Aramco to an External Party. Employees in this category would not be considered Loaned Employees. The accounting treatment for Loaned Employees is addressed in AI 717.
- 5.9 Material: Items procured and issued through Saudi Aramco Materials Supply. Materials will also include any physical asset purchased by Saudi Aramco for subsequent delivery to an External Party or for the direct benefit of an External Party customer.
- 5.10 Proponent: The Saudi Aramco department responsible for coordinating the provision of Services and sale of Materials and administering the External Party Services Billing Agreement. The Proponent will also serve as the primary contact for the External Party Customer.
- 5.11 Service: Any activity performed by Saudi Aramco providing economic benefit, excluding the loaning of employees.
- 5.12 Service Authorization: A legal document associated with an External Party Services agreement executed by Saudi Aramco and the External Party customer describing Services to be provided by Saudi Aramco and prices / rates to be charged.
- 5.13 Service Order: A document prepared by the Proponent and accepted by the Service Provider(s) documenting a quantity of Service or Material to be provided to the customer, the billing frequency, the supporting documentation the Service Provider will provide the Proponent and the frequency of delivery and any other information relevant to the provision of the covered Services. Each Billing Agreement will have one or more associated Service Orders. Service Orders are internal documents and should not be distributed outside of Saudi Aramco.

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5.14 Service Provider: The Saudi Aramco or subsidiary / affiliate department that provides Services under an External Party Services agreement. It may be the Proponent or another department that is utilized by the Proponent to supply the External Party Services. Under normal circumstances, the Proponent will be the Service Provider for sales of Materials. (The use of the term Saudi Aramco department(s) throughout this policy will include subsidiary / affiliate departments.)

5.15 Service Request: A documented request for the provision of External Party Services submitted by the customer. This document initiates the Billing Agreement development process.

5.16 Services: Collectively refers to the provision of Services and Sales of Materials to External Parties.

5.17 Upstream Venture: An entity involved in the exploration and production of oil and/or natural gas in which Saudi Aramco owns a partial ownership interest.

**6. SCOPE**

External Party Services and the agreements under which they are provided take many different forms.

**6.1 Activities Included in Scope**

- a) In general, agreements where Saudi Aramco provides Services and Materials other than activities noted in section 6.2 of this document, to External Parties.
- b) Operating Leases: Operating leases where Saudi Aramco serves as the lessor are considered External Party Services. Agreements of this nature require Saudi Aramco to provide the use of one or more assets for a specified period of time. This constitutes the provision of a Service and is within the scope of this Instruction when the lessee is an External Party.
- c) Materials: Sales of Materials that flow through Materials Supply inventory will be considered External Party Services and the Service Provider is responsible for budgeting for the cost associated with these transactions. Generally, the Proponent will be the Service Provider for Materials provided to External Party customers.

Any transaction related to Materials purchased for the benefit of an External Party (i.e., purchased with the intent to sell or lease the item to an External Party) would qualify as External Party Services and would be included in the scope of this Instruction. This would be the case whether the transaction results in Saudi Aramco's sale or lease of the equipment to the customer.

**6.2 Activities Excluded from Scope**

- a) Sales of Hydrocarbon Products: The relevant policies for these transactions are:

AI 135	Accounting Procedures for Local Product Sales
AI 526	Sales Accounting & Reporting

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AI 526-1	Sales Accounting & Reporting – Sales Matrix
AI 526-2	Sales Accounting & Reporting – Sales Entries
AI 526-3	Sales Accounting & Reporting – Petroleum Sales and Consumption Reports
AI 526-4	Sales Accounting & Reporting – Revenue Accounts

- b) *Public Service Projects:* Projects qualifying as Public Service Projects are subject to the policies listed below and are excluded from the scope of this Instruction.

GI 0886.000	Public Service Projects
AI 721	Public Service Costs

- c) *Service Income:* Services qualifying for Service Income treatment are not considered External Party Services and are, therefore, excluded from the scope of this Instruction. Refer to GI 020.004 Operating Plan Instructions for information regarding service income and qualifying transactions.

- d) *Sale of Saudi Aramco Assets:* The sale of Saudi Aramco assets to an External party is excluded from the scope of this Instruction when the asset was originally acquired and placed into service for Saudi Aramco's use. The sale of these assets would be covered by the policies listed below.

GI 202.330	Capital Assets – Service Lives and Depreciation
GI 207.050	Form SA-630 – Capital Assets Change Authorization
AI 206	Accounting for Disposition of Capital Assets
AI 207	Sale of Company Assets

Questions regarding the classification of specific sales transactions should be directed to AP&SD.

- e) *Capital (or Finance) Leases:* Lease agreements containing certain terms and provisions qualify for treatment as capital leases. The classification as a capital lease indicates the transaction is more similar to an asset sale than the provision of use for a specified period of time (operating lease). As such, capital lease agreements where Saudi Aramco is the lessor are treated as substantial sales of the assets from an accounting perspective. Accordingly, these transactions would be excluded from the scope of this Instruction, similar to traditional asset sales, provided the asset(s) covered by the lease were originally acquired for Saudi Aramco's use.

Questions regarding the classification of specific capital lease agreements should be directed to AP&SD.

- f) *Facilities Operation & Maintenance Agreements:* Saudi Aramco periodically enters into agreements with External Parties to operate and maintain the third party's pipeline facilities, custody transfer metering facilities, or other facilities. These agreements are subject to certain policies regarding the development, administration and billing of charges. As such, these agreements are outside the scope of this Instruction and are subject to the terms of the policy listed below.

AI 139	Accounting Procedures for Facilities Operation & Maintenance Agreements
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- g) *Design Basis Scoping Paper / Engineering & Construction Support Agreements:* Agreements with External Parties to provide design, engineering and project management expertise relating to the construction of third-party metering facilities are subject to certain policies regarding the development, administration and billing of charges. As such, these agreements are outside the scope of this Instruction and are subject to the terms of the policy listed below.

AI 153                      Accounting Procedures for Design Basis Scoping Paper (DBSP) and  
Engineering & Construction Support Agreement (E&C)

- h) *Loaned Employees:* Saudi Aramco periodically enters into agreements with External Parties covering the loan of Saudi Aramco employees. These agreements are subject to certain policies regarding the development, administration and billing of charges. As such, these agreements are outside the scope of this Instruction and are subject to the terms of the policy listed below. Where agreements cover the provision of External Party Services, as well as the loan of employees, this Instruction will apply to the External Party Services, but will not apply to the loaned employees.

AI 717                      Loan of Saudi Aramco Employees

**7. GENERAL PRINCIPLES**

Certain general principles apply to all External Party Services agreements in which Saudi Aramco provides Services. The section below presents these general principles.

**7.1 Agreements, Service Authorizations and Service Orders:**

- a) All agreements to provide External Party Services and all related Service Authorizations must be documented in writing and properly executed in accordance with Saudi Aramco policy. Services should not be provided to an External Party without a properly documented and executed agreement and/or Service Authorization.
- b) All Service Orders must be accepted by the Service Provider.

**7.2 Pricing / Revenue:**

- a) The revenue / pricing for External Party Services will be determined by the terms of the Billing Agreement.
- b) All new agreements or extensions / renewals of existing agreements should include pricing terms based on the higher of:
- Full cost plus cost of capital and a reasonable profit margin, or
  - Market value rates.

Exceptions require a waiver from the Management Committee or President and CEO.

- c) All amounts due to Saudi Aramco for External Party Services will be charged to customers through invoices prepared by PAD.



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d) There will be no NDE cost netting for External Party Services for accountability reporting.

**7.3 Accounting / Administration:**

- a) All transactions related to Saudi Aramco's provision of External Party Services will result in the recognition of revenue and expense.
- b) Service income is not allowed for transactions between Saudi Aramco and External Parties. Amounts received from customers should be booked as Other Income and should not be booked as an offset to operating NDE.
- c) Costs related to External Party Services will be removed from the Saudi Aramco's Cost of Production.
- d) The Proponent is responsible for administering the agreement (including the submission of all invoice requests to the Manager, OAD).

**7.4 Budgeting / Cost Recognition:**

- a) The Proponent is responsible for coordinating with the External Party customer to develop an estimate of the External Party Services required. The Proponent should coordinate with the Service Provider(s) to calculate the cost associated with the expected service provision.
- b) The Service Provider will budget and be accountable for all costs incurred in the provision of External Party Services. The Proponent will serve as the Service Provider for all Materials.
- c) Services must be provided in a manner that will avoid an increase in Saudi Aramco's net costs or a degradation of the service provided to internal Saudi Aramco departments.
- d) Unbudgeted Services will be performed at the discretion of the Service Provider.

**8. PROPONENT DEFINITION AND RESPONSIBILITIES****8.1 Determination of Proponent**

- a) External Party Services are provided by numerous Saudi Aramco departments. In many cases, multiple departments provide Services under a single agreement. This creates the need for a single organization to serve as the Proponent for all activities provided under the agreement in order to provide the proper administration and controls for the agreement.
- b) Each agreement will have a single Proponent, who will be responsible for the administration of the agreement until it is terminated or the Proponent responsibilities are transferred. The following guidelines should be used to determine the appropriate Saudi Aramco department to serve as the Proponent:

(1) When an External Party Services agreement exists with an entity in which Saudi Aramco has no ownership interest, the Proponent should be determined as follows:

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- *Service Provided by a Single Department:* When all services under an External Party Services Billing Agreement with an unaffiliated party are provided by a single Saudi Aramco department, that department will typically serve as the Proponent.
  - *Service Provided by Multiple Departments in the same Saudi Aramco Business Line:* When services under an External Party Services Billing Agreement with an unaffiliated party are provided by multiple Saudi Aramco departments, an administrative department (e.g., Admin Area, Business Line, etc.) with authority over all Service Providers should serve as the Proponent, where possible.
  - *Services Provided by Multiple Departments in Different Saudi Aramco Business Lines:* There is no clear Proponent when Services are provided by Saudi Aramco departments that are in different Business Lines. The assignment of a Proponent should be determined on a case-by-case basis in these situations. As a general rule, the Proponent in these situations should be an administrative department at the Admin Area or higher in order to facilitate the coordination between the respective Business Lines.
- (2) When an External Party Services Billing Agreement exists with an entity in which Saudi Aramco has an ownership interest, the Proponent will typically be the department responsible for the coordination of Saudi Aramco's ownership interest. Examples of these are:
- *Subsidiaries:* Joint Venture Development and Coordination typically coordinates the activities between Saudi Aramco and entities where Saudi Aramco has more than a 50% ownership interest (Subsidiaries). Joint Venture Coordination will typically serve as the Proponent for all External Party Services Billing Agreements with subsidiaries.
  - *Affiliates (excluding upstream and downstream ventures):* Joint Venture Development and Coordination typically coordinates the activities between Saudi Aramco and affiliates where Saudi Aramco has 50% ownership interest or less, excluding upstream venture affiliates and downstream venture affiliates. As such, Joint Venture Development and Coordination will typically serve as the Proponent for all External Party Services Billing Agreements with affiliates.
  - *Upstream Venture Affiliates:* Saudi Aramco owns equity interests in several entities developed with outside parties for the exploration and development of natural gas reserves within the Kingdom of Saudi Arabia. Upstream Venture Department typically coordinates the activities between Saudi Aramco and these entities. As such, Upstream Venture Coordination will typically serve as the Proponent for all External Party Services Billing Agreements with upstream venture affiliates.
  - *Downstream Venture Affiliates:* Saudi Aramco owns equity interests in several entities developed with outside parties for the refining and processing of hydrocarbons and hydrocarbon products, both within and outside the Kingdom of Saudi Arabia. Due to the size and complexity of these entities and their development, separate departments are typically created to coordinate the activities between Saudi Aramco and these entities (i.e., Rabigh Development Project). As such, the departments established to



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coordinate with these entities will typically serve as the Proponent for all External Party Services Billing Agreements with downstream venture affiliates.

AI 735 Saudi Arabian Oil Company Worldwide Operations provides a classification for each entity in which Saudi Aramco has an ownership interest.

**8.2 Proponent Responsibilities**

- a) The Proponent for an External Party Services Agreement is responsible for coordinating the provision of Services and administering the agreement. The administration of the agreement includes the submission of all invoice requests.
- b) The Proponent will serve as the primary contact with the customer. As such, the customer should request all Services through the Proponent. The Proponent should, in turn, coordinate with the applicable Service Provider regarding the Service Order. In order to maintain control over agreement activity, the Service Provider should not accept any requests submitted directly to them by the customer when they do not serve as the Proponent.
- c) The Proponent is responsible for coordinating with Service Providers for the development of cost estimates for External Party Services for preparation of the annual Operating Plan and Business Plan.
- d) The Proponent is responsible for coordinating with AP&SD, FA&PAD and Service Providers for the development of the Rate Sheet.

**9. SERVICE PROVIDER RESPONSIBILITIES****9.1 Service Provision**

The Service Provider is responsible for providing the External Party Services specified in executed Billing Agreements.

**9.2 Accurately record the costs associated with the provision of External Party Services**

Service Providers are responsible for accurately recording the costs associated with External Party Services.

**9.3 Budget the estimated cost for the provision of External Party Services**

All costs associated with the provision of External Party Services must be budgeted by the Service Provider.

**10. AGREEMENT ADMINISTRATION**

Attachment I of this Instruction provides a process flow diagram for the agreement administration process. Below is a corresponding narrative.

**10.1 RATE SHEET DEVELOPMENT**

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10 OF 17a) Rate Sheet Purpose / Objectives:

- (1) The External Party Services Rate Sheet summarizes the financial requirements / components of an External Party Services Billing Agreement. The Rate Sheet serves as the basis for all customer invoices and related journal entries. The preparation of the Rate Sheet also serves as a financial control by providing multi-function review of the revenue and cost amounts / rates, to insure each Billing Agreement adheres to Saudi Aramco's policies regarding pricing for External Party Services.
- (2) Attachment II presents an example External Party Services Rate Sheet. This example presents information that will typically be presented. However, the information included in each Rate Sheet and the presentation format will vary based on the circumstances specific to each Billable Agreement.

b) Rate Sheet Development Process:

- (1) The Rate Sheet is typically prepared during the agreement development process for External Party Services. In all cases, a Rate Sheet must be completed prior to the preparation of any customer billings, as PAD will not prepare invoices or post the associated journal entries without a valid Rate Sheet.
- (2) The Rate Sheet development is a multi-function process that involves the Proponent, Service Provider(s), PMBA&CD and AP&SD. The Proponent is responsible for coordinating all activities related to the development of the Rate Sheet.
- (3) The Rate Sheet development process begins when the Proponent contacts FA&PAD and AP&SD requesting their assistance in the development of the Rate Sheet. These three groups, as well as representatives of each Service Provider, will meet to determine the nature of the Services provided and the revenue / cost drivers for these products and activities. This information will be documented in a form that will provide all information required for customer billing and the accurate accounting for all costs associated with the applicable Billing Agreement.

c) Cost Information

- (1) As a general rule, the unit of measure for a Services or Materials should be the same for the calculation of both the revenue and the cost. Deviations from this could create a mismatch in revenue and cost, and may cause the cost incurred to exceed the revenue earned. PMBA&CD should be consulted in situations where different units of measure are used for revenue and cost to ensure revenues will be adequate.
- (2) The starting point for the development of the Rate Sheet is the development of the costs and/or costs rates. FA&PAD (PMBA&CD) and the Service Provider(s) should coordinate the development of these amounts.
- (3) Services provided by Saudi Aramco to External Parties may involve costs that can be specifically identified or costs that can only be estimated. Specific costs should be identified where possible. Where this is not possible, costs will be estimated based on the underlying activities and the full cost rates for the applicable period of time. The estimated

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costs will be assigned to a unit of measure for the activity. This rate will be applied to the volume of activity for the applicable period of time.

- (4) The cost of Materials will typically be the cost charged to the Service Provider when the Materials are purchased or issued to them by Materials Supply. Materials purchased directly for the benefit of the External Party customer will be charged to the Service Provider (typically the Proponent) based on the invoice cost. Materials delivered to the Service Provider (typically the Proponent) by Materials Supply will be the cost charged through the GR/IR account. Any overhead charges associated with these Materials will also be included in the cost.

d) Revenue Information

- (1) The Proponent is responsible for developing the pricing for an agreement / Service Authorization. The pricing should comply with all Saudi Aramco policies and should be in compliance with the External Party Services general principles presented in this Instruction.
- (2) External Party Services may be priced under a variety of methods. These include, but are not limited to, the following.

(a) *Flat Rate:*

An agreement / Service Authorization may require the customer to pay a specific amount for a defined set of Services provided over a specific period of time. An example of this would be a fixed charge of \$50,000 per month for the provision of External Party Services. Under these arrangements, the type and volume of Services provided are typically specified or are estimated to be within a specific range in terms of volume. When the volume of Services is not specified, any material increase in the volume of the Services requested / provided will require the Proponent and Service Provider(s) to re-evaluate the pricing for the applicable agreement / Service Authorization.

(b) *Volumetric Rate:*

An agreement / Service Authorization may require a customer to pay a specific amount for each unit of Service / Material provided. An example of this would be a charge of \$200 for each hour a Saudi Aramco programmer provides Services to the customer.

(c) *Cost-Plus:*

An agreement / Service Authorization may require a customer to pay a variable rate based on the actual cost Saudi Aramco incurs in the provision of the Service / Material. These rates will typically include a pre-defined uplift percentage to cover indirect overhead charges and provide a sufficient profit margin. An example of this would be a charge of actual cost plus 5% for Services provided to a customer.

(d) *Market Rate:*

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An agreement / Service Authorization may require a customer to pay a variable rate calculated from information provided by the general market. An example of this would be to charge a customer an amount equal to the current market price for pipeline materials. These types of arrangements will require specific information regarding the market information used to determine the market price and its source. These arrangements will, typically, require the pricing to include some type of floor that will insure the price charged is not lower than the cost charged to the Service Provider for these Services / Materials. For example, if the market price of steel pipe falls to \$40 per foot and the Material issued by Materials Supply results in a charge to the Proponent of \$50 per foot, the pricing must allow Saudi Aramco to recover the full cost of the Material issued.

e) Issue External Party Services Rate Sheet

- (1) The Proponent should coordinate the development of the Rate Sheet and obtain approval of FA&PAD, AP&SD and each Service Provider.
- (2) The Rate Sheet is an internal document and the information included should not be communicated to any External Party.

f) Rate Sheet Revision Process:

- (1) Rate Sheets will need to be revised periodically if the revenue or cost changes during the life of the agreement / Service Authorization. These changes may be planned (i.e., reflected in the end date for the Rate Sheet) or unplanned, reflecting unexpected changes in the Services provided or the associated costs. Rate Sheets will be issued with an effective date and end date to reflect planned revisions. The process to develop a revised Rate Sheet is the same as for the initial development.
- (2) The revised Rate Sheet should be distributed to all applicable parties, as described above. In addition to the revised Rate Sheet, a letter should be submitted terminating the previous Rate Sheet and stating the end date for the Rate Sheet Being replaced. The revised Rate Sheet needs to be accompanied by a copy of the Billing Agreement only if the Billing Agreement was revised in conjunction with the Rate Sheet.

**10.2 AGREEMENT EXECUTION**

- a) All agreements must be approved in accordance with the Saudi Aramco Management Guide.
- b) All External Party Services agreements and Service Authorizations (collectively comprising Billing Agreements) should be executed by a Corporate Officer representing the Proponent's Business Line, absent any delegation of signature authority.
- c) Prior to agreement execution, the agreement / Service Authorization should be endorsed by a Company Officer representing the Service Provider's Business Line, absent any delegation of authority. If the agreement has Service Providers in multiple Business Lines, endorsements should be obtained from all applicable Business Lines.

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- d) The Proponent should submit a copy of the executed Billing Agreement and approved Rate Sheet to the Service Provider(s), FA&PAD (PMBA&CD), AP&SD and PAD.

**10.3 BILLING AGREEMENT LOG**

- a) Each Proponent department should maintain a log of all External Party Services agreements they administer. Information regarding new agreements should be entered into the log when a Billing Agreement is created. This log provides a centralized control over all agreements under the Proponent's responsibility.
- b) Refer to Attachment III of this Instruction for an illustration of the data fields included in the Billing Agreement log.
- c) Additional information may be included, as required by the specific terms and circumstances of the applicable Billing Agreement.

**10.4 COORDINATE SERVICE PROVISION**

- a) The Proponent should establish procedures specific to each Billing Agreement that take into account the specific circumstances.
- b) Service provisions are initiated with the preparation of a Service Order. All Services provided to External Party Customers must be covered by a Service Order.
- c) Similar to the Rate Sheet, the Service Order is an internal document and the information included should not be communicated to any External Party.
- d) The Service Order is prepared by the Proponent for a specific quantity of Service / Material to be provided under a Billing Agreement. The Service Order information will include the billing frequency, the supporting documentation the Service Provider will provide the Proponent and the frequency of delivery and any other information relevant to the provision of the covered Services. Each Billing Agreement will have one or more associated Service Orders.
- e) Some Billing Agreements may cover Services or include terms that require discrete requests for the Services provided and separate tracking and billing of these discrete groups. An example of this would be the provision of pipe, where the customer submits requests for specific quantities of pipe over the term of the Billing Agreement and is billed upon delivery of each requested quantity. Each of these discrete groups will be covered by a separate Service Order in these situations.
- f) Some Billing Agreements may cover Services that are charged at a flat periodic rate or for other reasons do not need to be tracked and billed in discrete groups. An example of this would be Saudi Aramco's provision of various general & administrative services to an External Party customer in exchange for a fixed monthly payment. As the amount billed is not a function of the quantity of the Services provided, the Services will not need to be managed in discrete groups. In these situations, the Proponent should prepare a single Service Order addressing the services as outlined in the Billing Agreement. This single Service Order will apply to all Services provided under the Billing Agreement.

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- g) The use of one or multiple Service Orders for a particular Billing Agreement will be determined during the preparation of the External Party Services Rate Sheet and will be documented in that form.
- h) When a single Service Order will be prepared for all Services covered in a Billing Agreement, the Proponent initiates its development upon completion of the Rate Sheet.
- i) When multiple Service Orders will be prepared for a Billing Agreement, the preparation of the Service Order is initiated by a written customer request for Service / Material.
- j) The Proponent will prepare the Service Order based on the customer's request and/or the terms of the Billing Agreement. The Proponent will assign a unique number to each Service Order that is derived from the Agreement Identification Number. Upon completion, the Proponent will submit the Service Order to the Service Provider(s) for approval.
- k) The Service Provider should review the Service Order for agreement with the terms of the Billing Agreement. The Service Provider may reject the Service Order if any of the terms differ from those of the Billing Agreement and will create undue financial or operational hardship as a result.
- l) One purpose of the Service Order is to ensure misunderstandings do not occur among the Proponent, Service Provider(s) and customer. As such, any differences between the request submitted by the customer (or Billing Agreement, as applicable) and the resulting Service Order must be documented in a manner that illustrates the customer's agreement with the change.
- m) The Proponent should maintain a file or log book for all accepted Service Orders, which will relate directly to the information recorded in the Billing Agreement log. Refer to Attachment III of this Instruction for illustration of the data fields included in the Service Order log.
- n) Additional information may be included, as required by the specific terms and circumstances of the applicable Billing Agreement.
- o) The information recorded in the Service Order log will also relate directly to information recorded in an invoice log, which will be discussed later in this Instruction. The Proponent will review the information from these logs periodically to ensure all External Party Services are billed accurately and on a timely basis.

**10.5 SERVICE PROVISION**

The service provision is primarily an operations function. As such, defining specific procedures is outside the scope of this Instruction. The Proponent should establish operating procedures specific to each Billing Agreement that take into account the specific circumstances.

**10.6 COST COLLECTION**

- a) The Proponent is responsible for ensuring that Service Providers accurately track all activities and related costs are tracked for the Billing Agreements. They must ensure all costs are charged to the designated cost collector (where appropriate) and all revenue is billed.



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- b) The procedures required for the tracking of activities and the collection of all revenue / cost information will be determined during the development of the Rate Sheet.

**10.7 PREPARE INVOICE REQUEST**

- a) The Proponent is responsible for recording year-end accruals to recognize unbilled revenue in order to match the associated costs incurred for the period. The rules for revenue accruals should follow the expense accrual rules as outlined in GI230.035.
- b) The Proponent is responsible for recording year-end accruals to recognize unbilled revenue in order to match the associated costs incurred for the period. The rules for revenue accruals should follow the expense accrual rules as outlined in GI 230.035.
- c) The Proponent will consolidate the information provided by the applicable Service Providers and prepare a worksheet, table or similar form to calculate the amount to be billed to the customer and the amount of cost, where necessary. This worksheet, table or other form will be prepared in a level of detail to match that of the Billing Agreement terms. The Proponent should prepare the accounting entries required to recognize the revenue and expense based on these calculations.
- d) Specific revenue accounts have been developed for External Party Services. This includes a separate revenue account for each External Party customer in which Saudi Aramco has (1) an ownership interest, and (2) an active Services Agreement. New accounts will be established for External Party customers where Saudi Aramco has an ownership interest as additional agreements are developed. All charges to unaffiliated customers will be recorded in a single revenue account. Detailed information related to this account structure is presented in Attachment IV of this Instruction.
- e) The Proponent should submit an Invoice Request Letter to the Manager, OAD along with a copy of the worksheet, table or other form used to determine these amounts and any necessary supporting information.
- f) The Invoice Request Letter should include the following information:
- Agreement Identification Number,
  - Customer number,
  - Billing amount,
  - Proponent,
  - Service Provider,
  - Required journal entries.

The information provided in the Invoice Request Letter should segregate the invoice amount into separate line items by Service Provider, in order to provide for detailed reporting from SAP.

The Proponent should submit this letter and a copy of the worksheet, table or other form used to determine these amounts and any necessary supporting information to the Manager, OAD,

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requesting his review and processing of the billing. Refer to Attachment V of this Instruction for an example Invoice Request Letter.

- g) The Manager, OAD will forward the billing documentation to PAD for review and invoice preparation. PAD will verify the cost and revenue amounts presented in the Invoice Request Letter, based on the activity information provided and the information contained in the applicable External Party Services Rate Sheet.
- h) The Proponent should maintain a log of External Party Services invoices and invoice requests. The information in this log will relate directly to the information recorded in the Billing Agreement log and Service Order log. Refer to Attachment III of this Instruction for explanation of the date fields included in the Invoice Log.
- i) The Proponent should update the invoice log to reflect the Invoice Request Letter.
- j) PAD should reject any invoice request that:
  - Contains mathematical or other errors,
  - Does not have an External Party Service Rate Sheet covering the applicable Services for the applicable time period,
  - Cannot be supported by the information presented in the applicable External Party Services Rate Sheet,
  - Does not contain the appropriate supporting documentation.
- k) Rejected Invoice Request Letters should be returned to the Proponent with an explanation of the issues that must be resolved prior to preparation of the customer invoice. Corrected Invoice Request Letters should be submitted in the manner described above.
- l) Once PAD validates the information in the Invoice Request Letter, they will prepare the customer invoice and post the required entries in SAP.
- m) PAD will submit the invoice and supporting documentation to the Invoice Collector who in turn communicates the invoice to the customer in accordance with the requirements of the associated agreement. PAD should ensure that no documentation submitted to the customer presents information regarding Saudi Aramco's costs for the Services unless required for a Billing Agreement where revenue is based on Saudi Aramco's costs.
- n) The Invoice Collector will coordinate with the customer for collection of the invoice amount.
- o) PAD will forward a copy of the invoice and all related SAP journal entries to the Proponent. The Proponent should follow up with PAD if an invoice copy is not received within fourteen (14) days from the date the Invoice Request Letter is submitted.

**10.8 VALIDATE FINANCIAL ACTIVITY**

- a) The Proponent should review the invoice and journal entries for accuracy and coordinate with PAD for the correction of any errors.
- b) The Proponent should update the Invoice log to reflect the issuance of the customer invoice.

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17 OF 17**10.9 BILLING CONFIRMATION**

- a) PAD will submit billing confirmation letters to each Proponent on a quarterly basis. These letters will present all amounts invoiced at the Proponent's request in the previous quarter, segregated by customer, invoice and Service Provider.
- b) The Proponent should reply to PAD either confirming the accuracy and completeness of the invoice information or providing information related to invoice requests that were not billed.
- c) Each Proponent should complete the confirmation and return it to the appointed PAD representative indicating its agreement or any corrections required. Follow-up confirmation letters will be sent to the proponent manager if no response is received within ten (10) business days and to the proponent Vice President if no response is received within twenty (20) business days.

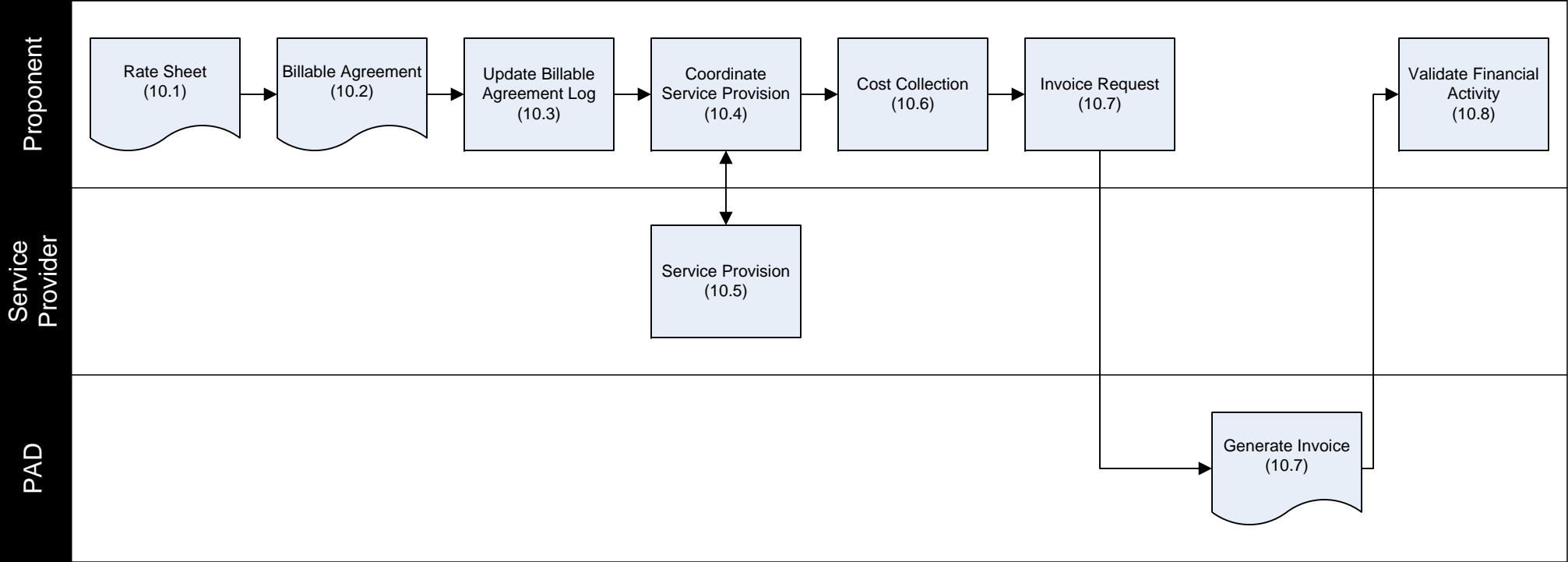
Approved: Original Approved by **Mohammed. O. AL-SUBAIE**  
**Mohammed. O. AL-SUBAIE**, Manager (A)  
 Accounting Policies & Systems Department

DPF

External Party Services – Agreement Administration Process Flow

GI 288.002

Attachment I



Numbering indicates applicable section of General Instruction text.

Billing confirmation will occur on a quarterly basis, outside the agreement administration process flow.

External Party Services Rate Sheet

Billing Agreement Number:

Rate Sheet Number:

Proponent:

Rate Sheet Effective Date:

Rate Sheet End Date:

Service Provider(s):

Service(s)

Customer Name:

Customer Abbreviation:

Customer Number:

Billing Frequency:

Billing Terms / Due Date:

Comments:

Description	Revenue Calculations				Cost Calculations				
	Unit of Measure	Rate	Markup	SAP Account	Cost Basis	Rate	Unit of Measure	Cost Element	Cost Object
Service / Material 1	Quarter	100,000.00	n/a	Revenue Acct	Rate	85,000.00	Quarter	74098XX	Cost Center
Service / Material 2	Year	250,000.00	n/a	68000XX	Rate	225,000.00	Year	74098XX	or WBS
Service / Material 3	Day	500.00	n/a	68000XX	Cost Collection			74098XX	or Internal order
Service / Material 4	Cost Plus	Cost Plus	5.0%	68000XX	Cost Collection			74098XX	

Approver Name & Title - Proponent  
Approval Date

Approver Name & Title - FA&PAD  
Approval Date

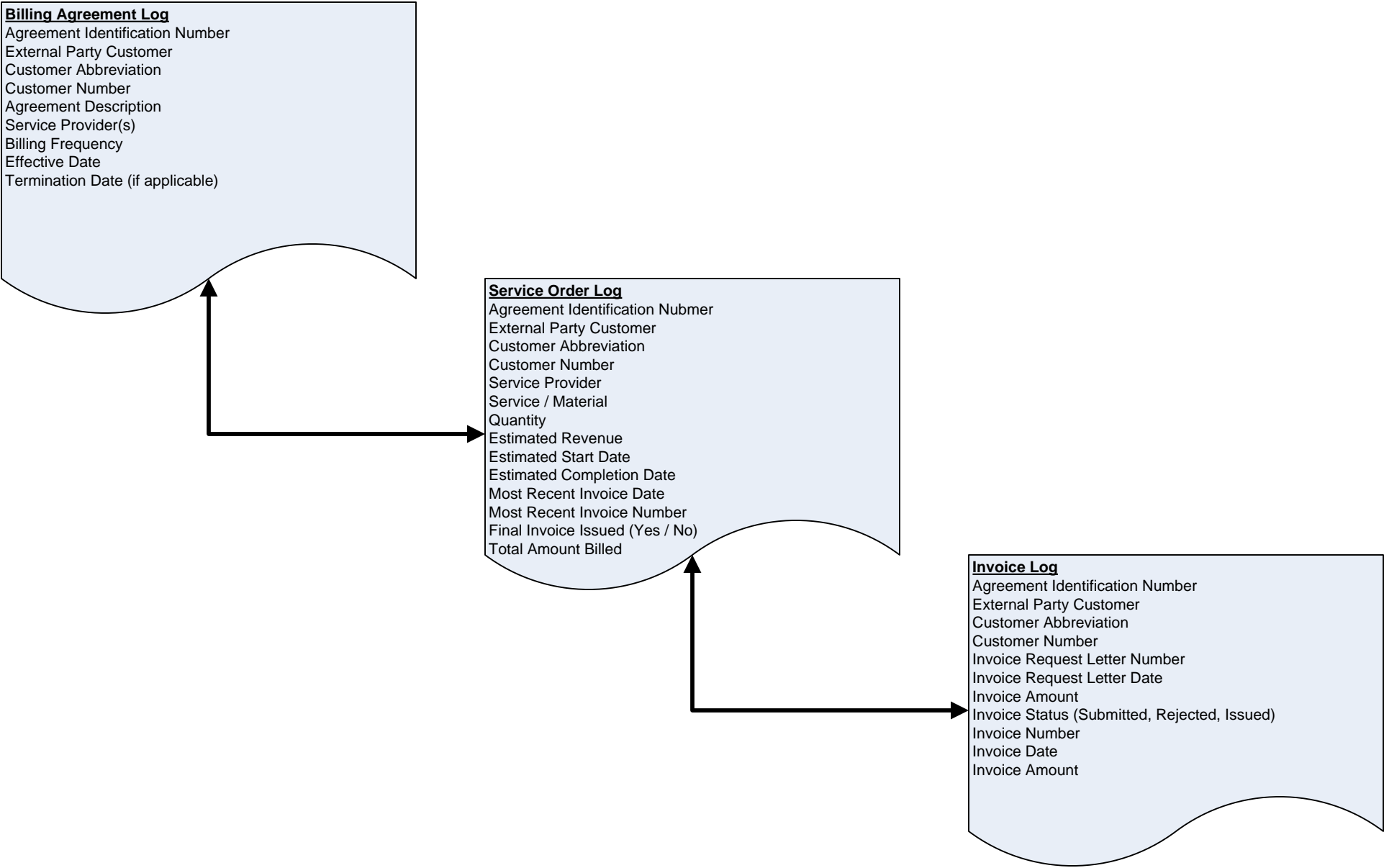
Approver Name & Title - Service Provider  
Approval Date

Approver Name & Title - AP&SD  
Approval Date

External Party Services – Agreement Administration Logs

GI 288.002

Attachment III





**GENERAL INSTRUCTION MANUAL**

ISSUING ORG. ACCOUNTING POLICIES &amp; SYSTEMS DEPARTMENT

SUBJECT EXTERNAL PARTY SERVICES, MATERIALS AND LOANED EMPLOYEES REVENUE ACCOUNTS

GENERAL INSTRUCTION NO.

**288.002 Attachment IV** **Approved**ISSUE DATE  
XX-XX-07REPLACES  
NEWAPPROVAL  
RAKPAGE NO.  
1 OF 1**CONTENT:** This instruction describes the SAP G/L Accounts used to record revenue derived from Service to External Parties and other Miscellaneous Income.

C customer	SAP Customer Account	Trading Partner	SAP Revenue Account	Revenue Account Description	
Petrolube	300120	101030	6800240	Misc. Revenue – Saudi Arabian Lubricating Oil Company (Petrolube)	Consolidated Subsidiaries
Luberef	300030	101020	6800241	Misc. Revenue – Saudi Arabian Lubricating Oil Refining Company (Luberef)	
EniRepSa	300653	101068	6800270	Misc. Revenue – EniRepSa Gas Limited	
LUKSAR	300651	101066	6800271	Misc. Revenue – Lukoil Saudi Arabia Energy Limited dba LUKSAR Energy Limited (LUKSAR)	Unconsolidated Affiliates
Petro-Rabigh	300935	101095	6800272	Misc. Revenue – Rabigh Refining & Petrochemical Company (Petro-Rabigh)	
Samref	300655	101050	6800273	Misc. Revenue – Saudi Aramco Mobil Refinery Company Ltd (Samref)	
Sasref	300654	101060	6800274	Misc. Revenue – Saudi Aramco Shell Refinery Company (Sasref)	
Sino Saudi Gas	300652	101067	6800275	Misc. Revenue – Sino Saudi Gas Limited	
SRAK	300650	101065	6800277	Misc. Revenue – South Rub Al Khali Company Ltd (SRAK)	
Unaffiliated Customers	Various	Various	6800300	Misc. Revenue – Unaffiliated Parties	

Approved: Original Mohammed. O. AL-SUBAIE  
**Mohammed. O. AL-SUBAIE**, Manager (A)  
 Accounting Policies & Systems Department

DPF  
W/C XXX

\* CHANGE

\*\* ADDITION

NEW INSTRUCTION ■

COMPLETE REVISION □

**GENERAL INSTRUCTION MANUAL**ISSUING ORG. **ACCOUNTING POLICY, METHODS & SYSTEMS DEPARTMENT**SUBJECT **Provision of Services and Sales of Materials to External Parties****(Appropriate Letterhead of Signatory)****(Date)****INVOICE REQUEST FOR MATERIALS / SERVICES  
PROVIDED BY SAUDI ARAMCO****XXX/ /200X****Manager, Operation Accounting Department**

This is a request to charge **Customer** the amount of **USD XXX.XX (US Dollar XXX and XXX cents)** towards service/materials provided under the Services Agreement executed between Saudi Aramco and **Customer**, with the effective date, **Month Date, 20YY**. These charges relate to Service Order #**XXX-XXX** for the period of **Month Date – Month Date, 20YY**.

Please use the following information to document the accounting transaction:

- Post the following accounting entries:
  - Debit - To be provided by AP&SD: \$(entire amount)
  - Credit - To be provided by AP&SD: \$(entire amount)
- SAP reference field acronym "*Customer Name*"
- SAP Comment field contains "*Service Authorization Number*"
- Please ensure that the invoice description contains the following text:

*"To charge your account for services/materials per Service Authorization # XXX-XXX, executed on Month Date, 20YY. The amount invoiced is based on the terms of the referenced Service Authorization which is based on the terms of the Services Agreement signed on Month Date, 20YY. Please see attached for detailed breakdown."*

- Please ensure that the invoice is sent with a hardcopy of the attached excel sheet which provides a detailed breakdown.

The customer contact information is:

*Mr. XXX*  
*Title*  
*Address*  
*Phone/Fax*

Please ensure that the following Saudi Aramco bank account details are entered on the invoice under the payment instructions:

USD Account:  
 To be provided by Treasury, Credit & Collections

Questions related to this subject can be directed to **XXXXX XXXXX** at **XXX-XXXX** who is the primary RDP contact.

**XXXXX XXXXXXXX**, Department Head

**Department Name**

Attachment

cc: Letter Book/File