



chairman's message

Over the course of 2017, the oil market strengthened significantly as the global economic recovery contributed to healthier oil demand, and the industry ended the year with a generally more upbeat sentiment. Saudi Aramco performed exceptionally well during the year, with its strong performance aided by the oil market recovery.

Notwithstanding an improved market picture, the oil industry's preparedness for the future remains in question as the sector has lost an estimated \$1 trillion in planned investments since the market downturn began. The situation becomes more disconcerting when seen in the light of global demand growing at the rate of 1 to 1.5 million barrels per day annually, and maturing oil fields around the world exhibiting steepening natural declines that must also be offset by continuing investment in the industry.

To respond to this situation, significant new investments are required in additional capacity and expanded and upgraded infrastructure, as well as the development of pioneering technology to make petroleum energy more sustainable and accessible. Saudi Aramco is committed to playing its unique part in meeting the world's energy needs today and tomorrow by continuing to invest wisely throughout the cycle and across the value chain, reinforcing our preeminent leadership position in the industry.

Because petroleum is expected to remain a major part of the world's long-term energy mix, Saudi Aramco is not only investing to further strengthen our premier upstream oil position, but also working diligently to lighten the carbon footprint of oil. We are leveraging our excellence in research and innovation to address areas of strategic technology importance. These include advancing sustainable transport through the development of ultra-clean and integrated fuel engine systems of the future, and driving other high-impact solutions such as carbon capture, utilization, and storage as well as beneficial uses of carbon. In addition, considering the projected rapidly growing role of cleaner natural gas, the company expects to double the domestic production of gas while taking steps to establish a profitable international gas business.

Concurrently, Saudi Aramco is moving steadily to build a world leading position in the downstream segment of the business. As detailed in this *Annual Review*, state-of-the-art refining and marketing manufacturing complexes continue to be implemented in the Kingdom and in the fast growing markets of Asia and the United States. Oil feedstocks are playing an increasingly larger role in the company's petrochemicals production, which is on its way to becoming a world-class business. In addition, differentiated and branded base lube oils, manufactured at wholly owned and joint venture facilities, are moving toward a leading international position. We

believe this stronger downstream portfolio will not only add more value, promote sustainable growth, and secure outlets for future oil production, but also strengthen the company's resilience and robustness.

We must be able to depend upon a reliable supply chain for Saudi Aramco to remain the lowest cost operator and the most reliable supplier of oil. That is why the Board supports the localization of goods and services within Saudi Arabia with the aim of enhancing the efficiency and reliability of the supply chain, helping industrialize and diversify the Kingdom's economy and promoting small- to medium-sized enterprises. Besides advancing the company's strategic and operational goals, these initiatives are also fully aligned with Vision 2030, the Kingdom's blueprint to develop and diversify the Kingdom's economy and position it as an economic powerhouse for the 21st century.

In the meantime, the company continued to prepare itself for the listing of its shares, a landmark event the company and its Board anticipate with excitement.

To intensify the development of a world-class workforce ready to man and steer its expanding domestic and international businesses, to help the Kingdom's youth seize these wide-ranging opportunities, and to rapidly grow the proportion and participation of women in its workforce, Saudi Aramco is committed to supporting education and training in science, technology, engineering, and mathematics (STEM), as well as finance, business, and other important disciplines. These efforts will not only strengthen the growing industrial base in the Kingdom, but also help realize the ambitions of the Saudi people.

I would like to emphasize that Saudi Aramco's many accomplishments over the past year would not have been possible without the vigorous support and visionary guidance imparted by The Custodian of the Two Holy Mosques King Salman ibn 'Abd Al-'Aziz Al Sa'ud, and the Crown Prince HRH Mohammed ibn Salman ibn 'Abd Al-'Aziz Al Sa'ud.

On behalf of the Board of Directors, I thank the men and women of Saudi Aramco across the world who once again delivered outstanding performance amid a challenging environment. I would also like to thank our customers, partners, suppliers, and the communities in which we operate for their contributions to our shared success.

Khalid A. Al-Falih
Chairman of the Board of Directors



president's foreword

At Saudi Aramco, we are united in our determination to be the world's leading integrated energy and chemicals producer. This year we made significant progress to realize this aspiration.

To maintain our preeminence in the upstream sector, we remained focused on our core objective of creating and sustaining value from the Kingdom's hydrocarbon resource base for generations to come. We discovered two new oil fields in 2017 and stayed on course to increase the capacity of our Khurais field by 300,000 barrels per day in 2018. In gas, we readied our Midyan nonassociated gas field, commenced projects to expand production and processing capacity, and brought online the first unconventional gas in Saudi Arabia. Boosting our gas supplies is in line with our core upstream objective to provide additional fuel and feedstock for local industry while enabling increased exports of higher value liquids.

In the downstream sector, our primary objective is to extract maximum value along the hydrocarbon value chain and elevate our downstream business to the level of leadership we enjoy in upstream. In pursuit of this objective, we continued to expand our global network, completing key agreements and projects. In the United States, the full acquisition of Motiva Enterprises was finalized, with Saudi Aramco retaining the Motiva name and becoming the sole owner of North America's largest single-site crude oil refinery at Port Arthur, Texas. In Malaysia, we reached an agreement with Petronas to participate in RAPID, a refinery and integrated chemicals complex in the state of Johor. In China, we signed a Memorandum of Understanding with Norinco, a diversified industrial conglomerate, to participate in the expansion of one refinery and build a new one. And in Saudi Arabia, we fully commissioned the Sadara chemicals manufacturing plant, our joint venture with Dow Chemical.

Elsewhere, we continued to seek solutions for safe, sustainable, and reliable supplies of energy that help to address the climate challenge. We sustained growth while maintaining strong cost discipline, enabled by our Operational Excellence program and our focus on capital efficiency. Even more importantly, we improved our safety performance, reducing lost-time injuries.

We also know that the transformative power of innovation is integral to our future success. In 2017, we pursued breakthrough technologies across a number of strategic domains, including low emission transportation, carbon capture, utilization, and storage, and the direct conversion of crude oil to chemicals. Our research and development strategy seeks to unlock greater value, create more economic opportunities, and reduce greenhouse gas emissions, delivering benefits for energy consumers and producers alike.

This year we were granted 230 U.S. patents — a record high for Saudi Aramco.

In the Kingdom, we intensified our efforts to facilitate a diverse and competitive energy sector, forming joint ventures for onshore and offshore drilling, a maritime yard, and engineering services. In 2017, the metric for iktva, our global supply chain efficiency initiative, showed improvement. Our localization strategy is intended to optimize our costs and build a world-class supply chain ecosystem, strengthening our ability to meet our commitments to customers around the globe.

All these developments are designed to enhance the robustness, resilience, and integration of our business — not only to weather challenging times, but to thrive in them. However, no one company can do so alone. In 2017, we continued to expand our strategic collaborations with other energy producers, service providers, manufacturers, research institutions, and universities. Together, we are committed to reliably meeting the energy demands of billions of people for decades to come, helping to meet society's lower carbon goals, and remaining at the cutting-edge of technology.

The past year was an exceptional one for Saudi Aramco — made possible only through the outstanding efforts of our talented men and women. I thank them for their relentless commitment to safely, reliably, and responsibly deliver energy to the Kingdom and the world, helping ensure a brighter future for us all.

Amin H. Nasser
President and Chief Executive Officer