



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