

Capturing growth opportunities and generating long-term value



“Aramco’s unprecedented financial results for 2022 reinforce our ability to generate consistent value for our shareholders across price cycles, while also providing energy supply stability to our customers.”

Dear Shareholders,

In 2022, Aramco delivered exceptional financial results with unrivaled profitability despite continued economic uncertainty in the global economy.

The year itself was divided into two distinct parts for the energy market. In the first half, we saw upward pressure on energy prices driven by low crude and refined product inventories, as well as geopolitical events. In the second half of 2022, market conditions softened as global inflationary concerns impacted growth in crude oil demand.

Throughout 2022, we continued our long-standing emphasis on maintaining a robust balance sheet, cash generating ability, prudent cash and debt management, as well as delivering exceptional shareholder returns. For the year ended December 31, 2022, Aramco posted record net income as a public company of SAR 604.0 billion (\$161.1 billion) and free cash flow of SAR 557.0 billion (\$148.5 billion). We generated strong capital returns with ROACE of 31.6%, and continued to strengthen our balance sheet as reflected by our gearing ratio improving to (7.9)% compared to 12.0% at the end of 2021.

Following these results, the Board of Directors declared a fourth quarter cash dividend of SAR 73.2 billion (\$19.5 billion), representing a 4.0% increase compared to the previous quarter, as aligned with our dividend policy aiming to deliver a sustainable and progressive dividend. Additionally, the Board has recommended capitalizing SAR 15.0 billion (\$4.0 billion) of retained earnings to support the distribution of bonus shares to eligible shareholders in the amount of one share for every 10 shares held.

Supporting our growth ambitions

Aramco’s financial framework is designed to support our growth ambitions by providing significant flexibility to navigate through crude oil price cycles, while also creating long-term value for our shareholders.

This framework continues to be supported by three main pillars, the first of which is the prudent optimization of Aramco's capital structure in order to maintain a high investment-grade credit rating with sufficient capacity. During the year we strategically directed cash flow towards deleveraging our balance sheet, making partial prepayments totaling SAR 66.8 billion (\$17.8 billion) of the deferred consideration related to the SABIC acquisition, thereby reducing the principal amounts of the associated promissory notes. This resulted in savings of approximately SAR 8.3 billion (\$2.2 billion).

The second pillar of our financial framework centers on continuing to diversify our funding sources and optimize funding costs to provide maximum optionality and execution flexibility. In 2022, this included signing a five-year agreement for SAR 37.5 billion (\$10.0 billion) to replace certain unsecured revolving credit facilities.

The third and final pillar is maintaining our capital discipline and financial prudence through crude oil price cycles. We believe oil and gas will remain a key part of the energy mix over the longer term in order to satisfy the world's need for affordable, reliable and stable energy. Accordingly, our capital expenditures in 2022 increased by 18.0% to SAR 141.2 billion (\$37.6 billion) as we continued to make long-term investments across the hydrocarbon chain to further our growth ambitions.

These investments included expanding our downstream European presence with the closing of three landmark transactions with Polish refiner and fuel retailer PKN ORLEN. Aramco also signed an equity purchase agreement to acquire Valvoline Inc.'s global products business for SAR 9.9 billion (\$2.65 billion) in the third quarter of 2022. This strategic acquisition, which closed in March 2023, is expected to complement Aramco's line of premium-branded lubricant products and enhance our global base oils production capabilities.

Investing in the energy transition

At the same time, we are investing in key energy transition-related solutions, including the development of cleaner fuel technologies, lower-carbon hydrogen, renewables, and carbon capture, utilization, and storage.

These future-focused investments are already making progress. Aramco, through our SASREF and SABIC Agri-Nutrients subsidiaries, was granted the world's first independent certification for production of blue ammonia and hydrogen in the third quarter of 2022, as well as collaborating on the world's first commercial shipment of lower-carbon blue ammonia in the fourth quarter of 2022.

The SAR 5.6 billion (\$1.5 billion) Sustainability Fund that we announced in 2022 is another example of our desire to invest in innovation.

The Fund is being managed by Aramco Ventures, our venture capital arm, and will focus on making investments in innovative technologies that support our 2050 net-zero ambition.

With petrochemicals positioned to provide essential inputs for the energy transition, we are also investing to grow our net chemicals production capacity and announcing expansion projects in the Kingdom and in Asia. Since the acquisition of SABIC, Aramco has sought to achieve synergies in procurement, supply chain, marketing, feedstock optimization, stream integration, operations, and maintenance. Aramco estimates that it has generated incremental EBITDA synergies of approximately SAR 8.1 billion (\$2.15 billion) and is targeting the capture of approximately SAR 11.3 billion to SAR 15.0 billion (\$3.0 billion to 4.0 billion) in annual recurring EBITDA synergies by 2025.

Expanding our capital market presence

In the fourth quarter of 2022, two companies that Aramco holds interests in completed initial public offerings with listings on the Saudi Exchange.

The IPO of the Power and Water Utility Company for Jubail and Yanbu, known as Marafiq, resulted in Aramco's effective equity ownership being reduced from 42.2% to 29.8%. Aramco received SAR 1.7 billion (\$0.44 billion) from the sale of this portion of our stake in Marafiq. Our majority-owned base oil subsidiary, Luberef, also completed its IPO; however, no proceeds from this public offering were received as we retained our entire 70% stake.

Both IPOs reinforce our efforts to increase Aramco's participation and presence in capital markets, expand our shareholder base, and provide existing and new investors with additional avenues to capture value that Aramco and its subsidiaries generate.

Focusing on value creation

Aramco's unprecedented financial results for 2022 reinforce our ability to generate consistent value for our shareholders across price cycles, while providing energy supply stability to our customers.

Our aim is to continue to deliver a sustainable and progressive dividend while focusing on long-term value creation. Going forward, continued agility, resilience, and fiscal discipline will remain the cornerstones of our financial approach as we continue to lay the foundation for Aramco to be a leading energy player as the world moves towards a lower-carbon future.

Ziad T. Al Murshed

Executive Vice President & Chief Financial Officer