

Non-IFRS measures reconciliations and definitions for the year ended December 31, 2020

Aramco uses certain non-IFRS financial measures to make informed decisions about its financial position and operating performance or liquidity. These non-IFRS financial measures have been included below to facilitate a better understanding of Aramco's historical trends of operation and financial position.

Aramco uses non-IFRS financial measures as supplementary information to its IFRS based operating performance and financial position. The non-IFRS financial measures are not defined by, or presented in accordance with, IFRS. The non-IFRS financial measures are not measurements of Aramco's operating performance or liquidity under IFRS and should not be used instead of, or considered as alternatives to, any measures of performance or liquidity under IFRS. The non-IFRS financial measures relate to the reporting periods described below are not intended to be predictive of future results. In addition, other companies, including those in Aramco's industry, may calculate similarly titled non-IFRS financial measures differently from Aramco. Because companies do not necessarily calculate these non-IFRS financial measures in the same manner, Aramco's presentation of such non-IFRS financial measures may not be comparable to other similarly titled non-IFRS financial measures used by other companies.

Return on average capital employed (ROACE)

ROACE measures the efficiency of Aramco's utilization of capital. Aramco defines ROACE as net income before finance costs, net of income taxes and zakat, for a period as a percentage of average capital employed during that period. Average capital employed is the average of total borrowings plus total equity at the beginning and end of the applicable period. Aramco utilizes ROACE to evaluate management's performance and demonstrate to its shareholders that capital has been used effectively.

ROACE, calculated on a twelve-month rolling basis, was 13.2% in 2020, compared to 28.4% in 2019. This decrease was primarily attributable to lower net income, and to a lesser extent, higher borrowings as a result of the SABIC acquisition, the drawdown of a term loan facility and the issuance of Senior Unsecured Notes.

	SAR		USD*	
	Twelve months ended December 31		Twelve months ended December 31	
	2020	2019	2020	2019
All amounts in millions unless otherwise stated				
Net income	183,763	330,693	49,003	88,185
Finance costs, net of income taxes and zakat	5,282	3,013	1,409	804
Net income before finance costs, net of income taxes and zakat	189,045	333,706	50,412	88,989
As at period start:				
Non-current borrowings	150,690	71,329	40,184	19,021
Current borrowings	24,895	29,989	6,639	7,997
Total equity	1,046,235	1,028,435	278,996	274,249
Capital employed	1,221,820	1,129,753	325,819	301,267
As at period end:				
Non-current borrowings	436,920	150,690	116,512	40,184
Current borrowings	99,157	24,895	26,442	6,639
Total equity	1,101,094	1,046,235	293,625	278,996
Capital employed	1,637,171	1,221,820	436,579	325,819
Average capital employed	1,429,496	1,175,787	381,199	313,543
ROACE	13.2%	28.4%	13.2%	28.4%

* Supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only.

Free cash flow

Aramco uses free cash flow to evaluate its cash available for financing activities, including dividend payments. Aramco defines free cash flow as net cash provided by operating activities less capital expenditures.

Free cash flow in 2020 was SAR 184,267 (\$49,137), compared to SAR 293,647 (\$78,305) in 2019, a decrease of SAR 109,380 (\$29,168), or 37%. This was principally due to lower earnings in 2020, resulting from lower crude oil prices, lower crude oil volumes sold and weaker refining and chemicals margins, partly offset by a decrease in settlement of income, zakat and other taxes and lower capital expenditures following the implementation of capital spending optimization and efficiency programs during the year.

	SAR		USD*	
	Year ended December 31		Year ended December 31	
All amounts in millions unless otherwise stated	2020	2019	2020	2019
Net cash provided by operating activities	285,297	416,529	76,079	111,074
Capital expenditures	(101,030)	(122,882)	(26,942)	(32,769)
Free cash flow	184,267	293,647	49,137	78,305

* Supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only.

Gearing

Gearing is a measure of the degree to which Aramco's operations are financed by debt. Aramco defines gearing as the ratio of net debt (total borrowings less cash and cash equivalents) to net debt plus total equity. Management believes that gearing is widely used by analysts and investors in the oil and gas industry to indicate a company's financial health and flexibility.

Aramco's gearing ratio was 23.0% as at December 31, 2020, compared to -0.2% (net cash position) as at December 31, 2019. This principally reflects an increase in net debt, mainly due to the deferred consideration payable to the PIF on acquisition of SABIC, the drawdown of a new term loan facility, the issuance of Senior Unsecured Notes during the year, and the consolidation of SABIC's net debt position.

	SAR		USD*	
	As at December 31		As at December 31	
All amounts in millions unless otherwise stated	2020	2019	2020	2019
Total borrowings (current and non-current)	536,077	175,585	142,954	46,823
Cash and cash equivalents	(207,232)	(177,706)	(55,262)	(47,388)
Net debt/(cash)	328,845	(2,121)	87,692	(565)
Total equity	1,101,094	1,046,235	293,625	278,996
Total equity and net debt/cash	1,429,939	1,044,114	381,317	278,431
Gearing	23.0%	(0.2)%	23.0%	(0.2)%

* Supplementary information is converted at a fixed rate of U.S. dollar 1.00 = SAR 3.75 for convenience only.

Earnings before interest, income taxes and zakat (EBIT)

Aramco defines EBIT as net income plus finance costs and income taxes and zakat, less finance income. Aramco believes EBIT provides useful information regarding its financial performance to analysts and investors.

EBIT for 2020 was SAR 380,217 (\$101,391), compared to SAR 667,233 (\$177,929) in 2019. This decrease of SAR 287,016 (\$76,538), or 43%, principally reflects the impact of lower crude oil prices and volumes sold, and weaker refining and chemicals margins during the year.

All amounts in millions unless otherwise stated	SAR		USD*	
	Year ended December 31		Year ended December 31	
	2020	2019	2020	2019
Net income	183,763	330,693	49,003	88,185
Finance income	(2,771)	(5,534)	(739)	(1,476)
Finance costs	10,564	6,026	2,817	1,607
Income taxes and zakat	188,661	336,048	50,310	89,613
Earnings before interest, income taxes and zakat	380,217	667,233	101,391	177,929

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