



Non-IFRS measures reconciliations and definitions

Aramco uses certain non-IFRS financial measures, including ROACE, free cash flow and gearing, 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 and 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.

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 for the third quarter and nine months ended September 30, 2021, calculated on a 12-month rolling basis, was 20.6%, compared to 14.8% for the same periods in 2020. The increase in ROACE was driven by higher earnings, mainly reflecting stronger crude oil prices, improved refining and chemicals margins and the consolidation of SABIC's full year results, partially offset by higher average capital employed during the period, mainly resulting from the acquisition of SABIC in June 2020.

	Twelve months ended September 30			
	SAR		USD*	
	2021	2020	2021	2020
All amounts in millions unless otherwise stated				
Net income	343,453	206,291	91,588	55,010
Finance costs, net of income taxes and zakat	6,330	4,265	1,688	1,137
Net income before finance costs, net of income taxes and zakat	349,783	210,556	93,276	56,147
As at period start:				
Non-current borrowings	411,552	133,288	109,747	35,543
Current borrowings	96,770	40,006	25,805	10,668
Total equity	1,113,737	1,049,446	296,997	279,852
Capital employed	1,622,059	1,222,740	432,549	326,063
As at period end:				
Non-current borrowings	421,998	411,552	112,533	109,747
Current borrowings	115,287	96,770	30,743	25,805
Total equity	1,231,404	1,113,737	328,375	296,997
Capital employed	1,768,689	1,622,059	471,651	432,549
Average capital employed	1,695,374	1,422,400	452,100	379,306
ROACE	20.6%	14.8%	20.6%	14.8%

* 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 for the third quarter of 2021 was SAR 107,738 (\$28,730), compared to SAR 46,547 (\$12,411) for the same quarter in 2020, an increase of SAR 61,191 (\$16,319). This was principally due to stronger earnings, partly offset by an increase in cash paid for the settlement of income, zakat and other taxes and an increase in capital expenditures.

Free cash flow for the first nine months of 2021 was SAR 260,944 (\$69,585), compared to SAR 125,752 (\$33,533) for the same period in 2020. This increase of SAR 135,192 (\$36,052) was mainly due to higher operating cash flow, principally reflecting stronger crude oil prices and improved refining and chemicals margins, partially offset by negative working capital movements, higher cash paid for the settlement of income, zakat and other taxes and an increase in capital expenditures.

	Third quarter				Nine months			
	SAR		USD*		SAR		USD*	
All amounts in millions unless otherwise stated	2021	2020	2021	2020	2021	2020	2021	2020
Net cash provided by operating activities	136,204	70,481	36,321	18,794	348,236	200,858	92,863	53,561
Capital expenditures	(28,466)	(23,934)	(7,591)	(6,383)	(87,292)	(75,106)	(23,278)	(20,028)
Free cash flow	107,738	46,547	28,730	12,411	260,944	125,752	69,585	33,533

* 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 as at September 30, 2021 was 17.2%, compared to 23.0% as at December 31, 2020. The decrease in gearing was mainly due to higher cash and cash equivalents as at September 30, 2021. This was primarily due to higher operating cash flows, reflecting the impact of stronger crude oil prices, improved refining and chemicals margins and consolidation of SABIC's results, as well as cash proceeds in relation to Aramco's stabilized crude oil pipelines transaction that completed in the second quarter of 2021.

	SAR		USD*	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
All amounts in millions unless otherwise stated				
Total borrowings (current and non-current)	537,285	536,077	143,276	142,954
Cash & cash equivalents	(282,239)	(207,232)	(75,264)	(55,262)
Net debt	255,046	328,845	68,012	87,692
Total equity	1,231,404	1,101,094	328,375	293,625
Total equity and net debt	1,486,450	1,429,939	396,387	381,317
Gearing	17.2%	23.0%	17.2%	23.0%

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