

non-IFRS measures reconciliations and definitions

We supplement our use of IFRS financial measures with non-IFRS financial measures, including return on average capital employed (ROACE), free cash flow, earnings before interest and taxes (EBIT) and gearing. These non-IFRS financial measures reflect an additional way of viewing aspects of our business that, when viewed with our IFRS results and the accompanying reconciliations to corresponding IFRS financial measures included in the consolidated financial report, may provide a more complete understanding of factors and trends affecting our business.

The non-IFRS measures do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other companies and should not be relied upon to the exclusion of IFRS financial measures. We believe that the non-IFRS measures are useful as an additional tool to help management and investors make informed decisions about our financial performance.

ROACE

We utilize ROACE to evaluate management's performance and demonstrate to its shareholder that capital has been used effectively.

	SAR		USD*	
	Twelve-month rolling period ended			
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net income for the twelve-month rolling period	393,566	356,603	104,951	95,094
Finance costs, net of tax 50%	2,175	1,320	580	352
Net income before finance costs, net of tax	395,741	357,923	105,531	95,446
Current borrowings (twelve-month period opening)	27,735	9,769	7,396	2,605
Non-current borrowings (twelve-month period opening)	63,696	66,154	16,986	17,641
Total equity (twelve-month period opening)	908,341	771,026	242,224	205,607
Capital employed (period opening)	999,772	846,949	266,606	225,853
Current borrowings (twelve-month period closing)	38,407	27,735	10,242	7,396
Non-current borrowings (twelve-month period closing)	134,472	63,696	35,859	16,986
Total equity (twelve-month period closing)	1,024,127	908,341	273,100	242,224
Capital employed (period closing)	1,197,006	999,772	319,201	266,606
Average capital employed	1,098,389	923,361	292,904	246,229
ROACE - twelve-month rolling basis	36.0%	38.8%		

Free cash flow

Free cash flow is used to evaluate cash available for financing activities, including dividend payments. We define free cash flow as net cash provided by operating activities less capital expenditures.

	SAR		USD*	
	Half year 2019	Half year 2018	Half year 2019	Half year 2018
Net cash provided by operating activities	196,689	195,213	52,450	52,057
Capital expenditures	(54,263)	(61,741)	(14,470)	(16,464)
Free cash flow	142,426	133,472	37,980	35,593

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

non-IFRS measures reconciliations and definitions - continued

EBIT

EBIT is defined as net income plus finance costs and income taxes, less finance income.

	SAR		USD*	
	Half year 2019	Half year 2018	Half year 2019	Half year 2018
Net income	175,871	198,820	46,899	53,019
Finance costs	2,779	1,387	741	370
Income taxes	170,963	180,779	45,590	48,207
Finance income	(2,714)	(996)	(724)	(265)
Earnings before interest and taxes	346,899	379,990	92,506	101,331

Gearing

Gearing is defined as ratio of (i) total borrowings (current and non-current) less cash and cash equivalents to (ii) total borrowings less cash and cash equivalents plus total equity.

	SAR	USD*
	June 30, 2019	June 30, 2019
Current borrowings	38,407	10,242
Non-current borrowings	134,472	35,859
Total borrowings	172,879	46,101
Less: Cash and cash equivalents	(148,225)	(39,527)
Net debt / (cash)	24,654	6,574
Net debt / (cash)	24,654	6,574
Total equity	1,024,127	273,100
Total capital	1,048,781	279,674
Gearing	2.4%	2.4%

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