

ACWA POWER COMPANY
and its subsidiaries

(Saudi Listed Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REVIEW REPORT**

FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023



Ernst & Young Professional Services (Professional LLC)
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**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ACWA POWER COMPANY
(A SAUDI LISTED JOINT STOCK COMPANY)**

Introduction:

We have reviewed the accompanying interim consolidated statement of financial position of ACWA POWER Company (A Saudi Listed Joint Stock Company) (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 March 2023, the related interim consolidated statements of profit or loss and other comprehensive income for the three-month period then ended, and the interim consolidated statements of cashflows and changes in equity for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.


Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services


Ahmed Ibrahim Reda
Certified Public Accountant
License No. (356)

Riyadh: 20 Shawwal 1444H
(10 May 2023)

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in Saudi Riyals thousands unless otherwise stated)

	<i>Notes</i>	As of 31 Mar 2023	As of 31 Dec 2022
<u>ASSETS</u>			
NON-CURRENT ASSETS			
Property, plant and equipment	3	10,813,723	10,105,713
Intangible assets		2,031,217	2,028,830
Equity accounted investees	4	14,282,429	12,624,518
Net investment in finance lease		11,531,323	11,501,842
Deferred tax asset		156,009	119,955
Fair value of derivatives	19	799,206	924,537
Other assets		398,085	397,775
TOTAL NON-CURRENT ASSETS		<u>40,011,992</u>	<u>37,703,170</u>
CURRENT ASSETS			
Inventories		440,816	406,820
Net investment in finance lease		391,757	378,486
Fair value of derivatives	19	73,346	106,131
Due from related parties	7	1,161,972	985,120
Accounts receivable, prepayments and other receivables	22.2	3,079,077	2,920,293
Cash and balances with banks	5	6,094,416	6,354,522
		<u>11,241,384</u>	<u>11,151,372</u>
Assets held for sale	16	124,788	139,963
TOTAL CURRENT ASSETS		<u>11,366,172</u>	<u>11,291,335</u>
TOTAL ASSETS		<u><u>51,378,164</u></u>	<u><u>48,994,505</u></u>

The attached notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	As of 31 Mar 2023	As of 31 Dec 2022
<u>EQUITY AND LIABILITIES</u>			
EQUITY			
Shareholders' equity			
Share capital		7,134,143	7,134,143
Share premium		5,335,893	5,335,893
Statutory reserve		872,766	872,766
Retained earnings		2,350,588	2,080,853
Proposed dividends	20	606,813	606,813
Equity attributable to owners of the Company before other reserves		16,300,203	16,030,468
Other reserves	8	1,992,671	2,629,419
Equity attributable to owners of the Company		18,292,874	18,659,887
Non-controlling interest		1,409,225	1,368,507
TOTAL EQUITY		19,702,099	20,028,394
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term financing and funding facilities	6	24,731,582	22,332,678
Due to related parties	7	872,310	862,887
Equity accounted investees	4	131,771	68,370
Fair value of derivatives	19	10,339	1,669
Deferred tax liability		185,369	214,277
Deferred revenue		91,007	90,651
Employee end of service benefits' liabilities		192,789	190,788
Other liabilities	9	808,591	820,070
TOTAL NON-CURRENT LIABILITIES		27,023,758	24,581,390
CURRENT LIABILITIES			
Accounts payable, accruals and other financial liabilities	22.2	2,986,185	2,744,376
Short-term financing facilities		357,729	275,052
Current portion of long-term financing and funding facilities	6	1,028,241	1,039,904
Due to related parties	7	79,319	88,603
Zakat and taxation	10.1	200,833	236,786
TOTAL CURRENT LIABILITIES		4,652,307	4,384,721
TOTAL LIABILITIES		31,676,065	28,966,111
TOTAL EQUITY AND LIABILITIES		51,378,164	48,994,505

The attached notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(All amounts in Saudi Riyals thousands unless otherwise stated)

		For the three months period ended 31 Mar	
	Notes	2023	2022
<u>CONTINUING OPERATIONS</u>			
Revenue	11, 22.1	1,331,444	1,151,272
Operating costs		(629,999)	(567,769)
GROSS PROFIT		701,445	583,503
Development cost, provision and write offs, net of reversals		(14,948)	(23,716)
General and administration expenses	22.1	(258,643)	(219,004)
Share in net results of equity accounted investees, net of tax	4, 22.1	38,171	44,859
Other operating income	12, 22.1	92,889	136,309
OPERATING INCOME BEFORE IMPAIRMENT LOSS AND OTHER EXPENSES		558,914	521,951
Impairment loss and other expenses, net		(1,945)	-
OPERATING INCOME AFTER IMPAIRMENT LOSS AND OTHER EXPENSES		556,969	521,951
Other income, net	13, 22.1	60,645	39,172
Exchange loss, net	22.1	(2,131)	(17,214)
Financial charges, net	14	(340,048)	(281,467)
PROFIT BEFORE ZAKAT AND INCOME TAX		275,435	262,442
Zakat and tax credit / (charge)	10.1	26,241	(99,208)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		301,676	163,234
<u>DISCONTINUED OPERATIONS</u>			
Loss from discontinued operations including loss recognised on assets held for sale	16.6, 22.1	(3,082)	(19,843)
PROFIT FOR THE PERIOD		298,594	143,391
Profit / (loss) attributable to:			
Equity holders of the parent		269,735	151,851
Non-controlling interests		28,859	(8,460)
		298,594	143,391
 Basic and diluted earnings per share to equity holders of the parent (in SR)			
	15.2	0.37	0.21
Basic and diluted earnings per share from continuing operations to equity holders of the parent (in SR)			
	15.2	0.37	0.23

The attached notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Saudi Riyals thousands unless otherwise stated)

	<i>Notes</i>	For the three months period ended 31 Mar	
		2023	2022
PROFIT FOR THE PERIOD		298,594	143,391
<u>OTHER COMPREHENSIVE (LOSS) / INCOME</u>			
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		(8,569)	680
Change in fair value of cash flow hedge reserve		(186,693)	711,977
Settlement of cash flow hedges transferred to profit or loss		10,579	(21,011)
Equity accounted investees – share of OCI	4, 8	(476,853)	977,916
Cash flow hedge reserve recycled to profit or loss on sale of an equity accounted investee	8, 16	-	128,638
Items that will not be reclassified to profit or loss			
Re-measurement of defined benefit liability		(1,070)	(1,826)
TOTAL OTHER COMPREHENSIVE (LOSS) / INCOME		(662,606)	1,796,374
TOTAL COMPREHENSIVE (LOSS) / INCOME		(364,012)	1,939,765
Total comprehensive (loss) / income attributable to:			
Equity holders of the parent		(367,013)	1,855,370
Non-controlling interests		3,001	84,395
		(364,012)	1,939,765

The attached notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in Saudi Riyals thousands unless otherwise stated)

		For the three months period ended 31 Mar	
	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat and tax from continuing operations		275,435	262,442
Loss before zakat and tax from discontinued operations		(3,061)	(19,843)
<i>Adjustments for:</i>			
Depreciation and amortisation		112,983	115,488
Financial charges, net	14	340,048	281,467
Unrealised exchange loss		2,884	17,482
Share in net results of equity accounted investees, net of zakat and tax		(33,990)	(46,438)
Charge for employees' end of service benefits		8,848	7,328
Fair value of cash flow hedges recycled to profit or loss		(9,461)	2,677
Provisions		11,437	5,437
Provision for long term incentive plan	9.2	6,813	5,193
Gain on disposal of property, plant and equipment	13	(2,308)	(890)
Gain recognised on loss of control in a subsidiary	16	(1,583)	-
Development cost, provision and write offs, net of reversals		14,948	23,716
Loss on disposal of an equity accounted investee	16	-	17,179
Finance income from shareholder loans and deposits		(49,078)	(45,950)
Gain on remeasurement of derivatives and options	13	(9,259)	-
		664,656	625,288
<i>Changes in operating assets and liabilities:</i>			
Accounts receivable, prepayments and other receivables		(120,009)	(149,675)
Inventories		(36,016)	(5,023)
Accounts payable and accruals		161,916	(429,836)
Due from related parties		(175,697)	(6,740)
Net investment in finance lease		57,516	281,502
Other assets	22.3	(3,778)	20,863
Other liabilities		(12,913)	17,630
Deferred revenue		356	(6,560)
Net cash from operations		536,031	347,449
Employee end of service benefits' paid		(7,917)	(8,245)
Zakat and tax paid		(74,206)	(3,953)
Dividends received from equity-accounted investees	4	-	10,795
<i>Net cash generated from operating activities</i>		453,908	346,046
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment, and intangible assets		(757,845)	(128,391)
Proceeds on partial disposal of equity accounted investees		-	391,440
Proceeds on disposal of property, plant and equipment		4,345	890
Investments in equity accounted investees		(2,079,340)	182,071
Finance income from deposits received		49,078	11,553
Short term deposits with original maturities of more than three months	5	(1,106,982)	-
Cash deconsolidated on loss of control		(528)	(469)
<i>Net cash (used in) / generated from investing activities</i>		(3,891,272)	457,094

The attached notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

		For the three months period ended 31 Mar	
	<i>Notes</i>	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from financing and funding facilities, net of transaction cost		2,451,888	2,773,554
Repayment of financing and funding facilities		(76,502)	(96,233)
Due to related parties		(8,087)	8,605
Other financial liabilities		-	9,592
Financial charges paid		(332,136)	(241,633)
Dividends paid		(182)	(13,043)
Capital contributions from and other adjustments to non-controlling interest		37,899	119,094
<i>Net cash generated from financing activities</i>		<u>2,072,880</u>	<u>2,559,936</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		(1,364,484)	3,363,076
Cash and cash equivalents at beginning of the period		6,154,524	5,172,921
Net foreign exchange difference		(2,604)	-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	5	<u><u>4,787,436</u></u>	<u><u>8,535,997</u></u>

The attached notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in Saudi Riyals thousands unless otherwise stated)

	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Proposed dividends (note 20)</i>	<i>Other Reserves (note 8)</i>	<i>Equity attributable to owners of the Company</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
Balance at 1 January 2022	7,134,143	5,335,893	718,763	1,307,826	560,000	(1,572,279)	13,484,346	835,799	14,320,145
Profit for the period	-	-	-	151,851	-	-	151,851	(8,460)	143,391
Other comprehensive income	-	-	-	-	-	1,703,519	1,703,519	92,855	1,796,374
Total comprehensive income	-	-	-	151,851	-	1,703,519	1,855,370	84,395	1,939,765
Changes to non-controlling interests	-	-	-	-	-	-	-	119,700	119,700
Dividends (note 20)	-	-	-	-	-	-	-	(11,738)	(11,738)
Balance at 31 March 2022	<u>7,134,143</u>	<u>5,335,893</u>	<u>718,763</u>	<u>1,459,677</u>	<u>560,000</u>	<u>131,240</u>	<u>15,339,716</u>	<u>1,028,156</u>	<u>16,367,872</u>
Balance at 1 January 2023	7,134,143	5,335,893	872,766	2,080,853	606,813	2,629,419	18,659,887	1,368,507	20,028,394
Profit for the period	-	-	-	269,735	-	-	269,735	28,859	298,594
Other comprehensive loss	-	-	-	-	-	(636,748)	(636,748)	(25,858)	(662,606)
Total comprehensive loss	-	-	-	269,735	-	(636,748)	(367,013)	3,001	(364,012)
Changes to non-controlling interests	-	-	-	-	-	-	-	37,899	37,899
Dividends (note 20)	-	-	-	-	-	-	-	(182)	(182)
Balance at 31 March 2023	<u>7,134,143</u>	<u>5,335,893</u>	<u>872,766</u>	<u>2,350,588</u>	<u>606,813</u>	<u>1,992,671</u>	<u>18,292,874</u>	<u>1,409,225</u>	<u>19,702,099</u>

The attached notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

ACWA POWER Company and its Subsidiaries (Saudi Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (All amounts in Saudi Riyals thousands unless otherwise stated)

1 ACTIVITIES

ACWA POWER Company (the “Company” or “ACWA POWER” or the “Group”) is a Saudi joint stock company established pursuant to a ministerial resolution numbered 215 dated 2 Rajab 1429H (corresponding to 5 July 2008) and is registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration number 1010253392 dated 10 Rajab 1429H (corresponding to 13 July 2008). The Company’s Head Office is located at Exit 8, Eastern Ring Road, Qurtubah District, P.O. Box 22616, Riyadh 11416, Kingdom of Saudi Arabia.

On 11 October 2021, the Company completed its Initial Public Offering (“IPO”), and its ordinary shares were listed on the Saudi Stock Exchange (“Tadawul”).

The Company’s formal name changed from International Company for Water and Power Projects to ACWA POWER Company after obtaining the approval of the Extraordinary General Assembly held on 5 January 2022 and fulfilling all relevant regulatory requirements.

The Company’s main activities are the development, investment, operation and maintenance of power generation, water desalination and green hydrogen production plants and bulk sale of electricity, desalinated water, green hydrogen and/or green ammonia to address the needs of state utilities and industries on long term, off-taker contracts under utility services outsourcing and Public-Private-Partnership models in the Kingdom of Saudi Arabia and internationally.

2 BASIS OF PREPARATION AND CHANGES TO GROUP ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements for the three months period ended 31 March 2023 of the Group have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”); and IAS 34 issued by IASB as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”), (collectively referred as “IAS 34 as endorsed in KSA”). The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as of 31 December 2022. These interim condensed consolidated financial statements for the three months period ended 31 March 2023 are not affected significantly by seasonality of results. The results shown in these interim condensed consolidated financial statements may not be indicative of the annual results of the Group’s operations.

These interim condensed consolidated financial statements are prepared under the historical cost convention except for the followings:

- i) Derivative financial instruments including commodity derivatives, options and hedging instruments which are measured at fair value; and
- ii) Employee end of service benefits’ liability is recognised at the present value of future obligations using the Projected Unit Credit method.

These interim condensed consolidated financial statements are presented in Saudi Riyals (“SR”) which is the functional and presentation currency of the Company. All values are rounded to the nearest thousand (SR’000), except when otherwise indicated.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022. There are no new standards issued, however, there are a number of amendments to standards which are effective from 1 January 2023 that have been explained in Group’s annual consolidated financial statements, but they do not have a material effect on the interim condensed consolidated financial statements of the Group.

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

2 BASIS OF PREPARATION AND CHANGES TO GROUP ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT ACCOUNTING ESTIMATES (continued)

The preparation of the interim condensed consolidated financial statements in conformity with IAS 34 as endorsed in KSA requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments used in the preparation of these interim condensed consolidated financial statements are consistent with those used in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022.

3 PROPERTY, PLANT AND EQUIPMENT ("PPE")

	Notes	31 Mar 2023	31 Dec 2022
At the beginning of the period / year		10,105,713	11,815,728
Additions for the period / year	3.1	816,730	1,303,624
Depreciation charge for the period / year		(106,618)	(439,810)
Impairment loss		-	(121,595)
De-recognition on loss of control of a subsidiary	16	-	(2,447,791)
Disposals / write-offs		(2,037)	(3,704)
Foreign currency translation		(65)	(739)
At the end of the period / year		<u>10,813,723</u>	<u>10,105,713</u>

3.1 Additions during the period primarily represents capital work in progress ("CWIP") in relation to certain of the Group's under construction projects.

4 EQUITY ACCOUNTED INVESTEEES

Set out below is the contribution of equity accounted investees in the interim condensed consolidated statement of financial position, the interim condensed consolidated statement of profit or loss and other comprehensive income, and the "Dividends received from equity accounted investees" line of the interim condensed consolidated statement of cash flows.

	Notes	31 Mar 2023	31 Dec 2022
At the beginning of the period / year		12,556,148	8,990,032
Additions during the period / year, net	4.1	2,022,198	531,500
Share of results for the period / year		38,171	291,373
Share of other comprehensive income for the period / year	8	(465,859)	2,941,913
Dividends for the period / year		-	(198,670)
At the end of the period / year		<u>14,150,658</u>	<u>12,556,148</u>
Equity accounted investees shown under non-current assets		14,282,429	12,624,518
Equity accounted investees shown under non-current liabilities		<u>(131,771)</u>	<u>(68,370)</u>
		<u>14,150,658</u>	<u>12,556,148</u>

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 EQUITY ACCOUNTED INVESTEEES (continued)

4.1 This includes additional investments and shareholders' loan given, net of repayments, to certain equity accounted investees. This primarily includes shareholder loan given to Jazan Integrated Gasification and Power Company (a Joint Venture of the Group "JIGPC") amounting to SR 1,519.0 million. On 22 January 2023, JIGPC completed acquisition of the second group of assets for the Jazan Integrated Gasification Combined Cycle project (the "Project"). The Project involves the acquisition of the USD 12.0 billion IGCC assets from Saudi Arabian Oil Company. The acquisition of the first group of IGCC assets was completed on 27 October 2021. With transfer of the second group of assets, the Project has now taken over more than 95% of the revenue generating assets.

Further, net additions during the period ended 31 March 2022 includes disposal of Shuqaiq Water and Electricity Company ("Shuqaiq"), along with its related holding companies (note 16.1). The carrying amount of investment in Shuqaiq as of the date of disposal amounted to SR 378.9 million.

5 CASH AND BALANCES WITH BANK

	As of 31 Mar 2023	As of 31 Dec 2022
Cash at bank and cash in hand	1,736,682	4,432,679
Short-term deposits	4,357,734	1,921,843
Cash and balances with banks	6,094,416	6,354,522
Less: short-term deposits with original maturities of more than three months	(1,306,980)	(199,998)
Cash and cash equivalents	4,787,436	6,154,524

The short-term deposits carry variable rate of return between 4.00% to 5.97% (2022: 4.00% - 4.40%) per annum.

6 LONG -TERM FINANCING AND FUNDING FACILITIES

	Notes	As of 31 Mar 2023	As of 31 Dec 2022
Recourse debt:			
Financing facilities in relation to projects		3,465,177	2,941,340
Corporate facilities		1,130	1,130
Corporate bond	6.1	4,585,711	2,790,991
Non-Recourse debt:			
Financing facilities in relation to projects		15,581,492	15,513,361
ACWA Power Management and Investments One Ltd ("APMI One")		1,527,803	1,527,250
ACWA Power Capital Management Ltd ("APCM")		598,510	598,510
Total financing and funding facilities		25,759,823	23,372,582
Less: Current portion of long-term financing and funding facilities		(1,028,241)	(1,039,904)
Long-term financing and funding facilities presented as non-current liabilities		24,731,582	22,332,678

ACWA POWER Company and its Subsidiaries (Saudi Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 LONG -TERM FINANCING AND FUNDING FACILITIES (continued)

Financing and funding facilities as reported in the Group's interim consolidated statement of financial position are classified as 'non-recourse debt' or 'recourse debt' facilities. Non-recourse debt facilities are generally secured by the borrower (i.e., a subsidiary) with its own assets, contractual rights and cash flows and there is no recourse to the Company under any guarantee. The recourse debt facilities are direct borrowings or those guaranteed by the Company. The Group's financial liabilities are either fixed special profit bearing or at a margin above the relevant reference rates. The Group seeks to hedge long term floating exposures using derivatives.

- 6.1** On 2 February 2023, the Group completed the issuance of SR 1,800.0 million Sukuk under its SR 5,000.0 million Sukuk issuance program. The Sukuk issuance bears a return based on Saudi Arabia Interbank Offered Rate ("SIBOR") plus a pre-determined margin payable quarterly in arrears. The Sukuk will be redeemed at par on its maturity i.e., 7 years from the date of the issuance with a call option effective on or after 5 years from the issuance date.

7 RELATED PARTY TRANSACTIONS AND BALANCES

The transactions with related parties are made on mutually agreed terms and approved by the Board of Directors as necessary. Significant transactions with related parties during the period and significant balances at the reporting date are as follows:

<i>Particulars</i>	<i>Notes</i>	<i>Relationships</i>	<i>For the three months period ended 31 Mar</i>	
			2023	2022
<i>Transactions:</i>				
Revenue		Joint ventures / Affiliates	565,032	441,147
Other operating income	12	Joint ventures	42,917	36,028
Finance income	12	Joint ventures	49,972	34,397
Financial charges on loan from related parties	14	Joint venture / Affiliates	14,492	14,228
Key management personnel compensation including director's remuneration*		-	17,931	12,439

*This includes provision for long term incentive plan for the key management personnel and directors.

	<i>Notes</i>	<i>Relationships</i>	<i>As of</i>	
			31 Mar 2023	31 Dec 2022
<i>Due from related parties</i>				
<i>Current:</i>				
Hajr for Electricity Production Company	(a)	Joint venture	233,849	208,190
Al Mourjan for Electricity Production Company	(a)	Joint venture	164,137	155,797
ACWA Power Sirdarya	(c) , (d)	Joint venture	39,108	46,060
ACWA Power Uzbekistan Project Holding Company	(c)	Joint venture	13,395	-
Hassyan Energy Phase 1 P.S.C	(a)	Joint venture	114,661	46,980
Dhofar O&M Company	(a)	Joint venture	63,469	49,910
Shuaibah Water & Electricity Company	(a)	Joint venture	53,843	24,922

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	Notes	Relationships	As of	
			31 Mar 2023	31 Dec 2022
Due from related parties (continued)				
Current (continued):				
ACWA Power Solarreserve Redstone Solar TPP	(d)	Joint venture	36,818	34,672
ACWA Guc Isletme Ve Yonetim Sanayi Ve Ticaret	(a) , (f)	Joint venture	9,501	9,798
Naqa'a Desalination Plant LLC	(a)	Joint venture	16,250	15,970
Rabigh Electricity Company	(a)	Joint venture	41,507	35,642
Shuqaiq Services Company for Maintenance	(a)	Joint venture	17,443	25,088
UPC Renewables S.A	(a)	Joint venture	9,295	8,182
Jazan Integrated Gasification and Power Company	(e)	Joint venture	40,436	28,968
Noor Energy 1 P.S.C	(a)	Joint venture	146,188	150,106
Ad-Dhahirah Generating Company SAOC	(a)	Joint venture	19,760	17,112
Shuaibah Expansion Project Company	(a)	Joint venture	13,638	13,046
ACWA Power Solafira Bokpoort CSP Power Plant Ltd	(a)	Joint venture	10,073	21,975
ACWA Power Oasis Three	(a)	Joint venture	8,320	8,264
Shinas Generating Company SAOC	(a)	Joint venture	17,111	14,636
Haya Power & Desalination Company	(a)	Joint venture	30,159	24,166
Neom Green Hydrogen Company	(c)	Joint venture	6,454	6,227
Shams Ad-Dhahira Generating Company SAOC	(c), (d)	Joint venture	1,806	1,657
Saudi Malaysia Water and Electricity Company	(c)	Joint venture	1,035	836
Risha for Solar Energy Projects	(a)	Joint venture	422	245
Other related parties		Joint venture	53,294	36,671
			<u>1,161,972</u>	<u>985,120</u>
Due to related parties				
Non-current:				
Water and Electricity Holding Company CJSC	(h)	Shareholder's subsidiary	747,034	738,808
Loans from minority shareholders of subsidiaries	(b)	-	125,276	124,079
			<u>872,310</u>	<u>862,887</u>
Current:				
ACWA Power Africa Holdings (Pty) Ltd	(g)	Joint venture	14,515	16,199
ACWA Guc Isletme Ve Yonetim Sanayi Ve Ticaret	(i)	Joint venture	32,559	21,476
ACWA Power Renewable Energy Holdings Limited		Joint venture	18,292	18,289
Others		Joint ventures	13,953	32,639
			<u>79,319</u>	<u>88,603</u>
Cash and balances with banks				
Saudi National Bank		Affiliate	442	11,068
Contingencies and commitments				
Saudi National Bank		Affiliate	708,322	666,602

- (a) These balances mainly include amounts due from related parties to First National Holding Company ("NOMAC") (and its subsidiaries) for operation and maintenance services provided to the related parties under operation and maintenance contracts. In certain cases, the balance also includes advances provided to related parties that have no specific repayment date.

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (b) This includes:
- Loan payable to non-controlling shareholders of ACF Renewable Energy Limited amounting to SR 41.9 million (2022: SR 40.7 million). The loans are due for repayment in 2024 and carry profit rate at 5.75% per annum; and
 - Loan payable to non-controlling shareholders of Qara Solar Energy Company amounting to SR 83.3 million (2022: SR 83.3 million). The loans are due for repayment in 2024 and carry profit rate at Libor + 1.3% per annum.
- (c) The balance represents advance provided to related parties that has no specific repayment and bears no profit rate.
- (d) This represents receivable on account of development fee and reimbursement of cost incurred on behalf of the equity accounted investee.
- (e) The balance represents interest receivable from an equity accounted investee on account of shareholder loan. The shareholder loan is a long-term interests in the project, and classified within equity accounted investees.
- (f) This represents amounts payable to NOMAC for operation and maintenance services provided to the project company under operation and maintenance contracts. During the period ended 31 March 2023, the Group has reversed a provision for credit loss of SR 6.3 million which was recognised in year 2020 (2022: nil) upon partial recovery of balance. The balance as of 31 March 2023, represents the receivable related to O&M services provided during the period 2023.
- (g) This represents amounts payable to an equity accounted investee in respect of project development cost.
- (h) During 2020, the Group declared a one-off dividend of SR 2,701.0 million. A portion of such declared dividend, payable to the Public Investment Fund of Saudi Arabia (the "Shareholder"), was converted into a long-term non-interest-bearing loan amounting to SR 901.0 million through a wholly owned subsidiary of the Shareholder. This loan may be adjusted, on behalf of the subsidiary of the Shareholder, against future investments in renewable projects made by the Company, based on certain conditions. The loan will be repaid or settled by 31 December 2030 unless the repayment or settlement period is mutually extended by both parties. The Group recorded this loan at the present value of expected cash repayments discounted using an appropriate rate applicable for long-term loans of a similar nature. The difference between the nominal value of the loan and its discounted value was recognised as other contribution from shareholder within share premium. During the period ended 31 March 2023, SR 8.2 million (2022: SR 7.5 million) finance charge was amortised on the outstanding loan balance.
- (i) This represents advance received from equity accounted investee on account of operation and maintenance services to be rendered. This will be paid to an external supplier within next 12 months.

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

8 OTHER RESERVES

Movement in other reserve is given below:

	<i>Cash flow hedge reserve (note 8.1)</i>	<i>Currency translation reserve</i>	<i>Share in OCI of equity accounted investees (note 4)</i>	<i>Re- measuremen t of defined benefit liability</i>	<i>Other</i>	<i>Total</i>
Balance as of 1 January 2022	(343,967)	(6,449)	(1,165,555)	(29,128)	(27,180)	(1,572,279)
Change in fair value of cash flow hedge reserve net of settlements	1,692,005	-	2,940,455	-	-	4,632,460
Cash flow hedge reserve recycled to profit or loss upon termination of hedge relationships	(56,546)	-	(555)	-	-	(57,101)
Cash flow hedge reserve recycled to profit or loss on loss of control of a subsidiary	(510,382)	-	-	-	-	(510,382)
Recycled to profit or loss on sale of an equity accounted investee (note 16)	-	-	128,638	-	-	128,638
Other changes	-	1,017	2,013	5,053	-	8,083
Balance as of 31 December 2022	781,110	(5,432)	1,904,996	(24,075)	(27,180)	2,629,419
Change in fair value of cash flow hedge reserve net of settlements	(153,805)	-	(472,667)	-	-	(626,472)
Changes during the period	-	(5,088)	(4,186)	(1,002)	-	(10,276)
Balance as of 31 March 2023	<u>627,305</u>	<u>(10,520)</u>	<u>1,428,143</u>	<u>(25,077)</u>	<u>(27,180)</u>	<u>1,992,671</u>

8.1 This mainly represents movements in mark to market valuation of hedging instruments net of deferred taxes in relation to the Group's subsidiaries.

9 OTHER LIABILITIES

Other liabilities as reported in the interim condensed consolidated statement of financial position includes:

	<i>Notes</i>	As of 31 Mar 2022	As of 31 Dec 2022
Financial liabilities assumed on loss of control	9.1	230,910	228,127
Asset retirement obligations		230,859	227,066
Liabilities in relation to long term spares agreement		114,864	127,143
Long term incentive plan	9.2	98,622	91,809
Coal derivative liabilities	9.3	72,398	80,012
Lease liabilities		58,178	63,153
Put options	9.4	2,760	2,760
		<u>808,591</u>	<u>820,070</u>

ACWA POWER Company and its Subsidiaries (Saudi Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

9 OTHER LIABILITIES (continued)

- 9.1** This represents financial liabilities assumed on loss of control in a subsidiary during 2018, together with unwinding of interest.
- 9.2** During the year 2021, the Board of Directors approved a cash based long term incentive plan (the "LTIP") which was granted to certain members of management. The LTIP covers a nine-year period in total effective from 1 January 2020 and comprises three separate performance periods of three years each. Cash awards will vest pursuant to the LTIP at the end of each performance period subject to the achievement of performance conditions. During the period ended 31 March 2023, the Group has recognised a provision of SR 6.8 million (2022: SR 5.2 million) within general and administration expenses.
- 9.3** The Group has entered into a coal supply agreement (the "Ancillary Agreement") with a third-party supplier, in relation to an independent power plant ("IPP") owned by an equity accounted investee, where the Group has committed to cover the difference or take up the surplus between two agreed prices with the coal supplier during the IPP's period of operations. Pursuant to the agreement, for any difference between two agreed price formulas (i.e., reference under the coal supply agreement as opposed to the coal supplier's actual prices agreed on sourcing of such coal) the Group is obliged to pay or receive the difference when the coal is procured. The coal prices are determined with reference to coal price indices which act as a market reference for coal trading in Europe and Asia. Thus, the Ancillary Agreement has an embedded commodity swap (the "Derivative") that needs to be separated and carried at fair value.

As of 31 March 2023, the Group carries a liability of SR 73.2 million (SR 72.4 million under non-current liabilities and SR 0.8 million under current liabilities) in the interim condensed consolidated statement of financial position (31 December 2022: SR 81.4 million classified as SR 80.0 million non-current liabilities and SR 1.4 million current liabilities). During the period ended 31 March 2023, the Group recognised a gain on change in fair value of the Derivative amounting to SR 9.3 million (31 March 2022: nil) within other income

The impact on the fair value of the liability due to independent changes in key assumptions are as follows. The actual impact on the financial statements would be the cumulative effect of different variables.

As of the period ended 31 March 2023

+/-10% change in coal consumption quantity	SR 7.4 million / (SR 7.4 million)
+/-10% change in coal price	SR 7.4 million / (SR 7.4 million)
+/- 50 bps change in discount rate	(SR 4.2 million) / SR 4.2 million

As of the year ended 31 December 2022

+/-10% change in coal consumption quantity	SR 11.2 million / (SR 11.2 million)
+/-10% change in coal price	SR 11.2 million / (SR 11.2 million)
+/- 50 bps change in discount rate	(SR 5.5 million) / SR 5.5 million

- 9.4** This represents liability with respect to put options written by the Group in respect of shares held by non-controlling interests in a consolidated subsidiary. The contractual obligation to purchase equity instruments was initially recognised as a financial liability and a corresponding amount has been recorded in equity in the interim condensed consolidated statement of financial position at the present value of the redemption amount being SR 27.2 million (note 8).

ACWA POWER Company and its Subsidiaries (Saudi Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

10 ZAKAT AND TAXATION

10.1 Amounts recognised in profit or loss

	Notes	For the three months period ended 31 Mar	
		2023	2022
Zakat and tax	10.2	38,274	45,454
Deferred tax (credit) / charge**		(64,494)	53,754
Zakat and tax (credit) / charge		(26,220)	99,208
Less: Tax charge from discontinued operation	16	(21)	-
Zakat and tax (credit) / charge reflected in profit or loss		(26,241)	99,208

***Deferred tax credit for the period ended 31 March 2023 includes positive impact from foreign exchange rate movements amounting to SR 60.6 million (31 March 2022: expense amounting to SR 58.9 million) in relation to the Group's subsidiaries in Morocco.*

10.2 Significant zakat and tax assessments

The Company

Pursuant to the investment by International Finance Corporation (“IFC”) in the Company on 17 September 2014; the Company was assessed as a mixed entity in Saudi Arabia commencing from 2014. During 2020, IFC disposed of its shares to a Saudi shareholder which increased the shareholding of Saudi Shareholders in the Company to 100%. However, for the purpose of zakat and tax filing, the Company continued to comply with its obligation under Zakat law as a mixed entity for the year 2020. For the year 2021 and 2022, the Company is only subject to zakat.

The Company has filed zakat and tax returns for all the years up to 2021. The company has closed its position with Zakat, Tax & Customs Authority (the “ZATCA”) until year 2018. The ZATCA is yet to assess the years 2019 to 2021.

ACWA Power Projects (“APP”)

APP has filed its zakat and tax returns for all the years up to 2021. APP had finalised its position with the ZATCA up to the year 2014. During 2020, APP received an assessment from the ZATCA for the year 2018 with an additional zakat liability of SR 31 million. The company closed out the revised zakat liability at an amount of SR 1.3 million.

During April 2021, APP received an assessment from the ZATCA for the years 2015 to 2017 with an additional zakat liability of SR 39.7 million. APP filed an objection with the General Secretariat of Tax Committees (“GSTC”) Tax Violations and Dispute Resolution Committee (“TVDRC”). During 2022, TVDRC has issued its ruling partially in favour of APP reducing the liability to SR 11.3 million. Subsequently, the ZATCA appealed the TVDRC ruling to the Tax Violations and Dispute Appeal Committee (“TVDAC”). The case is yet to be reviewed by the TVDAC.

NOMAC Saudi Arabia (“NOMAC”)

NOMAC has filed its zakat returns for all the years up to 2021. During the prior years, the Company received two zakat assessments from the ZATCA for the years 2008 to 2012 and 2013 to 2016. The years 2008 to 2012 have been closed with the TVDAC ruling in favour of the company. For the years 2013 to 2016, the TVDAC ruling has resulted in reduced zakat liability of SR 2.9 million. However, NOMAC has lodged a reconsideration application against the TVDAC ruling and is awaiting response up to date.

Rabigh Arabian Water & Electricity Company (“RAWEC”)

RAWEC has filed its zakat and tax returns for all the years up to 2021. The ZATCA raised an assessment related to years 2007 to 2013 claiming additional tax, zakat, withholding tax amounting to SR 10.7 million including delay penalties. RAWEC filed an objection with the General Secretariat of Tax Committees (“GSTC”) Tax Violations and Dispute Resolution Committee (“TVDRC”). During 2021, TVDRC has issued its ruling partially in favour of the RAWEC reducing the liability to SR 1.85 million. The ZATCA appealed the TVDRC ruling to the Tax Violations and Dispute Appeal Committee (“TVDAC”). The case is yet to be reviewed by the TVDAC.

During 2018, the ZATCA issued tax and zakat assessment for the year 2017, claiming additional tax, zakat liabilities amounting to SR 47 million including delay penalties. Subsequently the ZATCA raised a revised assessment reducing the liability to SR 2.5 million including delay penalties. The case is now under review by the GSTC.

ACWA POWER Company and its Subsidiaries (Saudi Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

10 ZAKAT AND TAXATION (continued)

10.2 Significant zakat and tax assessments (continued)

Rabigh Arabian Water & Electricity Company ("RAWEC") (continued)

During 2021, the ZATCA issued an assessment for the year 2015, claiming additional tax, zakat and delay penalties amounting to SR 20 million. RAWEC filed an objection with the GSTC's TVDRC. During 2022, TVDRC issued its ruling partially in favour of RAWEC reducing the liability to SR 0.564 million, including delay fines. Subsequently, RAWEC appealed the TVDRC ruling to the TVDAC. The case is yet to be reviewed by the TVDAC.

During 2022, the ZATCA issued an assessment for the year 2016, claiming additional tax, zakat liabilities amounting to SR 23.6 million including delay penalties. RAWEC filed an objection with the GSTC's TVDRC. The case is now under review by the GSTC.

Others

With its multi-national operations, the Group is subject to taxation in multiple jurisdictions around the world with complex tax laws. The Group has ongoing matters in relation to tax assessments in the various jurisdictions in which it operates. Based on the best estimates of management, the Company has adequately provided for all tax assessments, where appropriate.

On 9 December 2022, the UAE issued Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses ("UAE CIT Law"). The Company follows the calendar year (January to December) as its financial reporting period. Accordingly, the first year of taxation for the Company will commence on 1 January 2024, and the Company will therefore start providing for current tax as may be due from financial year 2024.

The detailed computation mechanism for calculating taxable income will be issued by ministerial decision in due course. Further, article 37 of the UAE CIT law provides that the Company cannot claim tax loss relief for losses incurred before its first tax period. Also, article 61 (Transitional Rules) of the UAE CIT Law provides that "A Taxable Person's opening balance sheet for Corporate Tax purposes shall be the closing balance sheet prepared for financial reporting purposes under accounting standards applied in the State on the last day of the Financial Year that ends immediately before their first Tax Period commences, subject to any conditions or adjustments that may be prescribed by the Minister." No condition or adjustment have been prescribed by the Minister to-date. Accordingly, the UAE CIT law is not expected to result in any temporary differences, as of the reporting date and during the financial year ending 31 December 2023, on which deferred tax would need to be provided for. The Company will continue to monitor the UAE CIT law closely and will re-evaluate its position as amendments or developments occur in the future.

11 REVENUE

		For the three months period ended 31 March	
	<i>Notes</i>	2023	2022
Services rendered			
Operation and maintenance		553,559	401,633
Development and construction management services		99,046	147,713
Others	11.1	12,670	7,882
Sale of electricity			
Capacity charges		193,663	212,014
Energy output		62,930	56,478
Finance lease income	11.3	75,238	(448)
Sale of water			
Capacity charges	11.2	237,422	227,931
Water output	11.2	71,580	71,805
Finance lease income	11.3	25,336	26,264
		1,331,444	1,151,272

Refer note 19 for the geographical distribution of revenue.

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 REVENUE (continued)

11.1 This represents net underwriting insurance income from ACWA Power Reinsurance business (Captive Insurer).

11.2 Includes revenue from sale of steam of SR 98.1 million during the period ended 31 March 2023 (2022: SR 96.6 million).

11.3 The finance lease income is presented net of energy generation shortfalls amounting to SR 29.8 million (2022: SR 109.5 million). Energy generation shortfalls represent lower production as compared to original estimated production levels due to non-operational periods of certain plants accounted for as finance leases.

Finance lease principal amortisation for the three month period ended 31 March 2023 is SR 92.0 million (31 March 2022: SR 67.9 million).

12 OTHER OPERATING INCOME

	<i>Notes</i>	For the three months period ended 31 March	
		2023	2022
Group services	12.1	42,917	36,028
Finance income from shareholder loans		49,972	34,397
Performance liquidated damages and insurance recovery	12.2	-	65,884
		92,889	136,309

12.1 Group services relates to management advisory, and ancillary support services provided to equity accounted investees.

12.2 This includes performance liquidated damages recovered, during the period ended 31 March 2022, from EPC contractors and business interruption insurance recoveries in relation to certain of the Group's subsidiaries in Morocco.

13 OTHER INCOME, NET

	For the three months period ended 31 March	
	2023	2022
Income earned on deposits	49,078	10,563
Sale of inventory	-	27,719
Gain on change in fair value of the derivative	9,259	-
Gain on disposal of property, plant and equipment	2,308	890
	60,645	39,172

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

14 FINANCIAL CHARGES

	Notes	For the three months period ended 31 March	
		2023	2022
Financial charges on borrowings		311,567	252,074
Financial charges on letters of guarantee		7,451	9,069
Financial charges on loans from related parties	14.1	14,492	14,228
Other financial charges		6,538	6,096
		340,048	281,467

14.1 This includes discount unwinding, on long term related party balances amounting to SR 8.2 million (2022: SR 7.9 million) (note 7(h)).

15 EARNINGS PER SHARE

15.1 The weighted average number of shares outstanding during the period (in thousands) are as follows:

	31 Mar 2023	31 Mar 2022
Issued ordinary shares as at	731,100	731,100
Weighted average number of ordinary shares outstanding during the period ended	731,100	731,100

15.2 The basic and diluted earnings per share are calculated as follows:

Net profit for the period attributable to equity holders of the Parent	269,735	151,851
Profit for the period from continuing operations attributable to equity holders of the Parent	272,817	171,694
Basic and diluted earnings per share to equity holders of the Parent (in SR)	0.37	0.21
Basic and diluted earnings per share for continuing operations to equity holders of the Parent (in SR)	0.37	0.23

16 DISCONTINUED OPERATIONS

16.1 Shuqaiq Water and Electricity Company

The Group sold its 32% effective shareholding (its entire shareholding) in Shuqaiq Water and Electricity Company ("Shuqaiq"), along with its related holding companies, and 32% interest (partial shareholding) in the related O&M contract (the "O&M entity" or "Shuqaiq Services Company for Maintenance"), which was previously with the Group's wholly owned subsidiary, First National Operations and Maintenance Company ("NOMAC"), effective from 17 March 2022 ("the Closing Date").

ACWA POWER Company and its Subsidiaries (Saudi Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 DISCONTINUED OPERATIONS (continued)

16.1 *Shuqaiq Water and Electricity Company (continued)*

Consequently, the Group derecognised its entire investment in Shuqaiq and deconsolidated net assets related to the O&M entity. The Group's remaining 68% interest in the O&M entity is retained at fair value and accounted for using the equity method effective from the Closing Date. The Group recognised a net loss of SR 17.2 million on the transaction as follows:

	Note	As of 17 March 2022
Fair value of consideration received		391,440
Fair value of retained investment in the O&M entity		159,859
Derecognition of investment in Shuqaiq		(378,925)
Carrying amount of net assets derecognised related to the O&M entity		(44,322)
Goodwill allocated to Shuqaiq		(12,600)
Accumulated other reserves recycled to profit or loss from OCI	8	(128,638)
Transaction cost		(3,993)
Net loss on disposal		<u>(17,179)</u>

Statement of financial position of the O&M entity as of the Closing Date is as follows:

	Note	As of 17 March 2022
<u>Assets</u>		
Cash and cash equivalents		469
Inventories		39,305
Accounts receivable, prepayments and other receivables		37,968
Property, plant and equipment	3	968
		<u>78,710</u>
<u>Liabilities</u>		
Accounts payable and accruals		25,086
Deferred revenue		4,106
Employee end of service benefits' liabilities		5,196
		<u>34,388</u>
Net assets		<u>44,322</u>

Results of Shuqaiq and O&M entity are disclosed in note 16.6.

16.2 *ACWA Power Uzbekistan Project Holding Company*

On 14th September 2022, ACWA Power entered into a Sale Purchase Agreement ("SPA") for the sale of a 49% stake in its wholly owned subsidiary, ACWA Power Uzbekistan Project Holding Company ("the Investee Company" or "Sirdarya"). The Investee Company held 100% stake in ACWA Power Sirdarya ("the Project Company") before disposal. Legal formalities in relation to disposal were completed on 27 December 2022.

As a result of the transaction, ACWA Power now jointly control the decisions for the relevant activities that most significantly affect the returns of Investee together with the Project Company. Consequently, ACWA power lost control in the Sirdarya and recognised a gain of SR 235.7 million. At the date of the transaction completion, ACWA Power has started to account for Sirdarya using the equity method of accounting in accordance with the requirements of IFRS 11 – Joint Arrangements.

ACWA POWER Company and its Subsidiaries (Saudi Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 DISCONTINUED OPERATIONS (continued)

16.2 ACWA Power Uzbekistan Project Holding Company (continued)

As of the date of loss of control net assets of the Sirdarya includes followings:

	Note	31 Dec 2022
<u>Assets</u>		
Capital work in progress	3	2,446,823
Intangible assets		107
Fair value of derivatives		510,382
Accounts receivable, prepayments and other receivables		57,042
Cash and cash equivalents		22,895
<u>Liabilities</u>		
Loans and borrowings		(2,691,844)
Accounts payable, accruals and other liabilities		(12,413)
Net assets		<u>332,992</u>

Consolidated results of the investee Company are disclosed in note 16.6.

16.3 Shuaa Energy 3 P.S.C

In December 2022, ACWA Power Green Energy Holding Limited (a wholly owned subsidiary of ACWA Power or the "Seller") entered into a Sale Purchase Agreement ("SPA") with ACWA Power Renewable Energy Holding Limited (the "Buyer") in relation to the transfer of its entire shareholding in Solar V Holding Company Limited (a Group's subsidiary or Solar V) which effectively owns 40% stake in Shuaa Energy 3 PSC (an equity accounted investee or "Shuaa 3"). Legal formalities with respect to disposal are not completed as of 31 March 2023. For the purpose of these interim condensed consolidated financial statements, net assets of Solar V together with carrying value of ACWA Power's Investment in Shuaa 3 amounting to SAR 51.3 million were classified as assets held for sale. Other reserves associated with Shuaa 3 amounts to SR 10.99 million. The Group will continue to retain an effective 30.6% shareholding in Solar V through ACWA Power Renewable Energy Holding Limited.

16.4 Vinh Hao 6 Power Joint Stock Company

On 20 October 2022, ACWA Power entered into a Sale Purchase Agreement ("SPA") for the sale of a 60% stake (complete stake) in its equity accounted investment, Vinh Hao 6 Power Joint Stock Company ("Vinh Hao"), subject to the satisfaction of conditions precedent in the SPA. For the purpose of these interim condensed consolidated financial statements, carrying value of the Group's Investment in Vinh Hao amounting to SR 73.5 million were classified as assets held for sale. Legal formalities in relation to disposal were completed on 27 April 2023 i.e., subsequent to the reporting period.

16.5 Others

During the period ended 31 March 2023, the Group also divested its effective 33.28% and 39.90% shareholding in Oasis Holding Company ("OHC") and Layla and Ar Rass Holding Company LLC ("LRHC") (together termed as the Entities) respectively, then wholly owned subsidiaries of the Group. The Group lost control in the Entities because of the divestment. The Group's remaining effective stake in the Entities (i.e., 66.72% and 60.1% in OHC and LRHC respectively) is retained at fair value and accounted for using the equity method effective from the divestment date.

Details of gain on the divestment is included below:

	31 March 2023
Fair value of consideration received	472
Fair value of retained investments	731
Inter-company receivables recognised upon deconsolidation	1,155
Carrying amount of net assets derecognised	(775)
Net gain on disposal	<u>1,583</u>

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 DISCONTINUED OPERATIONS (continued)

16.6 Results of discontinued operations

For the period ended 31 March	2023				2022				
	Shuaa 3	Vinh Hao	Others	Total	Shuqaiq including O&M component	Sirdarya	Shuaa 3	Vinh Hao	Total
Revenue	-	-	-	-	22,360	-	-	-	22,360
Operating costs	-	-	-	-	(17,678)	-	-	-	(17,678)
General and administration expenses	-	-	(462)	(462)	(1,138)	(165)	-	-	(1,303)
Foreign exchange loss	-	-	-	-	-	(24)	-	-	(24)
Zakat and tax charge	-	-	(21)	(21)	-	-	-	-	-
Net income	-	-	(483)	(483)	3,544	(189)	-	-	3,355
Share in net results	(315)	(3,867)	-	(4,182)	(7,598)	-	(104)	1,683	(6,019)
	(315)	(3,867)	(483)	(4,665)	(4,054)	(189)	(104)	1,683	(2,664)
Gain / (loss) on divestment	-	-	1,583	1,583	(17,179)	-	-	-	(17,179)
(Loss) / profit from discontinued operations	(315)	(3,867)	1,100	(3,082)	(21,233)	(189)	(104)	1,683	(19,843)

16.7 Cash flows of discontinued operations

For the period ended 31 March	2023				2022				
	Shuaa 3	Vinh Hao	Others	Total	Shuqaiq including O&M component	Sirdarya	Shuaa 3	Vinh Hao	Total
Cash flows generated from / (used in)									
Operating activities	-	-	-	-	22,360	-	-	-	22,360
Investing activities	-	-	-	-	(17,678)	(431,689)	-	-	(449,367)
Financing activities	-	-	-	-	(1,138)	303,075	-	-	301,937

16.8 Contingencies and commitments

Contingencies and commitments in relation to discontinued operations are disclosed in note 17.

ACWA POWER Company and its Subsidiaries (Saudi Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

17 CONTINGENCIES AND COMMITMENTS

As of 31 March 2023, the Group had outstanding contingent liabilities in the form of letters of guarantee, corporate guarantees issued in relation to bank facilities for project companies and performance guarantees amounting to SR 13.25 billion (31 December 2022: SR 13.25 billion). The amount also includes the Group's share of equity accounted investees' commitments.

Below is the breakdown of contingencies as of the reporting date:

	As of 31 Mar 2023	As of 31 Dec 2022
Performance/development securities and completion support Letters of Credit ("LCs")	3,821,379	3,925,056
Guarantees in relation to bridge loans and equity LCs	5,936,279	5,963,604
Guarantees on behalf of joint ventures and subsidiaries	2,092,716	2,083,559
Debt service reserve account ("DSRA") standby LCs	1,200,906	1,080,505
Bid bonds for projects under development stage	195,064	193,097
	<u>13,246,344</u>	<u>13,245,821</u>

The Group also has a loan commitment amounting to SR 598.2 million in relation to mezzanine debt facilities ("the Facilities") taken by certain of the Group's equity accounted investees. This loan commitment arises due to symmetrical call and put options entered in by the Group with the lenders of the Facilities.

In one of the Group's subsidiaries, "CEGCO", the fuel supplier ("Jordan Petrol Refinery PLC" or "the Supplier") has claimed an amount of SR 610.0 million (31 March 2022: SR 610.0 million) as interest on late payment of the monthly fuel invoices. The Fuel Supply Agreement ("FSA") with the Supplier stipulates that the Supplier shall be entitled to receive interest on late payment of the unpaid invoices after 45 days from invoice. However, the FSA in Article 13.3 further provides that CEGCO shall not be liable for non-performance under the FSA and shall not be in default to the extent such non-performance or default is caused by the off-taker ("NEPCO"). Given the delay in making the fuel payments to the Supplier are caused by the delay in receipt of the fuel revenues from NEPCO, contractually the Supplier has no basis to claim for any delay interest from CEGCO. Hence, the management and its independent legal counsel are of the view that as per the terms of the FSA signed between the Supplier and CEGCO, the Supplier has no contractual basis to claim these amounts. Accordingly, no provision has been made in these interim condensed consolidated financial statements. Further, during the period ended 31 March 2023, the Group has offset the contractual receivable and payable balances in relation to fuel supplies effective from 31 December 2022 pursuant to the settlement agreement between NEPCO and the Supplier. (refer note 22.2).

The Group has assessed the potential impact of the Russia-Ukraine war on its projects under construction. For one of the Group's equity accounted investee costs over runs have been estimated in relation to transportation and logistics which amounts to USD 25.0 million. The cost over runs are expected to be paid through project contingency budget (USD 10.0 million) and remaining from early generation revenues (USD 15.0 million).

The Group has a commitment to contribute SR 75.0 million towards corporate social responsibility initiatives in Uzbekistan.

The Group, in relation to one of its equity accounted investee, has commitment to reimburse EPC contractor for the price fluctuation (which is estimated at SR 30.0 million) of certain materials to be used in the construction of underlying plant.

In addition to the above, the Group also has contingent assets and liabilities with respect to certain disputed matters, including claims by and against counterparties and arbitrations involving certain issues, including a claim received in relation to one of its divested equity accounted investees. These contingencies arise in the ordinary course of business. Based on the best estimates of management, the Company has adequately provided for all such claims, where appropriate.

ACWA POWER Company and its Subsidiaries (Saudi Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

18 OPERATING SEGMENTS

The Group has determined that the Management Committee, chaired by the Chief Executive Officer, is the chief operating decision maker in accordance with the requirements of IFRS 8 'Operating Segments'.

Revenue is attributed to each operating segment based on the type of plant or equipment from which the revenue is derived. Segment assets and liabilities are not reported to the chief operating decision maker on a segmental basis and are therefore not disclosed.

The accounting policies of the operating segments are the same as the Group's accounting policies. All intercompany transactions within the reportable segments have been appropriately eliminated. There were no inter-segment sales in the period presented below. Details of the Group's operating and reportable segments are as follows:

- | | |
|------------------------------------|---|
| (i) Thermal and Water Desalination | The term Thermal refers to the power and water desalination plants which use fossil fuel (oil, coal, gas) as the main source of fuel for the generation of electricity and production of water whereas Water Desalination refers to the stand-alone reverse osmosis desalination plants. The segment includes all four parts of the business cycle of the business line (i.e., develop, invest, operate, and optimize). These plants include IPPs (Independent Power Plants), IWPPs (Independent Water and Power Plants) and IWPs (Independent Water Plants). |
| (ii) Renewables | This includes the Group's business line which comprises of PV (Photovoltaic), CSP (Concentrated Solar Power), Wind plants and Hydrogen. The segment includes all four parts of the business cycle of the business line (i.e., develop, invest, operate, and optimize). |
| (iii) Others | Comprises certain activities of corporate functions and other items that are not allocated to the reportable operating segments and the results of the ACWA Power reinsurance business. |

Key indicators by reportable segment

Revenue

	For the three months period ended 31 March	
	2023	2022
(i) Thermal and Water Desalination	1,080,838	972,413
(ii) Renewables	237,936	170,773
(iii) Others	12,670	8,086
Total revenue	1,331,444	1,151,272

Operating income before impairment and other expenses

	For the three months period ended 31 March	
	2023	2022
(i) Thermal and Water Desalination	604,616	504,793
(ii) Renewables	102,189	105,445
(iii) Others	12,439	7,903
Total*	719,244	618,141

Unallocated corporate operating income / (expenses)

General and administration expenses	(185,619)	(135,482)
Depreciation and amortization	(7,785)	(8,673)
Provision for long term incentive plan	(6,813)	(5,193)
Provision reversal / (charge) on due from related party	6,294	(3,090)
Other operating income	33,593	56,248
Total operating income before impairment and other expenses	558,914	521,951

ACWA POWER Company and its Subsidiaries
(Saudi Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

18 OPERATING SEGMENTS (continued)

Key indicators by reportable segment (continued)

Segment profit

	Notes	For the three months period ended 31 March	
		2023	2022
(i) Thermal and Water Desalination		376,389	330,340
(ii) Renewables		71,710	(46,245)
(iii) Others		12,451	7,882
Total*		460,550	291,977
Reconciliation to profit for the period from continuing operations			
General and administration expenses		(185,619)	(135,317)
Provision for long term incentive plan		(6,813)	(5,193)
Corporate social responsibility contribution		(1,945)	-
Provision reversal / (charge) on due from related party	7 (f)	6,294	(3,090)
Discounting impact on loan from shareholder subsidiary	7 (h)	(8,226)	(7,516)
Depreciation and amortization		(7,785)	(8,673)
Other operating income		33,593	56,248
Other income		42,911	9,638
Financial charges and exchange loss, net		(11,899)	(8,083)
Zakat and tax charge		(19,385)	(26,757)
Profit for the period from continuing operations		301,676	163,234

*The segment total operating income does not necessarily tally with the interim condensed consolidated statement of profit or loss, as these are based on information reported to the Management Committee.

Geographical concentration

The Company is headquartered in the Kingdom of Saudi Arabia. The geographical concentration of the Group's revenue and non-current assets is shown below:

	Revenue from continuing operations		Non-current assets	
	31 Mar 2023	31 Mar 2022	31 Mar 2023	31 Dec 2022
Kingdom of Saudi Arabia	645,702	543,770	22,182,427	21,516,440
Middle East and Asia	554,670	577,228	9,094,223	7,631,337
Africa	131,072	30,274	8,735,342	8,555,393
	1,331,444	1,151,272	40,011,992	37,703,170

Information about major customers

During the period, two customers (2022: two) individually accounted for more than 10% of the Group's revenues. The related revenue figures for these major customers, the identity of which may vary by period, were as follows:

	Revenue	
	31 Mar 2023	31 Mar 2022
Customer A	284,497	285,060
Customer B	109,840	158,969

The revenue from these customers is attributable to the Thermal and Water Desalination reportable operating segment.

ACWA POWER Company and its Subsidiaries (Saudi Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

19 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable input).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their level in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
<u>As of 31 Mar 2023</u>					
<u>Financial liabilities / (asset)</u>					
Fair value of derivatives used for hedging	(862,213)	-	(862,213)	-	(862,213)
Long-term financing and funding facilities	25,759,823	1,460,965	24,232,019	-	25,692,984
Other financial liabilities	306,872	-	-	306,872	306,872
<u>As of 31 Dec 2022</u>					
<u>Financial liabilities / (asset)</u>					
Fair value of derivatives used for hedging	(1,028,999)	-	(1,028,999)	-	(1,028,999)
Long-term financing and funding facilities	23,372,582	1,421,291	21,845,332	-	23,266,623
Other financial liabilities	312,251	-	-	312,251	312,251

Fair value of other financial instruments has been assessed as approximate to the carrying amounts due to frequent re-pricing or their short-term nature. Management believes that the fair value of net investment in finance lease is approximately equal to its carrying value because the lease relates to a specialised nature of asset whereby the carrying value of net investment in finance lease is the best proxy of its fair value.

ACWA POWER Company and its Subsidiaries (Saudi Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

20 DIVIDENDS

On 26 January 2023, the Board of Directors approved a dividend payment of SR 606.8 million (SR 0.83 per share) for the year 2022, payable during 2023. The proposed dividends are subject to approval of the shareholders at the ordinary general assembly meeting.

For the year 2021, the Board of Directors approved a dividend payment of SR 562.9 million (SR 0.77 per share). The proposed dividends were approved by the shareholders at the ordinary general assembly meeting held on 30 June 2022. The dividend was paid on 21 July 2022.

Furthermore during 2023, certain subsidiaries of the Group distributed dividends of SR 0.18 million (31 Mar 2022: SR 11.7 million) to the non-controlling interest shareholders.

21 SUBSEQUENT EVENTS

Subsequent to the period ended 31 March 2023, the Group in accordance with the nature of its business has entered into or is negotiating various agreements. Management does not expect these to have any material impact on the Group's interim condensed consolidated results and financial position as of the reporting date.

22 COMPARATIVE FIGURES

Certain figures for the prior periods have been reclassified or adjusted to conform to the presentation in the current period. This includes reclassifications as required under IFRS 5 – Non-current assets held for sale and discontinued operations (refer to note 16). Summary of reclassifications/adjustments are as follows:

22.1 Interim condensed consolidated statement of profit or loss and other comprehensive income:

Particulars	As previously Reported	Reclassifications due to discontinued operations (refer to note 16.6)	Reclassification to conform to the presentation in the current period	As reported in these financial statements
<u>Continuing operations</u>				
Revenue	1,178,991	-	(27,719)	1,151,272
Share in net results of equity accounted investees, net of tax	46,438	(1,579)	-	44,859
General and administration expenses	(219,169)	165	-	(219,004)
Other operating income	101,912	-	34,397	136,309
Other income	45,850	-	(6,678)	39,172
Exchange loss, net	(17,238)	24	-	(17,214)
<u>Discontinued operations</u>				
Loss from discontinued operations	(21,233)	1,390	-	(19,843)

22.2 Interim condensed consolidated statement of financial position:

Particulars	As previously reported	Reclassification (refer to note 22.2.1)	As reported in these financial statements
<i>Current assets:</i>			
Accounts receivable, prepayments and other receivables	3,227,164	(306,871)	2,920,293
<i>Current liabilities:</i>			
Accounts payable, accruals and other financial liabilities	3,051,247	(306,871)	2,744,376

ACWA POWER Company and its Subsidiaries (Saudi Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

22 COMPARATIVE FIGURES (continued)

22.2 Interim condensed consolidated statement of financial position (continued):

22.2.1 As of 31 December 2022, consolidated accounts payables include SR 306.9 million in relation to fuel cost of Central Electricity Generating Company ("CEGCO") (a Group's subsidiary) on account of fuel supplied by Jordan Petrol Refinery PLC ("the Supplier"). The fuel cost was pass through to National Electric Power Company ("NEPCO" or "the Off-taker"). Accordingly, CEGCO had a corresponding receivable balance of SR 306.9 million from NEPCO, as of 31 December 2022.

During the period, CEGCO received a confirmation from the Supplier that it has signed a settlement agreement ("Settlement Agreement") with NEPCO in relation to outstanding fuel supplies related balances of CEGCO, as of 31 December 2022, amounting to SR 306.9 million. Accordingly, CEGCO is no longer required to settle this balance to the Supplier. As the Settlement Agreement was signed during the year 2022, the Group has reflected this settlement and reduced the fuel payable to the Supplier and related receivables from NEPCO for the aforementioned amount effective from 31 December 2022 consistent with presentation followed by CEGCO.

22.3 Interim condensed consolidated statement of cashflows:

Particulars	As previously reported	Reclassification to conform to the presentation in the current period	As reported in these financial statements
<i>Changes in operating assets and liabilities:</i>			
Strategic fuel inventories	23,754	(23,754)	-
Other assets	(2,891)	23,754	20,863

23 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 20 Shawwal 1444H, corresponding to 10 May 2023G.