

**SAUDI ELECTRICITY COMPANY**  
**(A Saudi Joint Stock Company)**

Condensed consolidated interim financial statements (unaudited)  
Together with independent auditors report on review  
for the three-month and nine-month periods ended 30 September 2022

**SAUDI ELECTRICITY COMPANY****(A Saudi Joint Stock Company)**

Condensed consolidated interim financial statements (unaudited) and independent auditor's review report

For the three-month and nine-month periods ended 30 September 2022

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## KPMG Professional Services

Riyadh Front, Airport Road  
P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia  
Commercial Registration No 1010425494

Headquarters in Riyadh

## كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

# Independent auditor's report on review of condensed consolidated interim financial statements

## To the Shareholders of Saudi Electricity Company – A Saudi Joint Stock Company

### Introduction

We have reviewed the accompanying 30 September 2022 condensed consolidated interim financial statements of Saudi Electricity Company ("the Company") and its subsidiaries ("the Group") which comprise:

- the condensed consolidated interim statement of financial position as at 30 September 2022;
- the condensed consolidated interim statement of profit or loss for the three-month and nine-month periods ended 30 September 2022;
- the condensed consolidated interim statement of comprehensive income for the three-month and nine-month periods ended 30 September 2022;
- the condensed consolidated interim statement of changes in equity for nine-month period ended 30 September 2022;
- the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2022; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

### Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information 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 30 September 2022 condensed consolidated interim financial statements of Saudi Electricity Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

### For KPMG Professional Services

Hani Hamzah A. Bedairi

License No.: 460

Date: 16 Rabi Al-Akhar 1444 H

Corresponding to: 10 November 2022



**SAUDI ELECTRICITY COMPANY**
**(A Saudi Joint Stock Company)**
**Condensed Consolidated Interim Statement of Financial Position as at 30 September 2022 (unaudited)**
**(All amounts in thousands Saudi Riyals unless otherwise stated)**

	Notes	30 September 2022 (unaudited)	31 December 2021 (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net	10	432,201,720	438,731,462
Right of use assets, net		78,202	63,606
Investment properties		447,150	449,200
Intangible assets, net		370,902	408,977
Equity accounted investees	11	4,665,952	1,470,036
Financial assets at amortised cost		29,400	31,074
Financial assets through other comprehensive income		353,379	353,379
Derivative financial instruments	17.3	194,861	15,620
<b>Total non-current assets</b>		<b>438,341,566</b>	<b>441,523,354</b>
<b>Current assets</b>			
Inventories, net	12	4,040,615	3,321,525
Receivables from sale of electricity, net	13	34,667,799	20,778,804
Loans and advances		802,343	543,518
Prepayments and other receivables	14	2,137,357	1,687,051
Assets held for sale	29	-	785,266
Cash and cash equivalents		4,707,666	6,243,256
<b>Total current assets</b>		<b>46,355,780</b>	<b>33,359,420</b>
<b>Total assets</b>		<b>484,697,346</b>	<b>474,882,774</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		41,665,938	41,665,938
Statutory reserve		5,592,453	5,592,453
General reserve		702,343	702,343
Other reserves		116,860	(639,480)
Contractual reserve – Mudaraba instrument	16	2,791,679	860,593
Retained earnings		40,270,159	35,521,258
<b>Total equity before Mudaraba Instrument (1)</b>		<b>91,139,432</b>	<b>83,703,105</b>
Fair value for Mudaraba instrument		159,169,000	159,169,000
Fair value adjustment of Mudaraba instrument		8,751,563	8,751,563
<b>Mudaraba instrument (2)</b>		<b>167,920,563</b>	<b>167,920,563</b>
<b>Total equity (1+2)</b>		<b>259,059,995</b>	<b>251,623,668</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term loans	17.2	53,981,479	50,871,973
Long term Sukuk	17.2	29,990,759	33,741,280
Employees' benefits obligation	18	8,729,210	7,938,396
Non-current portion of Deferred revenue		67,327,331	63,854,362
Deferred government grants		1,457,399	1,525,987
Derivative financial instruments	17.3	65,478	489,521
Asset retirement obligations		-	269,644
Non-current portion of lease liabilities		61,121	56,406
<b>Total non-current liabilities</b>		<b>161,612,777</b>	<b>158,747,569</b>
<b>Current liabilities</b>			
Short term loans and facilities	17.2	15,665,996	13,849,551
Short term Sukuk	17.2	3,750,750	10,418,540
Trade payables		3,147,181	2,988,268
Accruals and other payables		12,297,046	14,798,087
Provision for other liabilities and charges		1,074,545	1,492,601
Refundable deposits from customers		2,001,995	1,998,510
Payables to the government		4,570,538	4,570,538
Advance from subscribers		18,951,612	11,915,015
Current portion of deferred revenue		2,556,276	2,281,075
Current portion of lease liabilities		8,635	12,649
Liabilities related to assets held for sale	29	-	82,075
Derivative financial instruments	17.3	-	104,628
<b>Total current liabilities</b>		<b>64,024,574</b>	<b>64,511,537</b>
<b>Total liabilities</b>		<b>225,637,351</b>	<b>223,259,106</b>
<b>Total equity and liabilities</b>		<b>484,697,346</b>	<b>474,882,774</b>

Executive Vice President and CFO  
Manish Manchandya

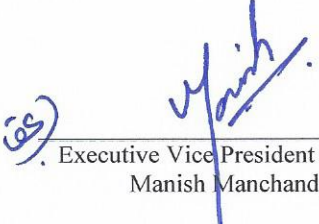
Chief Executive Officer  
Khaled bin Hamad Al-Gnoon

Delegated Board of Director Member  
Raed bin Nasser Al-Rayes


The notes from 1 to 32 form an integral part of these condensed consolidated interim financial statements.

**SAUDI ELECTRICITY COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed Consolidated Interim Statement of Profit or loss (unaudited)**  
**For the three-month and nine-month periods ended 30 September 2022**  
(All amounts in thousands Saudi Riyals unless otherwise stated)

	Note	For the three-month ended 30 September		For the nine-month ended 30 September	
		2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Operating revenue	22	22,749,618	21,832,091	55,682,615	53,760,821
Cost of revenue	23	(15,253,228)	(13,237,279)	(39,003,068)	(35,780,319)
<b>Gross profit</b>		<b>7,496,390</b>	<b>8,594,812</b>	<b>16,679,547</b>	<b>17,980,502</b>
Other income / (expenses), net	24	278,563	(7,005)	503,405	(149,027)
Fuel supply adjustment expenses		-	(207,930)	-	(207,930)
Provision for receivable from consumption of electricity and other receivables, net	13 & 14	(224,433)	(321,473)	(1,071,828)	(791,820)
General and administrative expenses		(358,451)	(240,604)	(849,242)	(604,214)
<b>Operating profit for the period</b>		<b>7,192,069</b>	<b>7,817,800</b>	<b>15,261,882</b>	<b>16,227,511</b>
Finance income		76,626	44,759	94,857	45,743
Finance expense		(869,793)	(654,710)	(2,170,569)	(1,827,819)
<b>Finance costs, net</b>	25	<b>(793,167)</b>	<b>(609,951)</b>	<b>(2,075,712)</b>	<b>(1,782,076)</b>
Share of profit / (loss) from equity accounted investees		38,199	1,650	35,697	(21,215)
<b>Profit for the period before zakat</b>		<b>6,437,101</b>	<b>7,209,499</b>	<b>13,221,867</b>	<b>14,424,220</b>
Zakat expense	21	(1,658)	(1,546)	(9,865)	(11,147)
<b>Profit for the period from Continuing operations</b>		<b>6,435,443</b>	<b>7,207,953</b>	<b>13,212,002</b>	<b>14,413,073</b>
<b>Discontinued operations (Loss) / Profit for the period from discontinued operations</b>	29	<b>(60,217)</b>	<b>171,624</b>	<b>182,749</b>	<b>483,707</b>
<b>Profit for the period</b>		<b>6,375,226</b>	<b>7,379,577</b>	<b>13,394,751</b>	<b>14,896,780</b>
<b>Earnings per share</b> (Expressed in SAR)					
Basic and diluted earnings per share from continuing operations	26	1.08	1.27	1.82	2.08
Basic and diluted earnings per share	26	1.07	1.31	1.84	2.20

  
Executive Vice President and CFO  
Manish Manchandya

  
Chief Executive Officer  
Khaled bin Hamad Al-Gnoon

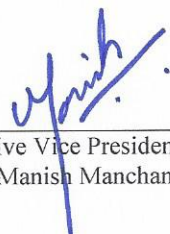
  
Delegated Board of Director Member  
Raed bin Nasser Al-Rayes

The notes from 1 to 32 form an integral part of these condensed consolidated interim financial statements.




**SAUDI ELECTRICITY COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of other comprehensive income (unaudited)**  
**For the three-month and nine-month periods ended 30 September 2022**  
(All amounts in thousands Saudi Riyals unless otherwise stated)

	Note	For the three-month ended 30 September		For the nine-month ended 30 September	
		2022	2021	2022	2021
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Profit for the period</b>		<b>6,375,226</b>	<b>7,379,577</b>	<b>13,394,751</b>	<b>14,896,780</b>
<b>Other comprehensive income:</b>					
<b>Items that may be reclassified subsequently to condensed consolidated interim statement of profit or loss:</b>					
Derivative financial instruments at fair value - effective portion		54,705	81,623	832,857	372,498
Joint operations adjustments (Other Comprehensive income items Reclassification )		(126,321)	-	(126,321)	-
<b>Total items that may be reclassified to condensed consolidated interim statement of profit or loss</b>		<b>(71,616)</b>	<b>81,623</b>	<b>706,536</b>	<b>372,498</b>
<b>Items that will not be reclassified subsequently to condensed consolidated interim statement of profit or loss:</b>					
Re-measurement of employees' benefits obligation	18	50,502	232	50,064	(36)
<b>Total items that will not be reclassified to condensed consolidated interim statement of profit or loss</b>		<b>50,502</b>	<b>232</b>	<b>50,064</b>	<b>(36)</b>
<b>Other comprehensive (loss) / income for the period</b>		<b>(21,114)</b>	<b>81,855</b>	<b>756,600</b>	<b>372,462</b>
<b>Total comprehensive income for the period</b>		<b>6,354,112</b>	<b>7,461,432</b>	<b>14,151,351</b>	<b>15,269,242</b>

(65)   
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Chief Executive Officer  
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Delegated Board of Director Member  
Raed bin Nasser Al-Rayes

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**SAUDI ELECTRICITY COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of changes in equity (unaudited)**  
**For the nine-month period ended 30 September 2022**  
**(All amounts in thousands Saudi Riyals unless otherwise stated)**

	Other reserves					Contractual reserve for Mudaraba Instrument	Retained earnings	Total equity before Mudaraba Instrument (1)	Mudaraba instrument (2)	Total equity (1+2)
	Share capital	Statutory reserve	General reserve	Fair value of derivatives	Employees' benefits obligation	Financial asset at FVOCI	Total other reserve			
<b>Balance as at 1 January 2021 (audited)</b>	41,665,938	4,153,366	702,343	(1,102,482)	282,996	76,988	(742,498)	79,853,989	167,920,563	247,774,552
Profit for the period	-	-	-	-	-	-	-	14,896,780	-	14,896,780
Other comprehensive Income	-	-	-	372,498	(36)	-	372,462	372,462	-	372,462
<b>Total comprehensive Income</b>	-	-	-	372,498	(36)	-	372,462	15,269,242	-	15,269,242
Transfer to Contractual reserve – Mudaraba instrument (note 16)	-	-	-	-	-	-	-	-	-	-
Paid from the Contractual reserve	-	-	-	-	-	-	-	(3,865,985)	-	(3,865,985)
Dividends to shareholders (Notes 15)	-	-	-	-	-	-	-	(2,916,616)	-	(2,916,616)
<b>Balance as at 30 September 2021 (unaudited)</b>	41,665,938	4,153,366	702,343	(729,984)	282,960	76,988	(370,036)	88,340,630	167,920,563	256,261,193
<b>Balance as at 1 January 2022 (audited)</b>	41,665,938	5,592,453	702,343	(600,648)	(119,581)	80,749	(639,480)	83,703,105	167,920,563	251,623,668
Profit for the period	-	-	-	706,536	50,064	-	756,600	13,394,751	-	13,394,751
Other comprehensive Income	-	-	-	706,536	50,064	-	756,600	14,151,351	-	14,151,351
Disposal of Principal Buyer adjustment	-	-	-	(795)	(795)	-	(795)	(42,181)	-	(42,181)
Disposal of Principal Buyer net asset (note 28)	-	-	-	-	-	-	-	42,976	-	42,976
Disposal of Joint operation adjustment	-	-	-	-	535	-	535	(535)	-	-
Transfer to Contractual reserve – Mudaraba instrument (note 16)	-	-	-	-	-	-	-	-	-	-
Paid from the Contractual reserve	-	-	-	-	-	-	-	(3,799,203)	-	(3,799,203)
Dividends to shareholders (Notes 15)	-	-	-	-	-	-	-	(2,916,616)	-	(2,916,616)
<b>Balance as at 30 September 2022 (unaudited)</b>	41,665,938	5,592,453	702,343	105,888	(69,777)	80,749	116,860	91,139,432	167,920,563	259,059,995

(Signature)  
**Executive Vice President and CFO**  
 Manish Manchandya

(Signature)  
**Chief Executive Officer**  
 Khaled bin Hamad Al-Gnoon

(Signature)  
**Delegated Board of Director Member**  
 Raed bin Nasser Al-Rayes

The notes from 1 to 32 form an integral part of these condensed consolidated interim financial statements.



**SAUDI ELECTRICITY COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of cash flows (unaudited)**  
**For the nine-month period ended 30 September 2022**  
(All amounts in thousands Saudi Riyals unless otherwise stated)

	30 September 2022 (unaudited)	30 September 2021 (unaudited)
<b>Cash flow from operating activities</b>		
Profit for the period	13,394,751	14,896,780
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	14,203,668	14,505,398
Depreciation of right of use asset	13,684	44,869
Amortisation of intangible assets	49,012	50,230
Finance costs, net	2,075,712	1,782,573
Employees' benefits obligation	549,985	485,917
Impairment in inventory	24,048	27,280
Provision for receivable from consumption of electricity and other receivables	1,071,828	791,820
Share of loss of equity accounted investees	(35,697)	21,215
Provision for other liabilities and charges	13,745	697,497
Amortisation of deferred government grant	(68,588)	(44,631)
Depreciation of investment properties	2,502	2,793
Zakat expense	9,865	11,147
Gain on disposal of property, plant and equipment	(3,696)	(66,394)
<b>Cash flow after adjustment of non-cash item</b>	<b>31,300,819</b>	<b>33,206,494</b>
<b>Changes in working capital:</b>		
Inventories	(11,584)	260,301
Receivables from sale of electricity	(14,969,882)	(8,490,399)
Prepayments and other receivables	(506,910)	(714,576)
Loans and advances	(218,766)	60,267
Trade payables	94,768	2,135,851
Accruals and other liabilities	354,499	1,752,453
Refundable deposits from customers	3,485	2,059
Advances from subscribers	7,036,597	354,346
Deferred revenue	3,002,783	4,287,663
Employee benefits' obligation paid	104,796	(342,139)
<b>Cash generated from operating activities</b>	<b>26,190,605</b>	<b>32,512,320</b>
Zakat paid	(438,399)	(108,870)
<b>Net cash generated from operating activities</b>	<b>25,752,206</b>	<b>32,403,450</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(19,429,683)	(18,945,797)
Proceeds from sale of property, plant and equipment	81,349	84,651
Payments for intangible assets	(13,323)	(6,792)
Cash classified as investment held for sale	16,258	-
Proceeds from financial investments at amortized cost	1,674	1,180
Derecognition of cash at Independent Power Producer companies (IPPs)	(419,689)	-
<b>Net cash used in investing activities</b>	<b>(19,763,414)</b>	<b>(18,866,758)</b>
<b>Cash flow from financing activities</b>		
Proceeds from loans	24,933,371	12,888,388
Repayments of Sukuk and loans	(22,968,575)	(16,940,147)
Payment of Mudaraba Coupon	(3,799,202)	(3,865,985)
Payment for lease liabilities	(25,750)	(52,680)
Receipt of government grant	-	506,003
Dividends paid	(3,360,490)	(2,926,195)
Net finance costs paid	(2,303,736)	(2,834,361)
<b>Net cash used in financing activities</b>	<b>(7,524,382)</b>	<b>(13,224,977)</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,535,590)</b>	<b>311,715</b>
Cash and cash equivalents at the beginning of the period	6,243,256	4,539,092
<b>Cash and cash equivalents at the end of the period</b>	<b>4,707,666</b>	<b>4,850,807</b>

**Non-cash transactions:**

- The statement of cash flows has an impact of the most important non-cash transactions in relation to discontinuation of proportionate consolidation of the Independent Power Producer companies (Note 30)

(99)

Executive Vice President and CFO  
Manish Manchandya

Chief executive officer  
Khaled bin Hamad Al-Gnoon

Delegated Board of Director Member  
Raed bin Nasser Al-Rayes

The notes from 1 to 32 form an integral part of these condensed consolidated interim financial statements.



## SAUDI ELECTRICITY COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (unaudited)

For the nine-month period ended 30 September 2022

(All amounts in thousands Saudi Riyals unless otherwise stated)

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### 1 Corporate information

The Saudi Electricity Company ("Company") was formed pursuant to the Council of Ministers' Resolution Number 169 dated 11 Sha'ban 1419H corresponding to 29<sup>th</sup> November 1998, which reorganised the Electricity Sector in the Kingdom of Saudi Arabia by merging all local companies that provided electricity services (10 joint stock companies that covered most of the geographical areas of the Kingdom), in addition to the projects of the General Electricity Corporation, a governmental corporation belonging to the Ministry of Industry and Electricity (11 operating projects that covered various areas in the north of the Kingdom) into the Company.

The Company was founded as a Saudi joint stock company pursuant to the Royal Decree No. M/16 dated 6 Ramadan 1420H corresponding to 13<sup>th</sup> December 1999, in accordance with the Council of Ministers' Resolution Number 153, dated 5<sup>th</sup> Ramadan 1420H corresponding to 12<sup>th</sup> December 1999 and the Minister of Commerce's Resolution Number 2047 dated 30 Dhul-Hijjah 1420H corresponding to 5<sup>th</sup> April 2000 as a Saudi joint stock company according to the Commercial Registration by Riyadh Number 1010158683, dated 28 Muhurram 1421H corresponding to 3 May 2000.

The Company's principal activities are generation, transmission and distribution of electricity. The Company is the major provider of electricity all over the Kingdom of Saudi Arabia, serving governmental, industrial, agricultural, commercial, and residential consumers.

The Company is a tariff-regulated company for provision of electricity. Electricity tariffs are determined by the Council of Ministers based on recommendations from the Water & Electricity Regulatory Authority (the "Authority") which was established on 13<sup>th</sup> November 2001 according to Council of Ministers' Resolution No. 169 dated 11 Sha'aban 1419H. The change on tariff was made through the Council of Ministers' Resolution Number 170 dated 12 Rajab 1421H and was effective from 1 Sha'aban 1421H corresponding to 28<sup>th</sup> October 2000 whereby the tariff on the highest bracket was set at a rate of 26 Halala per Kilowatts/hour.

This was further amended by the Council of Ministers in its decision (number 333) dated 16 Shawwal 1430H, corresponding to 5<sup>th</sup> October 2009, which granted the Board of Directors of the Water & Electricity Regulatory Authority the right to review and adjust the non-residential (commercial, industrial and governmental) electricity tariff and approve them as long as the change does not exceed 26 Halala for each kilowatt per hour, taking into consideration, among other matters, the electricity consumption at peak times. This tariff was implemented starting 19 Rajab 1431H, corresponding to 1<sup>st</sup> July 2010.

On 17<sup>th</sup> Rabi Awal 1437H corresponding to 28<sup>th</sup> December 2015, Council of Ministers issued its resolution (Number 95), to increase price of electricity effective from 18 Rabi Awal 1437H corresponding to 29<sup>th</sup> December 2015, and to increase electricity consumption tariff for all categories with the highest band being 32 Halala per Kilowatts/hour, which came into effect from 1 Rabi Thani 1437H corresponding to 11<sup>th</sup> January 2016.

On 24 of Rabi Awal 1439H corresponding to 12 December 2017, the Council of Ministers issued a resolution (Number 166) to increase the prices of electricity and electricity consumption rates for some categories of subscribers with the highest band being 30 Halala per Kilowatts/hour. This change was effective from 1 January 2018 without referring to the previous highest band of 32 Halala. According to Royal Decree No. 14006 dated 23 Rabi 'al-Awwal 1439 H corresponding to 11 December 2017, the Saudi Electricity Company shall pay a government fee equivalent to the difference between the previous and the new tariffs. On 21 of Rabi Awal, 1442 (corresponding to 7<sup>th</sup> November 2020) Royal Decree No. (16031) was issued to cancel the government fee.

On 29 of Rabi Al Awwal 1442H corresponding to 15<sup>th</sup> November 2020, the Minister of Energy, Chairman of the Ministerial Committee issued a letter (Number 2057) for restructuring the electricity sector and cancellation of the government fee as of 1 January 2021, with the aim to restructure the electricity sector in Saudi Arabia and approved the mechanism of revenue of Saudi Electricity Company.

Pursuant to Royal Order No. 2719 - dated 14/01/1438 corresponding to 15<sup>th</sup> October 2016, and Ministry of Finance letter No. 5627 - dated 02/06/1441 corresponding to 27<sup>th</sup> January 2020, the balancing account has been activated starting from 2019.

Pursuant to the letter No. 2057 dated 29/03/1442 corresponding to 15 November 2020, the Minister of Energy, Chairman of the Ministerial Committee for restructuring the electricity sector informed the Company that the Company's revenue is to be determined on an asset base model adjusted for regulatory return on the weighted cost of capital for the years 2021-2023.

**SAUDI ELECTRICITY COMPANY****(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statements (unaudited)****For the nine-month period ended 30 September 2022**

(All amounts in thousands Saudi Riyals unless otherwise stated)

**1 Corporate information – continued**

The Company's revenue is calculated using forecasts determined by the Ministerial Committee in line with the regulatory framework. Any differences between the actual revenue and the revenue determined by the Ministerial Committee is adjusted in the subsequent year. The Company re-estimates the revenue periodically in light of updated annual forecasts and make the necessary and appropriate adjustments.

On 14 Safar 1443H, corresponding to 21<sup>st</sup> September 2021, the Council of Ministers Resolution (No. 111) was issued approving the tariff for heavy consumption of electricity that will be applied to establishments operating in qualified activities or sectors and belonging to the categories of industrial, commercial and agricultural consumption - which are determined by a committee formed under the chairmanship of the Ministry of Energy to determine the applicable sectors for this tariff. By submitting a request to the consumer to apply the tariff to their facility. The tariff for heavy consumption will be in two categories: the first category is establishments operating in activities or sectors in which the ratio of electricity cost to operating costs without raw material costs is (20%) or more, second category is facilities operating in activities or sectors in which the ratio of electricity cost to operating costs without raw material costs is between (10%) and (19.9%) The tariff is applied according to the category of the facility and does not exceed the tariff of the category to which it belongs. The said decision is still under implementation between the Company and the Regulator.

According to the Company's bylaws, the financial year begins on 1<sup>st</sup> January and ends on 31<sup>st</sup> December of each Gregorian year. The financial year of the subsidiaries starts from the first of January and ends at the end of December of each Gregorian year.

The address of its registered headquarter is located in Riyadh, Kingdom of Saudi Arabia.

Saudi Electricity Company will be referred to as ("Company") or together with its subsidiaries and joint operations as ("Group") throughout the financials. The subsidiaries, joint operations and joint venture are listed below.

Subsidiary Company's name	Country of registration and place of business	Ownership in ordinary shares %		Principal activity
		30 September 2022	31 December 2021	
National Grid S.A. Company "Grid Company"	Kingdom of Saudi Arabia	100	100	Transmission Telecommunication
Dawiyat Telecommunication Company	Kingdom of Saudi Arabia	100	100	Financing Projects
Electricity Sukuk Company	Kingdom of Saudi Arabia	100	100	Management
Saudi Electricity for Projects Development Co. (business not commenced)	Kingdom of Saudi Arabia	100	100	Financing
Saudi Electricity Global Sukuk Company	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 2	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 3	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 4	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 5	Cayman Islands	100	100	Financing
Saudi Electricity Company for the International Sukuk Program	Cayman Islands	100	100	Financing
Saudi Power Procurement Company (note 26)	Kingdom of Saudi Arabia	-	100	Principal Buyer
Dawiyat Integrated Company for Telecommunications and Information Technology	Kingdom of Saudi Arabia	100	100	Telecommunication
Saudi Energy Production Company (operating activity not commenced)	Kingdom of Saudi Arabia	100	100	Energy Generation
Saudi Energy services Company	Kingdom of Saudi Arabia	100	100	Energy services

**SAUDI ELECTRICITY COMPANY****(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statements (unaudited)****For the nine-month period ended 30 September 2022**

(All amounts in thousands Saudi Riyals unless otherwise stated)

**1 Corporate information – continued**

Based on the decision of the Ministerial Committee and on 1 July 2022, the Group has novated all Purchase Power Agreement (PPA's) related to Independent Power Producers to Saudi Power Procurement Company with the Saudi Electricity Company continuing to retain the same ownership percentages in those companies without change or any addition or paying any additional consideration. This has resulted in the Group discontinuing the application of the proportionate consolidation of the assets and liabilities of those said companies which were accounted as joint operations and from 1 July 2022 are being accounted for as Joint Ventures using the equity accounting method.

	Country of registration and place of business	Holding company ownership percentage shares%	
		30 September 2022	31 December 2021
<b>Joint Venture</b>			
Hajr for Electricity Production Company	Kingdom of Saudi Arabia	50	50
Rabigh Electricity Company	Kingdom of Saudi Arabia	20	20
Dhuruma Electricity Company	Kingdom of Saudi Arabia	50	50
Al Mourjan for Electricity Production Company	Kingdom of Saudi Arabia	50	50
Global Data Hub Company	Kingdom of Saudi Arabia	50	50

**2 Significant events****Climate change effect**

The government of the Kingdom of Saudi Arabia has announced a set of initiatives that aim, among other things, to reduce carbon emissions by using renewable energy projects, which are expected to provide 50% of electricity production in the Kingdom of Saudi Arabia by 2030.

The Group is exposed to both short and long-term climate change risks due to increased expectations of customers, investors, financiers and government. These risks are an integral part of the generation, transmission and distribution of electricity. Group management is constantly working to reduce the environmental impact of the business.

The higher fuel consumption costs and greenhouse gas emissions associated with the consumption of liquid fuels have an impact not only on the environment, but also on the Group's net profit, and the Group considers that there is no material impact resulting from these initiatives on the values of machinery and property and associated impairment losses. The company has contracted to supply its entire electricity power production to principal Buyer ("SPPC") for the remaining periods of the entire productive life of the plants.

The Group is currently working on developing a strategy to improve its energy performance through efficient energy consumption and energy production from sustainable sources, in conformity with the Kingdom's vision in this area, and without affecting the company's results or the rights of its shareholders.

### **3 Basis of preparation**

These condensed consolidated interim financial statements for the nine-month ended 30 September 2022 have been prepared in accordance with IAS 34 'Interim financial reporting' as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants.

These condensed consolidated interim 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 at 31 December 2021.

### **4 Use of estimates, assumptions and judgements**

The preparation of the Group's condensed consolidated interim financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the Group's annual consolidated financial statements as of 31 December 2021.

### **5 Basis of measurement**

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for:

- financial assets through other comprehensive income, financial assets and financial liabilities including derivative financial instruments and Mudaraba instrument that are measured at fair value;
- employees' benefits obligations at the present value of future obligations using the projected unit credit method.

These condensed consolidated interim financial statements of the Group have been presented in Saudi Riyal, which also represents the functional and presentation currency. All values are shown to the nearest thousand SAR unless otherwise stated.

### **6 Significant accounting policies**

The accounting policies adopted in preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2021.

Accounting policies adopted in preparation of these condensed consolidated interim financial statements are described in note 6 of the Group's consolidated financial statements for the year ended 31 December 2021.

### **Basis of consolidation of financial statements**

#### **The effect of changes in accounting policies as a result of applying the new international financial reporting standards**

There are no new standards issued, however, several amendments to the standards are in effect from 1 January 2022, which have been explained in the Group's annual financial statements and that have no impact on the Group's interim consolidated financial statements.



## 7 Financial risk management

### 7.1 Fair-value measurement

The Group measures its financial instruments at fair value at reporting date. 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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities whose fair values are measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest input level considered significant for the overall measurement:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either, directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

For assets and liabilities that are recognised in the condensed interim financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table presents the Group's financial assets and liabilities that are measured at fair value:

<b>As of 30 September 2022, (Unaudited)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Financial assets through other comprehensive income	-	-	353,379	353,379
Derivative financial instruments	-	194,861	-	194,861
<b>Total assets</b>	<b>-</b>	<b>194,861</b>	<b>353,379</b>	<b>548,240</b>
<b>Liabilities</b>				
Derivatives used for hedging	-	65,478	-	65,478
<b>Financial instruments liabilities</b>	<b>-</b>	<b>65,478</b>	<b>-</b>	<b>65,478</b>
<b>Equity</b>				
Mudaraba instrument	-	-	159,169,000	159,169,000
<b>Equity financial instrument</b>	<b>-</b>	<b>-</b>	<b>159,169,000</b>	<b>159,169,000</b>

## 7 Financial risk management - continued

### 7.1 Fair-value measurement - continued

As of 31 December 2021, (Audited)	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets through other comprehensive income	-	-	353,379	353,379
Derivative financial instruments	-	15,620	-	15,620
<b>Total assets</b>	<u>-</u>	<u>15,620</u>	<u>353,379</u>	<u>368,999</u>
<b>Liabilities</b>				
Derivatives used for hedging	-	594,149	-	594,149
<b>Financial instruments liabilities</b>	<u>-</u>	<u>594,149</u>	<u>-</u>	<u>594,149</u>
<b>Equity</b>				
Mudaraba instrument	-	-	159,169,000	159,169,000
<b>Equity financial instrument</b>	<u>-</u>	<u>-</u>	<u>159,169,000</u>	<u>159,169,000</u>

#### Valuation techniques used to derive level two fair-value

Interest rate swaps are fair valued using the mark-to-market value (or fair value) of the interest rate swap technique. The effects of discounting are generally insignificant for Level two derivatives.

#### Fair value measurements using significant unobservable inputs (Level three)

The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current default swap or bond prices.

The Group has four financial assets financial asset through OCI i.e.

- 8% Stake in Shuaiba Water and Electricity Company;
- 8% Stake in Shuqaiq Water and Electricity Company;
- 5% Stake in Jubail Water and Power Company;
- 8% Stake in Shuaiba Expansion Holdings Company.

The fair valuation of these four investments is carried out using the dividend valuation model (DVM).

In accordance with this methodology, the expected future dividends from the investments are projected (the historical dividend pay-out pattern is used as a basis for future projections over the investment horizon) and discounted using the cost of equity as the relevant discount rate to ascertain the fair value of these investments.

Projected dividends and cost of equity are the main input variables for the utilised model for the fair valuation of financial assets at fair value through other comprehensive income.

There have been no transfers between fair values levels during the three months ended 30 September 2022.

## 7 Financial risk management - continued

### 7.1 Fair-value measurement - continued

Movement in level 3 fair value financial instruments represented in financial assets at other comprehensive income during the period / year is as follows:

	<b>30 September 2022</b>	31 December 2021
	<b>Unaudited</b>	Audited
Opening balance at the beginning of the period / year	353,379	349,618
Change in Fair value of the financial assets through other comprehensive income	-	3,761
Closing balance at the end of the period / year	<b>353,379</b>	<b>353,379</b>

#### Fair value of financial assets and liabilities measured at amortised cost

The fair value of the financial assets and liabilities approximates their carrying amount.

#### Mudaraba instrument

The fair value of the Mudaraba is initially determined using the income approach, where perpetual cash flows plus the agreed profit rate on the instrument is discounted using an appropriate discount rate of 4.3%. This discount rate is derived using the following:

- the cost of debt (yield to maturity) for a sukuk issued by the Government of the Kingdom of Saudi Arabia with the longest maturity plus and
- the premium of 6% (weighted average cost of capital) determined by the regulator (WERA) given the perpetual nature of the instrument.

### 7-2 Liquidity risk

Liquidity risk represents that the Group will encounter difficulty in raising monies to meet commitments associated with financial instruments.

The management objective of liquidity risk is to ensure that the Group has sufficient financing facilities to meet its current and future obligations. The Group aims to maintain adequate flexibility in financing by maintaining appropriate credit facilities. The Group expects to meet its future financial obligations without being affected by the shortfall in working capital, through cash collections of receivables and through bank facilities and loans.

## 8 Seasonality of operations

The operations and revenues of the Group are affected by seasonal weather changes during the year. Revenues are materially lower during the winter months due to lower consumption of electricity whereas higher revenues are earned during summer months due to the increase in consumption of electricity as a result of high temperatures. Therefore, the results of operations for this interim period may not be an accurate indication of the actual results for the full year.

## SAUDI ELECTRICITY COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (unaudited)

For the nine-month period ended 30 September 2022

(All amounts in thousands Saudi Riyals unless otherwise stated)

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### 9 Operating segments and the future restructuring of the Group's activities

The main operating activities of the Group are divided into generation, transmission, distribution and subscriber services which are complementary to each other in the production and delivery of electricity to the consumers. The Group's revenues are currently realized from the sale of energy to the final consumer according to the official rate set for the system. All operations are carried out within the Kingdom.

The main actions of each activity are as follows:

**Generation:** Production and sale of electricity.

**Transmission:** Transmission of power from generation plants using the transmission network to the distribution network and operation of the electricity transmission and maintenance system.

**Distribution and Subscriber Services:** Receiving and distributing power from transmission networks to subscribers, issuance and distribution of consumption bills and collections.

The Saudi Electricity Company ("the seller") entered into a sale and purchase agreement on 29 June 2022 to sell its share 100% of ownership in Saudi Power Procurement Company ("SPPC") to the Government represented by Ministry of Finance and Ministry of Energy (together referred to as "the Buyer") followed by, the transfer of power purchase agreements with independent power producers by the Saudi Electricity Company to the Saudi Power Purchase Company from 1 July 2022. This sale aims to establish transparency in commercial relationships between parties operating in the electricity sector and to activate economically viable work mechanisms on an economic basis, which contributes towards achieving the objectives of the electricity sector in the Kingdom, including reducing the use of fossil fuels, raising the level of environmental compliance, and enhancing the reliability of electricity transmission and distribution networks and enabling the production of electricity from renewable energy sources in order to achieve the objectives of the optimal energy mix for electricity production, improve and automate distribution networks, to achieve the desired goals, and raise the level of quality of services provided to consumers in line with the objectives of the Kingdom's Vision 2030. Accordingly, the consolidation of the financial statements of the Saudi Power Procurement Company, and the proportionate consolidation of assets and liabilities of independent Power Producer have been discontinued as indicated in Note 11, and Note 28, and those balances have been excluded from the segmental information as on 30 September 2022.

The Group is working on implementing an integrated plan aimed at separating the activities into independent companies, as part of the Kingdom's plan to restructure the electricity set up in the Kingdom, and work is underway to develop legal arrangements for it.

The financial information of the Saudi Electricity Company in the following schedule includes the generation activities, distribution and subscribers' services, as procedures are still underway to separate the generation and distribution activities - until the date of preparing these condensed consolidated interim financial statements - within the Company's integrated plan for the separation. The discontinued operations pertaining to the principal Buyer (Saudi Power Procurement Company) and joint operations were presented and included within the Saudi Electricity Company financial statements as at 30 June 2022. The financial information is presented as follows:

- For National Grid S.A. Company which includes transmission of electricity and the operation and maintenance of the transmission system; and
- For other segments includes the telecommunication activities sector.



**SAUDI ELECTRICITY COMPANY**
**(A Saudi Joint Stock Company)**
**Notes to the condensed consolidated interim financial statements (unaudited)**
**For the nine-month period ended 30 September 2022**
**(All amounts in thousands Saudi Riyals unless otherwise stated)**
**9 Segment information and future structure of the Group's activities – continued**
**For the nine-month period ended 30 September 2022 - in (SAR Million )**

	<b>Saudi Electricity Company</b>	<b>National Grid S.A Company</b>	<b>Other subsidiaries</b>	<b>Intercompany transactions</b>	<b>Total</b>
<b><u>Revenue</u></b>					
External consumers	61,042	-	387	(28)	61,401
Between sectors	16,983	13,643	-	(36,344)	(5,718)
<b>Total revenue</b>	<b>78,025</b>	<b>13,643</b>	<b>387</b>	<b>(36,372)</b>	<b>55,683</b>
<b><u>Cost of sales</u></b>					
Fuel	(3,736)	-	-	-	(3,736)
Purchased power	(36,610)	-	-	24,687	(11,923)
Operating and maintenance costs	(19,270)	(1,741)	(66)	11,670	(9,407)
Depreciation - Operation and Maintenance	(8,397)	(5,427)	(128)	28	(13,924)
Depreciation - Right of Use	(14)	-	-	-	(14)
<b>Total cost of sales</b>	<b>(68,027)</b>	<b>(7,168)</b>	<b>(194)</b>	<b>36,385</b>	<b>(39,004)</b>
General and administrative expenses	(439)	(76)	(54)	-	(569)
Depreciation - general and administrative	(280)	-	-	-	(280)
<b>Total general and administrative expenses</b>	<b>(719)</b>	<b>(76)</b>	<b>(54)</b>	<b>-</b>	<b>(849)</b>
Other income, net	902	49	79	(527)	503
Provision for receivable from consumption of electricity and other receivables, net	(1,072)	-	-	-	(1,072)
Finance cost, net	(2,057)	(533)	-	514	(2,076)
Share of loss from equity accounted investee	36	-	-	-	36
Zakat expenses	(4)	-	(6)	-	(10)
Profit from discontinued operation	183	-	-	-	183
<b>Profit / (loss) for the period</b>	<b>7,267</b>	<b>5,915</b>	<b>212</b>	<b>-</b>	<b>13,394</b>
<b>As at 30 September 2022 in (SAR Million )</b>					
<b>Property, plant and equipment, net</b>	<b>258,727</b>	<b>170,300</b>	<b>3,175</b>	<b>-</b>	<b>432,202</b>
<b>Total assets</b>	<b>424,145</b>	<b>172,593</b>	<b>3,657</b>	<b>(115,698)</b>	<b>484,697</b>
<b>Total liabilities</b>	<b>171,438</b>	<b>158,098</b>	<b>1,741</b>	<b>(105,640)</b>	<b>225,637</b>

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(All amounts in thousands Saudi Riyals unless otherwise stated)

**9 Segment information and future structure of the Group's activities – continued**
**For the nine-month period ended 30 September 2021 - in (SAR Million )**

	<b>Saudi Electricity Company</b>	<b>National Grid Company</b>	<b>Other subsidiaries</b>	<b>Intercompany transactions</b>	<b>Total</b>
<b><u>Revenue</u></b>					
External consumers	53,607	-	196	(42)	53,761
Between segments	1,995	13,417	-	(15,412)	-
<b>Total revenue</b>	<b>55,602</b>	<b>13,417</b>	<b>196</b>	<b>(15,454)</b>	<b>53,761</b>
<b><u>Cost of revenue</u></b>					
Fuel	(6,122)	-	-	-	(6,122)
Purchased power	(9,245)	-	-	1,995	(7,250)
Operating and maintenance costs	(19,948)	(1,604)	(11)	13,421	(8,142)
Depreciation - Operation and maintenance	(8,551)	(5,630)	(82)	42	(14,221)
Depreciation - Right of use asset	(45)	-	-	-	(45)
<b>Total cost of revenue</b>	<b>(43,911)</b>	<b>(7,234)</b>	<b>(93)</b>	<b>15,458</b>	<b>(35,780)</b>
General and administrative expenses	(201)	(81)	(37)	-	(319)
Depreciation - general and administrative	(285)	-	-	-	(285)
<b>Total general and administrative expenses</b>	<b>(486)</b>	<b>(81)</b>	<b>(37)</b>	<b>-</b>	<b>(604)</b>
Other revenue / (Expenses), net	284	27	46	(506)	(149)
Provision for receivable from consumption of electricity and other receivables, net	(792)	-	-	-	(792)
Fuel supply adjustment expenses	(208)	-	-	-	(208)
Finance cost, net	(1,769)	(515)	-	502	(1,782)
Share of loss from equity accounted investee	(21)	-	-	-	(21)
Zakat expense, net	(4)	-	(7)	-	(11)
Profit from discontinued operation	483				483
<b>Profit for the period</b>	<b>9,178</b>	<b>5,614</b>	<b>105</b>	<b>-</b>	<b>14,897</b>
<b><u>As at 31 December 2021 – (SAR Million)</u></b>					
<b>Property, plant and equipment, net</b>	<b>264,749</b>	<b>171,160</b>	<b>2,822</b>	<b>-</b>	<b>438,731</b>
<b>Total assets</b>	<b>423,221</b>	<b>171,662</b>	<b>3,313</b>	<b>(123,313)</b>	<b>474,883</b>
<b>Total liabilities</b>	<b>218,939</b>	<b>113,532</b>	<b>1,901</b>	<b>(111,113)</b>	<b>223,259</b>

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(All amounts in thousands Saudi Riyals unless otherwise stated)

**10 Property, plant and equipment, net**

As at 30 September 2022, the cost of property, plant and equipment is SAR 720 billion after ceasing proportionate consolidation of joint operations with an amount SAR 12.4 Billion (31 December 2021: SAR 717 billion). Accumulated depreciation is SAR 288 billion after ceasing proportionate consolidation of joint operations with an amount SAR 2.6 Billion (31 December 2021: SAR 278 billion).

An amount of SAR 20 billion (31 December 2021: SAR 38 billion) was transferred from projects under construction to property, plant and equipment. The additions to projects under construction for the period amounting to SAR 17 billion (31 December 2021: SAR 20 billion).

Capitalized Finance charges during the period on projects under construction amounting to SAR 590 million (31 December 2021: SAR 985 million).

**11 Equity-accounted investees**

The balances related to these investments are as follows:

	<b>30 September 2022</b>	<b>31 December 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b><u>Associate companies</u></b>		
Gulf Cooperation Council Inter-Connection Authority	1,354,422	1,357,350
Gulf Laboratory Company for testing electrical equipment	105,866	107,616
Al Fadhly Co-Generation Company	-	-
Green Saudi Company for Carbon Services	259	259
<b><u>Joint Ventures</u></b>		
Hajr for Electricity Production Company*	1,489,507	-
Rabigh Electricity Company*	510,382	-
Dhuruma Electricity Company*	585,454	-
Al Mourjan for Electricity Production Company*	615,251	-
Global Data Hub Company	4,811	4,811
	<b>4,665,952</b>	<b>1,470,036</b>

The following is the investment movement as 30 September 2022:-

	<b>Balance as of</b>	<b>Preliminary</b>	<b>Share in</b>	<b>Share in other</b>	<b>Balance as</b>
	<b>1 January 2022</b>	<b>fair value</b>	<b>Profit /</b>	<b>comprehensive</b>	<b>of</b>
	<b>(Audited)</b>		<b>(Loss)</b>	<b>income</b>	<b>30</b>
					<b>September</b>
					<b>2022</b>
					<b>(Unaudited)</b>
<b><u>Associate companies</u></b>					
Gulf Cooperation Council Inter-Connection Authority	1,357,350	-	(2,928)	-	1,354,422
Gulf Laboratory Company for testing electrical equipment	107,616	-	(1,750)	-	105,866
Al Fadhly Co-Generation Company	-	-	1,375	(1,375)	-
Green Saudi Company for Carbon Services	259	-	-	-	259
<b><u>Joint Ventures</u></b>					
Hajr for Electricity Production Company (HEPC)	-	1,450,507	39,000	-	1,489,507
Rabigh Electricity Company	-	510,382	-	-	510,382
Dhuruma Electricity Company	-	585,454	-	-	585,454
Al Mourjan for Electricity Production Company (MEPCO)	-	615,251	-	-	615,251
Global Data Hub Company	4,811	-	-	-	4,811
	<b>1,470,036</b>	<b>3,161,594</b>	<b>35,697</b>	<b>(1,375)</b>	<b>4,665,952</b>

**SAUDI ELECTRICITY COMPANY****(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statements (unaudited)****For the nine-month period ended 30 September 2022**

(All amounts in thousands Saudi Riyals unless otherwise stated)

**11 Equity-accounted investees - Continued****Initial fair value of IPPs at the date of loss of control**

The Saudi Electricity Company has continued proportionate consolidation of the assets and liabilities of the Independent Power Producer companies as joint operations in the Group's consolidated financial statements and condensed consolidated interim financial statements until June 30, 2022.

On 1 July 2022, the Saudi Electricity Company transferred the power purchase agreements signed with these companies to the Saudi Power Procurement Company instead of the Saudi Electricity Company, with the continuance of Saudi Electricity Company to the share capital in the said companies without change in capital structure (Note 1). This transfer resulted in a change in classifying these investments from joint operations to joint ventures. Accordingly, the Saudi Electricity Company ceased to apply proportionate consolidation of these independent companies as a result of losing control of the operations in its condensed consolidated interim financial statements for the period ended on 30 September 2022 and recognized the investment as a joint venture using the equity method.

SEC has accordingly de-recognized the assets and liabilities accounted for previously in the consolidated financial statements and in the transition date and losing the control the deemed cost of the investment in joint venture equal to the preliminary fair value at the date of losing the control, SEC applied the following accounting for this change:

- Cease the proportionate consolidation of the assets and liabilities related to these companies.
- recognized the deemed cost which equal to fair value of investment at the date of derecognition; and
- any difference between the two above recognized as gain/loss in the condensed consolidated interim statement of income if any.

The following is the preliminary financial information at the time of transition according to the (Unaudited) financial statements of the Independent Power Producer companies as of 30 June 2022 which has been prepared according to IFRS .

<b>Description</b>	<b>MEPCO</b>	<b>Dhuruma</b>	<b>HEPCO</b>	<b>RABIGH</b>	
<b>Percentage of ownership</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>20%</b>	<b>Total</b>
	<b>Amount in million</b>				
Non-current assets	2,573	2,624	4,204	1,417	10,818
Current assets	71	163	320	144	698
Non-current liabilities	1,817	1,986	2,692	945	7,440
Current liabilities	212	216	343	106	876

The Group measured the initial deemed cost of the investments of the IPPs, which did not differ from the net assets value at the date when control was lost. No loss was recognized for this change in classification during the period.

The Group has measured the initial fair value as it is still in the process of gathering all the information to assess the fair value of the investments below. It is expected that an accurate assessment of the fair values will be completed by the end of the year. Therefore, the Saudi Electricity Company used the preliminary values that were evaluated based on the available financial information, which are as follows:

<b>Investee</b>	<b>Initial fair value (in million) SAR</b>
Al Mourjan for Electricity Production Company - (MEPCO)	615
Dhuruma	585
Hajr for Electricity Production Company - (HEPCO)	1,489
RABEC	510

Management will subsequently obtain additional information from the independent Power producers to determine the need to adjust the initial fair value calculated by management to fair value. The Group will disclose the impact of the amendments on the deemed cost recognized in the condensed consolidated interim financial statements for the period ended on 30 September 2022.



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**12 Inventories, net**

	<b>30 September 2022</b>	<b>31 December 2021</b>
	<b>Unaudited</b>	<b>Audited</b>
Material and supplies - Generation plant *	<b>2,446,134</b>	2,228,314
Materials and supplies - Distribution network*	<b>1,938,556</b>	1,385,209
Materials and supplies - Transmission network*	<b>206,066</b>	267,807
Others *	<b>295,982</b>	262,270
<b>Total</b>	<b>4,886,738</b>	4,143,600
Less: Provision for slow moving inventories (a)	<b>(846,123)</b>	(822,075)
<b>Total</b>	<b>4,040,615</b>	3,321,525

\*The amounts are net off of impairment against the value of the inventories totalling SAR 418 million as at 30 September 2022 (31 December 2021: SAR 365 million).

(a) The movement in the provision for slow-moving inventories during the period / year is as follows:

	<b>30 September 2022</b>	<b>31 December 2021</b>
	<b>Unaudited</b>	<b>Audited</b>
Balance at the beginning of the period / year	<b>822,075</b>	807,871
Charge for the period / year	<b>24,048</b>	14,204
<b>Balance at the end of the period / year</b>	<b>846,123</b>	822,075

### 13 Receivables from sale of electricity, net

	30 September 2022	31 December 2021
	Unaudited	Audited
Governmental institutions	10,443,239	5,005,265
Commercial and residential and industrial	15,733,736	13,062,452
Receivables for electricity service connection projects	1,973,091	894,109
Due from related parties	4,855,722	692,276
<b>Total electricity consumers' receivable</b>	<b>33,005,788</b>	<b>19,654,102</b>
Less: provision for doubtful electricity receivables (a)	(3,404,784)	(2,364,760)
Add: Unbilled revenues	5,066,795	3,489,462
<b>Total</b>	<b>34,667,799</b>	<b>20,778,804</b>

(a) The movement in the provision for doubtful electricity receivables during the period / year is as follow:

	30 September 2022	31 December 2021
	Unaudited	Audited
Balance at the beginning of the period / year	2,364,760	1,467,536
Charge for the period / year	1,080,888	897,224
Write-off in the period / year	(40,864)	-
<b>Balance at the end of the period / year</b>	<b>3,404,784</b>	<b>2,364,760</b>

### 14 Prepayment and other receivables

	30 September 2022	31 December 2021
	Unaudited	Audited
Prepaid expenses and others	93,000	34,734
Insurance and other claims	206,646	168,662
Other receivable net	1,273,853	1,897,261
Due from the Ministry of Finance	968,404	-
<b>Total</b>	<b>2,541,903</b>	<b>2,100,657</b>
Less: Provision for doubtful other receivables balances (a)	(404,546)	(413,606)
	<b>2,137,357</b>	<b>1,687,051</b>

(a) The movement in the other receivable balances during the period / year is as follow:

	30 September 2022	31 December 2021
	Unaudited	Audited
Balance at the beginning of the period / year	413,606	235,899
(Release) / Charged	(9,060)	177,707
<b>Balance at the end of the period / year</b>	<b>404,546</b>	<b>413,606</b>

### 15 Transaction with the owners that are recognized directly to equity

The General Assembly of the Company, in its meeting held on 16 Shawwal 1443H, corresponding to 17 May 2022, approved the distribution of cash dividends for the year 2021 to the shareholders of the Company amounting to SAR 2.9 billion at 0.70 Saudi riyals per share, representing 7% of the par value of the share (2020: SAR 2.9 billion).

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**16 Contractual reserve for Mudaraba instrument**

Pursuant to the letter received from His Royal Highness the Minister of Energy, chairman of the ministerial committee for the restructuring of the electrical sector (No. 01-2057-1442H dated 29/03/1442H corresponding to 15/11/2020), regarding the issuance of a royal order No. 16031 approving the settlement of net government dues from the Company and signing Mudaraba agreement with the government of the Kingdom of Saudi Arabia represented by the Ministry of Finance, to transfer the net financial liabilities accrued to the government by the Company by the end of year 2019, amounting to SAR 167.9 billion, into a financial instrument within equity.

The General Assembly, held on 12/05/1442H corresponding to 27th December 2020, approved to create contractual reserve for the purpose of payment of the profits from the contractual agreement concluded between the Company and the Ministry of Finance and referred to in the Mudaraba agreement. The board of directors has approved the relevant decisions shown in the following table.

	<b>30 September 2022</b>	<b>31 December 2021</b>
	<b>Unaudited</b>	<b>Audited</b>
Balance at the beginning of the period / year	<b>860,593</b>	927,375
Transferred from retained earnings during period / year	<b>5,730,289</b>	7,661,376
Paid during the period / year	<b>(3,799,203)</b>	(7,728,158)
<b>Balance at the period / end of the year</b>	<b>2,791,679</b>	860,593

**17 Financial instruments****17.1 Financial instruments other than interest bearing**

	<b>30 September 2022</b>	<b>31 December 2021</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>Derivative financial liabilities</b>		
Derivative financial instruments at fair value (note 17.3)	<b>65,478</b>	594,149
	<b>65,478</b>	594,149
<b>Other financial liabilities carried at amortized cost, other than interest bearing loans</b>		
Trade payables	<b>3,147,181</b>	2,988,268
Accruals and other liabilities	<b>12,297,046</b>	14,798,087
Payables to the government	<b>4,570,538</b>	4,570,538
Refundable deposits from customers	<b>2,001,995</b>	1,998,510
<b>Total other financial liabilities carried at amortized cost, other than interest bearing loans</b>	<b>22,016,760</b>	24,355,403

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**17 Financial instruments – continued**  
**17.2 Interest bearing liabilities**

Classification of borrowings as appearing on the condensed consolidated interim statement of financial position as of 30 September 2022 is as follows:

	<b>Bank Loans</b>	<b>Sukuk</b>	<b>Total</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
Non-current	<b>53,981,479</b>	<b>29,990,759</b>	<b>83,972,238</b>
Current	<b>15,665,996</b>	<b>3,750,750</b>	<b>19,416,746</b>
	<b>69,647,475</b>	<b>33,741,509</b>	<b>103,388,984</b>

Classification of borrowings as appearing on the condensed consolidated interim statement of financial position as of 31 December 2021 is as follows:

	<b>Bank Loans</b>	<b>Sukuks</b>	<b>Total</b>
	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
Non-current	50,871,973	33,741,280	84,613,253
Current	13,849,551	10,418,540	24,268,091
	64,721,524	44,159,820	108,881,344

Movements in borrowings during the year /period are as follows:

	<b>Bank loans</b>	<b>Sukuk</b>	<b>Total</b>
<b>As at 1 January 2021 Audited</b>	69,559,367	44,160,434	113,719,801
Proceeds from borrowings	14,910,233	-	14,910,233
Repayments of borrowing	(19,575,354)	-	(19,575,354)
Additions to deferred costs	(172,722)	(614)	(173,336)
<b>As at 31 December 2021 Audited</b>	<b>64,721,524</b>	<b>44,159,820</b>	<b>108,881,344</b>
Proceeds from borrowings	25,310,054	-	25,310,054
Repayments of borrowing	(12,550,263)	(10,418,540)	(22,968,803)
Adjustment for change in accounting treatment of joint operations	(7,556,581)	-	(7,556,581)
Net change to deferred costs	(277,259)	229	(277,030)
<b>As at 30 September 2022 Unaudited</b>	<b>69,647,475</b>	<b>33,741,509</b>	<b>103,388,984</b>

**17.2.1 Bank loans**

The following is the term loans breakup as presented in the condensed consolidated interim statement of financial position as follows:

<b>Non-current:</b>	<b>30 September 2022</b>	<b>31 December 2021</b>
	<b>Unaudited</b>	<b>Audited</b>
Saudi Electricity Company	<b>53,981,479</b>	43,524,384
Joint operations*	-	7,347,589
	<b>53,981,479</b>	<b>50,871,973</b>
<b>Current:</b>	<b>30 September 2022</b>	<b>31 December 2021</b>
	<b>Unaudited</b>	<b>Audited</b>
Saudi Electricity Company	<b>15,665,996</b>	13,298,304
Joint operations*	-	551,247
	<b>15,665,996</b>	<b>13,849,551</b>

\*The proportionate consolidation of joint operations has been ceased starting from 1 July 2022 Note (11).

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**17 Financial instruments – continued**  
**17.2 Interest bearing liabilities - continued**  
**17.2.1 Bank loans - continued**

The following are the long term loans for the Saudi Electricity Company:

	<b>Loan currency</b>	<b>Maturity date</b>	<b>Principal amount</b>	<b>30 September 2022 Unaudited</b>	<b>31 December 2021 Audited</b>
Domestic Bank 2	SAR	2025	5,000,000	1,344,400	1,536,800
Domestic Bank 3	SAR	2025	10,000,000	2,723,810	3,631,746
Domestic Bank 6	SAR	2026	3,500,000	2,572,500	2,598,750
Domestic Bank 7	SAR	2024	2,400,000	2,250,000	2,280,000
Domestic Bank 8	SAR	2026	15,200,000	14,592,000	14,896,000
Domestic Bank 9	SAR	2029	2,850,000	2,850,000	2,850,000
Domestic Bank 10	SAR	2027	9,000,000	8,910,000	9,000,000
Domestic Bank 11*	SAR	2032	1,500,000	1,500,000	-
Ministry of finance Loan	SAR	2024	2,583,375	434,007	541,475
International Bank 2	USD	2024	3,709,125	351,327	660,720
International syndicated loan 3	USD	2026	5,251,120	1,968,747	2,187,561
International syndicated loan 4	USD	2028	7,240,715	3,736,364	4,084,497
International syndicated loan 6	USD	2029	3,375,585	1,968,144	2,249,754
International syndicated loan 7	USD	2029	1,575,336	918,810	1,050,228
International syndicated loan 8	USD	2022	6,562,878	-	6,562,878
International syndicated loan 9 **	USD	2033	4,500,000	749,275	-
International syndicated loan 10 ***	USD	2027	11,265,874	11,265,874	-
<b>Total value</b>			<b>95,514,008</b>	<b>58,135,258</b>	<b>54,130,409</b>
<b>Less:</b> The current portion of long-term loans				<b>(3,876,519)</b>	<b>(10,263,796)</b>
<b>Less:</b> The Unamortized portion of the prepaid fees and other fees				<b>(277,260)</b>	<b>(342,229)</b>
<b>Non-current portion of long-term loans</b>				<b>53,981,479</b>	<b>43,524,384</b>

The following are short-term loans for the Saudi electricity company:

	<b>Loan currency</b>	<b>Principal amount</b>	<b>30 September 2022 Unaudited</b>	<b>31 December 2021 Audited</b>
Domestic revolving bank loan 1	SAR	2,000,000	2,000,000	1,000,000
Domestic revolving bank loan 2	SAR	2,000,000	2,000,000	-
Commercial payment facility	SAR	550,000	-	159,433
International syndicated loan 4	USD	9,665,625	7,789,477	1,875,075
<b>Total short-term loans</b>		<b>14,215,625</b>	<b>11,789,477</b>	<b>3,034,508</b>
<b>Add:</b> Current portion of long-term loans			<b>3,876,519</b>	<b>10,263,796</b>
<b>Total short-term loans and current portion of long-term loans</b>			<b>15,665,996</b>	<b>13,298,304</b>

\*The Company obtained credit facilities from a local bank in order to finance the Company's operating activities, amounting to SAR 1.5 billion without guarantees or bank commitments.



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**17 Financial instruments – continued****17.2 Interest bearing liabilities - continued****17.2.1 Bank loans - continued**

\*\* On 10 August 2022, the Company signed a dollar-denominated credit facility agreement with several international export banks to finance part of the Saudi-Egyptian electrical interconnection project worth USD 1.2 billion, provided that these facilities are guaranteed by the Swedish Export Credit Agency and funded by the Swedish Export Credit Corporation.

\*\*\* On 11 August 2022, the Saudi Electricity Company signed a credit facility agreement denominated in US dollars with several international banks to refinance existing revolving credit facilities and finance the company's general purposes, including capital expenditures, at a value of USD 3 billion without bank guarantees and pledges.

**17.2.2 Sukuk**

The outstanding Sukuk as of 30 September 2022 are as follows:

**Local sukuk**

Issue	Date of issue	Par value	Total issued amount	Maturity date
Sukuk 3	10 May 2010	SAR 10 Thousand	SAR 5.73 Billion	2030
Sukuk 4	30 January 2014	SAR 1 Million	SAR 4.5 Billion	2054

The Sukuk have been issued at par value with no discount or premium. The Sukuk bear a rate of return at SIBOR plus a margin payable quarterly from the net income received from the Sukuk assets held by the Sukuk custodian "Electricity Sukuk Company", a wholly owned subsidiary of the Company.

The Company has undertaken to purchase these Sukuk from Sukuk holders at dates specified in prospectus. At each purchase date, the Group shall pay an amount of 5% to 10% of the aggregate face value of the Sukuk as bonus to the Sukuk holders. The purchase price is determined by multiplying Sukuk's par value at the percentage shown against the purchase date, as follows:

	Percentage		
	90%	60%	30%
	First purchase date	Second purchase date	Third purchase date
Sukuk 3	2022	2024	2026

	Percentage		
	95%	60%	30%
	First purchase date	Second purchase date	Third purchase date
Sukuk 4	2024	2034	2044

The Group repurchased part of the third issuance of sukuk (Sukuk 3) during the second quarter of 2017, at a value of SAR 1.27 billion, which represents part of the repurchase of the third issue (7 billion Saudi riyals). The Group also rescheduled the remaining sukuk balance to be fully purchased before the end of May 2022, the Company has paid SAR 5.7 billion during the second quarter of 2022.

**Global Sukuk**

1. During April 2012 the Group issued a global Sukuk amounting to SAR 6.6 billion equivalent to approximately (US\$ 1.75 billion). The issuance consists of two tranches of Sukuk certificates. The first tranche amounting to US\$ 0.5 billion maturing after 5 years with fixed rate of 2.665%, the second tranche amounting to US\$ 1.25 billion maturing after 10 years with fixed rate of 4.211%. The Group has repaid SAR 1.9 billion (US \$ 0.5 billion) during the first quarter of 2017, representing the repayment of the first type of these Sukuk. The Group has made a payment of SAR 4.7 billion (\$1.25 billion) during the first quarter of 2022, which represents a repayment of the second tranche of these Sukuk.
2. During April 2013 the Group also issued a global Sukuk amounting SAR 7.5 billion equivalent to (US\$ 2 billion). The issuance consists of two types of Sukuk certificates. The first type amounting to SAR 3.75 billion (US\$ 1 billion) matures after 10 years with a fixed rate of 3.473%. The second type amounting to SAR 3.75 billion (US\$ 1 billion) matures after 30 years with a fixed rate of 5.06%. The company has classified SAR 3.75 billion Saudi as current sukuk as of 30 September 2022.
3. During April 2014 the Group also issued a global Sukuk amounting to SAR 9.4 billion equivalent to (US\$ 2.5 billion). The issuance consists of two types of Sukuk certificates. The first with a value of SAR 5.6 billion (US \$ 1.5 billion), after 10 years with a fixed interest rate of 4% and the second with a value of 3.75 billion Saudi Riyals (US \$ 1 billion) is due after 30 years with a fixed rate of 5.5%.

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**17 Financial instruments - continued**
**17.2 Interest bearing liabilities – continued**
**17.2.2 Sukuk – continued**

4. During September 2018 the Group also issued a global Sukuk amounting to SAR 7.5 billion equivalent to (US\$ 2 billion). The issuance consists of two tranches of Sukuk certificates. The first tranche with a value of SAR 3 billion (US \$ 800 million), 5 years tenure with a fixed interest rate of 4.222% per annum and the second tranches with a value of SAR 4.5 billion Saudi Riyals (US \$ 1.2 billion), 10 years tenure with a fixed rate of 4.723% per annum.

5. During September 2020 the Company issued an international green Sukuk amounting to SAR 4.87 Billion (US\$1.3 billion). The issuance consists of two tranches of Sukuk certificates. The first one with value of SAR 2.43 billion (US\$ 650 million) maturing after 5 years tenure with a fixed rate 1.74% and the second one with a value SAR 2.43 billion (US\$ 650 million) maturing after 10 years tenure with fixed rate 2.413%.

**17.2.3 Derivative financial instruments**

The Group has interest rate hedging contracts with several banks for an amount of SAR 2 billion as of 30 September 2022 (31 December 2021: SAR 15.4 billion).

The nominal amounts, which provide an indication of the volumes of the transactions outstanding at the end of the period/year, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are not indicative of market risk nor of the Group's exposure to credit risk, which is generally limited to the fair value of the derivatives.

All derivatives as at 30 September 2022 are classified as cash flow hedges. Derivatives are classified as non-current or current assets and as non-current or current liabilities, depending on the expiration date of the financial instruments.

The fair values of the derivative financial instruments are summarised in the table below:

	<b>30 September 2022</b> <b>(Unaudited)</b>	<b>31 December 2021</b> <b>Audited</b>
<b>Derivative financial instruments assets:</b>		
Non-current	<b>194,861</b>	15,620
<b>Derivative financial instruments at fair value liabilities:</b>		
Current	-	104,628
Non-current	<b>65,478</b>	489,521
	<b>65,478</b>	594,149

**18 Employees' benefits obligation**

		<b>30 September 2022</b>	<b>31 December 2021</b>
Employees' end of service benefits	18.1	<b>6,298,675</b>	6,005,560
Employees' savings fund		<b>1,121,386</b>	1,002,539
Human resources productivity improvement program	18.2	<b>1,309,149</b>	930,297
		<b>8,729,210</b>	7,938,396

The Group carried out an actuarial valuation for employees' end of service benefits, using the projected unit credit method for its liability as of 30 September 2022 and 31 December 2021 arising from the end of service benefits.

The key demographic assumptions for the valuations are shown in the table below:

Resignation rate before retirement	30 September 2022 (Unaudited)	Resignation rate before retirement	31 December 2022 (Audited)
Age (years)		Age (years)	
18-35	1.5%	18-35	0.6%
36-45	2%	36-40	3.5%
46-55	4%	41-45	7.6%
56 +	30%	46 +	16.7%
Assumed retirement age	58 years and 3 months (Gregorian calendar), Employees older than the normal retired age are assumed to retire immediately on valuation date.		
Pre-retirement mortality	The Group based the pre-retirement mortality on the life table for Saudi Arabia, sourced on countries that do not differ substantially from Kingdom of Saudi Arabia.		

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**18 Employees' benefits obligation - continued**
**18.1 Employee end of services benefits**

The economic assumptions for the valuations are shown in the table below:

	<b>30 September 2022</b> <b>(Unaudited)</b>	31 December 2021 <b>(Audited)</b>
Gross discount rate	<b>4.08%</b>	2.7%
Price inflation	<b>2%</b>	2%
Salary inflation average rate	<b>4.5%</b>	4.5%

The reconciliation of the defined benefit obligation for the period ended 30 September 2022 and 31 December 2021:

	<b>Statement of profit or loss</b>	<b>Re-measurement</b>	<b>Cash movements</b>	<b>Total</b>
<b>As at 1 January 2021 (Audited)</b>				<b>5,260,867</b>
Current service cost	491,722	-	-	491,722
Interest cost	110,414	-	-	110,414
(Gain) / loss from change in financial assumptions	-	(15,395)	-	(15,395)
(Gain) / loss from change in demographic assumptions	-	103,595	-	103,595
Experience based (gain) / losses	-	314,377	-	314,377
Benefit payments	-	-	(192,935)	(192,935)
Total movement during the year	602,136	402,577	(192,935)	811,778
Transferred end of service balance				(67,085)
<b>As at 31 December 2021 (Audited)</b>				<b>6,005,560</b>
Current service cost	359,450	-	-	359,450
Interest cost	121,538	-	-	121,538
(Gain) / loss from change in financial assumptions	-	(1,154,490)	-	(1,154,490)
(Gain) / loss from change in demographic assumptions	-	597,074	-	597,074
Experience based (gain) / losses	-	506,914	-	506,914
Benefit payments	-	-	(137,371)	(137,371)
Total movement during the year	480,988	(50,502)	(137,371)	293,115
<b>As at 30 September 2022 (Unaudited)</b>				<b>6,298,675</b>

Sensitivity Analysis:

	Impact on defined benefit obligations as of 30 September 2022 (Unaudited)	
	1% Increase	1% Decrease
Payroll inflation	792,274	(677,565)
Discount rate	(676,717)	807,224

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**18 Employees' benefits obligation - continued****18.2 Human resources productivity improvement program**

The Company is committed to improve the productivity of human resources by increasing employees' efficiency through the Company's endeavor to improve HR productivity, raise the level of employee efficiency, and reduce the total costs of HR, which will have a positive impact on the Company's performance in the future. The Company's board of directors approved human resources productivity on 29 June 2022, and has been implemented during the third quarter of 2022 which entitles the beneficiary to obtain early retirement benefits based on the progress in achieving operational saving targets and continued until 2025.. Those eligible for this program are Saudi employees who meet the terms and conditions of this program, the employees participating in the mentioned programs are entitled to benefits as calculated in the following assumptions:

The Company has carried out actuarial valuation for the mentioned programs on 30<sup>th</sup> September 2022 by a qualified actuary.

The movement during the year for the HR Productivity Improvement Program is as follows:

	<b>30 September 2022 (Unaudited)</b>	<b>31 December 2021 (Audited)</b>
Balance at the beginning of the year	<b>930,297</b>	<b>1,109,077</b>
Total increase during the period / year	<b>560,164</b>	<b>77,883</b>
Paid during the period / year	<b>(181,312)</b>	<b>(256,663)</b>
Balance at the end of the period / year	<b>1,309,149</b>	<b>930,297</b>

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**19 Contingent and contractual liabilities**

**Contingent liabilities**

- (a) A committee has been formed represented by various stakeholders, who will study contingent liabilities and give their recommendations to the Ministerial Committee, the most important of which are the following on 30 September 2022:
  - Outstanding dispute between the Group and Saudi Arabian Oil Company (Saudi Aramco- Share holder) in relation to supply of light oil instead of heavy oil to one of the station. According to the Group's assessment, the cumulative difference amounted to SAR 2.6 billion has not been recorded in the Group's liabilities, and the Group does not expect that the dispute will result in any additional commitments.
  - According to Council of Ministers resolution No. 216 dated 16 January 2018 whereby an agreement has been signed with Saudi Aramco regarding the recognition of handling fees as of 1 June 2018, the total disputed amount from the beginning of the Company's incorporation on 5 April 2000 until 30 May 2018 amounted to SAR 6.1 billion. The Group does not expect that the dispute will result in any additional commitments
  - The Group has provided guarantees to some commercial banks and some other parties with a total amount SAR 59 million as at 30 September 2022 (31 December 2021: SAR 62 million).
- (b) There are some claims filed by one of the previous contractors against the Company. These are currently in the initial stages of process with the arbitral procedures, based on the claims filed, the contractors are claiming an approximate amount of SAR 7 billion. However, the Company has also filed counter claims against the Contractors amounting to SAR 3.5 billion with the same arbitrator. The management currently believes that there is no basis for recording any obligation and that the company's position is strong to date, which may change in the event of obtaining new supporting documents in the future.

**Contractual liabilities**

- (A) The Group has signed contracts to supply all the electric power produced from the Group's generating units to the Saudi Energy Procurement Company for a specific long-term period, and these contracts are non-cancellable.

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**20 Capital commitment**

The capital commitments at the date of the condensed consolidated interim statement of financial position comprise of unexecuted portion of capital contracts conducted by the Group for the development and installation of power plants and other assets amounting to SAR 53 billion as of 30 September 2022 (31 December 2021: SAR 41 billion).

**21 Zakat**

The Group has submitted the Zakat return to the authorities for the year ended 31 December 2021 within the statutory term.

The Company completed the zakat assessments until 2014, the Company also received a letter of amendment of declarations from the Zakat, Tax and Customs Authority on 29 April 2021 for the declarations for the years from 2015 to 2018. The Company has submitted its objection to the amendment of the returns in accordance with the statutory dates, and a decision was issued by the General Secretariat of the Tax Committees on the objection submitted to the returns from 2015 to 2018 with zakat differences amounting to SAR 730 million. The Company has appealed these decisions issued by the Appeal Committee within the statutory deadline, and the Company's management believes that the Company's position in this objection is supported by sufficient documents and this is based on the Authority's practice considering the difference between the credit current account and debit in accordance with the executive regulations for levying zakat issued by Ministerial Resolution No. 2082. The Company has the necessary provisions to meet the expected zakat obligations.

**22 Operating revenue**

	<b>Three-month ended 30 September</b>		<b>Nine-month ended 30 September</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
Electricity Sales	<b>20,066,796</b>	19,709,473	<b>48,686,927</b>	47,483,764
Meter reading, maintenance and bills preparation tariff	<b>362,844</b>	362,229	<b>1,086,319</b>	1,077,547
Electricity connection tariff	<b>618,007</b>	542,132	<b>1,794,315</b>	1,584,985
Transmission revenue	<b>297,744</b>	401,188	<b>926,374</b>	1,099,303
Other operating revenue*	<b>1,404,227</b>	817,069	<b>3,188,680</b>	2,515,222
<b>Total operating revenue</b>	<b>22,749,618</b>	21,832,091	<b>55,682,615</b>	53,760,821

\* The Company recognized an amount of SAR 2.3 billion in the condensed consolidated interim statement of profit or loss other operating income for the period ended 30 September 2022 (30 September 2021: SAR 1.1 billion).

**23 Cost of revenue**

	<b>Three-month ended 30 September</b>		<b>Nine-month ended 30 September</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
Fuel	<b>21,750</b>	2,801,861	<b>3,736,318</b>	6,121,817
Purchased power	<b>12,435,977</b>	2,809,733	<b>17,105,678</b>	7,250,180
Less : Power supplied to SPPC under Energy Conversion Agreement	<b>(5,182,480)</b>	-	<b>(5,182,480)</b>	-
Operations and maintenance	<b>3,265,081</b>	2,743,622	<b>9,406,360</b>	8,142,572
Depreciation - operations and maintenance	<b>4,706,510</b>	4,866,938	<b>13,923,508</b>	14,220,881
Depreciation – right of use asset	<b>6,390</b>	15,125	<b>13,684</b>	44,869
<b>Total operating costs of revenue</b>	<b>15,253,228</b>	13,237,279	<b>39,003,068</b>	35,780,319

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**24 Other income, net**

	<b>Three-month ended 30 September</b>		<b>Nine-month ended 30 September</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited
Amortisation of Government grants	<b>25,661</b>	16,635	<b>68,588</b>	44,631
Other claim expenses	-	-	-	(484,608)
(loss) / Gain on disposal of property, plant and equipment	<b>(46,646)</b>	30,785	<b>3,696</b>	66,394
Dividend received	<b>7,414</b>	8,621	<b>38,627</b>	26,318
	<b>126,321</b>	-	<b>126,321</b>	-
Net income and other expenses	<b>165,813</b>	(63,046)	<b>266,173</b>	198,238
<b>Other income / (expenses)</b>	<b>278,563</b>	(7,005)	<b>503,405</b>	(149,027)

**25 Finance costs, net**

	<b>Three-month ended 30 September</b>		<b>Nine-month ended 30 September</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited
<b>Finance expense</b>				
- Bank Loans	<b>1,036,908</b>	905,805	<b>2,592,717</b>	2,509,381
- Lease Contract	<b>550</b>	317	<b>802</b>	1,283
-Other finance cost	<b>24,509</b>	-	<b>45,596</b>	-
- Less: Capitalised interest	<b>(231,917)</b>	(278,850)	<b>(590,084)</b>	(765,158)
<b>Total</b>	<b>830,050</b>	627,272	<b>2,049,031</b>	1,745,506
Changes in present value of employees' benefit obligation	<b>39,743</b>	27,438	<b>121,538</b>	82,313
<b>Total finance expenses</b>	<b>869,793</b>	654,710	<b>2,170,569</b>	1,827,819
<b>Finance income</b>				
Interest income	<b>(76,626)</b>	(44,759)	<b>(94,857)</b>	(45,743)
<b>Total financing income</b>	<b>(76,626)</b>	(44,759)	<b>(94,857)</b>	(45,743)
<b>Net finance costs</b>	<b>793,167</b>	609,951	<b>2,075,712</b>	1,782,076



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**26 Earnings per share**

Basic earnings per share is calculated by dividing the profit / (loss) attributable to equity holders of the Company less Mudaraba instrument profit by the weighted average number of ordinary shares in issue during the period assuming that all dilutive shares are converted into ordinary shares.

The diluted earnings per share equal to the basic earnings per share for the period ended 30 September 2022 and 30 September 2021 as there are no financial instruments with a dilutive effect on basic earnings per share.

	Three-month ended 30 September				Nine-month ended 30 September			
	2022		2021		2022		2021	
	Unaudited		Unaudited		Unaudited		Unaudited	
	Profit for the period from continuing operations	Profit for the period	Profit for the period from continuing operations	Profit for the period	Profit for the period from continuing operations	Profit for the period	Profit for the period from continuing operations	Profit for the period
Profit for the period	6,435,443	6,375,226	7,207,953	7,379,577	13,312,002	13,394,751	14,413,073	14,896,780
Less: profit attributable to Mudaraba Instrument	(1,931,086)	(1,931,086)	(1,931,086)	(1,931,086)	(5,730,289)	(5,730,289)	(5,730,289)	(5,730,289)
Adjusted net profit for the period	4,504,357	4,444,140	5,276,867	5,448,491	7,481,713	7,664,462	8,682,784	9,166,491
Weighted average ordinary shares at the period end – share	4,166,594							
Basic and diluted earnings per share “Saudi Riyals”	1.08	1.07	1.27	1.31	1.82	1.84	2.08	2.20
<b>Earnings per share without deducting dividends for the Mudaraba instrument</b>								
Basic and diluted earnings per share “Saudi Riyals”	1.54	1.53	1.73	1.77	3.19	3.21	3.46	3.58

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**27 Related Parties transactions and balances**

The Group is ultimately controlled by the Government of the Kingdom of Saudi Arabia through the ownership of the main shareholder (Public Investment Fund), Saudi Aramco and the General Corporation for Desalination of Saline Water Conversion Corporation are companies under common control (all companies ultimately controlled by the Government of the Kingdom of Saudi Arabia) in addition to the joint operation companies.

The Saudi Electricity Company (“the seller”) has entered into a sale and purchase agreement to sell its stake in the Saudi Power Procurement Company to the state represented by the Ministry of Finance and the Ministry of Energy (together referred to “the Buyer”), provided that the sale value is paid in the amount of the book value of the net assets of the Saudi Energy Procurement Company amounting to 42 million Saudi riyals (note 28).

The following transactions were carried out with related parties:

**(a) Sales of electricity**

	<b>For the nine-month period ended</b>	
	<b>30 September 2022</b>	<b>30 September 2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Sales of electricity:</b>		
- Group’s ultimate controlling party	<b>8,769,777</b>	9,238,929
- Entities under control of the Group’s ultimate controlling party		
Saudi Power Procurement Company	<b>5,145,193</b>	-
Saudi Aramco	<b>318,559</b>	333,903
Saline Water Conversion Corporation	<b>422,413</b>	394,117
	<b>14,655,942</b>	9,966,949

**(b) Purchases of energy and Fuel:**

	<b>For the nine months ended</b>	
	<b>30 September 2022</b>	<b>30 September 2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Purchases of energy:</b>		
Entities under control of the Group’s ultimate controlling party		
Saudi Aramco	<b>5,120,347</b>	8,241,073
Saline Water Conversion Corporation	<b>99,063</b>	493,003
Saudi Power Procurement Company	<b>7,253,496</b>	-
<b>Joint venture:</b>		
Dhuruma Electricity Company	<b>347,822</b>	509,420
Rabigh Electricity Company	<b>426,765</b>	717,017
Hajr for Electricity Production Company	<b>399,103</b>	597,944
Al Mourjan for Electricity Production Company	<b>200,328</b>	359,261
Al-Fadhili Company for Cogeneration	<b>95,942</b>	165,089
	<b>13,942,866</b>	11,082,807

The Group purchases fuel from Saudi Aramco and power from Saline Water Conversion Corporation and power producer companies at rates stipulated within the respective governmental resolutions till 1 July 2022, the Company executed the procedures for transferring some of the power and fuel purchase agreements to the Saudi Power Procurement Company in addition the group has signed bulk purchase agreement with Saudi Power Procurement Company starting from 1 July 2022 (note 28).

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**27 Related Parties transactions and balances – continued**

**(c) Period-end balances arising from sales of electricity/purchases of energy/Loans:**

	<b>30 September 2022</b>	31 December 2021
	<b>(Unaudited)</b>	(Audited)
<b>Due from related parties:</b>		
Group's ultimate controlling party -Electricity receivables, Governmental receivables	<b>10,443,239</b>	5,005,267
Entities under the control of the Group's ultimate controlling party		
Saudi Aramco – Receivable from consumption of electricity	<b>395,077</b>	403,922
Saline Water Conversion Corporation– Receivable from consumption of electricity		
Saudi Power Procurement Company	<b>4,005,824</b>	-
Al-Fadhli Co-production loans	<b>253,874</b>	253,874
Loan to Global Data Center Company	<b>55,250</b>	45,250
Al Mourjan for Electricity Production Company	<b>40,906</b>	-
<b>Total Due from related parties</b>	<b>15,194,170</b>	5,708,313

**Due to related parties:**

Group's ultimate controlling party

Governmental payables	<b>4,570,538</b>	4,570,538
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**Entities under control of the Group's ultimate controlling  
party**

Payable to Saudi Aramco *	-	683,830
Saline Water Conversion Corporation	<b>294,312</b>	359,437
Government payable expenses	<b>5,017,120</b>	4,727,404
	<b>9,881,970</b>	10,341,209

\* This includes fuel used by the Company, Independent Power Producer, and purchase energy.

**(d) Loans and grants from related parties**

	<b>30 September 2022</b>	31 December 2021
	<b>(Unaudited)</b>	(Audited)
<b>Loans and grants from the Government:</b>		
Group's ultimate controlling party		
Deferred government grants	<b>1,457,399</b>	1,525,987
Ministry of Finance loans	<b>434,007</b>	541,475
	<b>1,891,406</b>	2,067,462

**(e) Compensation of key management personnel**

Key management includes members of the Board of Directors and members of the Executive Committee. The compensation paid or payable to key management for employee services is shown below:

	<b>For the nine-month ended</b>	
	<b>30 September</b>	30 September
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
Annual and periodic bonus	<b>8,257</b>	5,768
Employees' end of service benefits	<b>5,500</b>	10,031
	<b>13,757</b>	15,799

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## 28 Disposal of subsidiary

On 29 June, 2022 the Saudi Electricity Company (“the seller”) entered into a sale and purchase agreement to sell its share in the Saudi Power Procurement Company (“SPPC”) to the government represented by the Ministry of Finance and the Ministry of Energy (together referred to as “the buyer”), provided that the sale value for selling SPPC equal the amount of the book value of the net assets of SPPC as per SPPC financial statement as at 30<sup>th</sup> June 2022. The Company does not expect that the transfer of ownership of SPPC to the government will have a material impact on its financial performance or the rights of its shareholders.

Along with this agreement, the Saudi Electricity Company and the Saudi Energy Procurement Company also signed the Business Transfer Framework Agreement, which transfers the commercial activities and related contracts for the purchase of energy from the generation activity of the Saudi Electricity Company and the independent power producing entities as well as the assignment of assets and associated liabilities from the Saudi Electricity Company to The Saudi Power Procurement Company, enabling it to fulfill its obligations as a major purchaser of electricity in the Kingdom of Saudi Arabia.

The summarized financial position for the disposal group:

	Amount
Assets	1,767
Due from Saudi Electricity Company	193,184
Cash and bank balances	47,669
Prepayments and other Receivables	1,203
Other assets	15,932
<b>Total Assets</b>	<b>259,755</b>
Other liabilities	146,208
Employees' end of service benefits	68,571
<b>Total Liabilities</b>	<b>214,779</b>
<b>Net assets</b>	<b>44,976</b>
Disposal of Principle Buyer investment	(2,000)
<b>Disposal Principal Buyer Net assets</b>	<b>42,976</b>

## 29 Asset held for sale

On 29 June 2022 corresponding to 30 Dhu al-Qa'dah 1443H, an agreement was signed to sell the current fuel inventory between the Saudi Electricity Company (“the seller”), and both Saudi Power Procurement Company and the Ministry of Finance and Ministry of Energy (together referred to as “the buyer”), provided that the value of the sale of the fuel inventory is to be paid to the Saudi Electricity Company by the Buyer according to the net book value of the inventory as in the Company's financial statements as at 30<sup>th</sup> June 2022.

On 29 June 2022, the Saudi Electricity Company (“the seller”) entered into a sale and purchase agreement to sell its share in the Saudi Power Procurement Company to the government represented by the Ministry of Finance and Ministry of Energy (together referred to as “the buyer”) refer note 26, As a result, the disposal group is classified as assets held for sale and associated liabilities amounting to SAR 785 million and SAR 82 million on 31 December 2021 respectively, Furthermore continue to classify as discontinued operations in the statement of profit or loss for the disposed group of the Saudi Power Procurement Company:

	Three-month ended 30 September		Nine-month ended 30 September	
	2022	2021	2022	2021
	Unaudited	Unaudited	Unaudited	Unaudited
Revenue	(60,217)	204,968	243,927	560,699
General and Administrative Expenses	-	(33,207)	(60,852)	(76,965)
Other income	-	29	579	470
Finance cost	-	(166)	(905)	(497)
Profit before Zakat	(60,217)	171,624	182,749	483,707
<b>Disposed group (loss) / profit</b>	<b>(60,217)</b>	<b>171,624</b>	<b>182,749</b>	<b>483,707</b>

The revenues of the Saudi Power Procurement Company amounted to SAR 304 million for the period ended 30 June 2022 (30 June 2021: SAR 356 million). During the third quarter adjustments were made for the subsequent period amounting to SAR 60 million in revenues leading the total revenue to SAR 244 million for the period ended 30 June 2022 according to the audited financial statements.

The effect of the net profit of the disposal group on the basic and diluted earnings per share of the group is not significant (note 26).

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**30 Non-Cash transactions**

The statement of cash flows has been affected by the impact of the most important non-cash transactions that resulted from the derecognition of the proportional consolidation of the independent power producers as follows:

	<b>30 June 2022</b>
Property, plant and equipment, net	9,899,398
Equity accounted investees	(3,225,016)
loans and facilities	(7,734,417)
Other assets	654,297
Other liabilities	405,738

**31 Subsequent events**

No material events occurred after the reporting date that could materially affect the interim condensed consolidated financial statements and related disclosures for the nine-month period ended 30 September 2022.

**32 Approval of the interim condensed consolidated financial statements**

The Group's interim condensed consolidated financial statements were approved by Board of Director on 15 Rabi Al-Akhar 1444H Corresponding to 9 November 2022.