

SAUDI ELECTRICITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE MONTH AND SIX MONTH PERIODS
ENDED JUNE 30, 2023**



الشركة السعودية للكهرباء
Saudi Electricity Company
Diligently Serving You

SAUDI ELECTRICITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Saudi Electricity Company
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Electricity Company, a Saudi Joint Stock Company ("the Company") and its subsidiaries (together "the Group") as at June 30, 2023, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three month and six month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the six months period then ended, and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated 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" as endorsed in the Kingdom of Saudi Arabia. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Other matter

The consolidated financial statements of the Group for the year ended December 31, 2022, the interim condensed consolidated financial statements for the three month and six month periods ended June 30, 2022 and the three months period ended March 31, 2023 were audited and reviewed by another auditor who expressed an unmodified opinion and an unmodified conclusion on those statements on 28th Sha'aban, 1444H corresponding to March 20, 2023, 24th Muharram 1444H corresponding to August 22, 2022 and 25 Shawaal, 1444H corresponding to May 15, 2023 respectively.

Deloitte and Touche & Co.
Chartered Accountants

P.O. Box 213,
Riyadh 11411
Kingdom of Saudi Arabia


Waleed Bin Moha'd. Sobahi
Certified Public Accountant
License No. 378



26 Muharram, 1445H
August 13, 2023

SAUDI ELECTRICITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment, net	9	443,876,313	438,083,263
Intangible assets, net		326,697	353,118
Right-of-use assets, net		101,596	89,852
Investment properties		445,099	446,459
Equity accounted investees		4,654,082	4,623,174
Financial assets at amortized cost		18,807	28,528
Financial assets through other comprehensive income	6.1	259,501	359,335
Derivative financial instruments	13.3	193,465	209,806
Total non-current assets		449,875,560	444,193,535
Current assets			
Inventories, net	10	4,258,311	3,377,551
Receivables from sale of electricity, net	11	26,785,031	24,896,380
Loans and advances	23	5,719,408	1,177,348
Prepayments and other receivables	23	1,512,810	2,673,898
Cash and cash equivalents		5,789,195	3,162,824
Total current assets		44,064,755	35,288,001
TOTAL ASSETS		493,940,315	479,481,536
EQUITY AND LIABILITIES			
Equity			
Share capital	1	41,665,938	41,665,938
Statutory reserve		7,105,975	7,105,975
General reserve		702,343	702,343
Other reserves		470,416	513,955
Contractual reserve - Mudaraba instrument	12	860,593	860,593
Retained earnings		36,062,203	38,281,357
Total equity before Mudaraba Instrument (1)		86,867,468	89,130,161
Mudaraba instrument at fair value		159,169,000	159,169,000
Fair value adjustment of Mudaraba instrument		8,751,563	8,751,563
Mudaraba instrument (2)	12	167,920,563	167,920,563
Total equity (1+2)		254,788,031	257,050,724
LIABILITIES			
Non-current liabilities			
Long term loans	13.2.1	58,225,682	50,826,958
Long term sukuk	13.2.3	24,366,777	29,990,770
Employees' benefits obligation		7,973,589	8,304,084
Non-current portion of deferred revenue		69,627,172	68,829,879
Advances from subscribers	26	11,372,018	8,792,513
Deferred government grants	23	1,321,112	1,398,714
Derivative financial instruments	13.3	-	79,611
Non-current portion of lease liabilities		72,766	60,650
Total non-current liabilities		172,959,116	168,283,179

SAUDI ELECTRICITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT JUNE 30, 2023

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current liabilities			
Short term loans and facilities	13.2.2	11,060,941	9,411,576
Current portion of long term loans	13.2.1	5,046,545	5,873,977
Short term sukuk	13.2.3	13,125,000	3,750,750
Trade payables	13.1, 23	8,395,504	3,188,684
Accruals and other payables	14	13,259,671	15,286,387
Provision for other liabilities and charges		1,267,735	1,506,271
Refundable deposits from customers	13.1	1,914,075	1,999,401
Advances from subscribers	26	9,530,204	10,538,527
Current portion of deferred revenue		2,573,526	2,572,487
Current portion of lease liabilities		19,967	19,573
Total current liabilities		66,193,168	54,147,633
Total liabilities		239,152,284	222,430,812
TOTAL EQUITY AND LIABILITIES		493,940,315	479,481,536

وقف

Senior Vice President and Chief Financial
Officer

Manish Manchandya

Chief Executive Officer

Khaled bin Hamad Al-Gnoon

Chairman of the Board




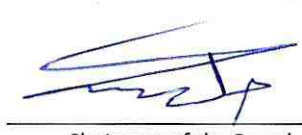
Dr. Khaled bin Saleh Alsultan

The accompanying notes from 1 to 27 form an integral part of these interim condensed consolidated financial statements.

SAUDI ELECTRICITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2023
(All amounts in thousands Saudi Riyals unless otherwise stated)

		For the three months period ended June 30		For the six months period ended June 30	
	Notes	2023	2022	2023	2022
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating revenue	18	19,717,534	19,401,677	33,096,741	32,932,997
Cost of revenue	19	(13,662,665)	(12,856,909)	(25,282,091)	(23,749,841)
Gross profit		6,054,869	6,544,768	7,814,650	9,183,156
Other income, net	20	147,667	73,646	468,391	224,842
Provision for receivable from consumption of electricity and other receivables, net	11	(187,592)	(501,409)	(306,379)	(847,396)
General and administrative expenses		(181,276)	(255,767)	(418,965)	(490,791)
Operating profit for the period		5,833,668	5,861,238	7,557,697	8,069,811
Finance income		16,856	-	36,010	18,231
Finance expense		(1,764,749)	(628,604)	(3,021,384)	(1,300,775)
Finance costs, net	21	(1,747,893)	(628,604)	(2,985,374)	(1,282,544)
Share of profit/(loss) on equity accounted investees		70,517	3,346	63,711	(2,502)
Profit for the period before zakat		4,156,292	5,235,980	4,636,034	6,784,765
Zakat expenses	17	(139,369)	(7,131)	(139,369)	(8,207)
Profit for the period from continuing operations		4,016,923	5,228,849	4,496,665	6,776,558
Discontinued operations					
Profit for the period from discontinued operations		-	273,425	-	242,966
Profit for the period		4,016,923	5,502,274	4,496,665	7,019,524
Earning per share (express in SR per share)					
Basic and diluted earnings per share from continuing operations	22	0.51	0.80	0.17	0.71
Basic and diluted earnings per share from continuing and discontinuing operations	22	0.51	0.86	0.17	0.77


  Senior Vice President and Chief Financial Officer Manish Manchandya	 Chief Executive Officer Khaled bin Hamad Al-Gnoon	 Chairman of the Board Dr. Khaled bin Saleh Alsultan
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SAUDI ELECTRICITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2023
(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	For the three months period		For the six months	
		ended June 30		period ended June 30	
		2023	2022	2023	2022
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period		4,016,923	5,502,274	4,496,665	7,019,524
Other comprehensive income:					
Items that may be reclassified subsequently to interim condensed consolidated statement of profit or loss:					
Derivative financial instruments at fair value - effective portion		103,863	198,245	56,295	778,152
Total items that may be reclassified to interim condensed consolidated statement of profit or loss		103,863	198,245	56,295	778,152
Items that may not be reclassified subsequently to interim condensed consolidated statement of profit or loss:					
Re-measurement of employees' benefits obligation		-	(453)	-	(438)
Fair value reserve of financial asset through other comprehensive income	6.1	(99,834)	-	(99,834)	-
Total items that may not be reclassified to interim condensed consolidated statement of profit or loss		(99,834)	(453)	(99,834)	(438)
Other comprehensive income (loss)		4,029	197,792	(43,539)	777,714
Total comprehensive income		4,020,952	5,700,066	4,453,126	7,797,238


Senior Vice President and Chief
Financial Officer

Manish Manchandya


Chief Executive Officer
Khaled bin Hamad Al-Gnoon


Chairman of the Board
Dr. Khaled bin Saleh Alsultan


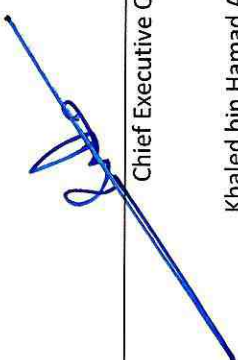
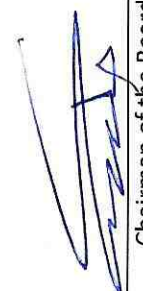
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SAUDI ELECTRICITY COMPANY
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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Other reserves							Contractual reserve for Mudaraba Instrument	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 assets at FVOCI	Total other reserves					
Balance as at January 1, 2022 (audited)	41,665,938	5,592,453	702,343	-	-	-	(639,480)	860,593	35,521,258	83,703,105	167,920,563	251,623,668
Profit for the period	-	-	-	-	-	-	-	-	7,019,524	7,019,524	-	7,019,524
Other comprehensive income	-	-	-	778,152	(438)	-	777,714	-	-	777,714	-	777,714
Total comprehensive income	-	-	-	778,152	(438)	-	777,714	-	7,019,524	7,797,238	-	7,797,238
Disposal of Principal Buyer adjustment	-	-	-	-	(759)	-	(759)	-	(41,015)	(41,774)	-	(41,774)
Disposal of Principal Buyer net assets	-	-	-	-	-	-	-	-	42,534	42,534	-	42,534
Transfer to contractual reserve for Mudaraba instrument (note 12)	-	-	-	-	-	-	-	3,799,203	(3,799,203)	-	-	-
Paid from the contractual reserve	-	-	-	-	-	-	-	(3,799,203)	-	(3,799,203)	-	(3,799,203)
Dividend to shareholders (note 24)	-	-	-	-	-	-	-	-	(2,916,616)	(2,916,616)	-	(2,916,616)
Balance as at June 30, 2022 (unaudited)	41,665,938	5,592,453	702,343	177,504	(120,778)	80,749	137,475	860,593	35,826,482	84,785,284	167,920,563	252,705,847
Balance as at January 1, 2023 (audited)	41,665,938	7,105,975	702,343	95,969	331,281	86,705	513,955	860,593	38,281,357	89,130,161	167,920,563	257,050,724
Profit for the period	-	-	-	-	-	-	-	-	4,496,665	4,496,665	-	4,496,665
Other comprehensive income	-	-	-	56,295	-	(99,834)	(43,539)	-	-	(43,539)	-	(43,539)
Total comprehensive income	-	-	-	56,295	-	(99,834)	(43,539)	-	4,496,665	4,453,126	-	4,453,126
Transfer to contractual reserve for Mudaraba instrument (note 12)	-	-	-	-	-	-	-	3,799,203	(3,799,203)	-	-	-
Paid from the contractual reserve	-	-	-	-	-	-	-	(3,799,203)	-	(3,799,203)	-	(3,799,203)
Dividend to shareholders (note 24)	-	-	-	-	-	-	-	-	(2,916,616)	(2,916,616)	-	(2,916,616)
Balance as at June 30, 2023 (unaudited)	41,665,938	7,105,975	702,343	152,264	331,281	(13,129)	470,416	860,593	36,062,203	86,867,468	167,920,563	254,788,031

Senior Vice President and Chief Financial Officer
 Manish Manchandiya
 Chief Executive Officer
 Khaled bin Hamad Al-Gnoon
 Chairman of the Board
 Dr. Khaled bin Saleh Alsultan

The accompanying notes from 1 to 27 form an integral part of these interim condensed consolidated financial statements.

SAUDI ELECTRICITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023
(All amounts in thousands Saudi Riyals unless otherwise stated)

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before zakat (continued and discontinued operations)	4,636,034	7,027,731
Adjustments for:		
Depreciation of property, plant and equipment	9,555,159	9,398,747
Depreciation of right-of-use assets	17,511	7,295
Depreciation of investment properties	1,360	1,359
Amortisation of intangible assets	37,910	33,927
Finance costs, net	2,985,374	1,282,544
Employees' benefits obligation	539,491	549,985
Provision for slow-moving and obsolete inventories	30,970	19,928
Provision for receivable from consumption of electricity and other receivables, net	306,379	847,396
Share of (profit)/loss on equity accounted investees	(63,711)	2,502
Amortisation of deferred government grant	(77,602)	(42,927)
Gain on disposal of property, plant and equipment	(65,288)	(50,342)
	17,903,587	19,078,145
Changes in operating assets and liabilities:		
Inventories, net	(911,730)	(514,301)
Receivables from sale of electricity, net	(2,195,030)	(6,978,610)
Prepayments and other receivables	1,161,088	514,292
Loans and advances	(4,542,060)	(143,218)
Trade payables	5,206,820	2,465,726
Accruals and other payables	(3,043,999)	2,827,892
Refundable deposits from customers	(85,326)	1,585
Advances from subscribers	1,571,182	2,847,421
Deferred revenue	798,332	1,875,981
Cash generated from operations	15,862,864	21,974,913
Employees' benefits obligation paid	(869,986)	(320,067)
Zakat paid	(471,947)	(437,686)
Net cash generated from operating activities	14,520,931	21,217,160
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(15,424,366)	(13,278,550)
Proceeds from sale of property, plant and equipment	141,445	65,425
Purchase of intangible assets	(11,489)	(13,575)
Cash classified as investment held for sale	-	16,257
Dividend received from investments	42,956	-
Proceeds from financial assets at amortized cost	9,721	1,674
Net cash used in investing activities	(15,241,733)	(13,208,769)

SAUDI ELECTRICITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023
(All amounts in thousands Saudi Riyals unless otherwise stated)

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	18,938,929	10,502,200
Proceeds from issuance of sukuk	7,501,000	-
Repayments of loans	(10,784,827)	(2,981,210)
Repayments of Sukuk	(3,750,750)	(10,418,540)
Payment from contractual reserve for Mudaraba instrument	(3,799,203)	(3,799,203)
Payment for lease liabilities	(16,745)	(17,764)
Dividends paid	(2,899,494)	(2,893,855)
Net finance costs paid	(1,841,737)	(1,808,505)
Net cash generated from / (used in) financing activities	3,347,173	(11,416,877)
Net change in cash and cash equivalents	2,626,371	(3,408,486)
Cash and cash equivalents at the beginning of the period	3,162,824	6,243,256
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	5,789,195	2,834,770

Senior Vice President and Chief
Financial Officer

Manish Manchandya

Chief Executive Officer

Khaled bin Hamad Al-Gnoon

Chairman of the Board

Dr. Khaled bin Saleh Alsultan

The accompanying notes from 1 to 27 form an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2023
(All amounts in thousands Saudi Riyals unless otherwise stated)

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 November 29, 1998, which reorganized 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 December 13, 1999, in accordance with the Council of Ministers' Resolution Number 153, dated 5th Ramadan 1420H corresponding to December 12, 1999 and the Minister of Commerce's Resolution Number 2047 dated 30 Dhul-Hijjah 1420H corresponding to April 5, 2000 as a Saudi joint stock company according to the Commercial Registration by Riyadh Number 1010158683, dated 28 Muhurram 1421H corresponding to May 3, 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 November 13, 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 October 28, 2000 whereby the tariff on the highest bracket was set at a rate of 26 Halala per Kilowatts per hour.

This was further amended by the Council of Ministers in its decision (number 333) dated 16 Shawwal 1430H, corresponding to October 5, 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 July 1, 2010.

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

On 24 of Rabi Awal 1439H corresponding to December 12, 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 per hour. This change was effective from January 1, 2018 without referring to the previous highest band of 32 Halala. According to Royal Decree No. 14006 dated 23 Rabi'l, 1439H corresponding to December 11, 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 November 7, 2020) Royal Decree No. (16031) was issued to cancel the government fee.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2023
(All amounts in thousands Saudi Riyals unless otherwise stated)

1. CORPORATE INFORMATION (CONTINUED)

On 29 of Rabi'l, 1442H corresponding to November 15, 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 January 1, 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 October 15, 2016, and Ministry of Finance letter No. 5627 - dated 02/06/1441 corresponding to January 27, 2020, the balancing account has been activated by the Ministry of Finance starting from 2019.

In line with the letter; No. 2057-dated 29 Rabi Awal 1442 corresponding to November 15, 2020, received by the Company from the Minister of Energy, Chairman of the Ministerial Committee for restructuring the electricity sector. The required revenue for the Company is calculated based on an asset base model adjusted for regulatory return on the weighted regulatory return for the cost of capital for the years 2021-2023. The required revenue is subject to adjustment as per the revenue and payments correction methodology in line with the actual figures achieved. The Company re-estimates the required revenue and the expected revenue to record the difference required recorded for the period based on the actual achieved results and make the necessary adjustments, if any.

On 14 Safar 1443H, corresponding to September 21, 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 and the membership of a number of ministries and government agencies to determine the applicable sectors for this tariff. By submitting a request to the consumer to apply the tariff to their facility. The heavy consumption tariff will be in accordance with the regulations announced by the authority. And on December 20, 2022, the Council of Ministers Decision No. (361) was issued approving the application for this tariff as of January 1, 2023.

According to the Company's bylaws, the financial year begins on 1st January and ends on 31st 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 Company's share capital is divided into 4,166,593,815 shares of SR 41,665,938,150 with a nominal value of SR 10 per share. The Government of Saudi Arabia's shareholding of 74.31% in the Company was transferred to the Public Investment Fund by Royal Decree No. 47995 dated 19th Shawwal 1438H (July 13, 2017).

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

The Ministry of Commerce and Investment (MOCI) of the Kingdom of Saudi Arabia has issued new Regulations for Companies, effective January 19, 2023 with a grace period of two years for implementations. The Management is in the process of assessing the potential impact of implementations of the new regulations on the Company and its subsidiaries, if any, and expects to be fully compliant with the new regulations by the end of the grace period which is early 2025.

SAUDI ELECTRICITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

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1. CORPORATE INFORMATION (CONTINUED)

Saudi Electricity Company is referred to as ("Company") or together with its subsidiaries as ("Group") throughout the financials. The subsidiaries are listed below.

Subsidiary	Country of incorporation	Ownership in ordinary shares %		Principal activities
		June 30, 2023	December 31, 2022	
National Grid S.A. Company “Grid Company”	Kingdom of Saudi Arabia	100	100	Transmission
Dawiyat Telecommunication Company	Kingdom of Saudi Arabia	100	100	Telecommunication
Electricity Sukuk Company	Kingdom of Saudi Arabia	100	100	Financing
Saudi Electricity for Projects Development Co. (business not commenced)	Kingdom of Saudi Arabia	100	100	Projects Management
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
Solution Valley Company (business not commenced)	Kingdom of Saudi Arabia	100	100	Power service
Dawiyat Integrated Company for Telecommunications and Information Technology	Kingdom of Saudi Arabia	100	100	Telecommunication
Saudi Energy Production Company (business not commenced)	Kingdom of Saudi Arabia	100	100	Energy Generation

These interim condensed consolidated financial statements include Group's share in joint ventures and associates as below:

Joint Ventures	Country of incorporation	Ownership in ordinary shares %	
		June 30, 2023	December 31, 2022
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
Associates			
Gulf Co-operation Council Inter-Connection Authority	Kingdom of Saudi Arabia	31.6	31.6
Gulf Laboratory Company for testing electrical Equipment	Kingdom of Saudi Arabia	25	25
Al Fadhly Co-Generation Company	Kingdom of Saudi Arabia	30	30
Green Saudi Company for Carbon Services	Kingdom of Saudi Arabia	51	51

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2. SIGNIFICANT EVENT

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. The 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 Group is currently working on developing a strategy to improve its energy performance through efficient energy consumption and energy production from sustainable sources.

3. BASIS OF PREPARATION

a) Statement of compliance

These interim condensed consolidated financial statements of the Group have been prepared in compliance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as promulgated by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as endorsed by Saudi Organization for Chartered and Public Accountants (SOCPA) and the requirements of the laws and regulations in Saudi Arabia.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2022. IAS 34 states that the interim condensed consolidated financial statements are intended to provide an update on the latest complete set of annual financial statements. Hence, IAS 34 requires less disclosure in interim financial statements than IFRS requires in annual financial statements.

The Group has elected to present two sets of interim condensed consolidated statement of comprehensive income and presents its expenses by function.

b) Basis of measurements and presentation

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for the following material items in the interim condensed consolidated statement of financial position:

- The employees' benefits obligation, which is recognised at the present value of future obligations using the Projected Unit Credit Method.
- Financial assets through other comprehensive income including derivative financial instruments and Mudaraba instrument that are measured at fair value.

These interim condensed consolidated financial statements are presented in Saudi Riyals (SR), which is the functional currency of the Group. These interim condensed consolidated financial statements have been rounded-off to nearest SR thousand, unless otherwise stated.

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4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2022. These interim condensed consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2022.

Accounting policies adopted in preparation of these interim condensed consolidated financial statements are described in note 6 of the Group's consolidated financial statements for the year ended December 31, 2022.

4.1 New and amended International Financial Reporting Standards ("IFRSs") that are effective for the current period

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2023, have been adopted in these interim condensed consolidated financial statements.

The adoption has either no impact or immaterial impact on the disclosures or on the amounts reported in these interim condensed consolidated financial statements.

New and revised IFRS	Summary
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities are required to apply IFRS 9 for annual periods beginning on or after January 1, 2023.
IFRS 17 Insurance Contracts and its amendments	Amendments require insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. These Amendments to IFRS 17 also address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017.
Amendments to IAS 1 and IFRS Practice Statement 2 (Disclosure of Accounting Policies)	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 New and amended International Financial Reporting Standards ("IFRSs") that are effective for the current period (continued)

New and revised IFRS	Summary
Amendments to IAS 8 (Definition of Accounting Estimates)	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	Amendments clarifies that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

4.2 New and revised IFRSs in issue but not yet effective and not early adopted

At the date of authorisation of these interim condensed consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	January 1, 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.	January 1, 2024
Non-current Liabilities with Covenants (Amendments to IAS 1) The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	January 1, 2024
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Postponed

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
<p>IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as 'sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects'). IFRS S1 prescribes how an entity prepares and reports its sustainability-related financial disclosures. It sets out general requirements for the content and presentation of those disclosures so that the information disclosed is useful to users in making decisions relating to providing resources to the entity.</p>	January 1, 2024
<p>IFRS S2 Climate-related Disclosures (IFRS S2) requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as 'climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects').</p> <p>IFRS S2 sets out the requirements for disclosing information about an entity's climate-related risks and opportunities to enables users of general purpose financial reports to understand:</p> <ol style="list-style-type: none"> the governance processes, controls and procedures the entity uses to monitor, manage and oversee climate-related risks and opportunities; the entity's strategy for managing climate-related risks and opportunities; the processes the entity uses to identify, assess, prioritise and monitor climate-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process; and the entity's performance in relation to its climate-related risks and opportunities, including progress towards any climate-related targets it has set, and any targets it is required to meet by law or regulation. 	January 1, 2024

The Group is in the process of determining the impact of these amendments / Standards on the interim condensed consolidated financial statements in the period of initial application.

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5. USE OF ESTIMATES AND JUDGEMENTS

The preparation of the Group's interim condensed consolidated financial statements in accordance with IFRSs 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, expenses, assets, liabilities and the disclosure of contingent liabilities, at the reporting date. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 December 31, 2022, except the following accounting estimate and judgement which the Group started to apply from the beginning of year 2023:

Power purchase accrual

The Group has calculated the average Bulk Supply Tariff (BST) on the basis of the predetermined BST and the expected quantity information available at the beginning of the fiscal year from the Saudi Power Procurement Company (SPPC), and applied the average tariff to the power purchased during the period. In accordance with the Bulk Supply Agreement (BSA) from July 1, 2022, the Bulk Supply Tariff is lower during the winter seasons (January to April and October to December) and higher during the summer seasons (May to September) as determined by the Authority to influence consumption pattern. This will result in uneven average cost incurred to the Group during the fiscal year due to the different tariff structure used by SPPC to determine the bulk supply tariff in each season, the bulk supply tariff methodology will be reviewed on an ongoing basis, however the Group is obligated to purchase power on an annual basis at variable cost as a result of seasonal tariffs and any changes during seasons will be amended prospectively.

On the other hand, the tariff on which the electricity sold to the customers along with the Energy Conversion Agreement (ECA) does not have significant seasonal tariff / income, hence to be in line with the revenue recognized, the cost has been accrued accordingly to reflect the systematic and reasonable allocation of cost, resulting in a fair presentation of the interim condensed consolidated financial statements.

Asset retirement obligation

The Group assesses its obligations in relation to the assets' retirement, for which the management believes it is difficult to estimate it due to the remote expectations of retiring such assets being historically subjected to continuous renewals, unavailability of reliable information, the impracticality of the assessment along with the nature of the off-taker. However, in accordance with Energy Conversion Agreement (ECA), obligation in relation to the decommissioning and deconstruction of the Generation plant and the rehabilitation of the site, if any, will be the responsibility of the Saudi Power Procurement Company (off-taker).

6. FINANCIAL RISK MANAGEMENT

6.1 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.

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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Fair-value measurement (continued)

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 interim condensed consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (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:

As of June 30, 2023 - Unaudited	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Financial assets through other comprehensive income	-	-	259,501	259,501
Derivative financial instruments	-	193,465	-	193,465
Total assets	-	193,465	259,501	452,966
Equity				
Mudaraba instrument	-	-	159,169,000	159,169,000
Equity financial instrument	-	-	159,169,000	159,169,000

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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Fair-value measurement (continued)

As of December 31, 2022 - Audited	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Financial assets through other comprehensive income	-	-	359,335	359,335
Total assets	-	-	359,335	359,335
Liabilities				
Derivatives used for hedging	-	79,611	-	79,611
Financial instruments liabilities	-	79,611	-	79,611
Equity				
Mudaraba instrument	-	-	159,169,000	159,169,000
Equity financial instrument	-	-	159,169,000	159,169,000

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 through other comprehensive income 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; and
- 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 six months ended June 30, 2023.

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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Fair-value measurement (continued)

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

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

	June 30, 2023 (unaudited)	December 31, 2022 (Audited)
Balance at the beginning of the period / year	359,335	353,379
Change in fair value of the financial assets through other comprehensive income during the period / year	(99,834)	5,956
Balance at the end of the period / year	259,501	359,335

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 was 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 and
- the premium of 6% (weighted average cost of capital) determined by the regulator (WERA) given the perpetual nature of the instrument.

6.2 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.

6.3 Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to sales. Customers are not independently rated. The Group assesses the credit quality of the subscribers taking into account its past experience and other factors.

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. Sales are settled in SADAD or using major credit cards and various electronic channels.

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7. 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.

8. 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 as per the official rate set for the system. All operations are carried out within the Kingdom.

The main actions of each activity are as follows:

Operating activities	Generation	Transmission	Distribution and Subscriber Services
Description	Production of electricity	Transmission of power from generation plants using the transmission network to the distribution network and operation of the electricity transmission and maintenance system.	Receiving and distributing power from transmission networks to subscribers, issuance and distribution of consumption bills and collections.

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8. OPERATING SEGMENTS AND THE FUTURE RESTRUCTURING OF THE GROUP'S ACTIVITIES (CONTINUED)

The Saudi Electricity Company ("the seller") entered into a sale and purchase agreement on June 29, 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 Procurement Company starting from July 1, 2022 onward. 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 Producers have been discontinued, and those balances have been excluded from the segmental information as on July 1, 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 presented in the following table is as follows:

- A. 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 interim condensed consolidated financial statements - within the Company's integrated plan for the separation. The discontinued operations pertaining to the principal Buyer (Saudi Power Procurement Company) were presented and included within the Saudi Electricity Company financial statements till the exclusion date referred above.
- B. For National Grid S.A. Company which includes transmission of electricity and the operation and maintenance of the transmission system; and
- C. Other segments includes the telecommunication and other activities.

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8. OPERATING SEGMENTS AND THE FUTURE RESTRUCTURING OF THE GROUP'S ACTIVITIES (CONTINUED)

Six-months period ended June 30, 2023 (Unaudited) (SR in million)	Saudi Electricity Company	National Grid Company	Other subsidiaries	Adjustments / eliminations	Total
Revenue					
External consumers	31,139	-	289	-	31,428
Between sectors	-	11,033	-	(9,365)	1,668
Total revenue	31,139	11,033	289	(9,365)	33,096
Cost of revenue					
Fuel	(47)	-	-	-	(47)
Purchased power	(16,409)	(1,761)	-	9,414	(8,756)
Operating and maintenance costs	(5,734)	(1,262)	(36)	(49)	(7,081)
Depreciation – Operation and Maintenance	(5,548)	(3,691)	(141)	-	(9,380)
Depreciation – Right of use	(18)	-	-	-	(18)
Total cost of revenue	(27,756)	(6,714)	(177)	9,365	(25,282)
General and administrative expenses	(132)	(58)	(53)	-	(243)
Depreciation – general and administrative	(176)	-	-	-	(176)
Total general and administrative expenses	(308)	(58)	(53)	-	(419)
Other income/(expenses), net	1,463	(8)	76	(1,063)	468
Provision for receivable from consumption of electricity and other receivables, net	(306)	-	-	-	(306)
Finance costs, net	(2,965)	(1,084)	-	1,063	(2,986)
Share of profit of equity accounted investees	64	-	-	-	64
Zakat expenses	(139)	-	-	-	(139)
	(1,883)	(1,092)	76	-	(2,899)
Profit for the period	1,192	3,169	135	-	4,496
As at June 30, 2023					
Property, plant and equipment, net	270,308	170,040	3,528	-	443,876
Total assets	409,996	486,553	8,135	(410,744)	493,940
Total liabilities	185,713	443,601	7,393	(397,555)	239,152

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8. OPERATING SEGMENTS AND THE FUTURE RESTRUCTURING OF THE GROUP'S ACTIVITIES (CONTINUED)

Six-months period ended June 30, 2022 (Unaudited) (SR in million)

	Saudi Electricity Company	National Grid Company	Joint Operations	Other subsidiaries	Adjustments/ eliminations	Total
Revenue						
External consumers	32,697	-	-	264	(28)	32,933
Between sectors	-	9,180	626	-	(9,806)	-
Total revenue	32,697	9,180	626	264	(9,834)	32,933
Cost of revenue						
Fuel	(3,715)	-	-	-	-	(3,715)
Purchased power	(4,670)	-	-	-	-	(4,670)
Operating and maintenance costs	(14,615)	(1,123)	(177)	(32)	9,806	(6,141)
Depreciation - Operation and Maintenance	(5,395)	(3,579)	(195)	(76)	28	(9,217)
Depreciation – Right of use	(7)	-	-	-	-	(7)
Total cost of revenue	(28,402)	(4,702)	(372)	(108)	9,834	(23,750)
General and Administrative Expenses	(165)	(44)	(54)	(44)	-	(307)
Depreciation – general and administrative	(184)	-	-	-	-	(184)
Total administrative expenses	(349)	(44)	(54)	(44)	-	(491)
Other income / (expenses), net	487	2	(22)	48	(290)	225
Provision for receivable from consumption of electricity and other receivables, net	(847)	-	-	-	-	(847)
Finance cost, net	(1,067)	(303)	(203)	-	290	(1,283)
Share of loss from equity accounted investees	(3)	-	-	-	-	(3)
Zakat expenses	-	-	(2)	(6)	-	(8)
Profit from discontinued operation	243	-	-	-	-	243
Profit/(loss) for the period	2,759	4,133	(27)	154	-	7,019
As at June 30, 2022						
Property, plant and equipment, net	256,865	170,509	9,899	3,078	-	440,351
Total assets	408,122	175,225	11,540	3,527	(118,822)	479,592
Total liabilities	165,606	157,799	8,315	1,794	(106,626)	226,888

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9. PROPERTY, PLANT AND EQUIPMENT, NET

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Net book value at the beginning of the period/year	438,083,263	438,731,462
Additions	15,424,366	28,101,082
Disposals	(76,157)	(173,359)
Exclusion of joint operations	-	(9,940,708)
Impairment loss	-	615,681
Depreciation for the period/year	(9,555,159)	(19,250,895)
Net book value at the end of the period/year	443,876,313	438,083,263

An amount of SR 12.9 billion (December 31, 2022: SR 32 billion) was transferred from projects under construction to property, plant and equipment. Project under construction as of June 30, 2023 is SR 45.7 billion (December 31, 2022: SR 43.3 billion).

Capitalized finance charges during the period on projects under construction amounting to SR 511 million (December 31, 2022: SR 836 million).

10. INVENTORIES, NET

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Material and supplies:		
Generation plant	2,407,052	2,257,410
Distribution network	2,389,159	1,541,571
Transmission network	219,582	206,045
Others	205,661	304,698
	5,221,454	4,309,724
Less: provision for slow-moving and obsolete inventories	(963,143)	(932,173)
	4,258,311	3,377,551

The permanent decrease in the value of the inventories amounted to SR 213 million as of June 30, 2023 (December 31, 2022: SR 198 million).

Movement in provision for slow-moving and obsolete inventories is as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance as at beginning of the period/year	932,173	822,075
Charge for the period/year	30,970	110,098
Balance as at the end of the period/year	963,143	932,173

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11. RECEIVABLES FROM SALE OF ELECTRICITY, NET

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Governmental institutions (note 23)	6,426,188	5,760,367
Commercial, residential and industrial	13,135,867	12,561,012
Receivables for electricity service connection projects	1,969,514	2,053,199
Due from related parties (note 23)	4,247,559	4,867,973
	25,779,128	25,242,551
Add: Unbilled revenue	4,854,605	3,234,316
	30,633,733	28,476,867
Less: provision for doubtful electricity receivables	(3,848,702)	(3,580,487)
	26,785,031	24,896,380

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

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance as at beginning of the period/year	3,580,487	2,364,760
Charge for the period/year	306,379	1,354,885
Write-offs during the period/year	(38,164)	(139,158)
Balance as at the end of the period/year	3,848,702	3,580,487

12. 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 November 15, 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 SR 167.9 billion, into a financial instrument, which is unsecured, with an unspecified, recoverable term, and an annual profit margin of 4.5% for a period of 3 years ending in 2023, provided that the margin is recalculated.

The General Assembly, held on 12/05/1442H corresponding to December 27, 2020, approved to create contractual reserve for the purpose of profit payment on Mudaraba agreement concluded between the Company and the Ministry of Finance which is referred to in the Mudaraba agreement.

The Board of Directors has approved the relevant decisions shown in the following table.

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance as at the beginning of the period/year	860,593	860,593
Transferred from retained earnings during period/year	3,799,203	7,661,376
Paid during the period/year	(3,799,203)	(7,661,376)
Balance as at the end of the period/year	860,593	860,593

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13. FINANCIAL INSTRUMENTS

13.1 Financial instruments other than interest bearing

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Derivative financial liabilities		
Derivative financial instruments at fair value (note 13.3)	-	79,611
	-	79,611
Other financial liabilities carried at amortized cost, other than interest bearing loans		
Trade payables	8,395,504	3,188,684
Accruals and other liabilities	13,259,671	15,286,387
Refundable deposits from customers	1,914,075	1,999,401
Total other financial liabilities carried at amortized cost, other than interest bearing loans	23,569,250	20,474,472

13.2 Interest bearing liabilities

Classification of borrowings as appearing on the interim condensed consolidated statement of financial position as of June 30, 2023 is as follows:

	Bank loans (Unaudited)	Sukuk (Unaudited)	Total (Unaudited)
Non-current	58,225,682	24,366,777	82,592,459
Current	16,107,486	13,125,000	29,232,486
	74,333,168	37,491,777	111,824,945

Classification of borrowings as appearing on the consolidated statement of financial position as of December 31, 2022 is as follows:

	Bank loans (Audited)	Sukuk (Audited)	Total (Audited)
Non-current	50,826,958	29,990,770	80,817,728
Current	15,285,553	3,750,750	19,036,303
	66,112,511	33,741,520	99,854,031

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13. FINANCIAL INSTRUMENTS (CONTINUED)

13.2 Interest bearing liabilities (continued)

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

	Bank loans	Sukuk	Total
As at January 1, 2022 – Audited	64,721,524	44,159,820	108,881,344
Proceeds from borrowings	32,958,000	-	32,958,000
Repayments of borrowing	(23,743,752)	(10,405,320)	(34,149,072)
De-recognition of joint operation loan	(7,556,581)	-	(7,556,581)
Addition to deferred costs	(266,680)	(12,980)	(279,660)
As at December 31, 2022 – Audited	66,112,511	33,741,520	99,854,031
Proceeds from borrowings	18,938,929	7,501,000	26,439,929
Repayments of borrowing	(10,784,827)	(3,750,750)	(14,535,577)
Net change to deferred costs	66,555	7	66,562
As at June 30, 2023 – Unaudited	74,333,168	37,491,777	111,824,945

13.2.1 Long term loans

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

	Loan currency	Maturity date	Principal amount	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Domestic Bank 2	SR	2025	5,000,000	959,600	1,152,000
Domestic Bank 3	SR	2025	10,000,000	-	2,723,810
Domestic Bank 6	SR	2026	3,500,000	2,520,000	2,546,250
Domestic Bank 7	SR	2024	2,400,000	2,190,000	2,220,000
Domestic Bank 8	SR	2026	15,200,000	14,440,000	14,592,000
Domestic Bank 9	SR	2029	2,850,000	2,840,000	2,840,000
Domestic Bank 10	SR	2027	9,000,000	8,820,000	8,910,000
Domestic Bank 11 -A	SR	2032	1,500,000	1,500,000	1,500,000
Local Syndicated Loan 12	SR	2030	10,000,000	10,000,000	-
International Bank 2	USD	2024	3,709,125	196,573	351,327
International syndicated loan 3	USD	2026	5,251,120	1,530,772	1,749,554
International syndicated loan 4	USD	2028	7,240,715	3,178,816	3,480,571
International syndicated loan 6	USD	2029	3,375,585	1,827,425	1,968,144
International syndicated loan 7	USD	2029	1,575,336	853,141	918,810
International syndicated loan 9-B	USD	2033	4,500,000	1,350,153	749,275
International syndicated loan 10-C	USD	2027	11,265,874	11,265,874	11,265,874
			96,367,755	63,472,354	56,967,615
Less: current portion of long term bank loans			-	(5,046,545)	(5,873,977)
Less: unamortized portion of the prepaid fees			-	(200,127)	(266,680)
Non-current portion of long term bank loans			-	58,225,682	50,826,958

On 23 Rajab 1444H corresponding to February 14, 2023, the Saudi Electricity Company signed a joint local financing agreement with a group of local banks at a value of SR 10 billion for a period of 7 years to finance the Company's general purposes, including capital expenditures without bank guarantees and pledges.

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13. FINANCIAL INSTRUMENTS (CONTINUED)

13.2 Interest bearing liabilities (continued)

13.2.2 Short term bank loans

The following are short-term bank loans for the Saudi Electricity Company:

	Loan currency	Principal amount	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Domestic revolving bank loan 1	SR	2,000,000	2,000,000	2,000,000
Domestic revolving bank loan 2	SR	2,000,000	1,000,000	1,500,000
International syndicated loan 4	USD	9,665,625	8,060,941	5,911,576
Total short-term bank loans		13,665,625	11,060,941	9,411,576

13.2.3 Sukuk

Local Sukuk

The outstanding Sukuk as at June 30, 2023 are as follows:

Issue	Date of issue	Par value	Total issued amount	Maturity date
Sukuk 4	January 30, 2014	SR 1 million	SR 4.5 billion	2054

The Sukuk have been issued at par value with no discount or premium. The Sukuk bears 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 is expecting to repurchase Sukuk balance of SR 4.5 billion on its first purchase date and has been classified as current sukuk as of June 30, 2023.

The Company has undertaken to redeem these Sukuk from Sukuk holders at dates specified in prospectus. At each purchase date, the Company 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		
	95%	60%	30%
	Second purchase		
	First purchase date	date	Third purchase date
Sukuk 4	2024	2034	2044

13. FINANCIAL INSTRUMENTS (CONTINUED)

13.2 Interest bearing liabilities (continued)

13.2.3 Sukuk (continued)

Global Sukuk

1. During April 2013, the Group also issued a global Sukuk amounting SR 7.5 billion equivalent to (US\$ 2 billion). The issuance consists of two types of Sukuk certificates. The first type amounting to SR 3.75 billion (US\$ 1 billion) matures after 10 years with a fixed rate of 3.473%. The second type amounting to SR 3.75 billion (US\$ 1 billion) matures after 30 years with a fixed rate of 5.06%. Further during April 2023, the Group repaid 10 year tranche of international sukuk issued in 2013 amounting SR 3.75 billion (US \$ 1 billion).
2. During April 2014, the Group also issued a global Sukuk amounting to SR 9.4 billion equivalent to (US\$ 2.5 billion). The issuance consists of two types of Sukuk certificates. The first with a value of SR 5.6 billion (US \$ 1.5 billion), matures 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%. The Group has classified SR 5.6 billion sukuk as current sukuk as of June 30, 2023.
3. During September 2018 the Group also issued a global Sukuk amounting to SR 7.5 billion equivalent to (US\$ 2 billion). The issuance consists of two tranches of Sukuk certificates. The first tranche with a value of SR 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 SR 4.5 billion Saudi Riyals (US \$ 1.2 billion), 10 years tenure with a fixed rate of 4.723% per annum. The Group has classified SR 3 billion as current Sukuk as of June 30, 2023.
4. During September 2020, the Group issued an international green Sukuk amounting to SR 4.87 billion (US\$1.3 billion). The issuance consists of two tranches of Sukuk certificates. The first one with value of SR 2.43 billion (US\$ 650 million) maturing after 5 years tenure with a fixed rate 1.74% and the second one with a value SR 2.43 billion (US\$ 650 million) maturing after 10 years tenure with fixed rate 2.413%.
5. During April 2023, the Group issued an international green Sukuk amounting to SR 7.5 billion (US\$ 2 billion). The issuance consists of two types of Sukuk certificates. The first one with value of SR 4.5 billion (US\$ 1.2 billion) maturing after 10 years tenure with a fixed rate 4.63% and the second one with a value SR 3 billion (US\$ 800 million) maturing after 30 years tenure with fixed rate 5.68%.

13.3 Derivative financial instruments

The Group has interest rate hedging contracts with several banks for an amount of SR 2 billion as of June 30, 2023 (December 31, 2022: SR 2 billion).

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13. FINANCIAL INSTRUMENTS (CONTINUED)

13.3 Derivative financial instruments (continued)

The notional 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 June 30, 2023 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:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Derivative financial instruments assets:		
Interest rate swap		
Non-current	193,465	209,806
Derivative financial instruments liabilities:		
Interest rate swap		
Non-current (note 13.1)	-	79,611

14. ACCRUALS AND OTHER PAYABLES

	June 30, 2023 (Unaudited)	December 31, 2022 (audited)
Accrued expense	8,059,215	6,427,362
Accrued employees' benefits	546,533	1,082,691
Other credit balances under settlement	303,921	303,922
Dividends payable	470,823	457,930
Accrued interest expenses	1,814,804	727,576
Accrued government fees	2,051,175	6,273,726
Others	13,200	13,180
	13,259,671	15,286,387

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15. 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 June 30, 2023:
- Outstanding dispute between the Group and Saudi Arabian Oil Company (Saudi Aramco-Shareholder) in relation to supply of light oil instead of heavy oil by Saudi Arabian Oil Company to one of the station. According to the Group's assessment, the cumulative difference amounted to SR 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 January 16, 2018 whereby an agreement has been signed with Saudi Aramco regarding the recognition of handling fees as of June 1, 2018, the total disputed amount from the beginning of the Company's incorporation on April 5, 2000 until May 30, 2018 amounted to SR 6.1 billion. The Group does not expect that the dispute will result in any additional commitments
- b) There are some claims filed by one of the contractors against the Company. These are currently in the arbitral procedures, based on the amendment claims filed, the contractor is claiming an approximate amount of SR 1.49 billion. However, the Company has also filed counter claims against the Contractor amounting to SR 6.1 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 according to the supporting documents available to the Company.
- c) The Group has provided guarantees to some commercial banks and some other parties with a total amount SR 62 million as at June 30, 2023 (December 31, 2022: SR 56 million).

Contractual liabilities

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

16. CAPITAL COMMITMENT

The capital commitments at the date of the interim condensed consolidated statement of financial position comprises of unexecuted portion of capital contracts conducted by the Group for the development and installation of power plants and other assets amounting to SR 67 billion as of June 30, 2023 (December 31, 2022: SR 50 billion).

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17. ZAKAT

The Group submitted its zakat returns within the statutory period for the year ended on December 31, 2022.

The Company completed the zakat assessments until 2014 and received a letter of amendment of declarations from the Zakat, Tax and Customs Authority (ZATCA) on April 29, 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 ("GSTC") on the objection submitted to the returns from 2015 to 2018 with zakat differences amounting to SR 730 million. The Company has submitted an appeal letter against these decisions 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.

Starting from the period ending on June 30, 2023, the entitlement to Zakat has been recognized in the consolidated statement of profit or loss on a quarterly basis. Zakat obligations are recognized on this basis.

18. REVENUE

	Three-months ended June 30		Six-months ended June 30	
	2023	2022	2023	2022
	Unaudited	Unaudited	Unaudited	Unaudited
Electricity Sales	17,326,641	17,367,970	28,139,914	28,620,131
Meter reading, maintenance and bills preparation tariff	378,918	361,429	745,774	723,475
Electricity connection tariff	651,289	594,740	1,294,657	1,176,308
Transmission revenue	450,565	20,254	960,558	628,630
Other operating revenue*	910,121	1,057,284	1,955,838	1,784,453
	19,717,534	19,401,677	33,096,741	32,932,997

*Other operating revenue includes an amount of SR 1.3 billion, which represents the difference between required revenue and actual revenue based on management's best estimate for the period ending on June 30, 2023 (June 30, 2022: SR 1.15 billion).

19. COST OF REVENUE

	Three-months ended June 30		Six-months ended June 30	
	2023	2022	2023	2022
	Unaudited	Unaudited	Unaudited	Unaudited
Fuel	37,248	2,525,381	47,406	3,714,568
Purchased power (note 19.1)	5,306,214	2,445,691	8,756,192	4,669,700
Operations and maintenance	3,516,298	3,236,337	7,080,835	6,141,280
Depreciation on property, plant and equipment	4,794,097	4,645,664	9,380,147	9,216,998
Depreciation on right of use assets	8,808	3,836	17,511	7,295
	13,662,665	12,856,909	25,282,091	23,749,841

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19. COST OF REVENUE (CONTINUED)

19.1 Purchased power

	Three-months ended June 30		Six-months ended June 30	
	2023	2022	2023	2022
	Unaudited	Unaudited	Unaudited	Unaudited
Purchased power	9,256,476	2,445,691	16,102,648	4,669,700
Less: Power supplied to SPPC under Energy Conversion Agreement	(3,950,262)	-	(7,346,456)	-
	5,306,214	2,445,691	8,756,192	4,669,700

20. OTHER INCOME, NET

	Three-months ended June 30		Six-months ended June 30	
	2023	2022	2023	2022
	Unaudited	Unaudited	Unaudited	Unaudited
Amortisation of Government grants	44,385	23,261	77,602	42,927
Gain on disposal of property, plant and equipment	65,288	21,724	65,288	50,342
Dividend received	16,020	27,933	16,020	31,213
Net income and other expenses	21,974	728	309,481	100,360
	147,667	73,646	468,391	224,842

21. FINANCE COSTS, NET

	Three-months ended June 30		Six-months ended June 30	
	2023	2022	2023	2022
	Unaudited	Unaudited	Unaudited	Unaudited
Finance expense				
Bank loans	1,929,961	720,183	3,397,209	1,555,809
Lease contract	308	32	511	252
Other finance cost	-	13,364	-	21,087
Less: Interest capitalised	(233,170)	(146,326)	(511,635)	(358,168)
	1,697,099	587,253	2,886,085	1,218,980
Interest cost employees' benefit obligation	67,650	41,351	135,299	81,795
Total finance expense	1,764,749	628,604	3,021,384	1,300,775
Finance income				
Interest income	(16,856)	-	(36,010)	(18,231)
Total finance income	(16,856)	-	(36,010)	(18,231)
Net finance costs	1,747,893	628,604	2,985,374	1,282,544

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22. EARNING 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 June 30, 2023 and June 30, 2022 as there are no financial instruments with a dilutive effect on basic earnings per share.

	Three-months period ended June 30				Six-months period ended June 30			
	2023	2022	2022	2022	2023	2022	2022	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Profit for the period	Profit from continuing operations	Profit from discontinued operations	Profit for the period	Profit for the period	Profit from continuing operations	Profit from discontinued operations	Profit for the period
Profit for the period	4,016,923	5,228,849	273,425	5,502,274	4,496,665	6,776,558	242,966	7,019,524
Less: profit attributable to Mudaraba Instrument	(1,910,097)	(1,910,096)	-	(1,910,096)	(3,799,203)	(3,799,203)	-	(3,799,203)
Adjusted net profit for the period	2,106,826	3,318,753	273,425	3,592,178	697,462	2,977,355	242,966	3,220,321
Weighted average number of ordinary shares at the period end					4,166,594			
Basic and diluted earning per share "Saudi Riyal"	0.51	0.80	0.06	0.86	0.17	0.71	0.06	0.77
<u>Earning per share without deducting dividends for the Mudaraba instrument</u>								
Basic and diluted earning per share "Saudi Riyal"	0.96	1.26	0.06	1.32	1.08	1.62	0.06	1.68

SAUDI ELECTRICITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2023
(All amounts in thousands Saudi Riyals unless otherwise stated)

23. RELATED PARTY 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 and these entities are under common control (all companies ultimately controlled by the Government of the Kingdom of Saudi Arabia) in addition to the independent power producer companies.

The following transactions were carried out with related parties:

	Three-months period ended		Six-months period ended	
	June 30,	June 30,	June 30,	June 30,
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
a) Sales of electricity				
- Group's ultimate controlling party	2,961,479	3,203,239	4,872,237	5,477,626
- Entities under control of the Group's ultimate controlling party				
Saudi Power Procurement Company	4,364,736	-	7,760,930	-
Saudi Aramco	48,348	70,864	118,529	161,521
Saline Water Conversion Corporation	123,196	160,247	283,030	295,340
	7,497,759	3,434,350	13,034,726	5,934,487

	Three-months period ended		Six-months period ended	
	June 30,	June 30,	June 30,	June 30,
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
b) Purchases of energy and fuel				
- Entities under control of the Group's ultimate controlling party				
Saudi Aramco	-	3,385,443	-	5,120,347
Saline Water Conversion Corporation	-	(45,297)	-	99,063
Saudi Power Procurement Company	12,108,849	-	14,616,217	-
- Joint ventures and associates				
Dhuruma Electricity Company	-	187,112	-	347,822
Rabigh Electricity Company	-	241,431	-	426,765
Hajr for Electricity Production Company	-	200,600	-	399,103
Al Mourjan for Electricity Production Company	-	101,157	-	200,328
Al-Fadhili Company for Cogeneration	-	(56,313)	-	95,942
	12,108,849	4,014,133	14,616,217	6,689,370

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 July 1, 2022. The Company executed the procedures for transferring some of the power and fuel purchase agreements to the Saudi Power Procurement Company through bulk purchase agreement starting from July 1, 2022.

	Three-months period ended		Six-months period ended	
	June 30,	June 30,	June 30,	June 30,
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
c) Others				
- Group's ultimate controlling party				
Payment from contractual reserve for Mudaraba instrument	3,799,203	3,799,203	3,799,203	3,799,203

SAUDI ELECTRICITY COMPANY
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2023
(All amounts in thousands Saudi Riyals unless otherwise stated)

23. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

d) Period/Year end balances arising from transactions with related parties:

Receivable from sale of electricity, net

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Group's ultimate controlling party -Electricity receivables, Governmental receivables	6,426,188	5,760,367
- Entities under the control of the Group's ultimate controlling party		
Saudi Power Procurement Company	3,761,923	4,419,049
Saudi Aramco - Receivable from consumption of electricity	142,252	205,742
Saline Water Conversion Corporation- Receivable from consumption of electricity	343,384	243,182
	4,247,559	4,867,973
	10,673,747	10,628,340

Loans and advances

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
- Joint ventures and associates		
Al-Fadhli Co-production- loans	232,613	251,745
Global Data Center Company- loans	68,250	55,250
Al Mourjan for Electricity Production Company- loans	39,706	39,706
- Entities under the control of the Group's ultimate controlling party		
Saudi Power Procurement Company	4,096,476	-
	4,437,045	346,701

Prepayments and other receivables

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
- Entities under the control of the Group's ultimate controlling party		
Due from the Ministry of Finance	-	1,753,025
	-	1,753,025

Trade payables and accruals

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
- Entities under control of the Group's ultimate controlling party		
Saline Water Conversion Corporation	1,396,617	313,425
Government payable expenses	2,051,175	6,273,726
Saudi Power Procurement Company	4,954,294	-
	8,402,086	6,587,151

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2023
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23. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Deferred government grant:		
Group's ultimate controlling party		
Ministry of Communication and Information Technology (MCIT)	1,321,112	1,398,714
	1,321,112	1,398,714

e) Compensation of key management personnel

Key management personal includes the Board of Directors and members of executive committee. The compensation paid or payable to key management personal for employees services is shown below:

	Three-months period ended		Six-months period ended	
	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Salaries, compensation and allowances	3,496	2,746	6,919	5,345
Employees' end of service benefits	-	-	11,850	5,381
	3,496	2,746	11,769	10,726

24. DIVIDENDS

The General Assembly of the Company, in its meeting held on 27 Shawwal 1444H, corresponding to May 17, 2023, approved the distribution of cash dividends for the year 2022 to the shareholders of the Company amounting to SR 2.9 billion at SR 0.70 per share, representing 7% of the par value of the share (2022: SR 2.9 billion).

25. SUBSEQUENT EVENTS

On July 24, 2023, the Company entered into a credit facilities agreement with the Saudi Export-Import Bank amounting to SR 1.6 billion for 13.5 years to finance part of the Saudi-Egyptian electrical interconnection project without providing guarantees.

26. COMPARATIVE FIGURES

During the period, the Group has reassessed the nature and the related terms and conditions of various contracts particularly contracts for customer funded projects "subscribers funding their own projects". Due to the nature of some of these contracts and its terms and conditions, the Group has reclassified certain advances from current liabilities to non-current liabilities to reflect the contractual relationship in accordance with IAS 1 – "Presentation of Financial Statements", and IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors". The matter resulted in reclassifying the comparative balance by an amount of SR 8.79 billion from current liabilities to non-current liabilities as of December 31, 2022.

This reclassification has no impact on the equity reported on comparative interim condensed consolidated statement of changes in equity, and on the comparative interim condensed consolidated statements of cash flow, profit or loss and comprehensive income.

	As previously reported	Reclassification	New classification
<i>Interim condensed consolidated statement of financial position</i>			
Advances from subscribers (current liability)	19,331,040	(8,792,513)	10,538,527
Advances from subscribers (non-current liability)	-	8,792,513	8,792,513

27. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements for the six-months period ended June 30, 2023, were approved for issuance by the Board of Directors of the Group on 21 Muharram 1445H (corresponding to August 8, 2023).



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