

**POWER AND WATER UTILITY
COMPANY FOR JUBAIL AND
YANBU (MARAFIQ) AND ITS
SUBSIDIARIES**

(A Saudi Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025
(1 JANUARY 2025 - 31 DECEMBER 2025)**

WITH INDEPENDENT AUDITOR'S REPORT

**POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ)
AND ITS SUBSIDIARIES (A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**



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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF Power and Water Utility Company for Jubail and Yanbu ("Marafiq")
(A SAUDI JOINT STOCK COMPANY)**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Power and Water Utility Company for Jubail and Yanbu ("Marafiq") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia, as applicable to audit of consolidated financial statement of public interest entities. We have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



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INDEPENDENT AUDITOR'S REPORT

To THE SHAREHOLDERS OF Power and Water Utility Company for Jubail and Yanbu ("Marafiq")
(A SAUDI JOINT STOCK COMPANY) (Continued)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>The Group applies IFRS 15 'Revenue from contracts with customers' to account for its revenue.</p> <p>The amount of revenue recognized by the Group during the year ended 31 December 2025 is SR 6.95 billion.</p> <p>The Group is engaged in providing utility services including Water, Power and Gas to various customers. Revenue from services is recognized when the service is rendered over time as the customers simultaneously receive and consume the benefit.</p> <p>Revenue is considered to be one of the significant indicators for measuring the performance of the Group, resulting in a possible inherent risk of recognizing revenue which is more than its actual value. At the year end, accrued revenue is recognized considering consumption pattern of consumers, based on recent billing reports</p> <p>The revenue recognition is considered as a key audit matter due to the materiality of the amount of revenue and judgement involved in estimating accrued revenue at the year-end.</p>	<p>Our audit procedures, among others, included the following:</p> <ul style="list-style-type: none">• We obtained an understanding of the management's process and controls for the revenue recognition and assessed the design, implementation and operating effectiveness of management's internal controls system which govern the process around recognition of revenue.• We evaluated that revenue is recognized in accordance with IFRS 15 as endorsed in Kingdom of Saudi Arabia.• We tested, on a sample basis, the revenue invoices recorded before and after the period end to the supporting documents.• We performed recalculation of unbilled revenue and subsequent testing of revenue accrued to assess that revenue accrued at year-end is not materially misstated.• We performed a monthly trend analysis of the revenue recorded during the year and also compared with the revenue recorded for 2024. We obtained understanding of the material variances noted as a result of the above audit procedures.• We performed the correlation analysis between the journal entries recorded in revenue, the trade receivable and cash accounts.• We have recalculated revenue from the customer contracts, on a sample basis, based on the approved tariff rates and consumption per customer.• We have evaluated the relevance and adequacy of disclosures made by the management in the consolidated financial statements.



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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF Power and Water Utility Company for Jubail and Yanbu ("Marafiq")
(A SAUDI JOINT STOCK COMPANY) (Continued)**

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Allowance for impairment of trade receivables</p> <p>As at 31 December 2025, the Company's gross trade receivables amounted to SR 1.04 billion against which allowance for expected credit losses amounted to SR 59.1 million is maintained.</p> <p>The Company uses the expected credit loss model ("ECL") to determine, and record expected credit losses based on what is required by IFRS 9 as endorsed by SOCPA, as well as maintain specific management overlays for certain customers as of the reporting date.</p> <p>We considered this as a key audit matter as it involves complex calculations and use of assumptions by management, in addition to the materiality of the amounts involved.</p> <p>Refer to notes (2.3) and (3) to the financial statements for the material accounting policy information and significant assumptions, estimates and judgements policies related to allowance for impairment of trade receivables and note (11) for the related disclosure.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of management's assessment of ECL and compared the accounting policy with the requirements IFRS 9. • Assessed the design, implementation, and operating effectiveness of the key controls related to: <ul style="list-style-type: none"> - Recording of trade receivables and settlements. - Trade receivables aging reports. • Assessed significant assumptions, including collection rates, impairment ratios and those relating to future economic events that are used to calculate the expected credit loss. • Involved our specialists to assess the reasonableness of significant judgments, estimates and assumptions made by the management with reference to the calculation of ECL including the Company's assessment of the probability of default, incorporation of forward-looking information and the loss given default parameter. • Tested the completeness of data and the mathematical accuracy of the ECL model. • Obtained a list of the customers that the Company has recorded a management overlay against and assessed the basis used by management to arrive at these additional overlays. • Assessed the adequacy of the relevant disclosures included in the financial statements.



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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF Power and Water Utility Company for Jubail and Yanbu ("Marafiq")
(A SAUDI JOINT STOCK COMPANY) (Continued)**

Other information included in The Group's 2025 Annual Report

Other information consists of the information included in the Group's 2025 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2025 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the applicable provisions of the Regulations for Companies and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance i.e, the Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF Power and Water Utility Company for Jubail and Yanbu ("Marafiq")
(A SAUDI JOINT STOCK COMPANY) (Continued)**

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF Power and Water Utility Company for Jubail and Yanbu ("Marafiq")
(A SAUDI JOINT STOCK COMPANY) (Continued)**

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued):

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Ernst & Young Professional Services



Marwan S. AlAfaliq
Certified Public Accountant
License No. (422)



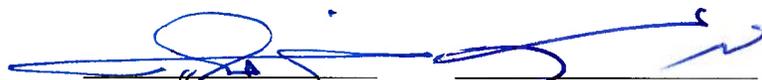
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01 March 2026

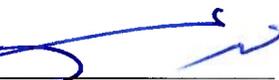
**POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ)
AND ITS SUBSIDIARIES (A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025**

مرافق
MARAFIQ

		31 December 2025	31 December 2024
	Note	SR '000	SR '000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	13,806,443	14,437,067
Intangible assets	7	6,086	8,473
Right of use assets	31	3,986,990	4,685,327
Equity accounted investees	8.3	723,632	767,590
Long-term receivables and prepayments	9	119,018	132,692
TOTAL NON-CURRENT ASSETS		18,642,169	20,031,149
CURRENT ASSETS			
Inventories, net	10	369,082	356,795
Trade receivables, net	11	981,356	670,331
Prepayments and other current assets	12	455,086	438,625
Short-term deposits	13	657,719	43,553
Cash and cash equivalents	14	1,047,488	1,452,872
TOTAL CURRENT ASSETS		3,510,731	2,962,176
TOTAL ASSETS		22,152,900	22,993,325
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	2,500,000	2,500,000
Retained earnings		3,050,769	2,612,962
Fair value reserve for cash flow hedge	23.3	59,007	111,446
TOTAL EQUITY		5,609,776	5,224,408
LIABILITIES			
NON-CURRENT LIABILITIES			
Bank loans and borrowings	18	5,868,824	5,863,218
Lease liabilities	31	5,979,770	6,975,059
Other non-current liabilities	19	1,563,437	1,529,190
TOTAL NON-CURRENT LIABILITIES		13,412,031	14,367,467
CURRENT LIABILITIES			
Current portion of bank loans and borrowings	18	-	288,033
Current portion of lease liabilities	31	1,397,227	1,557,151
Trade payables	20	780,550	688,774
Accrued expenses and other current liabilities	21	953,316	867,492
TOTAL CURRENT LIABILITIES		3,131,093	3,401,450
TOTAL LIABILITIES		16,543,124	17,768,917
TOTAL EQUITY AND LIABILITIES		22,152,900	22,993,325

The financial statements appearing on pages 1 to 50 were approved by the Board of Directors of the Parent Company and have been signed on their behalf


Khalid Mohammed Al-Salem
Chairman of the Board


Mohammed Berki Al-Zuabi
President & CEO


Muhammed Abdulhamid AlMulhim
VP Finance

The accompanying notes from 1 to 34 form an integral part of these consolidated financial statements

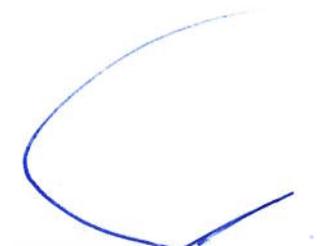
**POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ)
AND ITS SUBSIDIARIES (A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025**



	Note	2025 SR '000	2024 SR '000
Revenue	24	6,945,620	6,883,210
Cost of revenue	25	(6,128,142)	(5,360,571)
Gross profit		817,478	1,522,639
Administrative expenses	26	(310,238)	(285,157)
Reversal / (charge) of Impairment loss on trade receivables	11	482,992	(511,181)
Other operating income	27	264,374	222,424
Other operating expenses		(118)	(602)
Operating profit		1,254,488	948,123
Finance income	28	79,318	67,119
Finance cost	29	(941,776)	(1,043,298)
Share in results of equity accounted investees	8.3	64,015	66,270
Profit before Zakat		456,045	38,214
Zakat expense	22	(6,617)	(21,062)
Net profit for the year		449,428	17,152
Earnings per share:			
Basic and diluted earnings per share attributable to shareholders -SR	17	1.80	0.07


Khalid Mohammed Al-Saleem
Chairman of the Board


Mohammed Berki Al-Zuabi
President & CEO

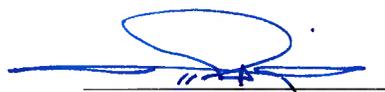

Muhammed Abdulhamid AlMulhim
VP Finance

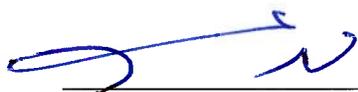
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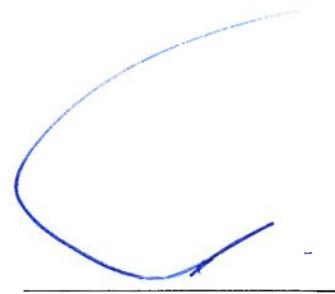
**POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ)
AND ITS SUBSIDIARIES (A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025**



	Note	2025 SR '000	2024 SR '000
Net profit for the year		449,428	17,152
<i>Other comprehensive income to be reclassified to income statement in subsequent periods:</i>			
Share of loss on cash flow hedge of an equity accounted investee, net of deferred tax	8.3	(52,439)	(9,760)
<i>Other comprehensive income that will not be reclassified to income statement in subsequent periods:</i>			
Re-measurement (loss) / gain on defined benefit obligation, net of deferred tax	19.1	(11,621)	26,932
Other comprehensive (loss) / income for the year		(64,060)	17,172
Total comprehensive income for the year		385,368	34,324


Khalid Mohammed Al-Salem
Chairman of the Board


Mohammed Berki Al-Zuabi
President & CEO


Muhammed Abdulhamid AIMulhim
VP Finance

The accompanying notes from 1 to 34 form an integral part of these consolidated financial statements

**POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ) AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)**

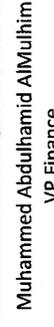


**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025**

	Share capital SR '000	Statutory reserve SR '000	Retained earnings SR '000	Fair value reserve for cash flow hedge SR '000	Total SR '000
As at 1 January 2024	2,500,000	342,002	2,589,376	121,206	5,552,584
Net profit for the year	-	-	17,152	-	17,152
Other comprehensive income / (loss)	-	-	26,932	(9,760)	17,172
Total comprehensive income / (loss)	-	-	44,084	(9,760)	34,324
<i>Transactions with owners</i>					
Dividends paid (Note 16)	-	-	(362,500)	-	(362,500)
Total transactions with owners	-	-	(362,500)	-	(362,500)
Transfer of statutory reserve (Note 15.1)	-	(342,002)	342,002	-	-
As at 31 December 2024	2,500,000	-	2,612,962	111,446	5,224,408
As at 1 January 2025	2,500,000	-	2,612,962	111,446	5,224,408
Net profit for the year	-	-	449,428	-	449,428
Other comprehensive loss	-	-	(11,621)	(52,439)	(64,060)
Total comprehensive income / loss	-	-	437,807	(52,439)	385,368
As at 31 December 2025	2,500,000	-	3,050,769	59,007	5,609,776


Khalid Mohammed Al-Salem
Chairman of the Board


Mohammed Berki Al-Zuabi
President & CEO


Muhammed Abdulhamid AIMulhim
VP Finance

The accompanying notes from 1 to 34 form an integral part of these consolidated financial statements

**POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ)
AND ITS SUBSIDIARIES (A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025**



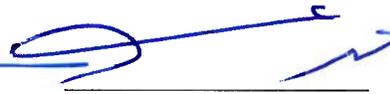
		2025	2024
	Note	SR '000	SR '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before Zakat		456,045	38,214
<i>Adjustments to reconcile profit before Zakat to net cash flows:</i>			
Depreciation of property, plant and equipment	6	812,450	788,000
Depreciation of right of use assets	31	711,052	706,090
Amortization of intangible assets	7	8,035	4,953
Amortization of deferred income		(60,246)	(58,344)
Amortization of deferred employee benefits		9,015	5,746
(Reversal) / charge of Impairment loss on trade receivables	11	(482,992)	511,181
Provision for slow-moving and obsolete inventories	10	15,747	20,156
Provision for employees' benefits	19.1	108,656	93,308
Income from reimbursements asset replacement cost	27	(47,102)	-
Share in results of investments in equity accounted investees	8.3	(64,015)	(66,270)
Finance income	28	(79,318)	(67,119)
Finance cost	29	941,776	1,043,298
<i>Working capital Changes:</i>			
Trade receivables		171,967	(95,497)
Inventories		(28,034)	(106,279)
Prepayment and other current assets		(12,757)	(41,132)
Long term receivables and other assets		4,659	39,101
Trade payables		91,776	58,465
Accrued expenses and other current liabilities		88,754	(351)
Other non-current liabilities		3,780	6,901
Cash generated from operating activities		2,649,248	2,880,421
Employees' benefits paid	19.1	(64,772)	(31,997)
Finance cost paid		(939,625)	(1,041,214)
Zakat paid	22	(3,125)	(49,059)
Net cash generated from operating activities		1,641,726	1,758,151
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(419,276)	(531,595)
Government grants received	6.3	303,485	106,072
Dividend received	8.3	67,453	74,223
Investment in joint venture	8.3	(200)	(35)
Finance income received on short term deposits		71,038	64,853
Net movement in short-term deposits		(614,166)	60,447
Net cash used in investing activities		(591,666)	(226,035)

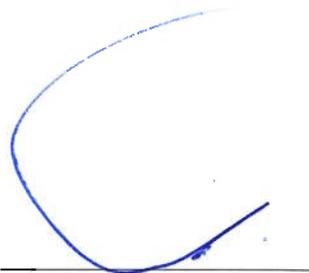
**POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ)
AND ITS SUBSIDIARIES (A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2025**



	Note	2025 SR '000	2024 SR '000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans and borrowings	18	(291,000)	(263,000)
Payment of lease obligation		(1,164,444)	(635,900)
Dividends paid	16	-	(362,433)
Net cash used in financing activities		(1,455,444)	(1,261,333)
Net change in cash and cash equivalents		(405,384)	270,783
Cash and cash equivalents at the beginning of the year		1,452,872	1,182,089
Cash and cash equivalents at the end of the year	14	1,047,488	1,452,872
SUPPLEMENTAL CASH FLOW INFORMATION			
Significant non-cash transactions			
Addition to right of use assets	31	14,233	70,452
Change in fair value reserve for cash flow hedge	8.3	52,439	9,760
Customer funded assets acquired		24,581	30,328


 Khalid Mohammed Al-Salem
 Chairman of the Board


 Mohammed Berki Al-Zuabi
 President & CEO


 Muhammed Abdulhamid AlMulhim
 VP Finance

The accompanying notes from 1 to 34 form an integral part of these consolidated financial statements

**POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ)
AND ITS SUBSIDIARIES (A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**



1. CORPORATE INFORMATION

Power and Water Utility Company for Jubail and Yanbu ("Marafiq" or the "Parent Company") was incorporated pursuant to Royal Decree No. M/29 dated 21/7/1421 corresponding to 18 October 2000 as a Saudi joint stock company, in accordance with Ministerial Decision No. 2101 dated 26/12/1421 corresponding to 21 March 2001. On 24 November 2022 the Parent Company completed its Initial Public Offering and listed its shares on Saudi Exchange.

The Parent Company operates under commercial registration number 2055004968 and unified number 7001433833 dated 17/6/1422 corresponding to 5 September 2001 issued in Jubail Industrial City. The Parent Company's registered office is situated in the Support Industries Area of Jubail Industrial City, Kingdom of Saudi Arabia.

The issued and paid up capital of the Parent Company is divided into 250,000,000 shares of SR 10 per share amounted to SR 2,500,000,000 at the year end and was held as follows:

	31 December 2025	31 December 2024
Saudi Basic Industries Corporation ("SABIC")	17.50%	17.50%
Saudi Aramco Power Company ("SAPCO")	17.50%	17.50%
Royal Commission for Jubail & Yanbu ("Royal Commission")	17.50%	17.50%
Public Investment Fund ("PIF")	17.50%	17.50%
Free float	30.00%	30.00%
	100%	100%

The primary objective of the Parent Company is the operation, maintenance, construction, and management of (i) electric power systems, (ii) seawater cooling systems, (iii) desalinated water systems (including storage and distribution of process and potable water), and (iv) sanitary and industrial wastewater treatment systems to provide essential utility services to governmental, industrial, commercial, and residential customers in the industrial cities of Jubail and Yanbu. The Parent Company has also been selected by the Royal Commission as the sole power and water service provider for Jazan City for Primary and Downstream Industries (JCPDI) and the water service provider in Ras Al Khair Industrial City (RIC). The Parent Company may:

- own or lease related property, facilities and networks and/or install, extend, upgrade, replace or expand facilities or networks as required on its own or through others;
- engage in any activities necessary or complementary to those objectives, including importation of materials and the likes. The Parent Company shall provide those services to all beneficiaries in the two industrial cities of Jubail and Yanbu;
- acquire interests in other companies and own, lease, install, extend, upgrade, replace or expand related properties, facilities and networks and to engage in any activities in realizing its objectives; and
- own interest or shares in other companies or merge with or buy such companies and to establish new companies alone inside or outside the Kingdom Saudi Arabia.

The Parent Company commenced its commercial operations on 1 January 2003. The Company's principal places of business are Jubail and Yanbu Industrial Cities.

On 21 September 2021, the Council of Ministers Resolution No. 111 was issued approving the high intensity electricity consumption tariff (HIECT) that was applicable to establishments operating in qualified activities or sectors belonging to industrial, commercial and agricultural consumers effective 1 January 2022. Prior to determination of qualified activities or sectors, on 20 December 2022, the Council of Ministers Resolution No. 361 was issued approving the amendment of the effective date to be from 1 January 2023. Resolution No. 111 requires the Saudi Electricity Regulatory Authority (SERA) to approve, within three months from the date of this decision, the executive rules, controls, and procedures necessary for applying the HIECT.

As of 31 December 2024, due to the uncertainty surrounding the timing of collection, the Parent Company has recorded a provision for impairment of trade receivable amounting to SR 496.2 million for the eligible customer receivables in accordance with requirement of IFRS accounting standards as endorsed in Kingdom of Saudi Arabia ("KSA").

On 27 April 2025 corresponding to 29 Shawwal 1446H, the Parent Company received a notification from Saudi Electricity Regulatory Authority (SERA) for amendment of electricity consumption tariff for establishments that are not eligible for Heavy Consumption of Electricity Tariff in the Industrial, Commercial and Agricultural sectors effective 28 May 2025.

On 13 May 2025, the SERA issued a mechanism for the revenue shortfall resulted from implementation of the HIECT for eligible establishments, which outlines (i) increase the future tariff from establishments that are not eligible for Heavy Consumption of Electricity Tariff in the Industrial, Commercial and Agricultural sectors by 2 Halalah per Kw/H in such a way that it covers the revenue deficit and (ii) any revenue deficit not recovered from the establishments not eligible for Heavy Consumption of Electricity Tariff to be compensated from the other electricity service providers in the KSA as and when advised by SERA.

**POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ)
AND ITS SUBSIDIARIES (A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**



1. CORPORATE INFORMATION (Continued)

The Parent Company has communicated with the relevant regulatory authorities to include the Company into electricity Balancing Account which will cover the difference between the required revenue and the actual revenue resulting from implementing the approved electricity tariffs.

Group structure

Subsidiaries

As at 31 December 2025 and 31 December 2024, the Parent Company has following subsidiaries (the Parent Company and its subsidiaries hereinafter referred to as ("the Group")):

- Marafiq Insurance Limited ("MIL"), owned 100% by the Parent Company, registered in the Island of Guernsey and is engaged in the business of captive insurance for Marafiq.
- Marafiq Water and Power Supply Company ("TAWREED"), owned 100% by the Parent Company, is registered in the Kingdom of Saudi Arabia for the purpose of purchase of water and electricity from Jubail Water and Power Company ("JWAP") and sale of these utilities to the On- Sale Parties: Saudi Power Procurement Company ("Principal Buyer"), Saudi Water Authority (SWA) ("previously The Saline Water Conversion Corporation") and Marafiq. TAWREED is also responsible for the purchase and supply of fuel to JWAP.
- MASA Services Company for Operation and Maintenance ("MASA"), owned 100% by Marafiq, is registered in the Kingdom of Saudi Arabia for the purpose of operation, maintenance and management of seawater cooling systems, desalinated and treated water systems, sanitary and industrial drainage systems, waste water treatment and operation and maintenance of utility services relating to management and treatment of industrial waste and hazardous waste.
- Jeddah Althaniya Operation and Maintenance Company ("JAOMC"), owned 100% by the Parent Company, is registered for operation and maintenance of a sewage collection and treatment plant in Jeddah. JAOMC was previously an associate owned 49% by the Parent Company, however in November 2024, the Parent Company signed an agreement to acquire 51% shareholding from other shareholder. Accordingly, effective November 2024, the Parent Company Consolidated 100% of JOAMC. Commercial operations of the Company commenced on 10 December 2024.

Investment in associates

As at 31 December 2025, the Group has following associates:

- Jubail and Yanbu District Cooling Company ("TABREED"), owned 20% by Marafiq, is registered in Kingdom of Saudi Arabia with the principal activity being to develop, provide and support district cooling systems for industrial, commercial and residential customers in the industrial cities of Jubail and Yanbu.
- Al-Haer Operations Limited Company, established in 2024 and owned 45% by MASA (subsidiary of Marafiq). The main activity of the company is to engage in operation and maintenance of water supply, sanitation, waste management and treatment, sanitation and construction of utility projects. No activities have been undertaken by Al-Haer Operations during the year. The operation of the Company is expected to commence in 2027.

Investment in joint venture

As at 31 December 2025, the Group has following joint venture:

- Jubail Water and Power Company ("JWAP"), owned 30% by Marafiq, is registered in the Kingdom of Saudi Arabia with the principal activity being to develop, construct, own, operate and maintain an independent water and power plant in Jubail Industrial City, Kingdom of Saudi Arabia, sell water and electricity and to engage in any business or activities related or ancillary thereto. JWAP commenced its commercial operations in 2010.
- Jeddah Althaniya Water Company ("JAWC"), owned 45% by Marafiq, is registered for management, operation, maintenance, construction and expansion of a sewage collection and treatment plant, distribution and disposal of waste and the establishment and expansion of the necessary facilities and networks in Jeddah. Commercial operations of JAWC commenced during the year ended 31 December 2023.
- During 2024, Marafiq entered into the consortium with Miahona Company and N.V. BESIX S.A. Sharjah branch for the Al-Haer independent sewage treatment plant project in Riyadh ("Project") and established Al-Haer Environmental Services Company (A limited liability Company). Marafiq owns 35% of company and has accordingly contributed share capital. During the year, the Company achieved financial close after receiving the closing certificates from Saudi Water Partnership Company and the lenders on 07 February 2025. The financing agreements have been signed after fulfilling all requirements and conditions with a group of financiers at a project cost of approximately 1.5 billion Saudi Riyals, excluding financing costs. The operation of the Company is expected to commence in 2027.

1. CORPORATE INFORMATION (Continued)

Group structure (Continued)

During the year, Marafiq entered into agreement with Veolia Middle East (Veolia) and Lamar Arabia for Energy (Lamar) for the development of an advanced Industrial Wastewater Treatment Plant (IWWTP) in Jubail 2 Industrial City, to enable the efficient recycling of wastewater into demineralized water, supporting sustainable industrial operations for the AMIRAL Project, and established Aqua Renew Company (A limited liability Company). Marafiq owns 40% of the Company and has accordingly contributed to share capital. The operation of the Company is expected to commence in 2028.

During the year, a subsidiary of the Group ("MASA") entered into an agreement with Veolia Middle East (Veolia) relating to operation and maintenance of Industrial Wastewater Treatment Plant (IWWTP) in Jubail 2 Industrial City, for the AMIRAL Project. In accordance with the agreement, Marafiq will establish a separate company to run the operation and maintenance for the project. Subsequent to the year ended 31 December 2025, Sustain Water Services Company was established with a capital of SR 600,000, MASA owns a 49% equity interest in Sustain Water Services Company and paid their share of capital amounting to SR 294,000. The operation of the Company is expected to commence in 2028.

The Group's ownership percentage in the above companies is the same in all periods presented in these consolidated financial statements except for new establishments during the year.

Date of approval of consolidated financial statements

These consolidated financial statements of Power and Water Utility Company for Jubail and Yanbu (Marafiq) and its subsidiaries (the "Group" or "Marafiq") for the year ended 31 December 2025 were approved in accordance with a resolution of the Board of Directors on 24 February 2026G corresponding to 7th Ramadan 1447H.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS accounting standards as endorsed in KSA and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

These consolidated financial statements have been prepared on a historical cost basis except for the cash flow hedge.

These consolidated financial statements are presented in Saudi Riyals which is also the Group's functional currency and all values are rounded to the nearest thousand (SR 000), except when otherwise indicated.

2.2 Basis of consolidation

These financial statements comprise the consolidated financial statements of the Parent Company and its subsidiaries as at 31 December 2025. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group will re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in statement of income
- Reclassifies the Group's share of components previously recognized in statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Non-Controlling Interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.3 Summary of material accounting policies

Following are the material accounting policies applied by the Group in preparing its consolidated financial statements. These accounting policies have been consistently applied for all the periods presented.

a) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities.

The Group's investments in its associates and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associates or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated income statement reflects the Group's share of the results of operations of the associates or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associates or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates or joint venture are eliminated to the extent of the interest in the associates or joint venture.

The aggregate of the Group's share of profit or loss of an associate and joint venture is shown on the face of the consolidated income statement outside operating profit and represents profit or loss after tax and non-controlling interests in subsidiaries of the associates or joint venture.

The financial statements of the associates and joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Summary of material accounting policies (Continued)

a) Investments in associates and joint venture (Continued)

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognizes the loss as 'Share of results accounted investees' in the consolidated income statement.

Upon loss of significant influence over the associates or joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of associate upon loss of significant influence and the fair value of retained investment and proceeds from disposal is recognized in statement of income.

b) Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

c) Fair value measurement

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 fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

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. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Summary of material accounting policies (Continued)

c) Fair value measurement (Continued)

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

At each reporting date, the Group analyses the movements in the values of assets and liabilities that are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in Note 23.

d) Revenue recognition

Revenue from contracts with customers is recognized over time to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

All Group's customers are based in the Kingdom of Saudi Arabia. The Group is engaged in providing utility services including water, power and sale of gas to various customers.

The specific recognition criteria described below must also be met before revenue is recognized.

Utility services

The Group recognises revenue as the services are rendered over time as the customers simultaneously receive and consume the benefit. As per terms of the utility contracts with the customers, the Group invoices to customers per unit of output delivered to them. The Group uses the output method to measure progress towards complete satisfaction of performance obligation in each contract and the Group recognizes revenue amount to which the Group has a right to invoice as the Group has a right to consideration from its customers in an amount that corresponds directly with the value to the customer of the entity's performance completed to date. As per the Utility User Agreements (UUA), the amount of consideration is fixed per unit of output. No variable consideration, financing, non-cash consideration and consideration payable to customer is involved in the transaction price.

Connection charges

Revenue in respect of connection charges, recovered from customers at the time of entering into an agreement, are recognized as deferred income and amortized over the expected life of customer relationship as follows:

Industrial customers	20 years
Non-industrial customers	5 years

Finance income

For all financial instruments measured at amortized cost, finance income or expense is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the consolidated income statement.

Dividends

Dividends are recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Summary of material accounting policies (Continued)

d) Revenue recognition (Continued)

Other income

Any other income is recognized when the realization of income is virtually certain and earned by the Group on its own account. Non-cash consideration received from customers is initially recognized at fair value. Subsequent to initial recognition, non-cash consideration is recognized as revenue over the expected period over which related performance obligations are satisfied.

e) Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in the consolidated income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e. the translation differences on items whose fair value gain or loss is recognized in OCI or income statement are also recognized in OCI or income statement, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations, if any, are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their income statement are translated at exchange rates prevailing at the date of the transaction. The exchange differences arising on the translation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in the consolidated income statement.

f) Property, plant and equipment

Property, plant and equipment except land and capital work in progress are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Contributions by customers of items of property, plant and equipment, which require an obligation on the Group to either connect the customer to the network or to supply the customer with ongoing access to supply of power or water or both, are recognized at the fair value when the Group has obtained control of the item. A corresponding credit to deferred revenue is made in current and non-current liabilities combined. Revenue and the related depreciation are subsequently recognized over the contractual period stipulated in the Utility User Agreement (UUA).

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognized.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Summary of material accounting policies (Continued)

f) Property, plant and equipment (Continued)

Depreciation is charged when the assets is available for use in the manner intended by management. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Land and capital work in progress are stated at cost less impairment losses, if any, and is not depreciated until the asset is available for use in the manner intended by management.

The Group exercises judgement in determining the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear.

Depreciation is calculated on a straight-line basis over the estimated useful lives of these assets as follows:

	<u>Useful lives (in years)</u>
Plant and machinery	20 - 30
Buildings, wells and civil infrastructure	10 - 40
Meters, pipe networks and lift stations	20 - 25
Power lines, cables, meters and networks	30 - 40
Common external facilities	20
Other equipment	3 - 25

g) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any

Software licences

Intangibles mainly represent software license costs. A summary of the policies applied to the Group's intangible assets is as follows:

	Software licence
Useful lives	2 to 5 years
Amortization method used	Amortized on a straight-line basis over the useful life
Internally generated or acquired	Acquired

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement when the asset is derecognized.

h) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

A. As a Lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Summary of material accounting policies (Continued)

h) Leases (Continued)

A. As a Lessee (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liability for leases of low-value assets such as IT equipment and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' in the consolidated statement of financial position.

B. As a Lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

i) Financial instruments — initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group applies the classification and measurement requirements for financial instruments under IFRS 9 'Financial Instruments'.

A financial asset or financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument, which is generally on trade date.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss - FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Summary of material accounting policies (Continued)

i) Financial instruments — initial recognition and subsequent measurement (Continued)

Financial assets

(i) Classification and subsequent measurement of financial assets

The Group classifies its financial assets as those to be measured subsequently at amortized cost if they meet the following criteria:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets cash flows. The Group initially measures the trade receivables at the transaction price as the trade receivables do not contain a significant financing component.

(ii) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(iii) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures, for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs.

Therefore, the Group does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 15 days past due.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Summary of material accounting policies (Continued)

i) Financial instruments — initial recognition and subsequent measurement (Continued)

Financial assets (Continued)

(iii) Impairment of financial assets (Continued)

The Group's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category as per Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the Credit Rating Agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

(iv) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial liabilities

(i) Classification and subsequent measurement of financial liabilities

The group classifies its financial liabilities as those to be measured subsequently at amortized cost using the effective interest method, if they are not:

- contingent consideration of an acquirer in a business combination,
- held-for-trading, or
- designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The Group does not qualify any of its financial liabilities under 'fair value through profit or loss (FVTPL)'.

(ii) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated income statement.

(iii) Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

(iv) Offsetting

Financial assets and liabilities are off-set and the net amount is presented in the consolidated statement of financial position when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

j) Impairment of non-financial assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or Cash Generating Unit ("CGU")'s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Summary of material accounting policies (Continued)

i) Financial instruments — initial recognition and subsequent measurement (Continued)

j) Impairment of non-financial assets (Continued)

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year

Impairment losses are recognized in the consolidated income statement in expense categories consistent with the function of the impaired asset.

For assets, excluding goodwill an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated income statement.

The following specific criteria are also applied in assessing impairment of specific assets:

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

k) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Provision for slow-moving and obsolete inventories are made considering various factors including age of the inventory items, historic usage, expected utilization in future and evaluation from the internal technical teams.

l) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks, cash on hand and short-term deposits with a maturity of three months or less.

m) Short-term deposits

Deposits of original maturity of greater than three months but less than one year are classified as short-term deposits under current assets.

n) Cash dividend and non-cash distribution to owners of equity

The Group recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and the distribution is no longer at the discretion of the Group. A distribution is authorised when it is approved by the shareholders in the General Assembly. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity.

Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in consolidated income statement.

o) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a discount rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Summary of material accounting policies (Continued)

p) Zakat and taxes

Zakat

The Group is subject to the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Zakat is provided on an estimated basis. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which the assessment is finalized. The Zakat charge in the consolidated income statement represents the Zakat for the Group.

Withholding tax

The Group deducts taxes on certain transactions with non-resident entities in the Kingdom of Saudi Arabia according to the Saudi Income Tax Law.

Value added tax

Expenses and assets are recognized net of the amount of value added tax ("VAT"), except: When the VAT incurred on a purchase of assets or services is not recoverable from the ZATCA, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable. When receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to, the ZATCA is included as part of receivables or payables in the consolidated statement of financial position.

q) Earnings per share

Earnings per share are computed by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Weighted average number of ordinary shares as of 31 December 2025 and 31 December 2024 were 250,000,000 shares.

r) Employees' benefits

Short-term employee benefits

Short-term employees' benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined benefit plan

The Group is operating unfunded post-employment defined benefit plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurement gains and losses are recognized in full in the period in which they occur in other comprehensive income.

Past service costs are recognized in consolidated income statement on the earlier of:

- The date of the plan amendment or curtailment; and
- The date on which the Group recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under 'cost of revenue' and 'administrative expenses' in the consolidated income statement:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income.

The defined benefit liability comprises the present value of the defined benefit obligation, less past service costs out of which the obligations are to be settled. However, currently the plan is unfunded and has no assets.

Employee home ownership program

The Parent Company has established a home ownership program that offers eligible employees the opportunity to buy residential units constructed by the Parent Company. Upon signing the sale contract with the eligible Saudi employees, the relevant housing units are classified under other non-current assets as due from employees at their present value. Down payments and instalments of purchase price received from employees are set off against the amounts due from employees classified under other non-current assets. The cost of the houses and the related purchase price is removed from other non-current assets when title to the houses is transferred to the employees on repayment of all instalments, at which time no significant gain or loss is expected to result to the Group.

Employees' savings plan

The Parent Company administers an employees' savings plan (defined contribution plan) on behalf of its employees. Contributions from the participants are recorded as a liability and deposited in a separate bank account (refer to notes 14 and 19.2). Under the plan, an employee's contribution varies up to 15% of their basic pay at their discretion. Provision is made for the contributions made by the Parent Company which is 10% of the employee's contribution in the first year and ultimately increasing up to 100% in the tenth year.

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Summary of material accounting policies (Continued)

s) Segment reporting

A business segment is a group of assets, operations or entities:

- engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Parent Company's other components;
- the results of its operations are continuously analysed by Chief Operating Decision Maker (CODM) in order to make decisions related to resource allocation and performance assessment; and
- for which financial information is discretely available.

The Chief Executive Officer of the Parent Company is considered to be the chief operating decision maker. Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The details of Group's segments are presented in note 5 to these consolidated financial statements.

t) Cash flow hedge

The Group uses interest rate swaps (IRS) to hedge its cash flow interest rate risk for investees. Such derivative financial instruments are initially recorded at cost on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For the purpose of cash flow hedges the Group hedges the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

u) Government grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. In the particular case the Company is tariff-regulated. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Government grants, including non-monetary grants at fair value are recognised provided that there is a reasonable assurance that:

- The Group will comply with the conditions attaching to them; and
- The grants will be received.

Receipt of a grant does not itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.

The manner in which a grant is received does not affect the accounting method to be adopted in regard to the grant. Therefore, a grant is accounted for in the same manner whether it is received in cash or as a reduction of a liability towards the government.

Government grants are recognised in profit or loss on a systematic basis over the periods in which Group recognizes as expenses the related costs for which the grants are intended to compensate.

The Group assesses the relationship between the grant and related expenses when it is recognised. A provision of the estimated-results obligations is provided if it seems probable to pay the grant that was recognised previously.

Government grants related to depreciable assets are recognised in the consolidated statement of income over the periods and on the basis of the percentages used to recognise the depreciation expenses of the underlying assets.

Government grants related to non-depreciable assets which require the attainment of certain obligations are recognised in the consolidated statement of income over the periods where the cost of achievement of obligations are incurred.

Group has opted for the netting off approach for grants related to assets. This means that the grant is directly deducted from the cost of the asset, reducing its carrying value. The benefit of the grant is then recognized over the asset's useful life, with the depreciation reflecting the release of the grant to income

The government grant is recognized by the Group, which becomes payable as a compensation for expenses or losses already incurred, which represents the coverage of the gap in the actual and estimated operating income or for the purpose of providing immediate financial support to the Group without future costs related to it in the Group's consolidated statement of income. The Group assesses the relationship between the grant and related expenses upon recognition.

The grant is recognized in the consolidated statement of income even if there are no conditions specifically related to the Group's operating activities other than the requirement for the Group to operate in certain industrial regions or sectors.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

i. Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

ii. Defined benefit plans (post-employment benefits)

The cost of defined benefit post-employment benefits and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, yield and duration of Saudi government bonds obligation with at least an 'A' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

Age-wise "Low, Service based" withdrawal rates are used in carrying out the valuation. These age-wise withdrawal rates are generally used in the MENA region to carry out the actuarial valuation of end of service benefit schemes of companies in Oil & Gas and Energy sectors.

The rates assumed are based on the Group reinsurance mortality tables, rated down one year. In the absence of any standard mortality tables in the region, these rates are generally used in the Kingdom of Saudi Arabia in carrying out actuarial valuation of end of service benefits schemes. If any other mortality table is used it will not make any significant difference in the results. A further detail about post-employment benefit obligation is provided in Note 19.1.

iii. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

iv. Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

v. Useful lives of intangibles

The Group shall review the amortization period and the amortization method for any intangible asset with a finite useful life at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the Group shall change the amortization period accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the Group shall change the amortization method to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with IAS 8.

vi. Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. This estimation is performed on an individual line item basis and a provision for non-moving and obsolete inventory items applied according to the inventory type and the degree of ageing or obsolescence.

vii. Zakat

The Group is subject to Zakat in accordance with Zakat, Tax and Customs Authority ("ZATCA") regulations. Zakat is provided on an accrual basis. Zakat computation involves relevant knowledge and judgment of the rules and regulations to assess the impact of Zakat liability at a particular period end. This liability is considered an estimate until the final assessment by ZATCA is carried out until which the Group retains exposure to additional Zakat liability.

viii. Impairment of financial assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days passed due to groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historically observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historically observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

c) Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

d) Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

ix. Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for. A provision for onerous contracts is measured at the present value of the lower of expected cost of terminating the contract and expected net cost of continuing with the contract. Before a provision is established, the Group recognizes an impairment loss on the assets associated with that contract.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

x. Lease term and estimating the incremental borrowing rate

Extension and termination options are included in a number of leases. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated) and also where such options held are exercisable only by the Group and not by the respective lessor. Options are not included in the lease liabilities where the leased assets could be replaced without significant cost or business disruptions.

When the Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

xi. Determination of joint control

Judgement is required to determine when the Group has joint control, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements relate to the operating, capital and financing decisions of the arrangement, such as: Termination of or material amendment to key project documents, termination or materially amendment to any financing document or to refinance borrowing facilities, the approval of capital expenditure programme for each year. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Judgement is also required to classify a joint arrangement as either a joint operation or joint venture. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, it considers:

- The structure of the joint arrangement – whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
 - The legal form of the separate vehicle
 - The terms of the contractual arrangement
 - Other facts and circumstances (when relevant). This assessment often requires significant judgement, and a different conclusion on joint control and also whether the arrangement is a Joint Operation or a Joint Venture, may materially impact the accounting.

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

a) New and revised standards with no material effect on the consolidated financial statements

Following are the recent changes to IFRSs that are required to be adopted in annual periods beginning on 1 January 2025:

- Lack of exchangeability – Amendments to IAS 21, effective for annual periods beginning on or after 1 January 2025.

The application of the revised IFRSs did not have any material impact on the amounts reported for current and prior periods.

Except for the adoption of new standards effective as of 1 January 2025, the Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

b) Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The group intends to adopt these standards, if applicable, when they become effective.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28), effective date yet to be determined.
- IFRS 18 – Presentation and Disclosure in Financial Statement, effective for annual periods beginning on or after 1 January 2027.
- IFRS19 – Subsidiaries without Public Accountability: Disclosures, effective for annual periods beginning on or after 1 January 2027.
- Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7, effective for annual periods beginning on or after 1 January 2026.

The above-mentioned standards are not expected to have a significant impact on the Group's consolidated financial statements.

5. OPERATING SEGMENTS

The main operating activities of the Group are divided into Power, Water, Gas and others which are complementary to each other in the production and distribution of electricity, water and gas to customers. The Group's primary revenues are currently realized from sale of power, water and gas to final customers according to the applicable tariffs.

Segment information:

The Group is organized into business units based on following reportable segments:

- Power, includes electric power generation, transmission, distribution and retail sales;
- Water, includes desalinated and treated water systems, and potable, process and industrial water production, distribution, sea water cooling systems for heavy industries, industrial and sanitary waste water treatment and disposal;
- Gas, includes sales gas distribution and retail sales of gas;
- Independent Water and Power, includes power and water sold by TAWREED through separate arrangement (refer to note 1).

Further, Corporate and others, includes all other activities that are not directly attributable to identifiable operating segments. This primarily includes finance income, other income/expense, charge of impairment on trade receivables and share in results of equity accounted investees.

All of the Group's operating assets and principal activities are located in the Kingdom of Saudi Arabia.

**POWER AND WATER UTILITY COMPANY FOR JUBAIL AND YANBU (MARAFIQ)
AND ITS SUBSIDIARIES (A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**



5. OPERATING SEGMENTS (Continued)

For the year ended 31 December 2025

	Power	Water	Gas	Independent Water and Power	Corporate and others	Eliminations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Third party revenue*	1,250,449	2,538,145	202,661	2,926,694	27,671	-	6,945,620
Inter-segment revenue	258,875	134,014	-	425,857	13,662	(832,408)	-
Depreciation and amortization	(406,575)	(542,338)	(5,084)	(577,257)	(283)	-	(1,531,537)
Reversal for impairment of trade receivables	496,152	-	-	(10,306)	(2,854)	-	482,992
Operating profit	(22,398)	476,227	(7,431)	601,430	206,660	-	1,254,488
Share in results of equity accounted investees	-	-	-	-	64,015	-	64,015
Finance income	-	4,511	-	4,682	70,295	(170)	79,318
Finance cost	(278,426)	(225,996)	-	(437,213)	(311)	170	(941,776)
Profit before Zakat	(300,824)	254,742	(7,431)	168,899	340,659	-	456,045
Property, plant and equipment, right of use assets and intangibles as at 31 December 2025	6,420,300	7,706,184	43,984	2,597,655	1,031,396	-	17,799,519
Lease liabilities as at 31 December 2025	931,184	1,593,841	5	4,717,828	134,139	-	7,376,997
Addition during year to assets**	76,680	201,031	710	-	185,317	-	463,738

For the year ended 31 December 2024

	Power	Water	Gas	Independent Water and Power	Corporate and others	Eliminations	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Third party revenue	1,665,912	2,493,198	144,820	2,576,189	3,091	-	6,883,210
Inter-segment revenue	222,494	540,307	-	400,621	8,251	(1,171,673)	-
Depreciation and amortization	(390,604)	(526,407)	(3,965)	(577,257)	(810)	-	(1,499,043)
Charge for impairment of trade receivables	(505,466)	-	-	-	(5,715)	-	(511,181)
Operating profit	(336,066)	454,903	1,514	629,295	199,890	(1,413)	948,123
Share in results of equity accounted investees	-	-	-	-	229,499	(163,229)	66,270
Finance income	-	4,788	-	2,419	59,912	-	67,119
Finance cost	(284,857)	(259,397)	-	(499,043)	(1)	-	(1,043,298)
Profit before Zakat	(620,923)	200,294	1,514	132,671	489,300	(164,642)	38,214
Property, plant and equipment, right of use assets and intangibles as 31 December 2024	6,627,149	8,111,482	46,731	3,174,911	1,170,594	-	19,130,867
Lease liability as at 31 December 2024	1,053,360	1,876,065	5	5,474,945	127,835	-	8,532,210
Addition during year to assets**	80,073	404,097	6,384	-	107,411	-	597,965

* This comprises one-time power revenue reversal of SR 475.5 million related to prior periods as disclosed in note 24.3.

**This comprises additions during the year to property, plant and equipment amounting to SR 443.86 million (31 December 2024; SR 597.97 million), right of use assets amounting to SR 14.23 million (31 December 2024; nil) and intangibles amounting to SR 5.65 million (31 December 2024; nil).

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6. PROPERTY, PLANT AND EQUIPMENT

	Land	Plant & machinery	Buildings, wells & civil infrastructure	Meters, pipe networks & lift stations	Power lines, cables, meters & networks	Common external facilities	Other equipment	Capital work-in-progress (Note 6.2)	Total
Cost:	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Balance at 1 January 2024 (Restated)	25,184	13,238,535	2,498,465	2,363,522	1,750,058	90,371	784,404	1,125,227	21,875,766
Acquisition of a subsidiary	-	-	-	-	-	-	99	-	99
Additions	-	-	-	16,846	1,293	-	18,097	525,688	561,924
Disposals	-	-	-	-	-	-	-	(29,553)	(29,553)
Transfers	-	364,990	16,433	117,192	16,680	-	23,637	(538,932)	-
Balance at 31 December 2024	25,184	13,603,525	2,514,898	2,497,560	1,768,031	90,371	826,237	1,082,430	22,408,236
Additions	-	1,700	-	9,238	-	-	12,711	420,208	443,857
Disposals	-	-	-	-	-	-	(15,106)	-	(15,106)
Transfers	-	95,827	-	8,179	8,166	4,896	72,821	(189,889)	-
Transfer to intangibles (Note 6.4)	-	-	-	-	-	-	-	(5,648)	(5,648)
Offsetting against grant (Note 6.3)	-	-	-	(291,892)	-	-	-	-	(291,892)
Balance at 31 December 2025	25,184	13,701,052	2,514,898	2,223,085	1,776,197	95,267	896,663	1,307,101	22,539,447
Accumulated depreciation:									
Balance at 1 January 2024	-	4,716,354	631,702	876,205	443,980	57,591	457,337	-	7,183,169
Depreciation (Note 6.1)	-	470,677	82,349	118,162	56,928	4,504	55,380	-	788,000
Balance at 31 December 2024	-	5,187,031	714,051	994,367	500,908	62,095	512,717	-	7,971,169
Depreciation (Note 6.1)	-	487,322	82,401	121,573	57,773	4,912	58,469	-	812,450
Disposals	-	-	-	-	-	-	(15,106)	-	(15,106)
Offsetting against grant (Note 6.3)	-	-	-	(35,509)	-	-	-	-	(35,509)
Balance at 31 December 2025	-	5,674,353	796,452	1,080,431	558,681	67,007	556,080	-	8,733,004
Carrying value:									
Balance at 31 December 2025	25,184	8,026,699	1,718,446	1,142,654	1,217,516	28,260	340,583	1,307,101	13,806,443
Balance at 31 December 2024	25,184	8,416,494	1,800,847	1,503,193	1,267,123	28,276	313,520	1,082,430	14,437,067

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6. PROPERTY, PLANT AND EQUIPMENT (Continued)

6.1 Allocation of depreciation charge for the year

	<u>2025</u>	<u>2024</u>
	SR '000	SR '000
Cost of revenue	799,741	776,323
Administrative expenses	12,709	11,677
	<u>812,450</u>	<u>788,000</u>

6.2 Capital work-in-progress

Capital work-in-progress mainly represents costs incurred on new projects for installation of plant and machinery, civil infrastructure and equipment for various facilities of the Group.

6.3 The grant received from Royal Commission was netted off against related assets (refer note 32).

6.4 During the year, SR 5.6 million were transferred to intangible assets.

7. INTANGIBLE ASSETS

	<u>31 December</u>	<u>31 December</u>
	2025	2024
	SR '000	SR '000
<u>Cost:</u>		
Opening balance	136,309	134,582
Acquisition of a subsidiary	-	1,727
Transfers (Note 6.4)	5,648	-
Closing balance	<u>141,957</u>	<u>136,309</u>
<u>Accumulated amortization:</u>		
Opening balance	127,836	122,883
Amortization	8,035	4,953
Closing balance	<u>135,871</u>	<u>127,836</u>
<u>Carrying value:</u>		
At 31 December	<u>6,086</u>	<u>8,473</u>

Net book values above as of 31 December 2025 and 31 December 2024 includes IT software and licences.

8. GROUP INFORMATION

8.1 Subsidiaries

- (i) One of the subsidiaries, TAWREED, entered into twenty years Power and Water Purchase Agreement (PWPA) with Jubail Water and Power Company (JWAP) for JWAP to construct, own, operate and transfer an Independent Water and Power Plant (IWPP). As per the PWPA, JWAP agreed to sell the entire power and water capacity and output of the IWPP only to TAWREED as per the rates stipulated in the PWPA.
- (ii) TAWREED entered into a back-to-back On-Sale Agreement (the "On-Sale Agreement") with Saudi Electric Company (SEC), Saudi Water Authority (SWA) and Marafiq (the three jointly known as the "On-Sale Parties") for a similar term of twenty years to sell the entire power and water purchased from JWAP. Based on the terms of the On-Sale Agreement, all costs incurred by TAWREED, such as the cost of power and water capacity and water output, fuel cost, overheads and development costs, etc., are to be repaid by the On-Sale Parties without any mark up.
- (iii) On 30 June 2022, TAWREED and the On-Sale Parties signed a novation agreement in relation to the On-Sale Agreement, whereby Saudi Electricity Company (SEC) was released from all its rights, obligations and liabilities under the On-Sale Agreement, and Saudi Power Procurement Company (SPPC or Principal Buyer) assumed all of SEC rights, obligations and liabilities under the On-Sale Agreement.

8.2 Equity accounted investees

As at 31 December 2025 and 31 December 2024, the Group has following equity accounted investees which:

Associates:

- Jubail and Yanbu District Cooling Company ("TABREED"), owned 20% by the Parent Company, is registered in Kingdom of Saudi Arabia with the principal activity to develop, provide and support district cooling systems for industrial, commercial and residential customers in the industrial cities of Jubail and Yanbu. As at 31 December 2025, the investment was carried at SR 3.2 million (31 December 2024: SR 2.9 million) using equity accounting method.

Joint venture:

- Jubail Water and Power Company ("JWAP"), owned 30% by Marafiq, is registered in the Kingdom of Saudi Arabia with the principal activity being to develop, construct, own, operate and maintain an independent water and power plant in Jubail Industrial City, Kingdom of Saudi Arabia, sell water and electricity and to engage in any business or activities related or ancillary thereto. JWAP commenced its commercial operations in 2010. As at 31 December 2025, the investment was carried at SR 672 million (31 December 2024: SR 709.7 million) using equity accounting method.
- Jeddah Althaniya Water Company ("JAWC"), owned 45% by the Parent Company, is registered for management, operation, maintenance, construction and expansion of a sewage collection and treatment plant, distribution and disposal of waste and the establishment and expansion of the necessary facilities and networks in Jeddah. The commercial operations of JAWC commenced during 2023. As at 31 December 2025, the investment was carried at SR 47.78 million (31 December 2024: SR 54.97 million) using equity accounting method.
- Al-Haer Environmental Services Company ("AESC"), owned 35% by the Parent Company, is an independent sewage treatment plant project in Riyadh. Marafiq entered into the consortium with Miahona Company and N.V. BESIX S.A. Sharjah branch for this project during 2024. The operation of the Company is expected to be reflected on the Company's financial results starting from the first quarter of 2027. As at 31 December 2025, the obligation for investment was carried at SR 11.7 million using equity accounting method (31 December 2024: Investment SR 0.035 million).

Aqua Renew Company ("ARC"), owned 40% by the Parent Company, is an advanced Industrial Wastewater Treatment Plant (IWWTP) project in Jubail 2 Industrial City, to enable the efficient recycling of wastewater into demineralized water, supporting sustainable industrial operations for the AMIRAL Project. The operation of the Company is expected to commence in 2028. As at 31 December 2025, the investment was carried at SR 0.2 million using equity accounting method (31 December 2024: nil).

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8. GROUP INFORMATION (Continued)

8.2 Equity accounted investees (Continued)

Below are summarized financial statements of the investees.

	2025			2024		
	JWAP SR '000	JAWC SR '000	Tabreed SR '000	JWAP SR '000	JAWC SR '000	Tabreed SR '000
Current assets	1,279,634	133,889	24,838	1,302,039	106,937	32,515
Non-current assets	4,115,026	896,324	-	4,935,775	932,626	-
Current liabilities	927,147	154,910	8,622	884,380	184,782	18,009
Non-current liabilities	2,161,407	769,128	-	2,931,757	732,633	-
Equity	2,306,105	106,175	16,216	2,421,677	122,148	14,505
Revenue	1,004,945	44,074	13,732	993,690	53,797	14,392
Net profit or loss for the year	197,254	3,332	1,587	226,569	(4,389)	4,274
Other comprehensive income /(loss)	(95,380)	(23,050)	-	(40,714)	6,256	-
Total comprehensive income / (loss)	101,874	(19,717)	1,587	185,855	1,867	4,274

8.3 Movement of investment in equity accounted investees is:

	31 December 2025 SR '000	31 December 2024 SR '000
Opening balance	767,590	781,444
Change in control of investee	-	3,998
Additions	200	35
Share of results	64,015	66,270
	831,805	851,747
Dividend received	(67,453)	(74,223)
Movement in OCI	(52,439)	(9,934)
Closing balance	711,913	767,590

Investment in equity accounted investees is presented as following:

	31 December 2025 SR '000	31 December 2024 SR '000
Equity accounted investees	723,632	767,590
Provision against losses in Equity accounted investee (Note 19)	(11,719)	-
	711,913	767,590

8.4 As at year end, the Group investees have conventional financial assets and conventional financial liabilities. Conventional financial assets include cash, time deposits and short-term investments. Conventional financial liabilities include long-term borrowings facilities. MIL has conventional financial assets amounting to SR 26.72 million (31 December 2024: SR 43.55 million) on which MIL earned interest income amounting to SR 1.87 million (31 December 2024: SR 2.59 million). JWAP has conventional financial liabilities amounting to 2,109.57 million (31 December 2024: SR 2,635.79 million). No other investee has conventional financial assets and conventional financial liabilities at the reporting date.

9. LONG-TERM RECEIVABLES AND PREPAYMENTS

	31 December 2025 SR '000	31 December 2024 SR '000
Due from employees under home ownership program (Note 9.1)	111,146	124,740
Deferred employees benefit (Note 9.1)	7,872	7,952
	119,018	132,692

9.1 Due from employees under home ownership program

The Parent Company has established an employee home ownership program (HOP) that offers eligible employees the opportunity to buy residential units constructed by the Parent Company. The cost of land and construction costs of the housing units are repayable by employees over a period up to twenty years. The ownership of the housing units is transferred to employees upon full payment of the amounts due. This amount, recorded at amortized cost, represents the cost of housing units sold to the employees under employee home ownership program.

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9. LONG-TERM RECEIVABLES AND PREPAYMENTS (Continued)

9.1 Due from employees under home ownership program (Continued)

The Group does not expect any impairment losses against this balance given the historical default experience together with the underlying value of the residential units and that the amounts due are deductible from monthly salaries of employees. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for due from employee home ownership program.

The Parent Company discounts the carrying amount of due from employees under home ownership program using effective interest method and recognizes deferred employee benefit asset which is being amortized on straight line over average duration of home ownership scheme to the consolidated income statement.

10. INVENTORIES, NET

	31 December 2025	31 December 2024
	SR '000	SR '000
Spare parts	412,266	391,770
Fuel oil	101,934	95,821
Others	19,224	17,799
	533,424	505,390
Less: Provision for slow-moving and obsolete inventories	(164,342)	(148,595)
	369,082	356,795

The movement in the provision for slow-moving and obsolete inventories is:

	2025	2024
	SR '000	SR '000
Opening balance	148,595	173,531
Provided during the year (note 25)	15,747	20,156
Write-off during the year	-	(45,092)
Closing balance	164,342	148,595

11. TRADE RECEIVABLES, NET

	31 December 2025	31 December 2024
	SR '000	SR '000
Trade receivables – related parties (Note 30.2)	815,848	965,328
Trade receivables – others	224,630	247,117
	1,040,478	1,212,445
Provision for impairment	(59,122)	(542,114)
	981,356	670,331

For terms and conditions relating to trade receivables from related party receivables (refer to note 30). Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days.

The movement in allowance for impairment in respect of trade receivables during the year is:

	2025	2024
	SR '000	SR '000
Opening balance	542,114	30,933
(Reversal) / provision for the year *	(482,992)	511,181
Closing balance	59,122	542,114

*Reversal during the year includes reversal of expected credit loss pertaining to HIECT receivable amounting to SR 496.2 resulting from implementation of HIECT that was recorded during 2024. (Refer to notes 1 & 24.3).

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11. TRADE RECEIVABLES, NET (Continued)

As at year end, the ageing analysis of trade receivables is as follows:

	Total	Up to 6 months	6 to 12 months	More than 12 months
ECL percentage 2025		2%	26%	85%
ECL percentage 2024		33%	97%	86%
Gross balance (SR in '000)				
2025	1,040,478	983,250	13,334	43,894
2024	1,212,445	979,853	134,589	98,003

See Note 23 on credit risk of trade receivables, which discusses how the Group manages and measures credit risk of trade receivables that are neither past due nor impaired.

12. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2025 SR '000	31 December 2024 SR '000
Accrued revenue	305,167	264,010
Advances and other receivables	51,706	75,479
Prepayments	67,879	71,300
Power margin (Note 12.1)	23,293	24,499
Accrued finance income	7,041	3,337
	455,086	438,625

12.1 Power margin represents compensation receivable by the Parent Company for the power produced by JWAP (refer to note 27.1).

13. SHORT-TERM DEPOSITS

Short-term deposits are placed with commercial banks for varying periods between three and twelve months and earn interest at fixed rates based on daily bank deposits ranging from 5.16% to 5.97% p.a (2024: from 5.53% to 6.08% p.a)

14. CASH AND CASH EQUIVALENTS

	31 December 2025 SR '000	31 December 2024 SR '000
Cash at bank	273,488	383,872
Short term deposits	774,000	1,069,000
Cash and cash equivalents	1,047,488	1,452,872

Cash and cash equivalents include cash and bank balances and demand deposits with original maturities of three months or less.

Short-term deposits earn interest at fixed rates based on daily bank deposit rates ranging from 5.16% to 5.97% p.a (2024: from 5.53% to 6.08% p.a). Short-term deposits are made for periods of up to three months from the date of placement, depending on the immediate cash requirements of the Group.

Bank balances at 31 December 2025 include SR 52 million (31 December 2024: SR 46.8 million) representing employees' contributions and finance income pertaining to the employees' saving plan.

15. SHARE CAPITAL AND RESERVES

	31 December 2025	31 December 2024
Authorized and issued shares		
Ordinary shares of SR 10 each – Number	250,000,000	250,000,000
Ordinary shares issued and fully paid – SR '000	2,500,000	2,500,000

15.1 The Shareholders of the Parent Company in their meeting held on 24 July 2024 approved the transfer of the statutory reserve in the financial statements of SR 342 million for the year ended as at 31 December 2023 to the retained earnings. The Company has updated its bylaws in accordance with the provisions of the Companies regulation.

16. DIVIDENDS

	<u>2025</u>	<u>2024</u>
Dividends to shareholders - SR '000	-	362,500
Dividend per share – SR	-	1.45

During 2024, the Board of Directors of the Parent Company in their meetings held on 06 March 2024 announced to distribute cash dividends for second half of 2023 amounting to SR 275 million (SR 1.10 per share), which was paid on 27 March 2024. Further, the Board of Directors of the Parent Company approved interim dividends for first half of 2024 on 31 July 2024, amounting to SR 87.5 million (SR 0.35 per share), which was paid on 5 September 2024.

17. EARNINGS PER SHARE

	<u>2025</u>	<u>2024</u>
Profit attributable to ordinary shareholders – SR '000	<u>449,428</u>	<u>17,152</u>
Weighted average number of ordinary shares outstanding during the year	<u>250,000,000</u>	<u>250,000,000</u>
Basic and dilutive earnings per share – SR	<u>1.80</u>	<u>0.07</u>

Basic earnings per share for profit attributable to ordinary shares holders for the year ended 31 December 2025 and 31 December 2024 are computed based on the weighted average number of shares outstanding during such years. The diluted earnings per share are the same as the basic earnings per share as the Group does not have any dilutive instruments in issue.

18. BANK LOANS AND BORROWINGS

	<u>31 December 2025</u>	<u>31 December 2024</u>
	SR '000	SR '000
<i>Shariah compliant long-term loans</i>		
Fourth Murabaha	1,500,000	1,500,000
Fifth Murabaha	1,500,000	1,500,000
Sixth Murabaha	2,900,000	2,900,000
SIDF (a related party)	-	291,000
	<u>5,900,000</u>	<u>6,191,000</u>
Less: Unamortised transaction costs	<u>(31,176)</u>	<u>(39,749)</u>
	<u>5,868,824</u>	<u>6,151,251</u>

Bank loans and borrowings are presented in these consolidated financial statements as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
	SR '000	SR '000
Current maturity under current liabilities	-	288,033
Non-current maturity under non-current liabilities	<u>5,868,824</u>	<u>5,863,218</u>
	<u>5,868,824</u>	<u>6,151,251</u>

SIDF loans are fully settled during the year and related charge on the assets in property, plant and equipment of the Group is accordingly released.

Movement in bank loans and borrowings is as follows:

	<u>2025</u>	<u>2024</u>
	SR '000	SR '000
Opening balance	6,191,000	6,454,000
Repayments	<u>(291,000)</u>	<u>(263,000)</u>
	5,900,000	6,191,000
Less: Unamortized transaction costs	<u>(31,176)</u>	<u>(39,749)</u>
Closing balance	<u>5,868,824</u>	<u>6,151,251</u>

18. BANK LOANS AND BORROWINGS (Continued)

18.1 MARAFIQ

Murabaha

During 2019, the Parent Company entered into three loan agreements with three banks to restructure its Murabaha facilities with loans having extended tenor. The loans have aggregate amount of SR 5.9 billion (SR 1.5 billion, SR 1.5 billion and SR 2.9 billion) which was fully utilized as at 31 December 2025.

The Parent Company's payment obligations under the Murabaha Facility Documents rank pari passu with the claims of all its other unsecured creditors, except for obligations mandatorily preferred by law. The loan agreements include certain covenants including debt to tangible net worth and debt service coverage, to be maintained by the Parent Company during the term of the loans and at the year-end. The Parent Company complied with such covenants as of year ended 31 December 2025. The loans carry finance charges at Saudi Inter Bank Offered Rate (SIBOR) plus a margin. During 2024, the Company has rescheduled the Murabaha facilities with respective banks and delayed commencement of principal repayments by 3 years. The Principal repayment of loans will commence from 2028 and maturing on 2034.

Saudi Industrial Development Fund (SIDF)

The loan agreements entered into with SIDF, a related party, on 26 May 2016 provided for two loans with an aggregate amount of SR 1.6 billion to finance the construction of Parent Company's production facilities. The Parent Company had drawn full amount as at 31 December 2018. Up-front fees and annual administrative expenses are charged by SIDF under the loan agreement. The loans were payable in seventeen unequal semi-annual instalments which commenced in January 2018 and ended during the year. Accordingly, loans were fully settled during the year.

The aggregate maturities of gross carrying value of loans are summarised as follows:

	31 December 2025	31 December 2024
	SR '000	SR '000
2025	-	291,000
2026	-	-
2027	-	-
2028	842,857	842,857
2029	842,857	842,857
2030	842,857	842,857
2031 and above	3,371,429	3,371,429
	5,900,000	6,191,000

19. OTHER NON-CURRENT LIABILITIES

	31 December 2025	31 December 2024
	SR '000	SR '000
Obligation for post-employment defined benefits (Note 19.1)	845,067	789,562
Non-current portion of deferred income (Note 19.3)	501,144	545,847
Deferred government grant (Note 19.4)	106,072	106,072
Employees' savings plan (Note 19.2)	86,091	76,421
Provision against losses in Equity accounted investee (Note 8.3)	11,719	-
Others	13,344	11,288
	1,563,437	1,529,190

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19. OTHER NON-CURRENT LIABILITIES (Continued)

19.1 Post-employment defined benefit plan

The Group has post-employment defined benefit plan. The benefits are required by Saudi Labor and Workman Law. The Group recognises the benefits in the consolidated income statement and consolidated statement of profit or loss and other comprehensive income. The benefits are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The following table summarizes the components of the net benefit expense recognized in consolidated income statement and amounts recognized in the consolidated statement of financial position.

Movement in the present value of defined benefit obligation

	<u>2025</u>	<u>2024</u>
	SR '000	SR '000
Defined benefit obligation at 1 January	789,562	755,114
Acquisition of a subsidiary	-	69
Interest cost	45,172	59,605
Current service cost	63,364	39,745
Past service cost/adjustment	120	(6,042)
Net benefit expense recognized in consolidated income statement	108,656	93,308
Re-measurement loss / (gain) recognized in other comprehensive income	11,621	(26,932)
Benefits paid	(64,772)	(31,997)
Defined benefit obligation at 31 December	<u>845,067</u>	<u>789,562</u>

Remeasurement gain recognized in other comprehensive income relates to:

	<u>2025</u>	<u>2024</u>
	SR '000	SR '000
Financial assumptions	(4,023)	(62,010)
Demographic assumptions	318	2,260
Experience adjustments	15,326	32,818
	<u>11,621</u>	<u>(26,932)</u>

Significant assumptions used in determining the post-employment defined benefit obligation include the following:

	<u>2025</u>	<u>2024</u>
Discount rate	4.8% to 5.8%	5.5% to 6%
Future salary increases	4.2 to 5.5%	5.5% to 4.7%
Normal retirement age	60 to 65 years	60 to 65 years
Withdrawal rate	Low, Service based	Low, Service based

At 31 December 2025, the weighted-average duration of the defined benefit obligation was 12.03 years (2024: 11.78 years).

19. OTHER NON-CURRENT LIABILITIES (Continued)

19.1 Post-employment defined benefit plan (Continued)

A quantitative sensitivity analysis for discount rate assumption on the defined benefit obligation as at 31 December is as follows:

Assumption Sensitivity Level	Discount rate	
	1% increase SR '000	1% decrease SR '000
Defined benefit obligation changes as at 31 December 2025	(92,800)	110,420
Defined benefit obligation changes as at 31 December 2024	(96,239)	96,411

Assumption Sensitivity Level	Future salary	
	1% increase SR 000	1% decrease SR 000
Defined benefit obligation changes as at 31 December 2025	111,801	(95,561)
Defined benefit obligation changes as at 31 December 2024	99,864	(100,506)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The following are expected payments or contribution to its defined benefit plans of the Group in future years.

	31 December 2025 SR '000	31 December 2024 SR '000
Within next 12 months	36,101	30,682
Between 2 to 5 years	157,550	134,666
Between 5 to 10 years	311,878	280,657
More than 10 years	1,419,578	1,472,253
Total	1,925,107	1,918,258

19.2 Employees' savings plan

	2025 SR '000	2024 SR '000
Opening balance	76,421	69,073
Additions	21,199	17,794
Payments	(11,529)	(10,446)
Closing balance	86,091	76,421

19.3 Deferred income includes receipt of connection charges during the year amounting to SR 4.82 million (31 December 2024: SR 5.94 million).

19.4 Deferred government grant includes amount received in relation to Liquid Fuel Displacement Program for execution of capital project (refer note 32).

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20. TRADE PAYABLES

	<u>31 December 2025</u>	<u>31 December 2024</u>
	SR '000	SR '000
Due to related parties (Note 30.3)	551,437	402,772
Retention payable	170,689	195,732
Trade payables	57,363	88,527
Due to contractors	1,061	1,743
	<u>780,550</u>	<u>688,774</u>

All of above payables are non-interest bearing and payment terms with customer range from 30 to 120 days.

21. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>31 December 2025</u>	<u>31 December 2024</u>
	SR '000	SR '000
Accrued expenses and other payables – related parties (Note 30.3)	339,256	334,958
GR/IR Accruals	341,240	310,853
Accrued expenses and other payables	180,628	123,225
Current portion of deferred income	59,208	58,118
Provision for Zakat (Note 22)	14,750	11,258
Accrued finance charges	758	7,180
Others	17,476	21,900
	<u>953,316</u>	<u>867,492</u>

22. ZAKAT

Zakat charge for the year represents the accumulated amount of the Zakat provision made by the Group.

Amounts recognized in consolidated income statement

	<u>2025</u>	<u>2024</u>
	SR '000	SR '000
Zakat		
- Zakat charge for the year	14,594	9,637
- Prior year zakat (adjustment) / charge	(7,977)	11,425
	<u>6,617</u>	<u>21,062</u>

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22. ZAKAT (Continued)

The principal elements of the Zakat base of the Parent Company are as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
	SR '000	SR '000
Shareholders' equity	5,630,299	5,225,854
Liabilities and credit balances	10,931,142	12,106,511
Book value of long-term assets	16,560,651	16,927,916
Minimum limit of Zakat base	449,976	16,423
Maximum limit of Zakat base	5,630,299	5,225,125
Zakat base	449,976	16,423

Some of the above amounts have been adjusted in arriving at approximate Zakat base and the Zakat charge for the year.

(i) Movement in Zakat provision

	<u>2025</u>	<u>2024</u>
	SR '000	SR '000
As at 1 January	11,258	39,255
Provision for Zakat	14,594	9,637
Prior year (adjustment) / charge	(7,977)	11,425
Payment of Zakat	(3,125)	(49,059)
As at 31 December	<u>14,750</u>	<u>11,258</u>

(iii) Status of assessments

Power and Water Utility Company for Jubail and Yanbu (Marafiq)

Annual zakat returns have been filed up to the financial year 2024 within the statutory filing deadlines.

Zakat and Income Tax assessments for the financial years 2015 through 2019 and 2021 through 2024 have been finalized by ZATCA. Zakat returns for the years up to 31 December 2024 have been filed with ZATCA within statutory deadlines. The Zakat and income tax assessment for the year 2020 is under review by ZATCA.

Marafiq Water and Power Supply Company (TAWREED)

Zakat and Income Tax assessments up to the year 2017 has been finalized with the ZATCA. Zakat returns for the years up to 31 December 2024 have been submitted within the statutory deadline and ZATCA review is awaited. ZATCA has raised certain additional queries for the years 2018 through 2021 which have been responded by TAWREED and ZATCA's review is awaited. The Zakat assessment for the years 2021 through 2024 are under review by ZATCA.

MASA Services Company for Operation and Maintenance (MASA)

Zakat assessment for the year 2017 and 2018 has been finalized with the ZATCA. The Zakat and income Tax assessment for the financial year 2019 and prior years have become time barred due to statute of limitation. ZATCA has not yet issued assessment for the financial year 2020 through 2024. Zakat and Income tax returns for the year ended 31 December 2024 have been submitted within the statutory deadline.

Jeddah Althaniya Operation and Maintenance Company (JAOMC)

Zakat and income tax returns from inception till the year ended 31 December 2023 have been filed and are under review by ZATCA. Zakat and income tax returns for the year ended 31 December 2024 have been submitted within the statutory deadline.

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23. FINANCIAL INSTRUMENTS

23.1 Financial assets

	31 December 2025	31 December 2024
	SR '000	SR '000
Due from employee home ownership program (Note 9)	111,146	124,740
Trade receivables (note 11)	1,040,478	1,212,445
Other receivables	335,501	291,846
Short term deposits	657,719	43,553
Cash and cash equivalents (note 14)	1,047,488	1,452,872
Total financial assets not measured at fair value	3,192,332	3,125,456

23.2 Financial liabilities

	31 December 2025	31 December 2024
	SR '000	SR '000
Loans and borrowings (note 18)	5,900,000	6,191,000
Lease liabilities (note 31)	7,376,997	8,532,210
Other non-current liabilities	217,226	193,781
Trade payables (note 20)	780,550	688,774
Accrued expense and other payables	879,358	798,116
Total financial liabilities not measured at fair value	15,154,131	16,403,881

23.2.1 Bank loans and borrowings (Note 18)

	Interest rate %	Maturity	31 December 2025	31 December 2024
			SR '000	SR '000
Marafiq				
Fourth Murabaha	SIBOR + 0.75%	2034	1,500,000	1,500,000
Fifth Murabaha	SIBOR + 0.85%	2034	1,500,000	1,500,000
Sixth Murabaha	SIBOR + 0.80%	2034	2,900,000	2,900,000
SIDF	-	2025	-	291,000
Less: Unamortised transaction costs			(31,176)	(39,749)
			5,868,824	6,151,251

23.3 Measurement of fair values

Fair value hedge

The Group's financial assets and financial liabilities are measured at amortized cost except for the cash flow hedge in investees that is carried at fair value on a recurring basis.

The Group has not disclosed the fair value for financial instruments such as short-term trade and other receivables, trade and other payables and cash and bank balances, as their carrying amounts are a reasonable approximation of fair values largely because of short-term maturity of these instruments. The fair value of Murabaha, SIDF and other loans facilities is approximately the same as their carrying value.

23. FINANCIAL INSTRUMENTS (Continued)
23.3 Measurement of fair values (Continued)

Fair value hedge (Continued)

The cash flow hedge reserve represents the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized in the consolidated income statement when the hedged transaction impacts the income or loss. Under the finance agreements, the hedges are required to be held until the maturity date of the loans. Changes in fair value of the undesignated portion of the IRS are recognised in the consolidated income statement.

Interest rate swaps are fair valued by calculating present value of the estimated future cash flows. 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.

Fair value hierarchy of financial instruments

31 December 2025	Fair value			
	Level 1	Level 2	Level 3	Total fair value
	----- SR'000 -----			
Share of cash flow hedge reserve of investees	-	59,007	-	59,007

31 December 2024	Fair value			
	Level 1	Level 2	Level 3	Total fair value
	----- SR'000 -----			
Share of cash flow hedge reserve of investees	-	111,446	-	111,446

Financial instruments risk management objectives and policies

The Group's principal financial assets include cash and cash equivalents, trade receivables and certain other receivables that arrive directly from its operations. The Group's principal financial liabilities comprise loans and borrowings as well as trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's financial risk activities are governed by appropriate policies and procedures. Financial risks are identified, measured and managed in accordance with Group policies and risk appetite.

The Board of Directors review and agree policies for managing each of these risks, which are summarised below.

Fair value measurement

The fair value of financial assets and financial liabilities of the Group approximates their carrying value, unless specifically disclosed in the relevant note.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk such as equity price risk and commodity price risk. Financial instruments affected by market risk include: loans and borrowings, deposits, and certain other financial instruments.

Cash flow and interest rate risk

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. With all other variables held constant, the Group's profit before Zakat is affected through the impact on floating rate borrowings, as follows:

	2025	2024
	SR '000	SR '000
Increase/decrease by 100 basis points	<u>-/+59,000</u>	<u>-/+61,910</u>

23. FINANCIAL INSTRUMENTS (Continued)
23.3 Measurement of fair values (Continued)

Financial instruments risk management objectives and policies (Continued)

The interest rate swaps settle on a semi-annual basis. The floating rate on the interest rate swaps is the relevant interbank rate. The Group will settle the difference between the fixed and floating interest rate on a net basis fixed contract rates and floating interest amounts, calculated by reference to the agreed notional principal amounts

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries including foreign currency amounts due from related parties.

The Group did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars. Since Saudi Riyal is on a fixed parity with the US Dollar, the management believes that the Group does not have any significant exposure to currency risk.

Commodity price risk

The Group is affected by the volatility of certain commodities, primarily Fuel oil and Gas. The Group have developed and enacted a risk management strategy dealing with commodity price risk and its mitigation by enhancing production efficiency and increasing the reliability of its plants.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its investing activities, including deposits with banks and financial institutions.

Expected credit loss allowance as at 31 December 2025 (31 December 2024: immaterial) in respect of cash and cash equivalents, accrued revenue, due from employee home ownership program and short-term deposits was immaterial.

Trade receivables

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit worthiness analysis. At 31 December 2025, the Group had 8 customers (31 December 2024: 9 customers) that owed it more than SR 20 million each and accounted for approximately 58% (31 December 2024: 70.5%) of gross receivables.

The requirement for impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are combined into homogenous categories based on their classification into industrial, government, residential and commercial categories and assessed for impairment collectively. The calculation is based on historical data adjusted for future outlook and expectations. Loss rates are calculated using a 'roll rate' method based on the probability of receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments. The calculation is based on historical data adjusted for future outlook and expectations.

The expected credit loss estimates are disclosed in Note 11. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as medium, as its customers are located in multiple locations and several industries and operate in largely independent markets.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Treasury Department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the management and may be updated throughout the year subject to approval of the higher management. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position is the carrying amounts as illustrated in Note 23.1.

23. FINANCIAL INSTRUMENTS (Continued)

23.3 Financial instruments risk management objectives and policies (Continued)

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by managing the working capital and ensuring that the bank facilities are available.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, Islamic Murabaha loans and other sources of funding. No Group's debt will mature in less than one year at 31 December 2025 (31 December 2024: 4.7%) based on the carrying value of borrowings reflected in the consolidated financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

As at 31 December 2025	Carrying value SR '000	Contractual undiscounted cash flows			Total SR '000
		Within 12 months	2 to 5 years	> 5 years	
		SR '000	SR '000	SR '000	
Loans and borrowings	5,868,824	361,906	3,783,923	3,843,159	7,988,988
Lease liabilities	7,376,997	1,762,622	5,600,021	2,044,638	9,407,281
Other non-current liabilities	217,226	-	-	217,226	217,226
Trade payables	780,550	780,550	-	-	780,550
Accrued expense and other payables	879,358	879,358	-	-	879,358
	15,122,955	3,784,436	9,383,944	6,105,023	19,273,403

As at 31 December 2024	Carrying value SR '000	Contractual undiscounted cash flows			Total SR '000
		Within 12 months	2 to 5 years	> 5 years	
		SR '000	SR '000	SR '000	
Loans and borrowings	6,151,251	655,873	3,055,787	4,933,201	8,644,861
Lease liabilities	8,532,210	1,995,544	5,798,433	3,125,685	10,919,662
Other non-current liabilities	193,781	-	-	193,781	193,781
Trade payables	688,774	688,774	-	-	688,774
Accrued expense and other payables	798,116	798,116	-	-	798,116
	16,364,132	4,138,307	8,854,220	8,252,667	21,245,194

Financing activities mainly relates to loans and borrowings and leasing. The movement of these balance are disclosed in the notes 18 and 31, respectively.

Capital management

Capital includes equity attributable to the equity holders of the Parent Company.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

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23. FINANCIAL INSTRUMENTS (Continued)

23.3 Financial instruments risk management objectives and policies (Continued)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is total debt to tangible net worth. Tangible net worth includes share capital, reserves, retained earnings, excluding dividend declared or paid and any unrealized income from investment in securities.

The Group's net debt to adjusted equity ratio as at year end was as follows:

	31 December 2025	31 December 2024
	SR '000	SR '000
Total debt (Borrowings and leases)	13,245,821	14,683,461
Less: cash and cash equivalents	(1,047,488)	(1,452,872)
Net debt	12,198,333	13,230,589
Total equity	5,609,776	5,224,408
Fair value reserve of cash flow hedge of investees	(59,007)	(111,446)
Adjusted equity	5,550,769	5,112,962
Net debt to adjusted equity ratio	2.2	2.6

In order to achieve its overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants may lead to call-back of facilities. There was no breaches of the financial covenants of any loans and borrowing in the current period. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2025 and 31 December 2024.

24. REVENUE

Revenue from contracts with customers is disaggregated as follows:

	2025	2024
	SR '000	SR '000
Power (note 24.2)	3,465,121	3,564,248
Water (note 24.2)	3,211,750	3,130,574
Gas	202,661	144,820
Others	66,088	43,568
	6,945,620	6,883,210

24.1 The Group provides utility services to various customers across the Kingdom of Saudi Arabia. Revenue from contract with customers is recognized over time (refer to note 2.3 (d)).

24.2 Reconciliation with segment note:

	Power		Water	
	2025	2024	2025	2024
	SR'000	SR'000	SR'000	SR'000
Revenues	3,465,121	3,564,248	3,211,750	3,130,574
Independent Water and Power (note 5)	(2,219,387)	(1,903,099)	(707,307)	(673,090)
Other revenues related to power and water	4,715	4,763	33,702	35,714
As per Segment (note 5)	1,250,449	1,665,912	2,538,145	2,493,198

24. REVENUE (Continued)

24.3 As disclosed in Note 1 to these financial statements, on 28 May 2025, the Company implemented the HIECT. As a result, the Company has considered the change in tariff as contract modification and recognized the change as cumulative adjustment to previously recognized revenue in accordance with IFRS 15. This resulted in a one-time power revenue reversal of SR 475.5 million related to prior periods. The adjustment reflects a retrospective change in tariff from 18 Halalah to 12 Halalah per Kw/H, effective from 1 January 2023. Credit notes were issued to HIECT eligible customers on the implementation date to reflect the revised tariff. This revenue reversal is a non-recurring transaction and does not carry any associated costs. Consequently, the revenue and gross profit for the year ended 31 December 2025 have been negatively impacted by the full amount of the reversal. As a result of the tariff change, the Company also reversed a related impairment provision of SR 496.2 million (inclusive of VAT) pertaining specifically to HIECT receivables.

25. COST OF REVENUE

	2025 SR '000	2024 SR '000
Fuel and chemicals (Refer note 25.1)	2,406,048	1,890,337
Depreciation of Property, plant and equipment and right of use assets (Notes 6 & 31)	1,493,496	1,464,005
Power and water costs	1,023,511	872,476
Employees related costs	663,115	632,851
Repair and maintenance	185,379	174,274
Operating and maintenance expenses	114,509	117,831
Provision for slow-moving and obsolete inventories (Note 10)	15,747	20,156
Amortization of intangible assets	7,884	4,802
Others	218,453	183,839
	6,128,142	5,360,571

25.1 During the year, the Group reached an amicable settlement with Saudi Aramco, in its capacity as a supplier in the normal course of business, regarding the supply of heavy fuel oil to the Company's facility in Yanbu. The settlement includes the following key terms among the other terms outlined in the settlement agreement:

1. Saudi Aramco will pay Marafiq a financial amount of approximately SR 70 million.
2. Marafiq will be exempted from paying certain handling fees, as well as operation and maintenance (O&M) fees for specific facilities over varying periods, with an amount not exceeding approximately SR 15 million annually until 2033.

Accordingly, the cash amount of SR 70 million received has been recognized as a reduction in cost of revenue in the current period, and an accrual of SR 3.9 million related to prior-period O&M fees covered under this settlement was reversed during the current period.

25.2 Cost of revenue includes inventories consumed during the year amounting to SR 572.01 million (2024: SR 420.59 million).

26. ADMINISTRATIVE EXPENSES

	2025 SR '000	2024 SR '000
Employees related costs	192,561	170,549
Services contracts	49,395	40,831
Depreciation of Property, plant and equipment and right of use assets (Notes 6 & 31)	30,006	30,085
Donations	5,623	4,646
Amortization of intangible assets	151	151
Others	32,502	38,895
	310,238	285,157

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27. OTHER OPERATING INCOME

	2025	2024
	SR '000	SR '000
Power margin (Note 27.1)	147,661	148,569
Income from service provided to affiliate	51,227	
Income from reimbursements asset replacement cost (Note 32)	47,102	-
Gain on sale of scrap	2,933	418
Insurance claim	82	49,967
Others	15,369	23,470
	264,374	222,424

27.1 Power margin

The power margin represents the income received by the Group as per the direction of the Supreme Economic Council's resolution number 369/27 dated 29 Shawwal 1427 (20 November 2006) which mentioned that the Group would be compensated for selling the entire power produced by the IWPP to an on-sale party instead of selling it to the Parent Company's customers and for its efforts to establish the initial set-up and to start the IWPP project. Under a subsequent novation agreement, the Principal Buyer assumed the role of the on-sale party.

28. FINANCE INCOME

	2025	2024
	SR '000	SR '000
Income on short term deposits	74,742	62,453
Unwinding of discount on HOP receivable	4,576	4,666
	79,318	67,119

29. FINANCE COST

	2025	2024
	SR '000	SR '000
Finance cost on loans and borrowings (Note 29.1)	380,000	414,851
Finance cost on lease liabilities and others	561,776	628,447
	941,776	1,043,298

29.1 This includes finance cost on Shariah compliant facilities amounting SR 380 million (2024: SR 414.85 million).

30. RELATED PARTY TRANSACTIONS AND BALANCES

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at mutually agreed terms and conditions. Outstanding balances at the year-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2025, the Group did not record any provision for impairment of receivables relating to amounts owed by related parties except for expected credit loss under the requirement of IFRS 9. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

The government of Kingdom of Saudi Arabia is the ultimate controlling party of the Parent Company. Related parties include shareholders, subsidiaries, associates, joint ventures, key management personnel and other related parties including entities under control, joint control or significant influence of the shareholders as well as government entities. Following are significant transactions and balances with related parties other than those disclosed elsewhere in the consolidated financial statements.

30.1 Significant transactions with related parties

(i) Billings for providing power and water services to related parties in accordance with long term supply agreements are as follows:

	2025	2024
	SR '000	SR '000
<i>Shareholders</i>		
SABIC and its subsidiaries	1,419,721	1,622,968
Royal Commission	266,949	234,074
<i>Other related parties</i>		
Saudi Aramco and its subsidiaries	1,185,650	1,521,352
Principal Buyer	2,792,484	2,391,071
SWA	817,787	782,355
Other government entities	190,072	186,812

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30. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

30.1 Significant transactions with related parties (Continued)

(ii) Costs include fuel oil, gas, power and water costs in accordance with long-term purchase agreements as follows:

	2025	2024
	SR '000	SR '000
<i>Other related parties</i>		
Saudi Aramco and its subsidiaries	2,531,155	1,968,788
SEC	97,074	79,456
Principal Buyer	74,746	44,660
SWA	20,533	25,420
JWAP	568,051	494,049

30.2 Due from related parties

Gross trade receivables

	31 December 2025	31 December 2024
	SR '000	SR '000
<i>Shareholders</i>		
SABIC and its subsidiaries	186,204	403,749
Royal Commission	94,590	109,444
<i>Other related parties</i>		
SWA	285,764	77,692
Saudi Aramco and its subsidiaries	175,945	338,928
JWAP	5,980	-
Principal Buyer	211	607
AlHaer	13,189	-
ARC	10,486	-
Other government entities	43,479	34,908
	815,848	965,328

Prepayments and other current assets

	31 December 2025	31 December 2024
	SR '000	SR '000
<i>Other related parties</i>		
Principal Buyer	197,053	182,354
SWA	59,404	65,197
	256,457	247,551

30.3 Due to related parties

Trade payables

	31 December 2025	31 December 2024
	SR '000	SR '000
<i>Other related parties</i>		
Saudi Aramco and its subsidiaries	366,429	243,095
JWAP	163,943	159,677
SEC	21,065	-
	551,437	402,772

Retention payable

	31 December 2025	31 December 2024
	SR '000	SR '000
<i>Shareholder</i>		
Royal Commission	22	22
<i>Other related parties</i>		
SEC	17	17
	39	39

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30. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

30.3 Due to related parties (Continued)

Accrued expenses and other current liabilities

	31 December 2025	31 December 2024
	SR '000	SR '000
<i>Shareholder</i>		
Royal Commission	8,857	9,617
<i>Other related parties</i>		
Saudi Aramco and its subsidiaries	178,074	165,192
JWAP	147,316	143,062
SEC	5,009	17,087
	339,256	334,958

30.4 Related party Leases

Following are lease liabilities with related parties of the Group:

	31 December 2025	31 December 2024
	SR '000	SR '000
Lease liability in respect of assets on lease from Royal Commission (Note (i))		
- Current	569,898	794,209
- Non-current	2,070,316	2,245,322
	2,640,214	3,039,531
Lease liability in respect of PWPA assets of JWAP		
Current portion	819,315	762,169
Non-current portion	3,898,512	4,737,883
	4,717,827	5,500,052

- (i) Based on the formal agreement signed between the Parent Company and the Royal Commission in 2006, effective 1 January 2003, the Royal Commission leased to the Parent Company power and water operating facilities at Yanbu and water operating facilities at Jubail, valued at SR 3,373 million. The obligation under this lease will be payable by the Parent Company in 25 equal annual instalments of SR 168.7 million each.

The Parent Company signed the second lease agreement in 2016 with Royal Commission in Yanbu for additional power and water operating facilities valued at SR 1,526.6 million. The obligation under this lease will be payable by the Parent Company in average 25 annual instalments.

The Parent Company signed the third lease agreement in 2017 with Royal Commission in Yanbu for additional power and water operating facilities valued at SR 318.8 million. The obligation under this lease will be payable by the Parent Company in average 25 annual instalments.

The Parent Company signed the fourth lease agreement in 2017 with Royal Commission in Jubail for additional power and water operating facilities valued at SR 1,777.8 million. The obligation under this lease will be payable by the Parent Company in 25 annual instalments.

The Parent Company signed the fifth lease agreement in 2018 with Royal Commission in Yanbu for additional water operating facilities valued at SR 13.1 million. The obligation under this lease will be payable by the Parent Company in 25 annual instalments.

The Parent Company signed the sixth lease agreement in 2019 with Royal Commission in Yanbu for additional water operating facilities valued at SR 1.2 million. The obligation under this lease will be payable by the Parent Company in 25 annual instalments.

The Parent Company signed the seventh lease agreement in 2020 with Royal Commission in Yanbu for additional water operating facilities valued at SR 510.9 million. The obligation under this lease will be payable by the Parent Company in 25 annual instalments.

The Parent Company signed the eighth lease agreement in 2023 with Royal Commission in Yanbu for additional water operating facilities valued at SR 45.61 million. The obligation under this lease will be payable by the Parent Company in 25 annual instalments.

The Parent Company signed the ninth lease agreement in 2023 with Royal Commission in Jubail for additional water operating facilities valued at SR 151.45 million. The obligation under this lease will be payable by the Parent Company in 25 annual instalments.

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30. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

30.5 Transactions with key management personnel

Key management personnel of the Group comprise the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The remuneration of directors and other members of key management personnel during the year was as follows:

	<u>2025</u>	<u>2024</u>
	SR '000	SR '000
Short-term employee benefits	42,471	40,931
Post-employment defined benefit plan	8,934	5,781
Total compensation paid to key management personnel	51,405	46,712

31. LEASE LIABILITIES AND RIGHT OF USE ASSETS

Leases as lessee (IFRS 16)

The Group has various type of leases which typically run for a period of 2 to 50 years, with some leases containing an option to mutually renew the lease after that date.

i. Lease liabilities

	<u>31 December</u>	<u>31 December</u>
	<u>2025</u>	<u>2024</u>
	SR '000	SR '000
Current portion	1,397,227	1,557,151
Non-current portion	5,979,770	6,975,059
	7,376,997	8,532,210
Movement in lease liabilities		
	<u>2025</u>	<u>2024</u>
	SR '000	SR '000
Opening Balance, 1 Jan	8,532,210	9,097,658
Finance cost	553,203	622,695
Additions	14,233	70,452
Other adjustments	(5,002)	-
Payment during the year	(1,717,647)	(1,258,595)
	7,376,997	8,532,210

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31. LEASE LIABILITIES AND RIGHT OF USE ASSETS (Continued)

Right of use assets (IFRS 16)

	Land SR '000	Plant & machinery SR '000	Buildings, wells & civil infrastructure SR '000	Meters, pipe networks & lift stations SR '000	Power lines, cables, meters & networks SR '000	Other equipment SR '000	Total SR '000
Cost:							
Balance at 1 January 2024	365,225	12,976,130	885,185	1,653,370	923,822	125,152	16,928,884
Additions	-	-	43,822	606	-	26,024	70,452
Balance at 31 December 2024	365,225	12,976,130	929,007	1,653,976	923,822	151,176	16,999,336
Additions	-	-	-	5,468	8,765	-	14,233
Disposal/adjustments	-	(490)	48	(3,065)	(415)	(671)	(4,593)
Balance at 31 December 2025	365,225	12,975,640	929,055	1,656,379	932,172	150,505	17,008,976
Accumulated depreciation:							
Balance at 1 January 2024	69,151	9,089,859	670,349	1,252,266	414,120	112,174	11,607,919
Depreciation	10,868	589,242	9,449	61,662	23,955	10,914	706,090
Balance at 31 December 2024	80,019	9,679,101	679,798	1,313,928	438,075	123,088	12,314,009
Depreciation	10,868	589,483	16,916	56,729	28,034	9,022	711,052
Disposal/adjustments	-	(490)	36	(1,762)	(173)	(686)	(3,075)
Balance at 31 December 2025	90,887	10,268,094	696,750	1,368,895	465,936	131,424	13,021,986
Carrying value:							
Balance at 31 December 2025	274,338	2,707,546	232,305	287,484	466,236	19,081	3,986,990
Balance at 31 December 2024	285,206	3,297,029	249,209	340,048	485,747	28,088	4,685,327

31.1 Allocation of depreciation charge for the year

	2025	2024
	SR '000	SR '000
Cost of revenue	693,755	687,682
Administrative expenses	17,297	18,408
	711,052	706,090

32. GOVERNMENT GRANT

i) During 2024, Ministry of Energy approved grant in relation to Liquid Fuel Displacement Program for execution of capital project in Yanbu and accordingly a partial amount for advance to contractor was received by the Group during the same year.

ii) During the year, the Group received a grant from the Royal Commission, in its capacity as a government agency, relating to the replacement cost of certain assets that had been capitalized in prior periods. The replacement was carried out pursuant to the Council of Ministers' resolution number 26 dated 22 Muharram 1422H corresponding to 16 April 2001. Approval for the grant amount corresponding to these assets was obtained during the year.

The grant amount receivable from the Royal Commission was offset against the lease liability payable to the Royal Commission. In accordance with the Group's accounting policy, the grant received was netted off against the related assets by reducing their carrying amount. The difference between the grant received amounting to SR 303.5 million and the net book value of the assets amounting to SR 256.4 million has been recognized as income in the current period which amounts to 47.1 million (refer to note 27).

33. COMMITMENTS AND CONTINGENCIES

Capital commitments

Capital expenditure contracted by the Group at the end of the year but not incurred is SR 710.62 million (31 December 2024: SR 651.46 million).

Other commitment

One of the Group companies, TAWREED entered into an agreement with Saudi Aramco to purchase fuel required for the IWPP for a period of twenty years and the cost of the fuel will be reimbursed by On-Sale Parties on a monthly basis without any mark-up.

Contingent liabilities

i) At 31 December 2025, bank guarantees and letter of credits have been issued amounting to SR 727.72 million (31 December 2024: SR 570.11 million) by the Group's bankers, on behalf of the Group in the ordinary course of business. The Parent has also issued corporate guarantee on behalf of its joint ventures amounting to SR 349.8 million (31 December 2024: SR 349.8 million).

ii) The Parent Company is currently involved in ongoing litigation with a contractor relating to the development of housing project. The contractor filed the legal dispute with Commercial Court and an initial judgement issued by the Commercial Court on 24 November 2025, ordering the Parent Company to pay SAR 40.6 million.

The Parent Company filed an appeal on 25 December 2025, asserting that the disputed amount represents contractually agreed delay penalties due to significant delays by the Contractor in completing its performance obligations. Based on management's assessment and legal counsel opinion, the Parent Company has sufficient grounds and evidence to defend its position and dispute the initial judgement. Accordingly, no provision has been recorded in these consolidated financial statements.

34. SUBSEQUENT EVENTS

Subsequent to the year end, one of the suppliers of the Group, Saudi Aramco announced increase in prices of energy products effective from 1 January 2026 that may have a material impact on the Group's operating results for the year ending 31 December 2026 onwards. Currently, management is in the process of ascertaining relevant financial impacts.

The Board of Directors of the Parent Company in their meeting held on 24 February 2026 resolved to distribute cash dividends for the year ended 31 December 2025 amounting to SR 450 million (SR 1.8 per share).

No other subsequent event occurred between 31 December 2025 and the date of approval of the consolidated financial statements by the Board of Directors which may have an impact on these financial statements.