



SAUDI ENERGY COMPANY (FORMERLY SAUDI ELECTRICITY COMPANY)
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2025**

SAUDI ENERGY COMPANY (FORMERLY SAUDI ELECTRICITY COMPANY)
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2025**

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INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Saudi Energy Company (Formerly Saudi Electricity Company) (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statement of profit or loss, 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 December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs"), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as 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) as endorsed in the Kingdom of Saudi Arabia ("the Code"), as applicable to audits of consolidated financial statements of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the 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 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR’S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p><u>Expected credit loss allowances for other than government and semi government receivables</u></p> <p>Accounts Receivable from other than government and semi government customers amounted to ₪ 10.7 billion, against which an allowance for expected credit losses (“ECL”) of ₪ 3.2 billion was recorded.</p> <p>The audit of the allowance for ECL for other than government and semi government receivables is considered to be a key audit matter because of its size, the significance and complexity of the estimates, assumptions and judgments used in the computation and the level of audit effort required. The allowance for the ECL model is also more complex due to the large number of customers which have been segmented into groups with similar risk profiles.</p> <p>The Group applied the simplified approach in accordance with IFRS 9 to calculate lifetime ECL allowances through the use of a flow rate provision matrix on other than government and semi government receivables which do not contain a significant financing component.</p> <p>Estimates, assumptions, and judgements used in the ECL model for determining the probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”), include, but are not limited to:</p> <ul style="list-style-type: none"> • Determination of appropriate segmentation. • Determination of collective versus individual assessment. • Determination of the historical loss rates. • Determination of an appropriate period over which historical loss rates are observed. • Developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probability weightages. • Determination of an appropriate “definition of default” and “ultimate loss point”. • Manual overrides and proxies used by management, if any. <p>The Group engaged an external expert to assess the ECL model including a review and update of the methodology, assumptions and macro-economic factors.</p> <p>Refer to notes 5, 16 and 45 in the consolidated financial statements for more details relating to this matter.</p>	<p>We performed the following audit procedures, inter alia, to address the key audit matter:</p> <ul style="list-style-type: none"> • We obtained an understanding of the process used by management to determine the allowance for ECL for other than government and semi government receivables, including the methodology used, key assumptions, key inputs and key controls and any significant changes from the prior year. • We assessed the relevant controls over the calculation of the allowance for ECL for other than government and semi government receivables to determine if they had been appropriately designed and implemented. • We assessed the accuracy and completeness of the input data, used in the ECL model. • We utilized our internal experts to assess the ECL model and methodology against the requirements of IFRS 9 and industry best practice. • We assessed the skills, capability, independence, and objectivity of the party used to perform an independent review and update of the ECL model and reviewed their terms of engagement with the Group to determine if the scope of their work was sufficient for audit purposes. • We considered the results of the abovementioned review and update in assessing the allowance for ECL. • We reperformed the mathematical accuracy of the ECL model. • We agreed the results of the output of the ECL model to the amounts and disclosures presented in the consolidated financial statements. • We performed our own independent computation of the allowance for ECL based on industry comparable assumptions and compared the output to the amount determined by management. • We assessed the disclosure in the consolidated financial statements relating to this matter against the requirements of IFRSs.

INDEPENDENT AUDITOR’S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><u>Required Revenue and other operational revenue</u></p> <p>The Group has determined a required revenue of ₪ 95.1 billion and has recognized revenue from regulatory activities of ₪ 77 billion during the year. As a result the Group has also recognized other operational revenue inclusive of ₪ 18.1 billion for the year 2025 which represents the difference between the actual revenue from regulated activities and the required revenue.</p> <p>The determination of required revenue is subject to the Revenue Requirement Determination Methodology (“RRDM”) which is stipulated by the Saudi Electricity Regulatory Authority (“SERA”).</p> <p>The determination of required revenue and consequently recognition and measurement of other operational revenue is considered to be a key audit matter due to the significant judgements, estimations and assumptions applied by management in interpreting the requirements of SERA as detailed above, the quantitative significance of the amount to the consolidated financial statements and the level of audit effort required.</p> <p>Refer to notes 5 and 38 in the consolidated financial statements for more details relating to this matter.</p>	<p>We performed the following audit procedures, inter alia, to address the key audit matter:</p> <ul style="list-style-type: none"> • We obtained an understanding of the revenue business process, including the determination of required revenue through the Required Revenue Determination Methodology and the relevant controls in this process. We also obtained an understanding of the process of computing the required revenue. This included the methodology used, key judgements, assumptions, key inputs and relevant controls. • We assessed the relevant controls to determine if they had been appropriately designed and implemented. • We determined if the inputs used to determine the amount of required revenue to be earned were in accordance with the requirements of the framework of RRDM or other relevant guidance or communications from SERA. • We agreed the inputs referred to above to the accounting records and other relevant sources of information. • We reperformed the calculation of required revenue and other operational revenue and agreed the results of the calculation to the amount presented in the consolidated financial statements. • We performed detailed testing of individual transactions, on a sample basis, by agreeing the amounts of those transactions to the underlying records. • We assessed the disclosure in the consolidated financial statements relating to this matter against the requirements of IFRSs.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. The 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 do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements 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 Board of Directors, are 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 ISAs 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.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

As part of an audit in accordance with ISAs 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS (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.

**Deloitte and Touche & Co.
Chartered Accountants**

Abdulrahman S Al Suwaiygh
Certified Public Accountant
License No. 461



21 Ramadan 1447H
March 10, 2026

SAUDI ENERGY COMPANY (FORMERLY SAUDI ELECTRICITY COMPANY)
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2025

(All amounts in thousands \$ unless otherwise stated)

	Notes	2025	2024
ASSETS			
Non-current assets			
Property, plant and equipment, net	8	584,969,993	502,132,641
Intangible assets, net	9	1,567,897	209,414
Right-of-use assets, net	10.1	536,734	577,429
Investment properties, net	11	943,896	461,960
Equity accounted investees	12	4,696,801	4,786,884
Financial assets at amortised cost	13	20,864	18,133
Financial assets through other comprehensive income	14	214,683	230,119
Derivative financial instruments - non-current	30.3	-	202,377
Loans and advances - non-current	17	954,663	954,663
Total non-current assets		593,905,531	509,573,620
Current assets			
Inventories, net	15	1,545,732	1,113,403
Accounts receivable, net	16	28,729,509	22,597,679
Loans and advances - current	17	7,419,829	7,906,473
Contract assets	34	429,484	347,934
Prepayments and other receivables, net	18	2,479,444	2,927,282
Derivative Financial instruments - current	30.3	55,642	-
Cash and cash equivalents	19	1,258,043	1,631,656
Total current assets		41,917,683	36,524,427
TOTAL ASSETS		635,823,214	546,098,047
EQUITY AND LIABILITIES			
Equity			
Share capital	20	41,665,938	41,665,938
Other reserves		(628,408)	(118,964)
Contractual reserve - Mudaraba instrument	23	1,018,259	984,901
Retained earnings		42,019,875	40,919,268
Total equity before Mudaraba Instrument (1)		84,075,664	83,451,143
Mudaraba instrument		163,636,000	159,169,000
Fair value adjustment of Mudaraba instrument		9,971,896	8,751,563
Mudaraba instrument (2)	22	173,607,896	167,920,563
Total equity (1+2)		257,683,560	251,371,706

The accompanying notes from 1 to 51 form an integral part of these consolidated financial statements.

SAUDI ENERGY COMPANY (FORMERLY SAUDI ELECTRICITY COMPANY)
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2025

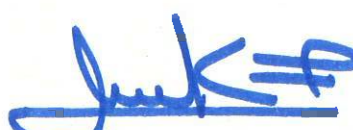
(All amounts in thousands \$ unless otherwise stated)

LIABILITIES	Notes	2025	2024
Non-current liabilities			
Long term loans and facilities	30.2.1	120,586,098	98,100,283
Long term sukuk	30.2.3	44,867,951	32,713,096
Employees' benefits obligation	24	10,484,455	9,637,319
Non-current portion of deferred revenue	25	78,620,338	73,723,702
Advances from subscribers	31	21,997,690	21,333,416
Deferred government grants	26	1,118,039	1,111,954
Derivative financial instruments	30.3	208,550	-
Non-current portion of lease liabilities	10.2	288,792	394,441
Total non-current liabilities		278,171,913	237,014,211
Current liabilities			
Short term loans and facilities	30.2.2	15,219,047	8,000,000
Current portion of long term loans	30.2.1	18,703,831	2,994,586
Current portion of sukuk	30.2.3	-	2,437,500
Trade payables	27	13,417,202	11,291,979
Accruals and other payables	28	44,815,390	24,533,266
Provision for other liabilities and charges	29	664,082	406,771
Refundable deposits from customers	30.1	1,908,999	1,911,702
Current portion of deferred revenue	25	3,115,625	2,881,447
Contract liabilities	34	1,921,984	3,084,769
Current portion of lease liabilities	10.2	201,581	170,110
Total current liabilities		99,967,741	57,712,130
Total liabilities		378,139,654	294,726,341
TOTAL EQUITY AND LIABILITIES		635,823,214	546,098,047



Executive Vice President and Chief
Financial Officer

Abdulaziz bin Abdulrahman AlMuhaiza



Chief Executive Officer

Khalid Salim Al-Ghamdi



Chairman of the Board

Najem Abdullah Al Zaid

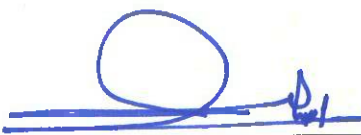
The accompanying notes from 1 to 51 form an integral part of these consolidated financial statements.

SAUDI ENERGY COMPANY (FORMERLY SAUDI ELECTRICITY COMPANY)
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2025**

(All amounts in thousands S unless otherwise stated)


	Notes	2025	2024
Operating revenue	38	102,217,782	88,665,641
Cost of revenue	39	(81,431,855)	(71,179,368)
Gross profit		20,785,927	17,486,273
Other income, net	40	794,323	1,330,427
Impairment (losses) / reversal on financial assets	16,17,18	(746,741)	235,085
Fuel settlement expense	41	-	(5,687,333)
General and administrative expenses	42	(1,676,985)	(1,586,115)
Research and development expenses		(75,717)	(8,421)
Operating profit for the year		19,080,807	11,769,916
Finance income		120,551	193,311
Finance expense		(5,951,465)	(5,042,921)
Finance costs, net	43	(5,830,914)	(4,849,610)
Share of profit on equity accounted investees	12	74,827	134,063
Profit for the year before zakat		13,324,720	7,054,369
Zakat expenses	32.1	(349,909)	(187,426)
Profit for the year		12,974,811	6,866,943
Earnings / (loss) per share (express in S per share)			
Basic and diluted earnings per share without deducting profits for the Mudaraba instrument	36	3.11	1.65
Basic and diluted earnings / (loss) per share after deducting profits for the Mudaraba instrument	36	0.96	(0.46)


Executive Vice President and Chief
Financial Officer

Abdulaziz bin Abdulrahman AlMuhaiza


Chief Executive Officer

Khalid Salim Al-Ghamdi


Chairman of the Board

Najem Abdullah Al Zaid

The accompanying notes from 1 to 51 form an integral part of these consolidated financial statements.

SAUDI ENERGY COMPANY (FORMERLY SAUDI ELECTRICITY COMPANY)
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts in thousands ~~Rs~~ unless otherwise stated)

	Notes	2025	2024
Profit for the year		12,974,811	6,866,943
Other comprehensive (loss) / income:			
Items that may be reclassified subsequently to consolidated profit or loss:			
Derivative financial instruments at fair value- effective portion		(314,804)	250,721
Share of derivative financial instruments on equity accounted investees	12	<u>(162,659)</u>	<u>(59,357)</u>
Total items that may be reclassified subsequently to consolidated statement of profit or loss		<u>(477,463)</u>	<u>191,364</u>
Items that may not be reclassified subsequently to consolidated statement of profit or loss:			
Re-measurement of employees' benefits obligation	24.1	(16,545)	(399,438)
Fair value loss on investments in equity instruments designated as at FVTOCI	45.3	<u>(15,436)</u>	<u>(20,526)</u>
Total items that will not be reclassified subsequently to consolidated statement of profit or loss		<u>(31,981)</u>	<u>(419,964)</u>
Other comprehensive loss for the year		<u>(509,444)</u>	<u>(228,600)</u>
Total comprehensive income for the year		<u><u>12,465,367</u></u>	<u><u>6,638,343</u></u>

 Executive Vice President and Chief Financial Officer Abdulaziz bin Abdulrahman AlMuhaiza	 Chief Executive Officer Khalid Salim Al-Ghamdi	 Chairman of the Board Najem Abdullah Al Zaid
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The accompanying notes from 1 to 51 form an integral part of these consolidated financial statements.

SAUDI ENERGY COMPANY (FORMERLY SAUDI ELECTRICITY COMPANY)
(A SAUDI JOINT STOCK COMPANY)

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

(All amounts in thousands \$ unless otherwise stated)

	Share capital	Statutory reserve	General reserve	Other reserves				Contractual reserve for Mudaraba instrument	Retained earnings	Total equity before		Total equity (1+2)
				Fair value of derivatives	Employees' benefits obligation	Financial assets at FVOCI	Total other reserves			Mudaraba instrument (1)	Mudaraba instrument (2)	
Balance as at January 1, 2024	41,665,938	7,105,975	702,343	156,012	(24,391)	(21,985)	109,636	860,593	37,952,664	88,397,149	167,920,563	256,317,712
Profit for the year	-	-	-	-	-	-	-	-	6,866,943	6,866,943	-	6,866,943
Other comprehensive (loss) / income	-	-	-	191,364	(399,438)	(20,526)	(228,600)	-	-	(228,600)	-	(228,600)
Total comprehensive (loss) / income	-	-	-	191,364	(399,438)	(20,526)	(228,600)	-	6,866,943	6,638,343	-	6,638,343
Transfer to contractual reserve for Mudaraba instrument (note 23)	-	-	-	-	-	-	-	8,792,041	(8,792,041)	-	-	-
Paid from the contractual reserve (note 23)	-	-	-	-	-	-	-	(8,667,733)	-	(8,667,733)	-	(8,667,733)
Transfer from statutory and general reserve	-	(7,105,975)	(702,343)	-	-	-	-	-	7,808,318	-	-	-
Dividend to shareholders (note 21)	-	-	-	-	-	-	-	-	(2,916,616)	(2,916,616)	-	(2,916,616)
Balance as at December 31, 2024	41,665,938	-	-	347,376	(423,829)	(42,511)	(118,964)	984,901	40,919,268	83,451,143	167,920,563	251,371,706
Balance as at January 1, 2025	41,665,938	-	-	347,376	(423,829)	(42,511)	(118,964)	984,901	40,919,268	83,451,143	167,920,563	251,371,706
Profit for the year	-	-	-	-	-	-	-	-	12,974,811	12,974,811	-	12,974,811
Other comprehensive loss	-	-	-	(477,463)	(16,545)	(15,436)	(509,444)	-	-	(509,444)	-	(509,444)
Total comprehensive (loss)/ income	-	-	-	(477,463)	(16,545)	(15,436)	(509,444)	-	12,974,811	12,465,367	-	12,465,367
Transfer to contractual reserve for Mudaraba instrument (note 23)	-	-	-	-	-	-	-	8,957,588	(8,957,588)	-	-	-
Paid from the contractual reserve (note 23)	-	-	-	-	-	-	-	(8,924,230)	-	(8,924,230)	-	(8,924,230)
Additions (note 22)	-	-	-	-	-	-	-	-	-	-	5,687,333	5,687,333
Dividend to shareholders (note 21)	-	-	-	-	-	-	-	-	(2,916,616)	(2,916,616)	-	(2,916,616)
Balance as at December 31, 2025	41,665,938	-	-	(130,087)	(440,374)	(57,947)	(628,408)	1,018,259	42,019,875	84,075,664	173,607,896	257,683,560

Executive Vice President and Chief Financial Officer

Abdulaziz bin Abdulrahman AlMuhaiza

Chief Executive Officer

Khalid Salim Al-Ghamdi

Chairman of the Board

Najem Abdullah Al Zaid

The accompanying notes from 1 to 51 form an integral part of these consolidated financial statements.

SAUDI ENERGY COMPANY (FORMERLY SAUDI ELECTRICITY COMPANY)
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts in thousands S unless otherwise stated)

	Note	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before zakat		13,324,720	7,054,369
Adjustments for:			
Depreciation of property, plant and equipment	8	22,167,066	20,611,522
Depreciation of right-of-use assets	10.1	241,016	146,123
Depreciation of investment properties	11	4,946	3,199
Amortisation of intangible assets	9	115,623	79,468
Finance expense	43	5,951,465	5,042,921
Finance income	43	(120,551)	(193,311)
Employees' benefits obligation		881,865	868,699
Reversal in allowance for slow-moving and obsolete inventories, net	15	(135,832)	(242,580)
Impairment losses/(reversal) on financial assets		746,741	(235,085)
Share of profit on equity accounted investees	12	(74,827)	(134,063)
Fair value gain on remeasurement of previously held equity accounted investees		(105,192)	-
Amortisation of deferred government grant	26	(138,001)	(144,691)
Loss / (gain) on disposal of property, plant and equipment, net	40	27,248	(9,537)
		42,886,287	32,847,034
Changes in operating assets and liabilities:			
Inventories, net		(296,497)	(294,589)
Accounts Receivables, net		(6,491,699)	1,308,101
Prepayments and other receivables, net		248,625	(1,278,194)
Loans and advances		238,696	(4,226,058)
Contract assets		(81,550)	(99,255)
Trade payables		7,798,341	7,176,713
Accruals and other payables		1,120,653	973,582
Provision for other liabilities and charges		89,967	(608,233)
Refundable deposits from customers		(2,703)	1,345
Contract liabilities		(1,162,785)	(458,439)
Advances from subscribers		664,274	2,815,880
Deferred government grant		144,086	-
Deferred revenue		5,130,814	1,599,407
Cash generated from operations		50,286,509	39,757,294
Employees' benefits obligation paid		(468,862)	(1,256,076)
Zakat paid	29, 32	(182,565)	(347,535)
Net cash generated from operating activities		49,635,082	38,153,683

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The accompanying notes from 1 to 51 form an integral part of these consolidated financial statements.

SAUDI ENERGY COMPANY (FORMERLY SAUDI ELECTRICITY COMPANY)
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025
(All amounts in thousands S unless otherwise stated)


	Note	2025	2024
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(88,361,777)	(54,969,833)
Purchase of intangible assets	9	(11,389)	-
Purchase of investment properties	11	(31,259)	-
Proceeds from sale of property, plant and equipment		179,796	216,832
Disinvestment	12	393	-
Additional investment in equity accounted investees	12	(26)	(97,011)
Dividend received from investments	12	58,655	81,754
(Purchase) / proceeds from financial assets at amortised cost	13	(2,731)	674
Finance income receipt		120,551	193,311
Loan to associate and joint ventures		-	(835,667)
Acquisition of a subsidiary, net of cash acquired	48	(104,603)	-
Net cash used in investing activities		(88,152,390)	(55,409,940)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans	30.2.1	68,531,921	56,208,109
Proceeds from issuance of sukuk	30.2.3	12,187,500	10,801,950
Repayments of loans	30.2.1	(23,413,966)	(19,574,635)
Repayments of Sukuk	30.2.3	(2,470,145)	(13,143,303)
Payment from contractual reserve for Mudaraba instrument	23	(8,924,230)	(8,667,733)
Payment for lease liabilities	10	(311,398)	(176,348)
Dividends paid		(2,919,665)	(2,921,128)
Finance costs paid		(4,536,322)	(4,260,551)
Net cash generated from financing activities		38,143,695	18,266,361
Net change in cash and cash equivalents		(373,613)	1,010,104
Cash and cash equivalents at the beginning of the year		1,631,656	621,552
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		1,258,043	1,631,656


Executive Vice President and Chief
Financial Officer

Abdulaziz bin Abdulrahman AlMuhaiza


Chief Executive Officer

Khalid Salim Al-Ghamdi


Chairman of the Board

Najem Abdullah Al Zaid

The accompanying notes from 1 to 51 form an integral part of these consolidated financial statements.

SAUDI ENERGY COMPANY (FORMERLY SAUDI ELECTRICITY COMPANY)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts in thousands ﷻ unless otherwise stated)

1. CORPORATE INFORMATION

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

The Company was founded as a Saudi joint stock company pursuant to the Royal Decree No. M/16 dated 6 Ramadan 1420H corresponding to December 13, 1999, in accordance with the Council of Ministers' Resolution Number 153, dated 5th Ramadan 1420H corresponding to December 12, 1999 and the Minister of Commerce's Resolution Number 2047 dated 30 Dhul-Hijjah 1420H corresponding to April 5, 2000 as a Saudi joint stock company according to the Commercial Registration by Riyadh Number 1010158683 and unified number 7000579370, dated 28 Muhurram 1421H corresponding to May 3, 2000.

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

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

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

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

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

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

SAUDI ENERGY COMPANY (FORMERLY SAUDI ELECTRICITY COMPANY)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts in thousands ﷲ unless otherwise stated)

1. CORPORATE INFORMATION (CONTINUED)

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

In line with the letter, No. 2057-dated 29 Rabi Awal 1442 corresponding to November 15, 2020, received by the Company from the Minister of Energy, Chairman of the Ministerial Committee for restructuring the electricity sector. The required revenue for the Company is calculated based on an asset base model adjusted for regulatory return on the weighted regulatory return for the cost of capital for the years 2021-2023. This was reset in 2024 with the new regulatory return on the weighted regulatory return for the cost of capital for the years 2024-2026. On 20 Shawwal, 1445H corresponding to April 29, 2024, the Company has received the letter no. 450201/3979 from the Minister of Energy, Chairman of the Ministerial Committee relating to revision of WACC to 6.65% for the years 2024-2026. The required revenue is subject to adjustment as per the revenue and payments correction methodology in line with the actual figures achieved. The Company re-estimates the required revenue and the expected revenue to record the difference required recorded for the period based on the actual achieved results and make the necessary adjustments, if any.

On 14 Safar 1443H, corresponding to September 21, 2021, the Council of Ministers Resolution (No. 111) was issued approving the tariff for heavy consumption of electricity that will be applied to establishments operating in qualified activities or sectors and belonging to the categories of industrial, commercial and agricultural consumption - which are determined by a committee formed under the chairmanship of the Ministry of Energy and the membership of a number of ministries and government agencies to determine the applicable sectors for this tariff. By submitting a request to the consumer to apply the tariff to their facility. The heavy consumption tariff will be in accordance with the regulations announced by the authority. And on December 20, 2022, the Council of Ministers Decision No. (361) was issued approving the application for this tariff as of January 1, 2023.

Furthermore, complying with the same resolution the regulator SERA instructed the Group the increase in the tariffs for the customers not eligible for high consumption tariff for industrial, agricultural and commercial category of customers.

On 29 Shawwal 1446H, corresponding to April 27, 2025, the Company announced that, based on the eligibility results for the Intensive Electricity Consumption Tariff, an additional charge of 2 halalas per kilowatt-hour (kWh) will be added to the electricity tariff for non-eligible customers in the industrial, commercial, and agricultural sectors. The new tariff was applied starting from May 28, 2025, noting that the tariff for non-eligible customers updated periodically on the Company's official website.

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

On 8 Ramadan 1447H corresponding to February 25, 2026, the shareholders in an extraordinary general assembly meeting approved the change in the name of the Company from Saudi Electricity Company to Saudi Energy Company. Additionally, the objectives of the Company were slightly amended (note 50).

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

Saudi Energy Company (Formerly Saudi Electricity Company) is referred to as ("Company") or together with its subsidiaries as ("Group") throughout the financials. These consolidated financial statements include the assets, liabilities and results of operations of the direct and indirect subsidiaries referred to in the table below. The percentage of voting rights owned by the Company in subsidiaries is not different from that of the ordinary shares held. The financial year of the Group including subsidiaries starts from the first of January and ends at the end of December of each Gregorian year, except newly incorporated companies for which first financial year begins on the date of incorporation and ends on December 31. The Group applies its accounting policies consistently across the Group.

SAUDI ENERGY COMPANY (FORMERLY SAUDI ELECTRICITY COMPANY)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts in thousands R unless otherwise stated)

1. CORPORATE INFORMATION (CONTINUED)

The subsidiaries are listed below:

Subsidiary	Country of incorporation	Ownership in ordinary shares %		Principal activities
		2025	2024	
National Grid S.A. Company "Grid Company"	Kingdom of Saudi Arabia	100	100	Transmission
Dawiyat Telecommunication Company	Kingdom of Saudi Arabia	100	100	Telecommunication
Electricity Sukuk Company (a)	Kingdom of Saudi Arabia	-	100	Financing
Saudi Electricity for Projects Development Co.	Kingdom of Saudi Arabia	100	100	Projects Management
Saudi Electricity Global Sukuk Company – 1 (b)	Cayman Islands	-	100	Financing
Saudi Electricity Global Sukuk Company – 2	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 3	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 4	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 5	Cayman Islands	100	100	Financing
Saudi Electricity Company for the International Sukuk Program	Cayman Islands	100	100	Financing
Solution Valley Company	Kingdom of Saudi Arabia	100	100	Power service
Dawiyat Integrated Company for Telecommunications and Information Technology	Kingdom of Saudi Arabia	100	100	Telecommunication
Saudi Energy Production Company	Kingdom of Saudi Arabia	100	100	Energy Generation
Dawiyat Digital Information Technology Company	Kingdom of Saudi Arabia	100	100	Wireless telecommunication services
Dawiyat Company for Data Centers	Kingdom of Saudi Arabia	100	100	Building, operating, and leasing data centres
United Infrastructure Power Company	Kingdom of Saudi Arabia	100	100	Developing infrastructure of power project
Ettijahat Advanced for Power, Holding Company	Kingdom of Saudi Arabia	100	100	Investing and leasing in real estate and fund Investment for underlying subsidiaries

SAUDI ENERGY COMPANY (FORMERLY SAUDI ELECTRICITY COMPANY)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts in thousands ﷲ unless otherwise stated)

1. CORPORATE INFORMATION (CONTINUED)

The subsidiaries are listed below (continued):

Subsidiary	Country of incorporation	Ownership in ordinary shares %		Principal activities
		2025	2024	
Sahl First Energy Company (c)	Kingdom of Saudi Arabia	100	-	Power generation
Sahl Second Energy Company (d)	Kingdom of Saudi Arabia	100	-	Power generation
Sahl Third Energy Company (e)	Kingdom of Saudi Arabia	100	-	Power generation
Ghazal First Energy Company (f)	Kingdom of Saudi Arabia	100	-	Power generation
Ghazal Second Energy Company (g)	Kingdom of Saudi Arabia	100	-	Power generation
Ettijahat Real Estate Company (h)	Kingdom of Saudi Arabia	100	-	Developing, managing, leasing, buying and selling lands and real estate
Global Data Hub Company (note 48)	Kingdom of Saudi Arabia	100	-	Computer network installation, communications, consultancy, IT management services

(a) Electricity Sukuk Company

Electricity Sukuk Company ('ESC') was incorporated to act as a trustee of special assets (Sukuk assets) according to the agreements of transferring the Sukuk assets between ESC (as a trustee or custodian), the Company (as issuer) and SABB for financial instruments (as agent for the sukuk holders). During the prior year, Sukuk 4 has been fully paid off, and the ESC no longer acts as a trustee. Consequently, the Parent Company - Saudi Energy Company (Formerly Saudi Electricity Company), has decided to cease operations of the ESC. On 15 Dhu al-Qi'dah 1447H, (corresponding to May 13, 2025), the Board of Directors of the Saudi Energy Company (Formerly Saudi Electricity Company) approved the liquidation and closure of the ESC and authorized the management to take the necessary measures to close the Company. The registration was closed on December 29, 2025.

(b) Saudi Electricity Global Sukuk Company – 1

Saudi Electricity Global Sukuk Company ('SEGSC') was established in the Cayman Islands as a limited liability company. The company was established to provide the necessary services and support for the issuance of international bonds and Sukuks, on January 2, 2025 the Group dissolved the company cancelling its registration.

(c) Sahl First Energy Company

Sahl First Energy Company ('SFEC') is a single shareholder Limited Liability Company incorporated in Riyadh, Kingdom of Saudi Arabia and registered under the Commercial Registration No. 1009195120 on 12 Shaban 1446H (corresponding to February 11, 2025). SFEC's share capital amounted to ﷲ 10,000 and is wholly owned by Ettijahat Advanced for Power, Holding Company which is owned by Saudi Energy Company (Formerly Saudi Electricity Company). The main activity is generation, transmission, and distribution of electric power; supply of electricity, gas, and steam; and air conditioning.

SAUDI ENERGY COMPANY (FORMERLY SAUDI ELECTRICITY COMPANY)

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts in thousands ﷲ unless otherwise stated)

1. CORPORATE INFORMATION (CONTINUED)

The subsidiaries are listed below (continued):

(d) Sahl Second Energy Company

Sahl Second Energy Company ('SSEC') is a single shareholder Limited Liability Company incorporated in Riyadh, Kingdom of Saudi Arabia and registered under the Commercial Registration No. 1009195121 on 12 Shaban 1446H (corresponding to February 11, 2025). SSEC's share capital amounted to ﷲ 10,000 and is wholly owned by Ettijahat Advanced for Power, Holding Company which is owned by Saudi Energy Company (Formerly Saudi Electricity Company). The main activity is Generation, transmission, and distribution of electric power; supply of electricity, gas, and steam; and air conditioning.

(e) Sahl Third Energy Company

Sahl third Energy Company ('STEC') is a single shareholder Limited Liability Company incorporated in Riyadh, Kingdom of Saudi Arabia and registered under the Commercial Registration No. 1009195124 on 12 Shaban 1446H (corresponding to February 11, 2025). STEC's share capital amounted to ﷲ 10,000 and is wholly owned by Ettijahat Advanced for Power, Holding Company which is owned by Saudi Energy Company (Formerly Saudi Electricity Company). The main activity is Generation, transmission, and distribution of electric power; supply of electricity, gas, and steam; and air conditioning.

(f) Ghazal First Energy Company

Ghazal First Energy Company ('GFEC') is a single shareholder Limited Liability Company incorporated in Riyadh, Kingdom of Saudi Arabia and registered under the Commercial Registration No. 1009195122 on 12 Shaban 1446H (corresponding to February 11, 2025). GFEC's share capital amounted to ﷲ 10,000 and is wholly owned by Ettijahat Advanced for Power, Holding Company which is owned by Saudi Energy Company (Formerly Saudi Electricity Company). The main activity is Generation, transmission, and distribution of electric power; supply of electricity, gas, and steam; and air conditioning.

(g) Ghazal Second Energy Company

Ghazal Second Energy Company ('GSEC') is a single shareholder Limited Liability Company incorporated in Riyadh, Kingdom of Saudi Arabia and registered under the Commercial Registration No. 1009195125 on 12 Shaban 1446H (corresponding to February 11, 2025). GSEC's share capital amounted to ﷲ 10,000 and is wholly owned by Ettijahat Advanced for Power, Holding Company which is owned by Saudi Energy Company (Formerly Saudi Electricity Company). The main activity is Generation, transmission, and distribution of electric power; supply of electricity, gas, and steam; and air conditioning.

(h) Ettijahat Real Estate Company

Ettijahat Real Estate Company ('EREC') is a single shareholder Limited Liability Company incorporated in Riyadh, Kingdom of Saudi Arabia and registered under the Commercial Registration No. 1009200624 on 21 Sha'ban 1446H (corresponding to February 20, 2025). EREC's share capital amounted to ﷲ 5,000,000 and is wholly owned by Saudi Energy Company (Formerly Saudi Electricity Company). The main activity is developing, managing, leasing, buying and selling lands and real estate.

SAUDI ENERGY COMPANY (FORMERLY SAUDI ELECTRICITY COMPANY)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts in thousands ﷲ unless otherwise stated)

1. CORPORATE INFORMATION (CONTINUED)

These consolidated financial statements include Group's share in the following joint ventures:

Joint Ventures	Country of incorporation	Ownership in ordinary shares %		Principal activities
		2025	2024	
Hajr for Electricity Production Company	Kingdom of Saudi Arabia	50	50	Generation of Power
Rabigh Electricity Company	Kingdom of Saudi Arabia	20	20	Generation of Power
Al Mourjan for Electricity Production Company	Kingdom of Saudi Arabia	50	50	Generation of Power
Dhuruma Electricity Company	Kingdom of Saudi Arabia	50	50	Generation of Power
Global Data Hub Company*	Kingdom of Saudi Arabia	-	50	Computer network installation, communications, consultancy, IT management services
Electric Vehicle Infrastructure Company	Kingdom of Saudi Arabia	25	25	Infrastructure for electric vehicles
Sidra One Holding company	Kingdom of Saudi Arabia	40	40	Holding company of power producers
Qudra One Holding company	Kingdom of Saudi Arabia	40	40	Holding company of power producers
Saudi Greek Interconnection Societe Anonyme	Greece	50	50	Energy and Electricity interconnection between Greece and Kingdom of Saudi Arabia
Remal First Holding Company	Kingdom of Saudi Arabia	35	35	Holding company of power producers
Naseem First Holding Company	Kingdom of Saudi Arabia	35	35	Holding company of power producers
Hajr One Holding Company	Kingdom of Saudi Arabia	40	40	Holding company of power producers
Al Mourjan Two Holding Company	Kingdom of Saudi Arabia	40	40	Holding company of power producers
Ashraf Wahj Samidah Company (a)	Kingdom of Saudi Arabia	50	-	Holding company of power producers
Isnad Wahj Samidah Company (b)	Kingdom of Saudi Arabia	50	-	Generation of Power

* During the year the company has acquired the 100% shares of the joint venture (note 48).

SAUDI ENERGY COMPANY (FORMERLY SAUDI ELECTRICITY COMPANY)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts in thousands ₪ unless otherwise stated)

1. CORPORATE INFORMATION (CONTINUED)

These consolidated financial statements include Group's share in the following joint ventures (continued):

(a) Ashraf Wahj Samidah Company

The Group in cooperation with EDF Power Solutions International, established Ashraf Wahj Samida Company (Limited Liability Company) based on the Board Resolution No. 3-2025 dated March 4, 2025. The Company's share capital is ₪ 5,000, representing 50% of the Company's capital, which is ₪ 10,000. The Company's main activity is managing the subsidiaries of the holding companies and investing their funds.

(b) Isnad Wahj Samidah Company

The Group, in cooperation with EDF Power Solutions International, established Isnad Wahj Samida Company (Limited Liability Company) based on Board Resolution No. 3-2025 dated March 4, 2025. The company's share amounted to ₪ 5,000, representing 50% of the company's capital, and the total capital of the company is ₪ 10,000 riyals. The Company's main activities are repairing electrical equipment, general construction and renovation of residential and non-residential buildings including prefabricated ones on site, installation of electrical and telecommunications piping, repair and maintenance of irrigation canals, water storage towers, electrical power stations, transformers, telecommunications and radar stations and towers, construction of electrical power stations and transformers, and installation and maintenance of heating systems, solar energy networks, sanitary ware, cooling and air conditioning systems and piping.

These consolidated financial statements include Group's share in the following associates:

Associates	Country of incorporation	Ownership in ordinary shares %		Principal activities
		2025	2024	
Gulf Co-operation Council Inter-Connection Authority	Kingdom of Saudi Arabia	31.6	31.6	Energy transmission & distribution
Gulf Laboratory Company for Testing Electrical Equipment	Kingdom of Saudi Arabia	30	30	Transformer repair, testing, calibration services.
Al Fadhly Co-Generation Company	Kingdom of Saudi Arabia	30	30	Electric power, steam, water production.
Green Saudi Company for Carbon Services *	Kingdom of Saudi Arabia	-	51	Developing and managing the carbon emission reduction systems and programs

* During the year, the Group has disposed of its investments in Green Saudi Company for Carbon Services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts in thousands ﷲ unless otherwise stated)

2. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants.

Basis of measurements and presentation

These consolidated financial statements have been prepared on a historical cost basis, except for the following material items:

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

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

New and revised IFRSs applied with no material impact on the consolidated financial statements

In the current year, the Group has applied the below amendments to IFRS Standards and interpretations issued by the International Accounting Standards Board (IASB) that are effective for a period that begins on or after January 1, 2025. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

New and revised IFRS	Summary	Effective Date
Amendment to IAS 21 – Lack of exchangeability	IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not exchangeable. Amendment set out a framework under which the spot exchange rate at the measurement date could be determined using an observable exchange rate without adjustment or another estimation technique	January 1, 2025

New and revised IFRSs issued but not yet effective

The IFRS Accounting Standards and amendments that are issued, but not yet effective, as of December 31, 2025 are disclosed below.

The Group intends to adopt these new standards and amendments, if applicable, when they become effective. These standards are not expected to have a material impact on the Group at their effective dates, except IFRS 18, which the Group is currently evaluating the impact of its adoption on the consolidated financial statements.

SAUDI ENERGY COMPANY (FORMERLY SAUDI ELECTRICITY COMPANY)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts in thousands ﷻ unless otherwise stated)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

New and revised IFRSs issued but not yet effective (continued)

New and revised IFRS	Summary	Effective Date
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.	Effective date deferred indefinitely
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures	Under the amendments, certain financial assets including those with ESG-linked features could now meet the SPPI criterion, provided that their cash flows are not significantly different from an identical financial asset without such a feature. The IASB has amended IFRS 9 to clarify when a financial asset or a financial liability is recognized and derecognized and to provide an exception for certain financial liabilities settled using an electronic payment system.	January 1, 2026
Annual improvements to IFRS - Volume 11	These includes multiple amendments made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows.	January 1, 2026
IFRS 18 - presentation and disclosure in financial statements	This standard sets out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure the entity provides relevant information that faithfully represents an entity's assets, liabilities, equity, income, and expenses.	January 1, 2027
IFRS 19 - Reducing subsidiaries disclosures	IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate, or individual financial statements provided that, at the reporting date it does not have public accountability, and its parent produces consolidated financial statements under IFRSs.	January 1, 2027

4. MATERIAL ACCOUNTING POLICY INFORMATION

The principal accounting policies are set out below:

Basis of consolidation

Subsidiaries are all entities over which the Group has control. 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; and
- The ability to use its power over the investee to affect its returns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts in thousands ﷲ unless otherwise stated)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Basis of consolidation (continued)

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

The Group re-assesses controls of the 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. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary. If the Group retains any share in the former subsidiary, that interest is measured at fair value on the date that control ceases.

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 significant intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss on disposal is recognized in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts in thousands ﷻ unless otherwise stated)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Basis of consolidation (continued)

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Investment in associates and joint ventures

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or a joint venture is recognized initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the group's share of losses of an associate or a joint venture exceeds the group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the group's net investment in the associate or joint venture), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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(All amounts in thousands ﷲ unless otherwise stated)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Foreign currency transactions

Foreign currencies are initially recorded at functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates at the dates of the initial transactions.

Foreign exchange differences resulting from the translation of deferred cash flow hedges are recognised to the extent that the hedge is effective in the other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and cash in current accounts with banks and other short-term high-liquidity investments with original maturities of three months or less (if any) available to the Group without any restrictions.

Capital spares

Spare parts are recognized under Property, Plant and Equipment as capital spares when they meet the following criteria:

- It is expected that the spare part will be used during more than one accounting period. These first criteria, related to the operational estimated life of the items, must be persistently satisfied regardless the rest of the criteria listed below; and
- The spare part unit cost is greater than ﷲ 5K; or
- Spare part must be vital to the continued operation of the facility and therefore need to be available for use in advance of periodic scheduled maintenance, or in emergency breakdown situations. and
- Spare part, on its own, would have no use (becomes redundant) if the associated equipment (asset) is retired or disposed.

If the criteria for classifying the item as capital spare have been met, the item has to be classified as either general capital spare or critical spare. The classification effects the depreciation methodology of the item. The following criteria are considered for determining the appropriate classification:

- If the capital spare is bought in advance due to planned replacement schedules and overhaul (in line with manufacturer's prescribed maintenance program) to replace an existing major spare part unit that is in operation, then capital spare is considered a "general capital spare".
- If the capital spare is not used for overhaul purpose (criteria mentioned above), an assessment should be made to check if the capital spare is an insurance spare that will only be used in case of emergencies. If this is the case, then the capital spare is considered to be a "critical spare". A critical spare is deemed to always be available for use as it needs to be ready to be put in service at any point when an identical item stops working in order to ensure efficient and uninterrupted generation, transmission and distribution of electricity.
- A capital spare that is not used for an overhaul purpose and is not on stand-by or used in emergencies must be considered as "general capital spare".

The depreciation for capital spares items commence immediately upon purchase over the lesser of its useful life and the remaining expected useful life of the asset to which it is associated. For general capital spares, the item is expected to be used as a replacement part at a future point in time. The depreciation for general capital spares items commence when installed as a replacement part and is depreciated over the lesser of its useful life and the remaining expected useful life of the asset to which it is associated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts in thousands ﷲ unless otherwise stated)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Property, plant and equipment

Property, plant and equipment (except land and projects under construction) are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Land and projects under construction are carried at cost less any losses resulting from the accumulated impairment in value, if any. The cost includes all amounts necessary to bring the asset to the present condition and location to be ready for its intended use by the management, with an appropriate portion of overheads which are directly linked to the capital work performed. Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects (qualifying assets), if the recognition criteria are met, and costs incurred during the commissioning period.

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item, and where such parts/ components have a useful life different from the other parts and required to be replaced at different intervals, the Group shall recognize such parts as individual components of the asset with specific useful lives and depreciate them accordingly. Likewise, when a major overhaul (planned or unplanned) is performed, its directly attributable cost is recognized in the carrying amount of property, plant and equipment if the recognition criteria are satisfied. The useful life of a major overhaul is generally equal to the period up to the next scheduled overhaul. The carrying amount of the replaced part is derecognized. If the next major overhaul occurs prior to the planned date, any existing net book value of the previous major overhaul is expensed immediately. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss as incurred.

Depreciation is calculated from the date the item of property, plant and equipment is available for its intended use or in respect of self-constructed assets from the date such property, plant and equipment are completed and ready for the intended use. Depreciation on assets is calculated on a straight-line basis over the useful life of the asset as follows:

Buildings	10 – 45 years
Machinery and equipment	5 – 40 years
Transmission and distribution network	5 – 50 years
Capital spare parts	10 – 25 years
Vehicles and heavy equipment	5 – 10 years
Others	5 – 30 years

Land and projects under construction are not considered for depreciation. The property, plant and equipment' residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at the end of each year.

An item of property, plant and equipment and any significant component initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of retired, sold or otherwise derecognized property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset, and are recognized within "Other Income, net" in the consolidated statement of profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Investment properties

Investment properties are land, buildings and property under construction or redevelopment held for purposes other than using it in Group's operating activities. The Group holds investment properties for rental income and/or capital appreciation purposes.

Investment property is measured initially at cost, including any costs to bring the property to the condition necessary for it to be capable of operating.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts in thousands ﷲ unless otherwise stated)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Investment properties (continued)

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment in value. Lands and projects under construction are not depreciated.

Investment properties are derecognized when they are sold or when they become occupied by the owner or if they are not held to increase their value.

Depreciation is charged to the consolidated statement of profit or loss, using the straight-line method, to allocate the cost of the related assets to their residual values over the useful lives ranging from 5 to 45 years.

Leases

The Group as lessee

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts in thousands ﷲ unless otherwise stated)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leases (continued)

The Group as lessee (continued)

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Impairment of non-financial assets' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other income' in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts in thousands ﷲ unless otherwise stated)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leases (continued)

The Group as a lessor

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

At the initial measurement of the finance lease contracts: The lessor shall use the interest rate implicit in the lease to measure the net investment in the lease.

At the commencement date, the lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:

- Fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate;
- Any residual value guarantees provided to the Group by the lessee, a party related to the lessee or a third party unrelated to the Group that is financially capable of discharging the obligations under the guarantee; and
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

At subsequent measurement, the Group shall recognize finance income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in lease.

At the initial measurement of the operating lease contracts: The Group recognizes lease payments from operating leases as income on either a straight-line basis or another systematic basis. The Group applies another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

At the subsequent measurement, the Group applies IAS 36 to determine whether an underlying asset subject to an operating lease is impaired and to account for any impairment loss identified.

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 the head lease is a short-term lease to which the Group applies the exemption, the sublease shall be classified as an operating lease.

If an arrangement contains a lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of the "other income".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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(All amounts in thousands ﷲ unless otherwise stated)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. The cost of intangible assets acquired in a business combination (if any) represents their fair value as at the date of acquisition.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible asset. Amortisation of intangible assets is calculated on a straight-line basis over the useful life of the asset as follows:

Software	10 years
Pipeline access rights	20 years
Customer contracts	3-10 years

The useful life of an intangible asset with a definite life is reviewed regularly to determine whether there is any indication that its current life assessment continues to be supportable. If not, the change in the useful life assessment is made on a prospective basis. Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that the intangible asset may be impaired either individually or at the aggregated cash generating unit level.

Gains or losses arising from derecognising an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and its value in use. For the purpose of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Group of assets (cash generating unit, "CGU"). Non-financial assets other than goodwill that have been fully or partially impaired are reviewed for possible reversal of all or part of the impairment loss at the end of each reporting period.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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(All amounts in thousands ﷲ unless otherwise stated)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Impairment of non-financial assets (continued)

Intangible assets that have an indefinite useful life are not subject to amortisation and are instead tested annually for impairment. Assets subject to amortisation/depreciation are reviewed for impairment whenever events or change in circumstances indicate that the carrying amount may not be recoverable.

At each reporting date, the group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position, when the Group becomes party to the contractual provision of the instrument.

Financial assets

Recognition and initial measurement of financial assets

A financial asset is initially measured (unless it is a trade receivable without a significant financing component) at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement of financial assets

Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost or fair value through other comprehensive income (debt investment and equity investments) or fair value through profit or loss.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets at amortised cost

Financial assets are measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

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

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of profit or loss. Any gain or loss on de-recognition of investment is recognized in consolidated statement of profit or loss.

Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value through profit or loss. Net gains and losses, including any interest or dividend income, are recognised in the consolidated statement of profit or loss. As at December 31, 2025, the Group does not have any of these assets.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income or at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Debt investments are subsequently measured at fair value through other comprehensive income. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the consolidated statement of profit or loss. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the consolidated statement of profit or loss. As at December 31, 2025, the Group does not have any of these assets.

Equity investments are subsequently measured at fair value through other comprehensive income. Dividends are recognised as income in the consolidated statement of profit or loss. Any gain or loss on de-recognition or impairment of the investment is recognised in the consolidated statement of changes in equity and will not be allowed to reclassify to the consolidated statement of profit or loss.

Accounts Receivable

Accounts Receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are measured at amortised cost applying the effective interest method. Other financial assets include Loans due from related parties, contract assets, other receivables and cash and bank balances are also measured on the same basis as accounts receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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(All amounts in thousands ﷲ unless otherwise stated)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument/financial liability and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

Impairment of financial assets

The group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, receivables from sale of electricity and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The group always recognises lifetime expected credit losses ("ECL") for accounts receivable and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating credit loss, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including available information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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(All amounts in thousands ﷲ unless otherwise stated)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

An assessment is made as to whether the credit risk of a financial instrument has increased substantially since its initial recognition by taking into account the change in the risk of default occurring over the remaining life of the financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group believes that the credit risk on the financial instrument has not increased significantly since initial recognition if the instrument is identified as having a low credit risk at the reporting date. A financial instrument with a low credit risk is identified if:

- (i) the financial instrument has a low risk of default; and
- (ii) the borrower has a strong ability to meet its contractual cash commitments in the near term.
- (iii) adverse changes in long-term economic and trade conditions, but not necessarily, and a reduction in the borrower's ability to meet contractual cash flow obligations.

(ii) Definition of default

The group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor.
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the group, in full (without taking into account any collateral held by the group).

Irrespective of the above analysis, the group considers that default has occurred when a financial asset (other than sovereign) is more than 270 days past due unless the group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt investment at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future recoveries of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for that financial asset because of financial difficulties

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iv) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount of guaranteed debt that has been drawn down as at the reporting date, together with any additional guaranteed amounts expected to be drawn down by the borrower in the future by default date determined based on historical trend, the group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information. For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the group expects to receive, discounted at the original effective interest rate.

Provisions for losses on financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at fair value at other comprehensive income, the loss allowance is recognized in other comprehensive income.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definition of a financial liability and a equity instrument.

Financial liabilities

The Group classifies non-derivative primary liabilities in the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

After initial recognition, the Group measures financial liabilities (other than financial liabilities which are measured at fair value through profit or loss) at amortised cost. Amortised cost is the amount at which the debt was measured at initial recognition minus repayments, plus interest calculated using the effective interest method. The adjustments are calculated using the effective interest method. The difference between the proceeds (net of transaction cost) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the loan or borrowing.

Loans, sukuks and government loans is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity (continued)

De-recognition of financial assets and financial liabilities

The Group derecognises a financial asset mainly (or derecognize part of the financial asset or part of similar financial assets) when:

- the contractual rights to the cash flows from the financial asset expire; or
- The Group transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- Retains all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in consolidated statement of profit or loss.

Equity instruments

The Group classifies a financial instrument as an equity instrument according to the content of the agreements entered and the definition of the equity instrument. An equity instrument is any contract that proves the existence of a residual share in the assets of the entities, according to the relevant agreements, and does not include any liability to deliver cash or other financial assets to another entity.

The equity instrument is initially recognised at fair value, and differences between the face value and the current value are recognised in equity.

All related distributions are recognised in the consolidated statement of changes in equity under retained earnings.

Financial instruments that an entity classifies as equity instruments are not remeasured. Neither profit or loss nor equity will be affected by the equity price risk of those instruments. Accordingly, no sensitivity analysis is required.

Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset, and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the assets and settle the liability simultaneously.

Derivative financial instruments and hedging activities

The group enters into a variety of derivative financial instruments including foreign exchange forward contracts, options and interest rate swaps.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derivative financial instruments and hedging activities (continued)

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss within 'other income / expense- net'.

Amounts accumulated in equity are reclassified to consolidated statement of profit or loss in the periods when the hedged item affects statement of profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated statement of profit or loss within 'finance income/cost'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of profit or loss within 'other income - net'.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Employees' benefits

Short-term obligations

Short-term benefits are those amounts expected to be settled wholly within 12 months of the end of the period in which the employees render the service that gives rise to the benefits. Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves and benefits-in-kind that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations under "accruals and other payables" in the consolidated statement of financial position.

Post-employment obligation

The Group provides end of service benefits to its employees in accordance with the requirements of the Saudi Arabia Labour Law. The entitlement to these benefits, is based upon actuarial techniques and the employees' basic salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are recognised over the service period.

The employee benefits obligation plans are not funded. Accordingly, valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method and the liability is recorded based on an actuarial valuation.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Past-service costs are recognised immediately in the consolidated statement of profit or loss.

The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

Defined contribution plan

The Group operates the defined contribution plan which is named as savings plan. The Group's contribution to the contribution plans identified as an expense is recognised in the consolidated statement of profit or loss when the related service is provided. The share of the Group will only be paid at the written request of the employee to terminate the plan or upon retirement, death or full disability of the employee in accordance with the approved regulations. The assets of the plan are accounted for in accordance with the Group's accounting policies where the liabilities and assets of the plan were offset.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Employees' benefits (continued)

Termination benefits

The Group pays termination benefits upon the termination of the employee's services before the date of normal retirement, or when the employee accepts the voluntary termination of his services. The Group recognises termination benefits at the earlier of when;

- a. The Group can no longer withdraw the offer; or
- b. The Group recognises restructuring costs and includes termination benefits in the event of an offer to encourage retirement, termination benefits are measured based on the number of employees expected to accept the offer. Benefits that occur more than 12 months after the end of the reporting period are discounted at their present value. The Group performs an actuarial valuation of these benefits.

Asset retirement obligation

The Group records the present value of estimated costs of legal decommissioning obligations required to restore the site to its original condition in the period in which the obligation is incurred. The nature of these activities includes dismantling and removing structures, dismantling operating facilities, closure of plant and waste sites, restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed, or the ground/environment is disturbed at the location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related property, plant and equipment to the extent that it was incurred as a result of the development / construction of the asset.

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the consolidated statement of profit or loss as part of financial charges.

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 service to specified geographic areas is mandated. 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Government grants (continued)

Government grants related to depreciable assets are recognised in the consolidated statement of profit or loss 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 profit or loss over the periods where the cost of achievement of obligations are incurred.

However, grants relating to non-depreciable assets that are unconditional of the attainment of some obligations are recognised in the consolidated statement of profit or loss at their nominal values in the same period.

The accounting treatment of below-market interest rate loans are recognised as: the difference between the nominal value of the loan and its fair value is recognised within non-current liabilities in the consolidated statement of financial position as a deferred government grant.

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 profit or loss. The Group assesses the relationship between the grant and related expenses upon recognition.

The grant is recognized in the consolidated statement of profit or loss 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.

Provisions

Provisions are recognised 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. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be low.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognised as finance expense.

Deferred revenue

Deferred revenue relates to electricity service connection tariffs received from consumers which are deferred and recognised on a straight-line basis over the average useful lives of the equipment used in serving the consumers, estimated 35 years.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Zakat and taxes

Zakat

The Company and its subsidiaries are subject to Zakat according to the regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia ("the Authority"). Zakat is recognised in the consolidated statement of profit or loss of the Group. Additional Zakat liabilities, calculated by the Authority, if any, relating to the prior year's zakat declaration is recognised in the year in which final declaration is issued.

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.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the general assembly.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the consolidated statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit ('CGU') and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

For transfers involving entities under common control, the assets and liabilities of the entities are reflected at their carrying amounts. No goodwill or gain is recognised as a result of the combination and any difference between the consideration paid / transferred and the net assets acquired is reflected within the equity of the Group.

Revenue recognition

The Group recognises the following revenues from contracts with customers:

- Revenue from sale of electricity;
- Revenue from meter reading, maintenance and preparation of bills;
- Revenue from electricity connections tariff;
- Revenue from transmission system;
- Revenue from construction contracts; and
- Other operating revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts in thousands ﷲ unless otherwise stated)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Revenue recognition (continued)

The Group recognises revenue when it transfers control of a good or service to a customer either over time or at a point in time. When connecting electricity to customers, the Group provides the following services:

- Connecting the customer to the electricity grid or distribution network;
- Supply of electricity;
- The right of the customer to use the meter; and
- Maintenance of the meter.

For the purpose of recognizing revenue in accordance with IFRS 15, the above-mentioned services are not separate services or goods but (collectively referred to as "bundled services") are considered as single performance obligation for all services or goods secured by the bundled services. The details of the above revenues and the method of their recognition in accordance with IFRS 15 are as follows:

Revenue from sale of electricity

Revenue from sale of electricity is recognised in the accounting period in which the services are rendered. Revenue from sale of electricity is recognised when customers are invoiced for their electricity consumption measured in kilowatt / hours. Since electricity has no form or shape of its own, the transfer of control is evidenced when a particular bill is generated which forms the basis of consumption of the electricity for the month. There is no volume discounts or variable consideration and there is no unfulfilled obligation that could affect the acceptance of the sales.

The performance obligation underlying the revenue stream is not a separate performance obligation and forms part of the bundle services in form of provision of electricity to customers. The payment for such service is due after transfer of the services. Therefore, revenue is recognised at a point in time once the services are transferred to the customer and bills are issued. Electricity sales for the period not yet billed at the reporting date are recognized in the consolidated statement of profit or loss in the same period.

Where reading disputes for electricity consumption are identified, revenue is recognized when it is probable that the group will collect the consideration to which it will be entitled. In evaluating whether collectability of an amount of consideration is probable, the group considers the customer's ability and intention to pay that amount of consideration when it is due.

Revenue from meter reading, maintenance and preparation of bills

Revenue from meter reading, maintenance and preparation of bills is recognised in the accounting period in which the services are rendered. Revenue from meter reading, maintenance and preparation of bills represents the monthly fixed tariff based on the capacity of the meter used by the consumers. For this fixed-price obligation, revenue is recognised based on the actual service provided until the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

Revenue from meter reading, maintenance and bills preparation tariff that is not billed as at the reporting date is recognised in the consolidated statement of profit or loss.

Revenue from electricity connections tariff

Electricity service connections received from consumers is deferred and recognised on a straight-line basis over the average useful lives of the equipment used in serving the subscribers. Such connection fee is received once from a customer at the time the customer applies for electricity connection.

The electricity connection fee does not represent a separately identifiable component of the contract to provide ongoing access to the supply of electricity to the customer and it is part of the aforementioned bundle of services provided to customer. The revenue recognition policy is to recognise revenue from such electricity connection fee over the useful lives of the equipment used in serving the subscribers.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Revenue recognition (continued)

Revenue from transmission system

Revenue from transmission system comprises of fees for use of transmission networks and is recognised over the time when bills are issued to licensed co-generation and other users where it acts as principal. Revenue is measured based on the fees approved by the regulator "Saudi Electricity Regulatory Authority" (SERA) according to capacity and quantities of power transmitted.

Revenue from construction contracts

The Group constructs substations and transmission lines as well as their energization under long-term contracts with customers. Such contracts are entered into before construction of the substations and transmission lines begins. Under the terms of the contracts, the Group is contractually restricted from redirecting the properties to another customer and has an enforceable right to payment for work done. Revenue from construction of substations and transmission lines is therefore recognised over time on a cost plus margin method. Management consider that the input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

The Group becomes entitled to invoice customers for construction of substations and transmission lines based on the contractual terms. The Group will recognise a contract asset for any work performed as per contractual terms but not yet invoiced. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost plus margin method then the Group recognises a contract liability for the difference. There is no significant financing component in construction contracts with customers because difference between the cash selling price and promised consideration (if any) will be due to non finance reasons.

Other operating revenue

Other operating revenue comprises of balancing account, operation and maintenance revenue related to lease of fibre optic cables, sale of water, oil, penalty, re-connection, disconnection charges, etc. The revenue is recognised upon satisfaction of the related performance obligation.

Required Revenue is determined by the regulator and is calculated based upon the "General Framework of Revenue Requirement Determination Methodology" as published by the regulator SERA. The difference between Allowed Required revenue and the actual regulated revenue is recorded under "Other Operational Revenues" by the group.

The Group reassesses the reasonableness of balancing account revenue recognized basis the regulatory methodology and adjusts it accordingly, when required. Any difference arising from the re-assessment is adjusted to other operational revenue, and a receivable or payable is recognized for that amount. Interest income or expense on such receivable or payable balance is recognized based on the rate determined by the authority (SERA).

The Regulator reassess the Required Revenue on ex post basis based on actual performance during the subsequent years and the group adjusts its assessment accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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(All amounts in thousands ﷲ unless otherwise stated)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the year, other than borrowings made specifically for the purpose of constructing a qualifying asset. The amount of borrowing costs that the Group capitalises during a period does not exceed the amount of borrowing costs it incurs during that year.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the year in which they are incurred.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset affects profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Segmental reporting

An operating segment is one of the Group components which carries out operating activities through which it can earn revenues or incur expenses (including revenues and expenses related to transactions with other components of the same Group), where its operating results are regularly reviewed by the entity's operating decision maker regarding the resources that will be allocated to the segment and to evaluate its performance and which have separate financial information available.

An operating segment may carry out activities from which it has not earned revenues yet. For example, pre-operating transactions can be considered as operating segments before they earn revenues.

Fair value

Fair value is the price that may be received against the sale of an asset or the conversion of an obligation in an organized transaction between the market participants on the measurement date. The fair value measurement is based on the assumption that the transaction for the sale of the asset or the transfer of the obligation can occur either:

- In the primary market of the asset or obligation; or
- In the absence of the primary market, in the most appropriate markets for the asset or liability.

The Group uses appropriate valuation techniques with surrounding conditions for which sufficient data are available to measure fair value, maximizing the use of appropriate inputs that can be monitored and minimizing the use of inputs that cannot be monitored to the greatest extent possible.

The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset at its maximum and best use or by selling it to another market participant who may use the asset at its maximum and best use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts in thousands ﷻ unless otherwise stated)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Fair value (continued)

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Evaluation techniques where the lowest entry level is important for measuring fair value directly (such as price) or indirectly (derived from price);
- Level 3 - Evaluation techniques where the lowest input level cannot be monitored is important for fair value measurement.

For assets and liabilities that are measured in the financial statements at fair value on a recurring basis, the Group determines whether transfers have been made between hierarchy levels by reassessing the classification (based on the lowest input level that is significant for the overall measurement) at the end of each reporting period.

Inventories

Inventories include material and supplies for generation, transmission and distribution business and other materials.

Inventories are initially measured at cost which comprises costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The Group uses the weighted average cost method to value its inventories. Under the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the year.

Subsequent to initial recognition, inventories are to be measured at the lower of cost and net realisable value.

Net realizable value represents the estimated selling price for inventories less the costs necessary to make the sale. Any impairment loss arising as a result of bringing the inventories at their net realizable value is recognized in the profit or loss.

Contingent liabilities

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle obligation or the amount of obligation cannot be measured with sufficient reliability. The Group do not recognise the contingent liabilities but only disclose them in the notes to the consolidated financial statements.

Earnings per share

Basic earnings per share is calculated by dividing the profit for the year and the profit for the year from continuing operations related to the company's shareholders, minus the profits of the mudaraba instrument by the weighted average number of ordinary shares during the year. Diluted earnings per share is calculated by dividing the profit for the year and the profit for the year from continuing operations by the adjusted weighted average number of ordinary shares outstanding during the year assuming the conversion of all dilutive shares into ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

(All amounts in thousands ﷲ unless otherwise stated)

5. USE OF ESTIMATES AND JUDGEMENTS

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

Aligned with the Kingdom's ambition of Net Zero emissions by 2060, we aspire to achieve the ambition of Net Zero emissions by 2050. This ambitious milestone reflects our dedication to a sustainable, low-carbon energy future. Our strategy focuses on decarbonization by integrating renewable energy projects, investing in carbon capture technology, and aligning with the Kingdom's Liquid Fuel Displacement Program and Circular Carbon Economy National Program. Prioritizing energy efficiency and leveraging digital solutions, we propel data driven sustainability, ensuring every watt generated contributes to a brighter future. Such judgments and estimates, used in the preparation of the 2025 consolidated financial statements, are consistent with the Company's long-term strategy and the profile of its operations, and are subject to change as market factors, policies and regulations evolve.

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

Use of estimates and assumptions

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are as follows:

The following are the most important estimates used in preparing the consolidated financial statements:

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax 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 to sell, recent market transactions are taken into account.

Allowance for slow moving and obsolete inventories

Inventory is stated at cost or net realizable value, whichever is lower. The amount of write-off and any reduction in inventory to the net realizable value and inventory losses is recognized as an expense in the same period in which the write-off or expense occurred. A provision (if necessary) is made for obsolete, slow moving and damaged inventories in accordance with the Group's policy.

The Group re-assesses the net realizable value in each subsequent period in accordance with the Group's policy. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed to the extent not exceed the book value before impairment.

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(All amounts in thousands ﷲ unless otherwise stated)

5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Use of estimates and assumptions (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful life 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. The management at least annually reviews the estimated useful lives and the depreciation method to ensure that the method and periods of depreciation are consistent with the expected pattern of economic benefit of the assets.

Residual value

The residual value of the asset represents the estimated amount that the entity will receive from the disposal of the asset less the estimated disposal costs, if the asset is indeed of age and in the condition it is expected to be in at the end of its useful life.

Management reconsider the residual value of the asset at least at the end of each financial year, and if expectations differ from previous estimates, this is treated as a change in accounting estimate, in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates, and Errors".

Assumptions for employees' benefits obligation

Employees' benefits obligation represents obligations that will be settled in the future and require assumptions to project obligations. IAS 19 requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases, mortality rates, employment turnover and future healthcare costs. The Group's management use an external actuary for performing this calculation. Changes in key assumptions can have a significant impact on the projected benefit obligation and/or periodic employees' benefits costs incurred.

Zakat

The Company and its subsidiaries are subject to the legislation of the Zakat and Customs Authority ("ZATCA"). Accrual of Zakat is recognised in the consolidated statement of profit or loss. Additional zakat and tax liabilities, calculated by Authorities, if any, related to prior years zakat declaration is recognised in the year in which final declaration is issued.

Fair value for financial instruments

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

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

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5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Use of estimates and assumptions (continued)

Fair value for financial instruments (continued)

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

When determining the fair value of financial instrument that are not traded in an active market because there is no market that can be monitored to provide pricing information on selling assets or transferring liabilities at the measurement date, the fair value measurement assumes that the transaction takes place on that date, taken into account from the perspective of a market participant who holds the asset or owes the obligation. This assumed transaction will provide the basis for estimating price to sell the asset or transfer the liability.

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

Financial instruments that are measured at fair value or disclosed in the consolidated financial statements are categorized within the fair value hierarchy based on the inputs used in the valuation techniques shown as follows:

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

Accrued revenue

Accrued electricity revenue for the period that are not yet invoiced at the date of the reporting are recognized in the consolidated statement of financial position, which is calculated based on the actual consumption quantities issued within the invoices for the subsequent month and using estimates and assumptions for customers whose invoices were not issued in the month subsequently, and internal policies that depends fundamentally on management experience.

Other operating revenue

The determination and application of required revenue methodology as defined by SERA requires management to make various judgements and assumptions. These are finalized after evaluation by SERA within the timeline defined in the methodology.

Projects under progress accrual

Capital projects in progress are recognised at cost, which represents the contractual liabilities of the Group to create assets (such as construction, industrial facilities, etc.). Cost of such assets is recognised as capital projects-in-progress and represented by the value of work performed, using the same principles as the assets acquired.

Deferred Revenue

Deferred Revenue is recognized upon capitalization of related equipment based on amounts received from customers. These are amortized over 35 years based on management best estimate of the expected service life to customers.

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5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Use of estimates and assumptions (continued)

Allowance for Expected Credit Loss ('ECL') for receivables

The Group uses the simplified model using a provision matrix to measure the expected credit losses for accounts receivable from individual customers, which consist of a very large number of small balances.

Loss rates are calculated under a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, type of customer etc. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical loss rates are adjusted. At every reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed.

The group has defined default period of 270 days.

The Group is computing the ECL for the government and semi-government portfolio using the simplified approach also. The simplified approach allows the Group to calculate the ECLs for these receivables using a lifetime expected credit loss model, and is estimated based on data that is determined to be predictive of the risk of loss such as credit default swap based on information obtained from credit rating agencies at each reporting date.

For other financial assets at amortised cost, expected credit losses are calculated over 12 months, or projected credit losses over a lifetime in which the credit value has not decreased or the credit values has decreased, based on the change in the credit risk associated with the financial instrument.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The assessment of the correlation between historical loss 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. To measure expected credit losses, accounts receivable is grouped based on the characteristics of the joint credit risk and the days in which they are due. Historical loss rates are adjusted to reflect current and future information in accordance with indicators of macroeconomic activity that affect customers' ability to settle receivables. The Group has defined gross domestic product, current account balance and consumer price change as primary inputs for adjusting historical loss ratios according to expected changes to these factors.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

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5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Use of estimates and assumptions (continued)

Discount rate for lease contract

Management uses estimates to determine the incremental borrowing rate for calculating the present value of the minimum lease payments.

Power purchase adjustment

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

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

Use of judgements in applying the Group's significant accounting policies

Equity Accounted Investment

Associate Companies

The Group determines the significant impact on companies that it owns directly or indirectly (for example through subsidiaries), 20 percent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the entity holds, directly or indirectly (for example through subsidiaries), less than 20% of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

Joint Operations and Joint Venture

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Based on the Group's control assessment, investments held in companies are classified as joint operations or joint venture. Based on management's judgement, the contractual arrangement establishes that the parties to the joint arrangement share their interests in all assets relating to the arrangement.

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5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Use of estimates and assumptions (continued)

Capitalization

The Group exercises significant judgement in determining whether costs incurred for operating and maintenance activities should be capitalised as part of property, plant and equipment or expensed in the period incurred. In accordance with IAS 16 Property, Plant and Equipment, costs are capitalised only when they are expected to provide future economic benefits beyond the current reporting period, such as enhancing the asset's capacity, efficiency, or extending its useful life. Routine maintenance and repairs that do not meet these criteria are expensed as incurred. The assessment requires management to evaluate the nature and timing of the expenditure, the condition of the asset, and the expected future benefits.

Impairment review of equity accounted investments

Certain equity accounted investments are independent power and water producers, which have long term contracts with the principal buyer. However, these contracts do not cover the life of those power/water plants and management assess its impairment indicators review on the assumption that these contracts will be renewed by the principal buyer based on increased continued forecasted demand.

Asset retirement obligation

The Group assesses its obligations in relation to the assets' retirement, for which the management believes it is difficult to estimate it due to the remote expectations of retiring such assets being historically subjected to continuous renewals, unavailability of reliable information, the impracticality of the assessment along with the nature of the off-taker. However, in accordance with Energy Conversion Agreement (ECA), obligation in relation to the decommissioning and deconstruction of the Generation plant and the rehabilitation of the site, if any, will be the responsibility of the Saudi Power Procurement Company (off-taker), which is ultimately owned by the government that also owns the land. Since the Company cannot determine reliably the fair value of Asset Retirement Obligation (ARO) and hence does not meet criterion 3 of IAS 37 to recognize a provision which stipulates that the provision or liability for decommissioning assets can be reliably measured.

Going concern

The Group's management conducted an assessment of the Group's ability to continue to operate in accordance with the principle of going concern and reached a conviction that the Group has sufficient resources to enable it to continue operating in the foreseeable future. Also, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Accordingly, these consolidated financial statements have been prepared on the going concern basis.

6. SEASONALITY OF OPERATIONS

The operations and revenues of the Group are affected by seasonal weather changes during the year. Revenues are materially lower during the winter months due to lower consumption of electricity whereas higher revenues are earned during summer months due to the increase in consumption of electricity as a result of high temperatures. These changes are reflected in the interim financial results of the Group during the year.

SAUDI ENERGY COMPANY (FORMERLY SAUDI ELECTRICITY COMPANY)
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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7. OPERATING SEGMENTS

The main operating activities of the Group are divided into generation, transmission, distribution and subscriber services which are complementary to each other in the production and delivery of electricity to the consumers. The Group's revenues are mainly realized from the sale of energy to the final consumer as per the official rate set for the system. Almost all operations are carried out within the Kingdom of Saudi Arabia. A significant portion of revenue from external customers is generated within the Kingdom, and all non-current assets of the Group are located within the Kingdom.

Saudi Energy Company's (Formerly Saudi Electricity Company) operating segments are established on the basis of those components that are evaluated regularly by the Group Chief Executive Officer, considered to be the Chief Operating Decision Maker (CODM). The Chief Operating Decision Maker monitors the operating results of Saudi Energy's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenues, costs and a broad range of key performance indicators in addition to segment profitability.

Information reported to the group's CODM for the purposes of resource allocation and assessment of segment performance is focused on the type of activity. The group's reportable segments under IFRS 8 are therefore as follows:

Operating activities	Description
Generation	Production of electricity.
Transmission	Transmission of power from generation plants using the transmission network to the distribution network and operation of the electricity transmission and maintenance system.
Distribution and Subscriber Services	Receiving and distributing power from transmission networks to subscribers, issuance and distribution of consumption bills and collections.
Others	Others include telecommunication infrastructure, wireless telecommunication services, project management and temporary power supply.

The financial information presented in the following table is as follows:

- A. The financial information of the Saudi Energy Company (Formerly Saudi Electricity Company) in the following schedule includes the corporate. Corporate activities include primarily supporting services including Human Resources, Finance function, Legal and IT which are managed centrally and are not allocated to other segments or companies.
- B. For National Grid S.A. Company which includes transmission of electricity and the operation and maintenance of the transmission system; and
- C. Other segments include the telecommunication and other activities.

The accounting policies used by Saudi Energy Company (Formerly Saudi Electricity Company) in reporting segments internally are the same as those described in Note 4 of the consolidated financial statements.

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7. OPERATING SEGMENTS (CONTINUED)

December 31, 2025 (٠ in million)	Corporate	Generation	Distribution and subscribers' services	Transmission	Others	Adjustments/ eliminations	Total
Revenue							
External consumers	-	18,663	94,986	6,462	750	(18,643)	102,218
Between segments	4	-	419	21,537	3,477	(25,437)	-
Total revenue	4	18,663	95,405	27,999	4,227	(44,080)	102,218
Purchased power	-	-	(74,513)	(2,782)	-	40,180	(37,115)
Operating and maintenance costs	937	(7,116)	(8,797)	(4,311)	(2,100)	2,548	(18,839)
Construction cost	-	-	-	(3,430)	(79)	233	(3,276)
Depreciation of property, plant and equipment	-	(6,989)	(5,906)	(8,568)	(366)	-	(21,829)
Fuel	-	(132)	-	-	-	-	(132)
Depreciation of right-of-use assets	(241)	-	-	-	-	-	(241)
Gross profit	700	4,426	6,189	8,908	1,682	(1,119)	20,786
Other income, net							794
Impairment loss on financial assets							(747)
General and administrative expenses							(1,677)
Research and Development							(76)
Finance income							121
Finance expense							(5,951)
Share of profit from equity accounted investees							75
Zakat expenses							(350)
Profit for the year							12,975
As at December 31, 2025							
Property, plant and equipment, net	9,297	120,009	175,044	276,934	4,805	(1,119)	584,970
Total assets	394,601	124,446	197,196	283,954	8,103	(372,477)	635,823
Total liabilities	200,189	120,064	189,250	226,287	4,807	(362,457)	378,140

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7. OPERATING SEGMENTS (CONTINUED)

December 31, 2024 (٠ in million)	Corporate	Generation	Distribution and subscribers' services	Transmission	Others	Adjustments/ eliminations	Total
Revenue							
External consumers	-	16,570	81,254	6,906	495	(16,559)	88,666
Between segments	-	-	-	21,246	1,820	(23,066)	-
Total revenue	-	16,570	81,254	28,152	2,315	(39,625)	88,666
Purchased power	-	-	(64,235)	(3,675)	-	37,805	(30,105)
Operating and maintenance costs	1,129	(6,479)	(7,304)	(3,380)	(804)	298	(16,540)
Construction cost	-	-	-	(4,020)	-	-	(4,020)
Depreciation of property, plant and equipment	-	(6,726)	(5,303)	(7,899)	(316)	-	(20,244)
Fuel	-	(125)	-	-	-	-	(125)
Depreciation of right-of-use assets	(146)	-	-	-	-	-	(146)
Gross profit	983	3,240	4,412	9,178	1,195	(1,522)	17,486
Other income, net							1,331
Fuel settlement expense							(5,687)
Impairment reversal on financial assets							235
General and administrative expenses							(1,586)
Research and Development							(8)
Finance income							193
Finance expense							(5,043)
Share of profit from equity accounted investees							134
Zakat expenses							(188)
Profit for the year							6,867
As at December 31, 2024							
Property, plant and equipment, net	8,533	114,558	158,429	218,018	4,116	(1,522)	502,132
Total assets	357,074	117,359	176,456	223,458	5,295	(333,544)	546,098
Total liabilities	159,909	114,187	169,524	171,038	3,598	(323,530)	294,726

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8. PROPERTY, PLANT AND EQUIPMENT, NET

	Land	Buildings	Machinery and equipment	Capital spare parts	Transmission and distribution network including battery storage	Vehicles and heavy equipment	Others	Construction work in progress	Total
Cost:									
At January 1, 2024	6,683,082	65,807,987	181,208,525	7,178,072	434,116,478	1,758,127	7,525,212	67,682,697	771,960,180
Additions	-	-	-	-	120,406	-	-	59,602,423	59,722,829
Adjustment (note 49)	-	-	-	-	(624,087)	-	-	(129,278)	(753,365)
Capitalisation from work in progress	690,795	4,949,987	15,035,352	367,929	31,743,201	118,736	228,382	(53,134,382)	-
Transfers from inventory	-	-	-	1,654,484	-	-	-	1,378,771	3,033,255
Transfer to investment properties (note 11)	(2,787)	-	-	-	-	-	-	-	(2,787)
Disposals	(14,625)	(18,599)	(8,849)	(700)	(532,453)	(4,297)	(10,429)	-	(589,952)
At December 31, 2024	7,356,465	70,739,375	196,235,028	9,199,785	464,823,545	1,872,566	7,743,165	75,400,231	833,370,160
Additions	28,320	-	95,950	789,062	71,615	-	-	105,508,116	106,493,063
Capitalisation from work in progress	301,904	8,223,572	1,418,388	1,000,507	43,976,412	136,910	60,588	(55,118,281)	-
Transfers to intangibles assets (note 9)	-	-	-	-	-	-	-	(1,257,756)	(1,257,756)
Transfer from investment properties (note 11)	-	21,208	-	-	-	-	-	-	21,208
Transfer to investment properties (note 11)	(1,271)	(206)	-	-	-	-	-	(40,141)	(41,618)
Disposals	-	(147,238)	(848,127)	(119,420)	(449,444)	(64,835)	(53,751)	-	(1,682,815)
At December 31, 2025	7,685,418	78,836,711	196,901,239	10,869,934	508,422,128	1,944,641	7,750,002	124,492,169	936,902,242

During the year, a gross amount of S 2,827 million was reclassified/transferred from inventories to property, plant and equipment for the comparative figures of 2024. Additionally, an amount of S 916 million was reclassified/transferred from property, plant and equipment to construction contracts for the comparative figures of 2024 (note 49).

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8. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

Accumulated depreciation	Land	Buildings	Machinery and equipment	Capital spare parts	Transmission and distribution network including battery storage	Vehicles and heavy equipment	Others	Construction work in progress	Total
At January 1, 2024	-	30,363,626	101,560,680	4,057,826	168,147,262	1,583,273	5,295,990	-	311,008,657
Depreciation for the year	-	2,072,451	6,427,877	337,446	11,437,885	56,713	279,150	-	20,611,522
Disposals	-	(13,136)	(7,854)	(701)	(347,165)	(3,790)	(10,014)	-	(382,660)
At December 31, 2024	-	32,422,941	107,980,703	4,394,571	179,237,982	1,636,196	5,565,126	-	331,237,519
Depreciation for the year	-	2,390,040	6,501,149	335,279	12,762,763	85,965	91,870	-	22,167,066
Transfer from investment properties (note 11)	-	3,435	-	-	-	-	-	-	3,435
Disposals	-	(122,779)	(773,125)	(104,767)	(358,340)	(64,091)	(52,669)	-	(1,475,771)
As at December 31, 2025	-	34,693,637	113,708,727	4,625,083	191,642,405	1,658,070	5,604,327	-	351,932,249
Net book value									
As at December 31, 2024	7,356,465	38,316,434	88,254,325	4,805,214	285,585,563	236,370	2,178,039	75,400,231	502,132,641
As at December 31, 2025	7,685,418	44,143,074	83,192,512	6,244,851	316,779,723	286,571	2,145,675	124,492,169	584,969,993

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8. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

The Company received a letter from the Ministry of Energy No. 7573/45020806, dated 30 Shaban 1445H corresponding to March 11, 2024, that pursuant to the letter of His Excellency the Chief of the Royal Court No. 60000, dated 16 Shaaban 1445H corresponding to February 26, 2024, which stipulates the Royal directive approving the transfer of ownership of 56 lands to the Company, related work is underway to complete the legal ownership and transfer procedure with the relevant authorities. These lands are historically recorded in the consolidated financial statements amounted to ﷻ 15.8 million.

The net book values of the Group's property, plant and equipment (other than projects in progress) is allocated to the main activities as follows:

	Generation	Transmission	Distribution	General property	Total
As at December 31, 2025					
Land	346,542	6,741,105	313,876	283,895	7,685,418
Buildings	21,695,182	17,812,478	785,619	3,849,795	44,143,074
Machinery and equipment	74,058,777	3,623,551	695,171	4,815,013	83,192,512
Capital spare parts	5,175,217	795,507	274,127	-	6,244,851
Transmission and distribution network including battery storage	-	171,493,636	145,286,087	-	316,779,723
Vehicles and heavy equipment	514	1,066	-	284,991	286,571
Others	594,497	1,304,577	196,447	50,154	2,145,675
Net book value	101,870,729	201,771,920	147,551,327	9,283,848	460,477,824
	Generation	Transmission	Distribution	General property	Total
As at December 31, 2024					
Land	346,542	5,630,865	281,015	1,098,043	7,356,465
Buildings	20,134,527	13,969,529	785,556	3,426,822	38,316,434
Machinery and equipment	80,722,101	3,409,235	397,102	3,725,887	88,254,325
Capital spare parts	3,702,931	834,498	267,785	-	4,805,214
Transmission and distribution network including battery storage	-	152,798,720	132,786,843	-	285,585,563
Vehicles and heavy equipment	2,342	993	-	233,035	236,370
Others	593,843	1,294,083	176,029	114,084	2,178,039
Net book value	105,502,286	177,937,923	134,694,330	8,597,871	426,732,410

The Group has constructed certain power generation plants on leasehold land from the Government.

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8. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

CONSTRUCTION WORK IN PROGRESS

	Generation	Transmission	Distribution	General property	Total
At January 1, 2024	19,592,599	25,586,063	19,688,808	2,815,227	67,682,697
Additions	7,303,352	27,511,411	18,958,805	2,359,694	56,133,262
Borrowing costs capitalized	736,433	1,538,646	1,074,213	119,869	3,469,161
Adjustment	-	(129,278)	-	-	(129,278)
Transfers from inventory	-	-	1,378,771	-	1,378,771
Capitalisation from work in progress	(18,576,750)	(15,077,076)	(17,365,798)	(2,114,758)	(53,134,382)
At December 31, 2024	9,055,634	39,429,766	23,734,799	3,180,032	75,400,231
Additions	10,984,593	62,662,261	23,875,213	3,406,840	100,928,907
Borrowing costs capitalized	642,538	2,621,334	1,199,559	115,778	4,579,209
Transfer to investment property	-	-	-	(40,141)	(40,141)
Transfers to intangibles assets (note 9)	-	(4,437)	-	(1,253,319)	(1,257,756)
Capitalisation from work in progress	(2,544,613)	(31,317,597)	(18,710,893)	(2,545,178)	(55,118,281)
As at December 31, 2025	18,138,152	73,391,327	30,098,678	2,864,012	124,492,169

- Additions to projects under construction include capitalized interest of ₪ 4.6 billion during December 31, 2025 (December 31, 2024: ₪ 3.5 billion). The capitalization rate for the year ended December 31, 2025, was 5.7% (December 31, 2024: 6.1%).

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9. INTANGIBLE ASSETS, NET

	Pipeline access right	Software	Others	Intangible under development	Total
Cost					
As of January 1, 2024	325,192	664,319	-	-	989,511
As of December 31, 2024	325,192	664,319	-	-	989,511
Additions during the year	-	-	-	11,389	11,389
Acquisition during the year*	-	-	204,961	-	204,961
Transfer from property, plant and equipment (note 8)	-	289,265	-	968,491	1,257,756
As of December 31, 2025	325,192	953,584	204,961	979,880	2,463,617
Accumulated amortisation					
As of January 1, 2024	239,582	461,047	-	-	700,629
Amortisation for the year	14,780	64,688	-	-	79,468
As of December 31, 2024	254,362	525,735	-	-	780,097
Amortisation for the year	14,780	100,843	-	-	115,623
As of December 31, 2025	269,142	626,578	-	-	895,720
Net book value					
As of December 31, 2024	70,830	138,584	-	-	209,414
As of December 31, 2025	56,050	327,006	204,961	979,880	1,567,897

* Others include goodwill recognised during the year amounting to ~~ﷲ~~ 164 million and customer contracts ~~ﷲ~~ 41 million resulting from the acquisition of the remaining 50% equity interest of Global Data Hub Company (note 48).

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10. RIGHT OF USE ASSETS AND LEASE LIABILITIES

10.1 RIGHT-OF-USE ASSETS, NET

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles and equipment</u>	<u>Total</u>
Cost				
As of January 1, 2024	54,771	96,855	296,715	448,341
Additions during the year	12	-	353,163	353,175
De-recognized during the year	<u>(14,853)</u>	<u>(30)</u>	<u>(3,210)</u>	<u>(18,093)</u>
As of December 31, 2024	39,930	96,825	646,668	783,423
Additions during the year	-	133,613	44,731	178,344
Adjustments	12,950	(1,050)	7,900	19,800
De-recognized during the year	(38)	(16,553)	-	(16,591)
Acquisition during the year (note 48)	23,649	-	-	23,649
As of December 31, 2025	<u>76,491</u>	<u>212,835</u>	<u>699,299</u>	<u>988,625</u>
Accumulated depreciation				
As of January 1, 2024	21,668	39,779	16,517	77,964
Charge for the year	4,589	15,695	125,839	146,123
De-recognized during the year	<u>(14,853)</u>	<u>(30)</u>	<u>(3,210)</u>	<u>(18,093)</u>
As of December 31, 2024	11,404	55,444	139,146	205,994
Charge for the year	4,504	59,233	177,279	241,016
Adjustments	12,847	(1,050)	8,003	19,800
De-recognized during the year	(38)	(16,553)	-	(16,591)
Acquisition during the year (note 48)	<u>1,672</u>	<u>-</u>	<u>-</u>	<u>1,672</u>
As of December 31, 2025	<u>30,389</u>	<u>97,074</u>	<u>324,428</u>	<u>451,891</u>
Net book value				
As of December 31, 2024	<u>28,526</u>	<u>41,381</u>	<u>507,522</u>	<u>577,429</u>
As of December 31, 2025	<u>46,102</u>	<u>115,761</u>	<u>374,871</u>	<u>536,734</u>

The average lease term of land and buildings ranges between 2 to 72 years (2024: 2 to 72 years) and for vehicles and equipment ranges between 2 to 5 years (2024: 2 to 5 years).

	<u>2025</u>	<u>2024</u>
Amounts recognized in the consolidated statement of profit or loss		
Depreciation expense on right-of-use assets (note 39)	241,016	146,123
finance expense on lease liabilities (note 43)	<u>32,925</u>	<u>24,356</u>

The total cash outflow for leases amount to ₪ 311 million (2024: ₪ 176 million).

10.2 LEASE LIABILITIES

The lease liabilities are presented in the consolidated statement of financial position as follows:

	<u>2025</u>	<u>2024</u>
Current portion	201,581	170,110
Non-current portion	<u>288,792</u>	<u>394,441</u>
	<u>490,373</u>	<u>564,551</u>

The Group does not face a significant liquidity risk with regard to its lease liabilities.

There are no variable lease payments included in the measurement of the lease liability.

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11. INVESTMENT PROPERTIES, NET

	Land	Buildings and Datacenter warehouse	Investment property under construction	Total
Cost				
As at January 1, 2024	331,605	149,471	-	481,076
Transfer from property, plant and equipment (note 8)	2,787	-	-	2,787
As at December 31, 2024	334,392	149,471	-	483,863
Transfer to property, plant and equipment (note 8)	-	(21,208)	-	(21,208)
Transfer from property, plant and equipment (note 8)	1,271	206	40,141	41,618
Acquisition during the year (note 48)	-	193,048	274,313	467,361
Additions during the year	-	-	31,259	31,259
As at December 31, 2025	335,663	321,517	345,713	1,002,893
Accumulated depreciation:				
As at January 1, 2024	-	18,704	-	18,704
Charge for the year	-	3,199	-	3,199
As at December 31, 2024	-	21,903	-	21,903
Transfer to property, plant and equipment (note 8)	-	(3,435)	-	(3,435)
Acquisition during the year (note 48)	-	35,583	-	35,583
Charge for the year	-	4,946	-	4,946
As at December 31, 2025	-	58,997	-	58,997
Net Book Value:				
As at December 31, 2024	334,392	127,568	-	461,960
As at December 31, 2025	335,663	262,520	345,713	943,896

The Group's investment properties were evaluated by an external valuer to determine the fair value as of December 31, 2025, for the purpose of disclosure in these consolidated financial statements. The land and buildings were evaluated by Amaken Valuation Company with license number 1210000040 with the Saudi Authority for Accredited Valuers. The datacenter warehouse and investment property under construction were evaluated by Ernst & Young Professional Services LLC with license numbers 4314000025 (Machinery and Equipment) and 1210001012 (Real Estate) with the Saudi Authority for Accredited Valuers. The valuers are entirely independent and have no relationship or affiliation with the Group.

The following table sets out the valuation techniques used in the determination of fair values of investment properties, as well as the key unobservable inputs used in the valuation models.

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11. INVESTMENT PROPERTIES, NET (CONTINUED)

The fair value measurement information in accordance with IFRS 13 as at December 31, 2025 which was completed during the fourth quarter in 2025 and the fair value amounted to ₪ 1,935 million (2024: ₪ 2,966 million). Below is the fair value measurement information.

	Significant Inputs and Evaluation Assumptions	Purpose of investment property	Evaluation method	Fair value
Fair-value measurements – Land	Costing, capitalization and market comparison method	Rental income and maximize capital value	Level 2	1,094 million
Fair-value measurements – Buildings and others	Costing, capitalization and market comparison method	Rental income and maximize capital value	Level 2	841 million

Valuation techniques used to derive Level 2 fair values:

Level 2 fair values of land, buildings and others have been generally derived using the sales comparison approach. Sales prices are adjusted using same properties. The most significant input into this valuation approach is price per square meter. There has been no change to the valuation technique during the year.

12. EQUITY ACCOUNTED INVESTEEES

The balances related to equity accounted investments are as follows:

	<u>2025</u>	<u>2024</u>
Associates		
Gulf Cooperation Council Inter-Connection Authority	1,439,880	1,415,906
Gulf Laboratory Company for testing electrical equipment	180,318	187,261
Al Fadhly Co-Generation Company	-	31,676
Green Saudi Company for Carbon Services	-	393
Joint venture		
Hajr for Electricity Production Company	1,332,851	1,299,936
Dhuruma Electricity Company	703,811	711,101
Rabigh Electricity Company	463,976	443,031
Al Mourjan for Electricity Production Company	538,115	586,413
Global Data Hub Company	-	14,202
Electric Vehicle Infrastructure Company	36,722	96,000
Saudi Greek Interconnection Societe Anonyme	1,118	957
Sidra One Holding Company	-	4
Qudra One Holding Company	-	4
Ashraf Wahj Samidah Company	5	-
Isnad Wahj Samidah Company	5	-
	<u>4,696,801</u>	<u>4,786,884</u>
Liabilities associated with equity accounted investees *		
Remal First Holding Company	(22,968)	-
Naseem First Holding Company	(24,914)	-
Sidra One Holding Company	(3,887)	-
Qudra One Holding Company	(5,015)	-
Al Fadhly Co-Generation Company	(4,636)	-
Hajr One Holding Company	(115)	-
Al Mourjan Two Holding Company	(44)	-
	<u>(61,579)</u>	<u>-</u>

*These balances have been reclassified to liabilities associated with the equity accounted investees under accruals and other payables (note 28).

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12. EQUITY ACCOUNTED INVESTEEES (CONTINUED)

The movement in equity investments recognized under the equity method is as follows:

Particulars	Balance as of January 1	Additional investment	Share in profit/ (loss)	Share in other comprehensive income/(loss)	Dividend received	Disinvestment /adjustment	Reclassification to liabilities	Balance as of December 31
Associate companies								
Gulf Cooperation Council Inter- Connection Authority (GCCIA)	1,415,906	-	24,317	(343)	-	-	-	1,439,880
Gulf Laboratory Company for Testing Electrical Equipment (GLC)	187,261	-	(7,030)	87	-	-	-	180,318
Al Fadhly Co-Generation Company (AFGC)	31,676	-	(18,604)	(17,708)	-	-	4,636	-
Green Saudi Company for Carbon Services (GSCCS)	393	-	-	-	-	(393)	-	-
Joint Ventures								
Hajr for Electricity Production Company (HEPC)	1,299,936	-	77,165	(36,750)	(7,500)	-	-	1,332,851
Rabigh Electricity Company (REC)	443,031	-	35,230	(5,107)	(9,178)	-	-	463,976
Dhuruma Electricity Company (DEC)	711,101	-	76,828	(42,141)	(41,977)	-	-	703,811
Al Mourjan for Electricity Production Company (MEPCO)	586,413	-	(43,943)	(4,355)	-	-	-	538,115
Global Data Hub Company (GDH) (note 48)	14,202	-	(9,394)	-	-	(4,808)	-	-
Electric Vehicle Infrastructure Company	96,000	-	(59,278)	-	-	-	-	36,722
Saudi Greek Interconnection Societe Anonyme	957	-	161	-	-	-	-	1,118
Sidra One Holding Company (SOHC)	4	-	(122)	(3,769)	-	-	3,887	-
Qudra One Holding Company (QOHC)	4	-	(122)	(4,897)	-	-	5,015	-
Remal First Holding Company	-	4	(107)	(22,865)	-	-	22,968	-
Naseem First Holding Company	-	4	(107)	(24,811)	-	-	24,914	-
Hajr One Holding Company	-	4	(119)	-	-	-	115	-
Al Mourjan Two Holding Company	-	4	(48)	-	-	-	44	-
Ashraf Wahj Samidah Company	-	5	-	-	-	-	-	5
Isnad Wahj Samidah Company	-	5	-	-	-	-	-	5
Investment movement during the year 2025	4,786,884	26	74,827	(162,659)	(58,655)	(5,201)	61,579	4,696,801
Investment movement during the year 2024	4,696,923	97,011	134,063	(59,357)	(81,754)	(2)	-	4,786,884

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12. EQUITY ACCOUNTED INVESTEEES (CONTINUED)

The following table represents summarised details relating to the Group's material equity accounted investments:

For the year ended December 31, 2025

	GCCIA	HEPC	REC	DEC	MEPCO
Current assets	732,223	290,288	345,647	405,314	208,793
Non-current assets	5,499,539	7,426,900	6,120,198	4,268,389	4,631,640
Current liabilities	572,478	777,366	644,060	509,028	584,659
Non-current liabilities	1,102,701	4,352,288	3,714,779	2,893,951	3,179,529
Equity	4,556,583	2,587,534	2,107,006	1,270,724	1,076,245
Operating income	378,716	1,047,648	969,825	814,172	522,296
Cost of sales	(237,088)	(584,669)	(491,468)	(467,249)	(355,874)
Gross profit	141,628	462,979	478,357	346,923	166,422
General and administrative expenses	(71,329)	(115,544)	-	(11,240)	(31,611)
Operating profit for the year	70,299	347,435	478,357	335,683	134,811
Other income, net	17,193	20,614	16,253	-	25,816
Finance expense	-	(225,641)	(300,118)	(171,656)	(247,970)
Profit / (loss) before zakat and income tax	87,492	142,408	194,492	164,027	(87,343)
Zakat and income tax reversal / (expense)	-	17,242	(18,359)	(14,458)	(52)
Profit / (loss) for the year	87,492	159,650	176,133	149,569	(87,395)

For the year ended December 31, 2024

	GCCIA	HEPC	REC	DEC	MEPCO
Current assets	604,626	362,564	339,253	388,337	138,906
Non-current assets	5,000,968	7,923,763	6,435,505	4,497,823	4,790,311
Current liabilities	203,773	862,574	637,877	481,923	382,205
Non-current liabilities	921,105	4,900,593	4,148,263	3,130,886	3,374,184
Equity	4,480,716	2,523,160	1,988,618	1,273,351	1,172,828
Operating income	353,940	1,029,792	972,950	857,088	633,553
Cost of sales	(144,401)	(583,371)	(191,220)	(457,197)	(363,576)
Gross profit	209,539	446,421	781,730	399,891	269,977
General and administrative expenses	(167,919)	(164,100)	(328,460)	(11,254)	(29,415)
Operating profit for the year	41,620	282,321	453,270	388,637	240,562
Other income, net	3,187	9,948	10,332	50	1,530
Finance income / (expense)	26,108	(244,593)	(280,012)	(188,004)	(200,664)
Profit before zakat and income tax	70,915	47,676	183,590	200,683	41,428
Zakat and income tax expense	-	(2,933)	(9,536)	(20,990)	(1,021)
Profit for the year	70,915	44,743	174,054	179,693	40,407

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12. EQUITY ACCOUNTED INVESTEEES (CONTINUED)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the equity accounted investees recognised in the consolidated financial statements:

For the year ended December 31, 2025

	GCCIA	HEPC	REC	DEC	MEPCO
Net assets	4,556,583	2,587,534	2,107,006	1,270,724	1,076,245
Proportion of the Group's ownership interest	31.6%	50%	20%	50%	50%
	1,439,880	1,293,767	421,401	635,362	538,123
Other adjustments	-	39,084	42,575	68,449	(8)
Carrying amount of the Group's interest	1,439,880	1,332,851	463,976	703,811	538,115

For the year ended December 31, 2024

	GCCIA	HEPC	REC	DEC	MEPCO
Net assets	4,480,716	2,523,160	1,988,618	1,273,351	1,172,828
Proportion of the Group's ownership interest	31.6%	50%	20%	50%	50%
	1,415,906	1,261,580	397,724	636,676	586,413
Other adjustments	-	38,356	45,307	74,425	-
Carrying amount of the Group's interest	1,415,906	1,299,936	443,031	711,101	586,413

All of the above associates and joint ventures are accounted for using the equity method in these consolidated financial statements as set out in the group's accounting policies Note 4.

Other equity accounted investees details are not disclosed as those investments are not material to the Group.

13. FINANCIAL ASSETS AT AMORTISED COST

	<u>2025</u>	<u>2024</u>
Sadara Company for Basic Services' Sukuk "Sadara"	18,133	18,133
Energy impact partners (EIP) Flagship Fund III LP	2,731	-
	<u>20,864</u>	<u>18,133</u>

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14. FINANCIAL ASSETS THROUGH OTHER COMPREHENSIVE INCOME

	<u>2025</u>	<u>2024</u>
Shuaiba Water and Electricity Company	63,841	74,725
Shuqaiq Water and Electricity Company	50,804	55,656
Jubail Water and electricity limited Company	86,317	85,590
Shuaibah Expansion Holdings	13,721	14,148
	<u>214,683</u>	<u>230,119</u>

The dividends received in respect of these investments by the Group amounted to ₪ 40 million (2024: ₪ 44 million) which are disclosed in note 40.

The valuation methodology for these investments in accordance with IFRS 13 is disclosed in note 45.3.

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the group management have elected to designate these investments in equity instruments as financial assets through other comprehensive income as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the group's strategy of holding these investments for long-term purposes and realize their performance potential in the long run.

15. INVENTORIES, NET

	<u>2025</u>	<u>2024</u>
Material and supplies:		
Generation plants	920,954	687,713
Distribution network	317,432	279,678
Transmission network	189,081	196,199
Others	527,880	495,260
	<u>1,955,347</u>	1,658,850
Less: Allowance for slow-moving and obsolete inventories	<u>(409,615)</u>	<u>(545,447)</u>
	<u>1,545,732</u>	<u>1,113,403</u>

- The permanent decrease in the value of the inventory amounted to ₪ 39.8 million as on December 31, 2025 (2024: ₪ 53.8 million).

- During the year, a gross amount of ₪ 2,827 million was reclassified/transferred from inventories to property, plant and equipment for the comparative figures of 2024 (note 49).

The movement in the allowance for slow-moving and obsolete inventories during the year is as follows:

	<u>2025</u>	<u>2024</u>
Balance as at beginning of the year	545,447	788,027
Reversal for the year, net	(135,832)	(167,720)
Reversal due to reclassification to property, plant and equipment (note 49)	-	(74,860)
Balance as at the end of the year	<u>409,615</u>	<u>545,447</u>

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16. ACCOUNTS RECEIVABLE, NET

	<u>2025</u>	<u>2024</u>
Receivables other than government	9,731,165	8,835,708
Governmental institutions (note 37f) (a)	11,661,342	6,921,316
Due from related parties (note 37f)	4,973,091	4,573,080
Receivables for electricity service connection projects (b)	<u>2,317,087</u>	<u>1,908,316</u>
	28,682,685	22,238,420
Add: accrued revenue	<u>3,312,531</u>	3,402,503
	31,995,216	25,640,923
Less: allowance for expected credit losses (c)	<u>(3,265,707)</u>	<u>(3,043,244)</u>
	<u>28,729,509</u>	<u>22,597,679</u>

- a) During the year 2025, the Group settled an amount of ₪ 3.0 billion due from electricity consumers of governmental institutions for year 2024 within the settlement of Ministry of Finance due (2024: ₪ 4.0 billion).

Included in the governmental institutions receivables is an amount of ₪ 4.7 billion. The balance resulted from the management's estimate of the difference between required revenue and actual regulated revenue for the year 2025. It also includes the required revenue amendments for the year 2024 by the regulator until it is settled in accordance with the approved rules and regulations. Thus, it is recorded within other operational revenues (note 38).

During the year the company received ₪ 12.9 billion (2024: ₪ 9.5 billion) in the form of required revenue from the Ministry of Finance. Subsequently, on January 8, 2026, the Group has received further ₪ 4.7 billion related to 2025.

- b) These balances include receivables from government and semi government entities.
- c) The movement in the allowance for expected credit loss for accounts receivable during the year is as follows:

	<u>2025</u>	<u>2024</u>
Balance as at beginning of the year	3,043,244	3,478,376
Charged/ (reversal) for the year	359,869	(433,702)
Write-off during the year	<u>(137,406)</u>	<u>(1,430)</u>
Balance as at the end of the year	<u>3,265,707</u>	<u>3,043,244</u>

17. LOANS AND ADVANCES

	<u>2025</u>	<u>2024</u>
Loans due from related parties (note 37e)	1,187,276	1,282,526
Advances to:		
Contractors and suppliers	7,298,641	7,558,138
Employees	<u>23,575</u>	<u>20,472</u>
	8,509,492	8,861,136
Less: allowance for expected credit losses	<u>(135,000)</u>	-
	<u>8,374,492</u>	<u>8,861,136</u>
The above balances are classified as:		
Non-current	954,663	954,663
Current	<u>7,419,829</u>	<u>7,906,473</u>
	<u>8,374,492</u>	<u>8,861,136</u>

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18. PREPAYMENTS AND OTHER RECEIVABLES, NET

	<u>2025</u>	<u>2024</u>
Prepaid and other expenses	260,427	29,852
Insurance and other claims	312,931	284,095
Other receivables (a)	2,519,247	3,145,987
	<u>3,092,605</u>	<u>3,459,934</u>
Less: allowance for expected credit losses for other receivables balances (b)	<u>(613,161)</u>	<u>(532,652)</u>
	<u><u>2,479,444</u></u>	<u><u>2,927,282</u></u>

a) Other receivables include an amount of ₪ 30 million relating to advance paid for an investment in National Innovation Industrial Company. The Group has currently signed a shareholder agreement and is in the process of completing the remaining legal and operational requirements for this investment.

b) The movement in the allowance for expected credit losses for other receivables balances during the year is as follow:

	<u>2025</u>	<u>2024</u>
Balance as at beginning of the year	532,652	334,035
Charge for the year	251,872	198,617
Write-off during the year	<u>(171,363)</u>	-
Balance as at the end of the year	<u><u>613,161</u></u>	<u><u>532,652</u></u>

19. CASH AND CASH EQUIVALENTS

	<u>2025</u>	<u>2024</u>
Cash on hand	2,773	3,298
Cash at banks	1,255,270	1,628,358
	<u><u>1,258,043</u></u>	<u><u>1,631,656</u></u>

At each reporting date, all bank balances are assessed to have low credit risk as they are held with reputable and high credit rating banking institutions and there has been no history of default with any of the Group's bank balances. Therefore, the probability of default based on forward looking factors and any loss given default are considered to be negligible.

20. SHARE CAPITAL

The Company's share capital is divided into 4,166,593,815 shares of ₪ 41,665,938,150 with a nominal value of ₪ 10 per share. The Government of Saudi Arabia's shareholding of 74.31% in the Company was transferred to the Public Investment Fund by Royal Decree No. 47995 dated 19th Shawwal 1438H (corresponding to July 13, 2017).

21. DIVIDENDS

The General Assembly of the Group, in its meeting held on 15 Dhul Qadah 1446H, corresponding to May 13, 2025, approved the distribution of cash dividends for the year 2024 to the shareholders of the Group amounting to ₪ 2.9 billion at ₪ 0.70 per share, representing 7% of the par value of the share.

The Board of Directors of the Saudi Energy Company (Formerly Saudi Electricity Company), in their meeting held on 13 Ramadan 1447H (corresponding to March 2, 2026), recommended to the General Assembly of the Group's shareholders to distribute cash dividends for the financial year 2025 to the shareholders of the Group and their equivalent with an amount of ₪ 2.9 billion at ₪ 0.70 per share, representing 7% of the par value of the share.

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22. MUDARABA INSTRUMENT

	Mudaraba instrument	Second additional Mudaraba instrument	Total
Mudaraba instrument	159,169,000	4,467,000	163,636,000
Fair value adjustment of Mudaraba instrument	8,751,563	1,220,333	9,971,896
	167,920,563	5,687,333	173,607,896

Pursuant to the letter received from His Royal Highness the Minister of Energy, chairman of the ministerial committee for the restructuring of the electrical sector (No. 01-2057-1442H dated 29 Rabi Al Awwal 1442H corresponding to November 15, 2020), regarding the issuance of a royal order No. 16031 approving the settlement of net government dues from the Company and signing Mudaraba agreement with the government of the Kingdom of Saudi Arabia represented by the Ministry of Finance, to transfer the net financial liabilities accrued to the government by the Company by the end of year 2019, amounting to ﷲ 167.9 billion, into a financial instrument within equity, which is unsecured, with an unspecified, recoverable term, and an annual profit margin of 4.5% for a period of 3 years ended in 2023, provided that the margin is recalculated. On 20 Shawwal, 1445H corresponding to April 29, 2024, the Company had received a letter no. 450201/3979 from the Regulator with the updated WACC, which has resulted in a change of annual profit margin to 5.15% (effective from January 1, 2024) for the period of 3 years ending 2026.

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

Second Additional Mudaraba

On 1 Shaaban 1446H corresponding to January 31, 2025, the Company received a letter from the Minister of Energy regarding the approval of a final settlement for disputed amounts related to fuel and electric power costs with Saudi Aramco, totaling ﷲ 5,687 million. This amount is an obligation owed by the Company to the government, represented by the Ministry of Finance. The Company recorded this settlement as an expense in the statement of profit or loss and as a liability payable to the government in the consolidated statement of financial position as of December 31, 2024. The settlement was to be converted into Mudaraba instrument as per the Mudaraba agreement within 30 days of receiving the letter.

On 29 Shaaban 1446H corresponding to February 28, 2025, a settlement agreement along with the amendments to the original Mudaraba agreement between Ministry of finance and SEC was signed to convert this liability to second additional Mudaraba instrument.

During the first quarter of current year, reflecting the substance of the transaction, the liability was reclassified as part of equity as Mudaraba instrument subject to the approval of the General Assembly. This was approved by the General Assembly on May 13, 2025. Accordingly, this was considered as the Second Additional Mudaraba.

The amount was subject to fair value measurement in accordance with IFRS 13 (level 3 fair value hierarchy measurement) at the date of initial transfer and valued at ﷲ 4,467 million.

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22. MUDARABA INSTRUMENT (CONTINUED)

Second Additional Mudaraba (continued)

The fair value of the Mudaraba was determined based on the Black-Derman-Toy (BDT) model. The BDT framework utilizes the term structure and interest rate volatility to simulate the evolution of future interest rates across a binomial tree. The discount rate was developed using a build-up approach, starting with a base rate derived from the Saudi Riyal Saudi Sukuk Sovereign Yield Curve, and applying a perpetual premium to reflect the non-amortizing perpetual nature of the instrument.

In addition, the value of the embedded redemption option was derived by calculating the instrument's value with and without the call option under the BDT model. Volatility range was estimated to be from 17% to 22% based on SAIBOR historical volatility and Black SAIBOR volatility surface data.

In accordance with the amendment to the original mudaraba agreement, the profit commencement date of the second additional Mudaraba was the date of approval by the general assembly.

On 15 Thul Qadah 1446H, corresponding to May 13, 2025, the general assembly approved the increase of contractual reserve to fund the profit payments for the Mudaraba instrument based on the adjusted value effective on the same date.

23. CONTRACTUAL RESERVE - MUDARABA INSTRUMENT

Based on the above Mudaraba instrument (note 22) and the related general assembly approval on the contractual reserve, the Group has recorded the following contractual reserve.

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

	<u>2025</u>	<u>2024</u>
Balance at the beginning of the year	984,901	860,593
Transferred from retained earnings during year	8,957,588	8,792,041
Paid during the year	(8,924,230)	(8,667,733)
Balance at the end of the year	<u>1,018,259</u>	<u>984,901</u>

24. EMPLOYEES' BENEFITS OBLIGATION

	<u>2025</u>	<u>2024</u>
Employees' end of service benefits (note 24.1)	8,267,637	7,470,260
Employees' savings fund (note 24.2)	1,526,720	1,109,386
Human resources productivity improvement program (note 24.3)	690,098	1,057,673
	<u>10,484,455</u>	<u>9,637,319</u>

24.1 EMPLOYEE'S END OF SERVICE BENEFITS

The Group carried out an actuarial valuation for employees' end of service benefits, using the projected unit credit method for its liability as at December 31, 2025 and December 31, 2024 arising from the end of service benefits.

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24. EMPLOYEES' BENEFITS OBLIGATION (CONTINUED)

24.1 EMPLOYEE'S END OF SERVICE BENEFITS (CONTINUED)

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

Resignation rate before retirement age	The Group based the resignation rates according to the historical resignation rates and based on the experience of the group during the past four years.
Assumed retirement age	As per new laws and regulation of GOSI - Gradually increases over time (58 to 65 Georgian Years). Employees older than the normal retired age are assumed to retire immediately on valuation date.
Pre-retirement mortality	The Group based the pre-retirement mortality on the life table for Saudi Arabia, sourced on countries that do not differ substantially from Kingdom of Saudi Arabia.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

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

	<u>2025</u>	<u>2024</u>
Gross discount rate	5.7%	5.59%
Price inflation	2.25%	1.74%
Salary inflation average rate	5.90%	5.90%

The calculation of the employee benefits obligation is sensitive to the assumptions set out above. The table below shows how the obligation would be affected by reasonably possible changes in the key actuarial assumptions, holding all other assumptions constant.

Significant actuarial assumptions for the determination of the employee benefits liability are discount rate, expected salary increase and mortality. The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

In presenting the sensitivity analysis, the present value of the employee benefits liability has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the employee benefits liability recognized in the consolidated statement of financial position.

Sensitivity Analysis - Base Assumptions (Impact on liability)	<u>2025</u>	<u>2024</u>
Discount rate + 1%	(960,630)	(796,095)
Discount rate - 1%	1,161,058	956,337
Salary increase + 1%	1,159,456	968,801
Salary increase - 1%	(974,897)	(818,932)
Withdrawal rate + 10%	(17,164)	(15,463)
Withdrawal rate -10%	18,396	16,574
Mortality rate + 10%	(3,416)	(3,086)
Mortality rate -10%	3,442	3,108

The sensitivity analysis presented may not be representative of the actual change in the employee benefits liability as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

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24. EMPLOYEES' BENEFITS OBLIGATION (CONTINUED)

24.1 EMPLOYEE'S END OF SERVICE BENEFITS (CONTINUED)

The reconciliation of the employee's end of service benefits obligation for the year ended December 31:

2024	Statement of profit or loss	Re- measurement	Cash movements	Total
As at January 1, 2024	-	-	-	6,667,764
Current service cost	505,380	-	-	505,380
Interest cost (note 43)	344,364	-	-	344,364
Past service cost	5,169	-	-	5,169
Actuarial loss from change in economic assumptions	-	221,146	-	221,146
Actuarial loss from change in demographic assumptions	-	25,442	-	25,442
Actuarial loss from experience adjustments	-	152,850	-	152,850
Benefit payments	-	-	(451,855)	(451,855)
Total movement during the year	<u>854,913</u>	<u>399,438</u>	<u>(451,855)</u>	<u>802,496</u>
As at December 31, 2024				7,470,260
2025				
As at January 1, 2025	-	-	-	7,470,260
Current service cost	541,060	-	-	541,060
Interest cost (note 43)	417,588	-	-	417,588
Actuarial gain from change in economic assumptions	-	(117,067)	-	(117,067)
Actuarial loss from experience adjustments	-	133,612	-	133,612
Benefit payments	-	-	(177,816)	(177,816)
Total movement during the year	<u>958,648</u>	<u>16,545</u>	<u>(177,816)</u>	<u>797,377</u>
As at December 31, 2025				<u>8,267,637</u>

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24. EMPLOYEES' BENEFITS (CONTINUED)

24.1 EMPLOYEE'S END OF SERVICE BENEFITS (CONTINUED)

Undiscounted expected benefit payments within five years:

	<u>2025</u>	<u>2024</u>
Within one year	341,510	644,648
1 – 2 years	343,905	288,794
2 – 3 years	376,974	295,579
3 – 4 years	436,326	306,614
4 – 5 years	543,746	324,879

The weighted average duration of the employees' defined benefit obligation is 13.50 years (2024: 12.80 years).

Risks associated with defined benefit schemes:

The entity is exposed to the following risks associated with defined benefit schemes:

Salary Increase risk: The present value of the defined benefit plan liability is calculated by reference to the future salaries of members. As such, an increase in the salary of the members more than the assumed level will increase the plan's liability.

Interest rate risk: A fall in the discount rate will increase the present value of the liability requiring higher provisions.

Withdrawal risk: Actual withdrawals/attrition varying from the actuarial assumption can impose a risk to the benefit obligation.

Mortality risk: Since the benefits under the plan are not payable for lifetime and are payable till retirement age only, the plan does not have any longevity risk.

24.2 EMPLOYEES' SAVINGS FUND

In accordance with Article 145 of the Labor Law, and in line with the Board of Directors' meeting held on 23rd Safar 1429H (corresponding to March 2, 2008), the Savings Plan Program was established to encourage Saudi employees in the Group to save and invest their savings in areas that are more beneficial to them to secure their future and as an incentive for them to continue working with the Group. Rate of return will be determined according to Group's policy.

Participation in the Fund is restricted to Saudi employees only and is optional for the employees who wishes to contribute a monthly minimum of 1% to a maximum of 10% of their basic salary.

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24. EMPLOYEES' BENEFITS OBLIGATION (CONTINUED)

24.2 EMPLOYEES' SAVINGS FUND (CONTINUED)

	<u>2025</u>	<u>2024</u>
Balance at the beginning of the year	1,109,386	1,206,300
Charge for the year	362,733	200,599
Employee contribution	137,582	125,420
Paid during the year	(47,870)	(104,059)
Change in asset value	(35,111)	(318,874)
Balance at the end of the year	<u>1,526,720</u>	<u>1,109,386</u>

The following are the liability balances of the employees' savings fund:

	<u>2025</u>	<u>2024</u>
Contribution by the Group	1,575,966	1,238,654
Employees' contribution	1,065,273	948,662
Total liability for employees' savings fund	<u>2,641,239</u>	<u>2,187,316</u>

The following are the assets of the employees' savings fund:

	<u>2025</u>	<u>2024</u>
Balances and deposits with banks	395,061	594,158
Investments in Sukuks	719,458	483,772
Total assets of the fund	<u>1,114,519</u>	<u>1,077,930</u>

24.3 HUMAN RESOURCES PRODUCTIVITY IMPROVEMENT PROGRAM

The Group is committed to improve the productivity of human resources by increasing employees' efficiency through the Group's endeavor to improve HR productivity, raise the level of employee efficiency, and reduce the total costs of HR, which will have a positive impact on the Group's performance in the future. The Group's board of directors approved human resources productivity program on June 29, 2022, and has been implemented during the third quarter of 2022 which entitles the beneficiary to obtain early retirement benefits based on the progress in achieving operational saving targets and continued until 2024. Those eligible for this program are Saudi employees who meet the terms and conditions of this program, the employees participating in the mentioned programs are entitled to benefits.

As of December 31, 2025, an independent actuarial exercise has been conducted to ensure the adequacy of provision for these HR productivity programs in accordance with the rules stated under the Saudi Arabian Labor Law by using the Projected Unit Credit Method as required under IAS 19, *Employee Benefits*.

The breakup for the HR Productivity Improvement Program is as follows:

	<u>2025</u>	<u>2024</u>
Special offer	283	653
Mowama offer	265,519	369,059
Special offer and Mowama - 2022	424,296	687,961
	<u>690,098</u>	<u>1,057,673</u>

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24. EMPLOYEES' BENEFITS OBLIGATION (CONTINUED)

24.3 HUMAN RESOURCES PRODUCTIVITY IMPROVEMENT PROGRAM (CONTINUED)

Employees participating in the aforementioned programs are entitled to benefits as calculated based on the following assumptions:

Economic and demographic assumption used in valuation of Special offer:

	2025	2024
Discount rate	5.40%	5.40%
Inflation rate	5%	5%
Health care	5%	5%
Mortality	The Group based its pre-retirement Mortality, on countries that do not differ substantially with the life table in the Kingdom of Saudi Arabia.	

Economic and demographic assumption used in valuation of Mowama:

	2025	2024
Discount rate	4.85%	4.91%
Inflation rate	5%	5%
Health care	5%	5%
Mortality	The Group based its pre-retirement Mortality, on countries that do not differ substantially with the life table in the Kingdom of Saudi Arabia.	

- It is likely that each employee who meets the conditions for the Productivity Program will receive the offer in any year.
- Annual cost of medical sponsorship for program members and their family has been approved based on the average actual cost of the Group.
- All benefits under the Plan shall cease upon death or at the age of 60 year, whichever is earlier.
- Mortgage loans related to premium support will not expire before the employee reaches age 60 year.

Economic and demographic assumptions used in valuation of Special offer and Mowama - 2022:

	2025	2024
Discount rate	4.85%	4.91%
Inflation rate	5%	5%
Average rate of salary inflation	7.4%	5%
Social insurance inflation rate	5%	5%
Savings and Savings Fund contribution rate	10%	10%
Health care	5%	5%
Offer acceptance rate	65%	65.5%
Mortality	The Group based its pre-retirement Mortality, on countries that do not differ substantially with the life table in the Kingdom of Saudi Arabia.	

- It is likely that each employee who meets the conditions for the Productivity Program will receive the offer in any year.
- Annual cost of medical sponsorship for program members and their family has been approved based on the average actual cost of the Group.
- All benefits under the Plan shall cease upon death or at the age of 60 year, whichever is earlier.
- The disbursement is made according to an approved policy for the program chosen by the employee.
- Disbursement of the Group's contribution corresponding to the employee's savings in the Savings and Savings Fund at a rate of 100%.

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24. EMPLOYEES' BENEFITS OBLIGATION (CONTINUED)

24.3 HUMAN RESOURCES PRODUCTIVITY IMPROVEMENT PROGRAM (CONTINUED)

Productivity of human resources program movement are shown in the table below:

	<u>2025</u>	<u>2024</u>
Balance at the beginning of the year	1,057,673	1,406,830
(Reversal)/charge for the year	(159,510)	157,551
Paid during the year	(208,065)	(506,708)
Balance at the end of the year	<u>690,098</u>	<u>1,057,673</u>

25. DEFERRED REVENUE

Deferred revenue represents amounts collected for electricity connections service against completed funded projects and is amortized on a straight-line basis based on the expected service life to customers, which is primarily estimated at 35 years.

	<u>2025</u>	<u>2024</u>
Balance at the beginning of the year	76,605,149	75,005,742
Reclassification to advances from subscribers (note 49)	-	(1,312,254)
Increase during the year	8,022,521	5,721,150
Amortised during the year (note 38)	(2,891,707)	(2,809,489)
Balance at the end of the year	<u>81,735,963</u>	<u>76,605,149</u>
Current portion	3,115,625	2,881,447
Non-current portion	<u>78,620,338</u>	<u>73,723,702</u>
	<u>81,735,963</u>	<u>76,605,149</u>

During the year, an amount of ₪ 1,312 million was reclassified from deferred revenue to advances from subscribers in the comparative figures of 2024 (note 49).

26. DEFERRED GOVERNMENT GRANTS

This relates to government grant received by Dawiyat Integrated Company for Telecommunications and Information Technology (a subsidiary):

	<u>2025</u>	<u>2024</u>
Balance at the beginning of the year (a)	1,111,954	1,256,645
Additions during the year (b)	144,086	-
Amortisation during the year (note 40)	(138,001)	(144,691)
Balance at the end of the year	<u>1,118,039</u>	<u>1,111,954</u>

- a) It represents the Government grant's earned portion of a subsidy of ₪ 2 billion from the Ministry of Communications and Information Technology ('MCIT') for the implementation of initiative for the deployment of the broadband services, through optical fiber technology, for 744,500 houses in urban areas over 4 years ending on 2021. It is paid by the MCIT to the Group in installments after completion of the main stages of delivery of the service and in accordance with the details contained in the annual work ranges. Thus, based on the notification of commencement of work for each year, the subsidy specified for the year or part of it can be used against what is implemented and completed each year.
- b) On July 2, 2025, the Group entered into an agreement with MCIT for the first phase of the Fiber Optics Broadband expansion and enhancement project. The project targets cities with populations exceeding 5,000 and is supported by a subsidy of ₪ 414.2 million, payable in instalments upon completion of key project milestones as specified in the agreement. Subsidy amounts are released based on the completion and verification of each stage. During the current year, the Group has recognised ₪ 144.1 million of subsidy receivable and related deferred grant, where actual milestones were achieved.

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27. TRADE PAYABLES

	<u>2025</u>	<u>2024</u>
Contractors and retention payables	10,070,711	3,614,297
Accounts payable - Vendor	3,080,899	1,614,924
Saudi Water Authority – Purchase power cost (note 37f)	118	118
Fuel settlement payable – Ministry of Finance (note 41)	-	5,687,333
Others	265,474	375,307
	<u>13,417,202</u>	<u>11,291,979</u>

28. ACCRUALS AND OTHER PAYABLES

	<u>2025</u>	<u>2024</u>
Accrued capital projects and other expenses (a)	39,956,764	20,079,757
Accrued finance expenses	3,003,441	2,079,292
Accrued employees' benefits	1,205,427	1,441,326
Dividends payable	491,245	494,294
Other credit balances under settlement (b)	-	415,291
Accrued government fees (c)	82,190	-
Others	76,323	23,306
	<u>44,815,390</u>	<u>24,533,266</u>

a) This includes an amount of ₪ 61.6 million (2024: ₪ Nil) related to liabilities associated with equity accounted investees.

b) The balance resulted from the management's estimate of the difference between required revenue and actual revenue for the prior year 2024. It also included the required revenue amendments for the year 2022 and 2023 by the regulator until it is settled in accordance with the approved rules and regulations. Thus, it is recorded within other operational revenue (note 38).

c) During the current year an amount of ₪ 362 million (2024: ₪ 636 million) to be received from electricity consumers and payable to government of KSA has been classified along with the related liability to better reflect the substance of the transaction.

29. PROVISION FOR OTHER LIABILITIES AND CHARGES

	<u>Zakat</u>	<u>Other Provisions (a)</u>	<u>Total</u>
At January 1, 2024	350,330	824,783	1,175,113
Charge for the year	187,426	-	187,426
Reversed during the year	-	(377,140)	(377,140)
Paid during year	(347,535)	(231,093)	(578,628)
At December 31, 2024	190,221	216,550	406,771
Charge for the year	349,909	120,856	470,765
Paid during year	(182,565)	(30,889)	(213,454)
At December 31, 2025	<u>357,565</u>	<u>306,517</u>	<u>664,082</u>

a) Other provisions primarily relate to potential exposure arising from lawsuits against the Group.

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30. FINANCIAL INSTRUMENTS

30.1 Financial liabilities other than interest bearing

	<u>2025</u>	<u>2024</u>
Derivative financial liabilities		
Derivative financial instruments at fair value	<u>208,550</u>	<u>-</u>
Other financial liabilities carried at amortised cost, other than interest bearing loans		
Trade payable	13,417,202	11,291,979
Accruals and other payables	44,815,390	24,533,266
Refundable deposits from customers	1,908,999	1,911,702
Total other financial liabilities carried at amortised cost, other than interest bearing loans	<u>60,141,591</u>	<u>37,736,947</u>

30.2 Interest bearing liabilities

Classification of borrowings as appearing in the consolidated statement of financial position as at December 31, 2025, is as follows:

	<u>Short term loans and facilities</u>	<u>Long term loans and facilities</u>	<u>Sukuks</u>	<u>Total</u>
Non-current	-	120,586,098	44,867,951	165,454,049
Current	15,219,047	18,703,831	-	33,922,878
	<u>15,219,047</u>	<u>139,289,929</u>	<u>44,867,951</u>	<u>199,376,927</u>

Classification of borrowings as appearing in the consolidated statement of financial position as at December 31, 2024, is as follows:

	<u>Short term loans and facilities</u>	<u>Long term loans and facilities</u>	<u>Sukuks</u>	<u>Total</u>
Non-current	-	98,100,283	32,713,096	130,813,379
Current	8,000,000	2,994,586	2,437,500	13,432,086
	<u>8,000,000</u>	<u>101,094,869</u>	<u>35,150,596</u>	<u>144,245,465</u>

Movement in borrowings is as follows:

	<u>Short term loans and facilities</u>	<u>Long term loans and facilities</u>	<u>Sukuks</u>	<u>Total</u>
As at January 1, 2024	8,915,653	63,545,742	37,491,949	109,953,344
Proceeds from borrowings	14,385,127	41,822,982	10,801,950	67,010,059
Repayments of borrowings	(15,300,780)	(4,034,694)	(13,125,800)	(32,461,274)
Net charge to deferred costs	-	(239,161)	(17,503)	(256,664)
As at December 31, 2024	8,000,000	101,094,869	35,150,596	144,245,465
Proceeds from borrowings	11,719,047	56,812,874	12,187,500	80,719,421
Repayments of borrowings	(4,500,000)	(18,585,702)	(2,437,500)	(25,523,202)
Acquisition of a subsidiary during the year (note 48)	-	296,152	-	296,152
Net charge to deferred costs	-	(328,264)	(32,645)	(360,909)
As at December 31, 2025	<u>15,219,047</u>	<u>139,289,929</u>	<u>44,867,951</u>	<u>199,376,927</u>

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30. FINANCIAL INSTRUMENTS (CONTINUED)

30.2 Interest bearing liabilities (continued)

30.2.1 Long term loans and facilities

The following are the long term bank loans and facilities for the Saudi Energy Company (Formerly Saudi Electricity Company) and its subsidiaries:

	<u>Loan currency</u>	<u>Maturity date</u>	<u>Principal amount</u>	<u>2025</u>	<u>2024</u>
Domestic Bank 2	ﷻ	2025	5,000,000	-	382,400
Domestic Bank 6	ﷻ	2026	3,500,000	2,388,750	2,441,250
Domestic Bank 8 (j)	ﷻ	2026	15,200,000	13,680,000	13,984,000
Domestic Bank 9	ﷻ	2029	2,850,000	2,116,250	2,542,500
Domestic Bank 10	ﷻ	2027	9,000,000	8,370,000	8,550,000
Domestic Bank 11	ﷻ	2032	1,500,000	1,455,000	1,470,000
Local Syndicated Loan 12	ﷻ	2030	10,000,000	9,800,000	10,000,000
Domestic Bank 13	ﷻ	2036	1,600,000	1,600,000	1,052,820
Domestic Bank 14	ﷻ	2030	3,000,000	3,000,000	3,000,000
Domestic Bank 15	USD	2031	3,750,550	3,750,550	3,750,550
Domestic Bank 16	USD	2031	1,878,375	1,851,584	1,878,375
Domestic Bank 17 (a)	USD	2030	2,718,750	1,863,750	-
Domestic Bank 18 (b)	USD	2030	1,837,500	1,837,500	-
Domestic Bank 19 (c)	USD	2030	1,425,000	1,417,500	-
Domestic Bank 20 (l)	ﷻ	2026	300,000	296,152	-
International Bank 1 (d)	USD	2030	2,625,000	2,107,500	-
International Bank 2 (e)	USD	2030	1,125,000	986,250	-
International syndicated loan 3	USD	2026	5,251,120	436,468	874,026
International syndicated loan 4	USD	2028	7,240,715	1,669,948	2,273,319
International syndicated loan 6	USD	2029	3,375,585	1,124,050	1,405,373
International syndicated loan 7	USD	2029	1,575,336	524,892	656,176
International syndicated loan 9	USD	2033	1,875,000	1,259,093	1,309,201
International syndicated loan 10	USD	2027	11,265,874	11,265,874	11,265,874
International syndicated loan 11	USD	2028	11,251,425	11,251,425	11,251,425
International syndicated loan 12	USD	2033	776,250	776,250	776,250
International syndicated loan 13	USD	2029	3,750,600	3,750,600	3,750,600
International syndicated loan 14	USD	2029	7,503,650	7,503,650	7,503,650
International syndicated loan 15	USD	2036	2,128,155	2,122,222	1,828,145
International syndicated loan 16	USD	2029	938,800	938,800	938,800
International syndicated loan 17 (f)	USD	2030	13,504,795	13,504,795	-
International syndicated loan 18 (g)	USD	2030	3,751,750	3,751,750	-
International syndicated loan 19 (h)	USD	2037	3,752,400	3,752,400	-
International syndicated loan 20 (i)	USD	2032	11,252,185	11,252,185	-
International syndicated Revolving credit facility 5 (k)	USD	2027	15,000,000	8,634,286	8,631,416
				<u>140,039,474</u>	<u>101,516,150</u>
Less: unamortised portion of the prepaid fees				<u>(749,545)</u>	<u>(421,281)</u>
				<u>139,289,929</u>	<u>101,094,869</u>
This is classified as follows:					
Current portion				18,703,831	2,994,586
Non-current portion				120,586,098	98,100,283
				<u>139,289,929</u>	<u>101,094,869</u>

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30. FINANCIAL INSTRUMENTS (CONTINUED)

30.2 Interest bearing liabilities (continued)

30.2.1 Long term loans and facilities (continued)

- (a) On 14 Muharram 1447H (corresponding July 9, 2025), a subsidiary of the Group signed an Equity Bridge Loan (EBL) Murabaha Facility Agreement with a domestic bank for a total facility amount of USD 725 million (ﷲ 2.72 billion) for 5 years with 2 years extension option. As at December 31, 2025, the Group has utilised USD 497 million (ﷲ 1.86 billion) from this facility.
- (b) On 14 Muharram 1447H (corresponding to July 9, 2025), a subsidiary of the Group signed an EBL Murabaha Facility Agreement with a Domestic bank amounting USD 490 million (ﷲ 1.84 billion) for 5 years with 2 years extension option. As at 31 December 2025, the Group has utilised USD 490 million (ﷲ 1.84 billion).
- (c) On 21 Dhul Hijjah 1446H (corresponding to June 17, 2025), a subsidiary of the Group has signed an EBL Murabaha Facility Agreement with a Domestic bank amounting USD 380 million (ﷲ 1.43 billion) for 5 years with 2 years extension option. As at December 31, 2025, the Group has utilised USD 378 million (ﷲ 1.42 billion).
- (d) On 29 Dhul Qidah 1446H, (corresponding to May 27, 2025), a subsidiary of the Group signed an agreement with an international bank for an EBL facility agreement amounting to USD 700 Million (ﷲ 2.63 billion) for 5 years with 2 years extension option. As at December 31, 2025 the Group has utilised USD 562 million (ﷲ 2.11 billion) from this facility agreement.
- (e) On 6 Dhul Hijjah 1446H (corresponding to June 2, 2025), a subsidiary of the Group signed an agreement with an international bank for an EBL facility agreement amounting to USD 300 Million (ﷲ 1.13 billion) for 5 years with 2 years extension option. As at December 31, 2025 the Group has utilised USD 263 million (ﷲ 986 million) from this facility agreement.
- (f) On 11 Jamada Al Akhira 1446H (corresponding to December 12, 2024), the Group signed International Syndicated Facility agreement with International banks amounting to USD 3.6 billion (ﷲ 13.5 billion) for 5 years. As at December 31, 2025, the Group has utilised USD 3.6 billion (ﷲ 13.5 billion) (2024: ﷲ nil) from this facility agreement.
- (g) On 16 Dhul Qidah 1446H (corresponding to May 14, 2025), the Group signed an International Syndicated Facility with international banks amounting to USD 1 billion (ﷲ 3.75 billion) for 5 years. As at December 31, 2025 the Group has utilised USD 1 billion (ﷲ 3.75 billion) from this facility agreement.
- (h) On 13 Safar 1447H (corresponding to August 7, 2025), the Group signed a syndicated facilities agreement with international banks amounting to USD 1 billion (ﷲ 3.75 billion) for 12 years. As at December 31, 2025 the company has utilised USD 1 billion (ﷲ 3.75 billion).
- (i) On 22 Rabi Al Awwal 1447H (corresponding to September 14, 2025), the Group signed International Syndicated Facility agreement with International banks amounting to USD 3 billion (ﷲ 11.25 billion) for 7 years. As at December 31, 2025, the Company has utilised USD 3 billion (ﷲ 11.25 billion) from this facility agreement.
- (j) Subsequent to the year end, on 23 Sha'aban 1447H (corresponding to February 11, 2026), the Group has signed a Shari'ah-compliant Murabaha financing facility with Domestic banks amounting to ﷲ 16 billion for 3 years with an extension option, for the purpose of refinancing existing Murabaha facilities (note 50).
- (k) During the year, an amount of ﷲ 8,631 million related to International syndicated Revolving credit facility 5 was reclassified from short term loan and facilities to long term loans for the comparative period (note 49).

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30. FINANCIAL INSTRUMENTS (CONTINUED)

30.2 Interest bearing liabilities (continued)

30.2.1 Long term loans and facilities (continued)

(l) As a result of the acquisition of a new subsidiary (note 48), the Group has incorporated a loan from a domestic bank, into its consolidated financial statements. This loan has a total facility of ﷲ 300 million, of which ﷲ 296 million was utilised as at December 31, 2025.

30.2.2 Short term loans and facilities

The following are short-term loans and facilities:

Particulars	Loan currency	Principal amount	2025	2024
Domestic revolving bank loan 1	ﷲ	3,000,000	3,000,000	3,000,000
Domestic revolving bank loan 2	ﷲ	3,000,000	3,000,000	3,000,000
Domestic revolving bank loan 3	USD	2,000,000	2,000,000	2,000,000
Domestic revolving bank loan 4 (a)	ﷲ	4,000,000	4,000,000	-
International bank bridge loan (b)	USD	2,625,000	2,514,047	-
International bank bridge loan (c)	USD	2,250,000	705,000	-
			15,219,047	8,000,000

(a) On 24 Dhul Qidah 1446H (Corresponding to May 22, 2025), the Group entered into a revolving bank loan agreement with a domestic bank for a total amount of ﷲ 4 billion. As at December 31, 2025, the Group has utilised ﷲ 4 billion from this facility.

(b) On 19 Rabi Al Awwal 1447H (Corresponding to September 11, 2025), a subsidiary of the Group entered into a Bridge facility agreement for a total bridge loan facility amount of USD 700 million (ﷲ 2.63 billion) for 9 months. As at December 31, 2025, the Group has utilised USD 670 million (ﷲ 2.51 billion) from this facility.

(c) On 20 Rabi Al Thani 1447H (corresponding to October 12, 2025), a subsidiary of the Group entered into a Bridge murabaha facility agreement for a total facility amount of USD 600 million (ﷲ 2.25 billion) for 9 months. As at December 31, 2025, the Group has utilised USD 188 million (ﷲ 705 million) from this facility.

30.2.3 Sukuk

	2025	2024
Non-current	44,867,951	32,713,096
Current	-	2,437,500
	44,867,951	35,150,596

1. During April 2013, the Group issued a global Sukuk amounting ﷲ 7.5 billion equivalent to (US\$ 2 billion at par). The issuance consists of two types of Sukuk certificates. The first type amounting to ﷲ 3.75 billion (US\$ 1 billion) matures after 10 years with a fixed rate of 3.473%. The second type amounting to ﷲ 3.75 billion (US\$ 1 billion) matures after 30 years with a fixed rate of 5.06%.

Further during April 2023, the Group repaid 10 year tranche of international sukuk issued in 2013 amounting ﷲ 3.75 billion (US \$ 1 billion).

2. During April 2014, the Group also issued a global Sukuk amounting to ﷲ 9.4 billion equivalent to (US\$ 2.5 billion at par). The issuance consists of two types of Sukuk certificates. The first with a value of ﷲ 5.6 billion (US \$ 1.5 billion), matures after 10 years with a fixed interest rate of 4% and the second with a value of 3.75 billion Saudi Riyals (US \$ 1 billion) is due after 30 years with a fixed rate of 5.5%. The Group repaid the first issuance amounting ﷲ 5.6 billion of the sukuk in April 2024.

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30. FINANCIAL INSTRUMENTS (CONTINUED)

30.2 Interest bearing liabilities (continued)

30.2.3 Sukuk (continued)

3. During September 2018 the Group also issued a global Sukuk amounting to ﷻ 7.5 billion equivalent to (US\$ 2 billion at par). The issuance consists of two tranches of Sukuk certificates. The first tranche with a value of ﷻ 3 billion (US \$ 800 million), 5.3 years tenure with a fixed interest rate of 4.222% per annum and the second tranches with a value of ﷻ 4.5 billion Saudi Riyals (US \$ 1.2 billion), 10 years tenure with a fixed rate of 4.723% per annum. Further during January 2024, the Group repaid 5.3 year tranche of international sukuk issued in 2018 amounting ﷻ 3 billion (US \$ 800 million).
4. During September 2020, the Group issued an international green Sukuk amounting to ﷻ 4.87 billion (US\$1.3 billion at par). The issuance consists of two tranches of Sukuk certificates. The first one with value of ﷻ 2.43 billion (US\$ 650 million) maturing after 5 years tenure with a fixed rate 1.74% and the second one with a value ﷻ 2.43 billion (US\$ 650 million) maturing after 10 years tenure with fixed rate 2.413%.

Further during September 2025, the Group repaid 5 year tranche of international green sukuk issued in 2025 amounting ﷻ 2.44 billion (US \$ 650 million).

5. During April 2023, the Group issued an international Sukuk amounting to ﷻ 7.5 billion (US\$ 2 billion at par). The issuance consists of two types of Sukuk certificates. The first one, issued in green format, with value of ﷻ 4.5 billion (US\$ 1.2 billion) maturing after 10 years tenure with a fixed rate 4.63% and the second one with a value ﷻ 3 billion (US\$ 800 million) maturing after 30 years tenure with fixed rate 5.68%.

Additionally, during March 2024, the Group performed a subsequent tap issuance under an existing Sukuk issuance amounting to ﷻ 750 million (US\$ 200 million) maturing in 2053. Additionally, during March 2024, the Group issued another Tap Sukuks under an existing Sukuk series amounting to ﷻ 1.875 billion (US\$ 0.5 billion) maturing in 2053. Both taps are fungible with the original Sukuks issued.

6. During February 2024, the Group issued an international Sukuk amounting to ﷻ 8.25 billion (US\$ 2.2 billion at par). The issuance consists of two types of Sukuk certificates. The first one with value of ﷻ 3 billion (US\$ 0.8 billion) maturing after 5 years tenure with a fixed rate 4.942% and the second one with a value ﷻ 5.25 billion (US\$ 1.4 billion) maturing after 10 years tenure with fixed rate 5.194%.
7. During February 2025, the Group issued an international Sukuk amounting to ﷻ 10.29 billion (US\$2.75 billion at par), the issuance consists of two types of Sukuk certificates. The first one with value of ﷻ 5.6 billion (US\$ 1.5 billion at par), maturing after 5 years tenure with a fixed rate 5.225%, and the second one with a value of ﷻ 4.69 billion (US\$ 1.25 billion at par) maturing after 10 years tenure with fixed rate 5.489%.

Additionally, during May 2025, the Group issued a supplementary Sukuk through private placement amounting to ﷻ 1.875 billion (US\$500 million at par), maturing after 6 years tenure with a floating rate plus margin.

30.2.4 Lease liabilities

	<u>2025</u>	<u>2024</u>
Non-current	288,792	394,441
Current	201,581	170,110
	<u>490,373</u>	<u>564,551</u>

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30. FINANCIAL INSTRUMENTS (CONTINUED)

30.2 Interest bearing liabilities (continued)

30.2.4 Lease liabilities (continued)

The future minimum lease payments together with the present value of minimum lease payments as of December 31, are as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments
2025			
Less than one year	217,307	15,726	201,581
Between two and five years	257,189	15,282	241,907
More than five years	65,988	19,103	46,885
	<u>540,484</u>	<u>50,111</u>	<u>490,373</u>
2024			
Less than one year	190,279	20,169	170,110
Between two and five years	385,934	24,612	361,322
More than five years	66,205	33,086	33,119
	<u>642,418</u>	<u>77,867</u>	<u>564,551</u>

30.3 Derivative financial instruments

The Group has interest rate hedging contracts with several banks with notional amount of ₪ 13.25 billion as of December 31, 2025 (2024: ₪ 13.25 billion).

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

All derivatives as at December 31, 2025 are classified as cash flow hedges. Derivatives are classified as non-current or current assets and as non-current or current liabilities, depending on the expiration date of the financial instruments.

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

	<u>2025</u>	<u>2024</u>
Derivative financial instruments assets:		
Interest rate swap		
Non-current	-	202,377
Current	<u>55,642</u>	<u>-</u>
Derivative financial liabilities at fair value:		
Non-current		
Interest rate swap	200,070	-
Structured foreign exchange forward contracts *	<u>8,480</u>	<u>-</u>
	<u>208,550</u>	<u>-</u>

* The Group holds several structured foreign exchange forward contracts with a notional amount of 25 million USD (leveraged notional amount USD 50 million) (2024: 55 million USD (leveraged notional amount USD 110 million) being exchanged on a monthly basis, maturing till 2029.

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31. ADVANCES FROM SUBSCRIBERS

The amount represents payments received from customers in advance against the development of infrastructure required for the electricity line to the project. Upon completion of infrastructure these advances are transferred to deferred revenue and amortized.

	<u>2025</u>	<u>2024</u>
Advances from subscribers	<u>21,997,690</u>	<u>21,333,416</u>

During the year, an amount of ﷲ 1,312 million was reclassified from deferred revenue to advances from subscribers in the comparative figures of 2024. Additionally, an amount of ﷲ 216 million was reclassified/transferred from advances from subscribers to contract liabilities for the comparative figures of 2024 (note 49).

32. ZAKAT

32.1 zakat provision

	<u>2025</u>	<u>2024</u>
Zakat for the year	<u>349,909</u>	<u>187,426</u>

The movement in zakat provision is as follows:

	<u>2025</u>	<u>2024</u>
Zakat:		
January 1	190,221	350,330
Provision for the year	349,909	187,426
Payments during the year	<u>(182,565)</u>	<u>(347,535)</u>
December 31	<u>357,565</u>	<u>190,221</u>

Calculation of the Zakat base of the Group is as follows:

	<u>2025</u>	<u>2024</u>
Profit for the year after Zakat	12,974,811	6,866,943
Add: adjustments	219,788	442,271
Total adjusted profit	<u>13,194,599</u>	<u>7,309,214</u>
Total equity	262,636,125	255,988,361
Liabilities and related items	337,458,557	252,286,001
Difference between adjusted net profit and profit before Zakat	219,788	442,271
Total additions	<u>600,314,470</u>	<u>508,716,633</u>
Non-current assets	588,264,834	502,500,495
Investments	5,640,697	5,237,513
Current assets eligible for deduction	1,236,586	3,092,304
Total deductions	<u>595,142,117</u>	<u>510,830,312</u>
Zakat base		
Difference between addition and deduction	5,172,353	(2,113,679)
Total adjusted profit	<u>13,194,599</u>	<u>7,309,214</u>
Zakat liability on adjusted profit	<u>340,115</u>	<u>187,426</u>

32.2 assessment status

The Group submitted its zakat returns within the statutory period for the year ended on December 31, 2024, and assessments up to 2023 have been finalized. The Group submits consolidated zakat return for the Company and its wholly owned subsidiaries whether directly or indirectly in accordance with the Regulation issued by Ministerial Resolution No. 1007 dated 19 Shaaban 1445H.

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33. CONTINGENT LIABILITIES

- (a) There are some claims filed by one of the contractors against the Group. These are currently in the arbitration process, and based on the amendment claims filed, the contractor is currently claiming an approximate amount of ﷲ 1.4 billion. However, the Group has also filed counter claims against the Contractor amount ranging from ﷲ 3.8 to 4.4 billion with the same arbitrator. The management currently believes that there is no basis for recording any further obligation and that the Group's position is strong to date for the remaining claims according to the information available to the Group. Subsequent to year end, on February 25, 2026, the Group received an initial arbitration outcome of one of these claims subject to appeal, the Group is currently in the process to raise an appeal for that decision.

In addition, there are other capital project claims amounting ﷲ 446.4 million, where the management currently believes that there are no basis for recording any obligation and that the Company's position is strong to date according to the information available to the Company.

- (b) The Group has provided guarantees to some commercial banks and some other parties with a total amount ﷲ 1.1 billion as at December 31, 2025 (December 31, 2024: ﷲ 543 million).
- (c) The Group has also provided certain guarantees on behalf of its equity accounted investments.

34. CONTRACT BALANCES

The following table provides information about contract assets and contract liabilities from construction contracts with customers:

	<u>2025</u>	<u>2024</u>
Contract assets	<u>429,484</u>	<u>347,934</u>
Contract liability	<u>1,921,984</u>	<u>3,084,769</u>

The contract assets primarily relate to the Group's right to payment for performance completed to date mainly in respect of Power Supply Implementation Agreement "PSIA" but not billed at the reporting date. Any amount previously recognized as a contract asset is reclassified to accounts receivable at the point at which it is invoiced to the customer.

Group management always measure the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience, the nature of the customer and where relevant, the sector in which they operate.

The contract liabilities primarily relate to the advance consideration received from customers for PSIA, for which revenue is recognized over time.

An amount of ﷲ 2.0 billion included in contract liabilities as at December 31, 2024 has been recognized as construction revenue during the year ended December 31, 2025 (2024: ﷲ 3.2 billion).

During the year an amount of ﷲ 700 million was adjusted in the contract liabilities balance for the comparative figures of 2024, relating to construction contracts (see note 49).

35. COMMITMENTS

The capital commitments at the date of the consolidated statement of financial position represent the value of the incomplete portion of the capital contracts signed by the Group for the construction and installation of power stations, batteries storage, transmission and distribution network and other assets, which amounted to ﷲ 133 billion as of December 31, 2025 (December 31, 2024: ﷲ 121 billion).

Contractual obligations

The Group has signed contracts to supply all the energy produced from the Group's generation units to the Saudi Power Procurement Company for a specific long-term period, and these contracts are irrevocable.

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36. EARNINGS PER SHARE

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

The diluted earnings per share is equal to the basic earnings per share for the year ended December 31, 2025, and December 31, 2024 as there are no financial instruments with a dilutive effect on basic earnings per share.

	<u>2025</u>	<u>2024</u>
Profit for the year	12,974,811	6,866,943
Less: profit attributable to Mudaraba Instrument (note 23)	(8,957,588)	(8,792,041)
Adjusted net profit / (loss) for the year	4,017,223	(1,925,098)
Weighted average number of ordinary shares at the yearend <i>(in thousands)</i>	4,166,594	4,166,594
Basic and diluted earnings / (loss) per share “ﷲ”	0.96	(0.46)
<u>Earnings per share without deducting profits for the Mudaraba instrument</u>		
Basic and diluted earnings per share “ﷲ”	3.11	1.65

37. RELATED-PARTY TRANSACTIONS AND BALANCES

The Group is ultimately controlled by the Government of the Kingdom of Saudi Arabia through the ownership of the main shareholder (Public Investment Fund) and Saudi Aramco and these entities are under common control (all companies ultimately controlled by the Government of the Kingdom of Saudi Arabia). In identifying transactions and balances, the group has applied the exemption of government related entities of IAS 24. Accordingly, only those with significant transactions have been disclosed. The following significant transactions were carried out with related parties:

	<u>2025</u>	<u>2024</u>
a) Sales of electricity		
Group’s ultimate controlling party	12,232,318	11,869,458
Entities under control of the Group’s ultimate controlling party		
Saudi Power Procurement Company	18,643,829	16,558,744
Saudi Aramco	132,484	223,630
Saudi Water Authority	816,529	551,707
	31,825,160	29,203,539
	<u>2025</u>	<u>2024</u>
b) Construction revenue		
-Entities under control of the Group’s ultimate controlling party		
Saudi Aramco	774,503	893,163
	<u>2025</u>	<u>2024</u>
c) Transmission System Revenues		
-Entities under control of the Group’s ultimate controlling party		
Saudi Aramco	1,151,762	1,001,725

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37. RELATED-PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	<u>2025</u>	<u>2024</u>
d) Purchases of energy and fuel		
-Entities under control of the Group's ultimate controlling party Saudi Power Procurement Company	<u>55,066,761</u>	<u>46,213,241</u>
	<u>2025</u>	<u>2024</u>
e) Others		
- Group's ultimate controlling party Payment from contractual reserve for Mudaraba instrument	<u>8,924,230</u>	<u>8,667,733</u>
f) Year end balances arising from transactions with related parties		
	<u>2025</u>	<u>2024</u>
Accounts receivable, gross		
-Group's ultimate controlling party Governmental electricity receivables (note 16)	11,661,342	6,921,316
-Entities under control of the Group's ultimate controlling party (note 16)		
Saudi Power Procurement Company	3,090,153	3,317,326
Saudi Aramco	307,055	201,797
Saudi Water Authority	1,575,883	1,053,957
	<u>4,973,091</u>	<u>4,573,080</u>
	<u>16,634,433</u>	<u>11,494,396</u>
	<u>2025</u>	<u>2024</u>
Loans and advances due from related parties, gross		
- Joint ventures and associates:		
Al-Fadhli Co-production	232,613	232,613
Global Data Center Company	-	95,250
Sidra One Holding Company	480,129	480,129
Qudra One Holding Company	474,534	474,534
	<u>1,187,276</u>	<u>1,282,526</u>
	<u>2025</u>	<u>2024</u>
Other receivables, gross		
-Entities under control of the Group's ultimate controlling party		
Saudi Aramco	130,780	130,792
Saudi Power Procurement Company	89,509	-
	<u>220,289</u>	<u>130,792</u>
	<u>2025</u>	<u>2024</u>
Contract assets		
-Entities under control of the Group's ultimate controlling party Saudi Aramco	<u>125,011</u>	<u>167,709</u>
	<u>2025</u>	<u>2024</u>
Contract liability		
-Entities under control of the Group's ultimate controlling party Saudi Aramco	<u>589,386</u>	<u>543,146</u>

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37. RELATED-PARTY TRANSACTIONS AND BALANCES (CONTINUED)

f) Year-end balances arising from transaction with related parties (continued)

	<u>2025</u>	<u>2024</u>
Trade payables and accruals		
-Entities under control of the Group's ultimate controlling party		
Saudi Water Authority (note 27)	118	118
Accrued government payable	82,190	57,351
Ministry of Finance	-	6,102,624
Saudi Aramco	127,910	127,910
	<u>210,218</u>	<u>6,288,003</u>
Deferred government grant		
	<u>2025</u>	<u>2024</u>
Group's ultimate controlling party		
Ministry of Communication and Information Technology (MCIT)	1,118,039	1,111,954

g) Compensation of key management personnel

Key management personal includes the Board of Directors and members of executive committee. The compensation paid or payable to key management personal, including those that left during the year, for employees services is shown below:

	<u>2025</u>	<u>2024</u>
Salaries, compensation and allowances	16,608	16,009
Employee benefit obligation	-	33,089
Annual and periodic bonus	20,565	23,601
	<u>37,173</u>	<u>72,699</u>

38. OPERATING REVENUE

	<u>2025</u>	<u>2024</u>
Sales of electricity	72,877,855	66,673,361
Electricity service connection fees (note 25)	2,891,707	2,809,489
Meter reading, maintenance and bills preparation fees	1,556,976	1,521,512
Transmission system revenues	1,673,497	1,440,922
Other operational revenue**	19,762,141	11,995,010
Construction revenue *	3,455,606	4,225,347
	<u>102,217,782</u>	<u>88,665,641</u>

* The Group has right to payment for performance completed to date, therefore as permitted under IFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

** This item includes an amount of ﷲ 18.1 billion, which represents the difference between required revenue and actual regulated revenue based on management's best estimate for the year ended December 31, 2025, (December 31, 2024: ﷲ 10.8 billion).

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38. OPERATING REVENUE (CONTINUED)

	<u>2025</u>	<u>2024</u>
Estimated difference of required and actual revenue for the year	18,150,606	12,134,466
Adjustment ex-post computation for the year 2022 as finalized	-	(1,470,346)
Adjustment ex-post computation for the year 2023 as finalized	-	172,718
Adjustment ex-post computation for the year 2024 under finalization ***	(94,007)	-
	18,056,599	10,836,838

*** The management has received the draft ex-post computation for the year 2024 required revenue. Currently, the management is in communication with the regulator on the inclusion of certain items inline with the required revenue determination methodology impacting 2024 and which will also impact 2025.

39. COST OF REVENUE

	<u>2025</u>	<u>2024</u>
Purchased power (note 39.1)	37,115,406	30,105,145
Operation and maintenance expenses	18,838,450	16,539,695
Construction costs	3,276,262	4,019,698
Depreciation of property, plant and equipment	21,829,195	20,243,814
Fuel	131,526	124,893
Depreciation of right-of-use assets (note 10.1)	241,016	146,123
	81,431,855	71,179,368

39.1 Purchased power

	<u>2025</u>	<u>2024</u>
Purchased power	55,759,235	46,663,889
Less: Power supplied to SPPC under Energy Conversion Agreement	(18,643,829)	(16,558,744)
	37,115,406	30,105,145

40. OTHER INCOME, NET

	<u>2025</u>	<u>2024</u>
Amortisation of government grants (note 26)	138,001	144,691
Others, net*	631,914	1,104,024
(Loss) / gain on disposal of property, plant and equipment, net	(27,248)	9,537
Dividend income (note 14)	39,605	43,857
Penalties and fines charged to customers	12,051	28,318
	794,323	1,330,427

* Others include an amount of ﷲ 473 million that has been settled with a supplier in the prior year.

41. FUEL SETTLEMENT EXPENSE

On January 31, 2025 (1 Shaaban 1446H), the company received a letter from the Minister of Energy regarding the approval of a final settlement for disputed amounts related to fuel and electric power costs, totalling ﷲ 5.687 billion. This amount is an obligation owed by the Group to the Government, represented by the Ministry of Finance. The Group had recorded this settlement as an expense in the statement of profit or loss and as a liability payable to the government in the consolidated financial statement for the year ended December 31, 2024. The settlement has been converted into an additional Mudaraba during the year (note 22).

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42. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2025</u>	<u>2024</u>
Employees' expenses and benefits	462,715	680,596
Depreciation and amortisation	544,100	437,428
Communication fees	237,132	156,774
Materials	131,557	163,554
Others	301,481	147,763
	<u>1,676,985</u>	<u>1,586,115</u>

The fees incurred by the group during the financial year amounted to ₪ 11.5 million (2024: ₪ 9.8) million in relation to audit services.

43. FINANCE COSTS, NET

	<u>2025</u>	<u>2024</u>
Finance expense		
Bank loans and facilities and Sukuk	10,080,161	8,143,362
Less: interest capitalised (note 8)	(4,579,209)	(3,469,161)
	5,500,952	4,674,201
Lease contract (note 10.1)	32,925	24,356
Interest cost employees' benefit obligation (note 24.1)	417,588	344,364
Total finance expense	<u>5,951,465</u>	<u>5,042,921</u>
Finance income		
Interest income	(120,551)	(193,311)
Total finance income	<u>(120,551)</u>	<u>(193,311)</u>
Net finance costs	<u>5,830,914</u>	<u>4,849,610</u>

44. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital based on the debt ratio. This ratio is calculated on the basis of net adjusted debt divided by adjusted equity and adjusted net debt. Net debt is calculated as total borrowings (including "short term", "long term" and "sukuk" as stated in the consolidated statement of financial position) less cash and cash equivalents. The Group strategy is to maintain an appropriate debt ratio in light of operational requirements and future expansion plans.

The adjusted debt to equity ratios were as follows:

	<u>2025</u>	<u>2024</u>
Total borrowings (note 30.2)	199,376,927	144,245,465
Less: cash and cash equivalents (note 19)	(1,258,043)	(1,631,656)
Adjusted net debt (a)	198,118,884	142,613,809
Total equity (b)	257,683,560	251,371,706
Adjusted equity and net debt C = (a+b)	<u>455,802,444</u>	<u>393,985,515</u>
Adjusted net debt to equity ratio (D = a/c)	<u>43%</u>	<u>36%</u>

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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.1 Financial risk factors (continued)

Financial liabilities as per the consolidated statement of financial position.

	2025		
	Financial liabilities through other comprehensive income	Financial liabilities at amortized cost	Total
<u>Financial liabilities measured at fair value</u>			
Derivative financial instruments	208,550	-	208,550
<u>Financial liabilities not measured at fair value</u>			
Loans	-	154,508,976	154,508,976
Sukuk	-	44,867,951	44,867,951
Trade payables	-	13,417,202	13,417,202
Accruals and other payables	-	44,815,390	44,815,390
Refundable deposits from customers	-	1,908,999	1,908,999
Lease liabilities	-	490,373	490,373
Total	208,550	260,008,891	260,217,441

	2024		
	Financial liabilities through other comprehensive income	Financial liabilities at amortized cost	Total
<u>Financial liabilities measured at fair value</u>			
Derivative financial instruments	-	-	-
<u>Financial liabilities not measured at fair value</u>			
Loans	-	109,094,869	109,094,869
Sukuk	-	35,150,596	35,150,596
Trade payables	-	11,291,979	11,291,979
Accruals and other payables	-	24,533,266	24,533,266
Refundable deposits from customers	-	1,911,702	1,911,702
Lease liabilities	-	564,551	564,551
Total	-	182,546,963	182,546,963

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies and procedures are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management framework standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee monitors the Group's commitment to application of the risk management policies and procedures and reviews the adequacy of the overall framework associated with the risks faced by the Group. The internal audit activity assists the audit committee in discharging their duty.

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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 Risk management framework

45.2.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of three types of risk:

- Foreign currency risk;
- Commission rate risk (interest); and
- Other price risk.

(a) Foreign currency risk

Currency risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

Foreign currency risk is linked to the change in value in the functional currency due to the difference in the underlying foreign currency of the relevant transaction. The Group's functional currency is the Saudi Riyal, which is pegged to the US Dollar. Except for US Dollar, most of the significant transactions are not subject to foreign currency risk. The financial assets in US Dollar amounted to USD 74 million as of December 31, 2025 (December 31, 2024: USD 18 million), while the financial liabilities in US Dollar amounted to USD 39.1 billion (December 31, 2024: USD 26.2 billion).

(b) Commission rate risk (interest)

Interest rate risk is the risk that either future cash flows or fair value of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from its borrowings. The Group's policy is to manage its interest cost and the balance between fixed and floating rate borrowings. Borrowings issued at variable rates expose the Group to change in cash flow due to change in interest rates. To manage this, the Group enters into interest rate swaps, under which it agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts in order to hedge the interest rate risk. These interest rate swaps are designated as derivative financial asset and liability in the Group's consolidated financial position.

The Group designate certain hedging instruments, which include derivatives as cash flow hedges.

Under interest rate swap contracts, the group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements.

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 Risk management framework (continued)

45.2.1 Market risk (continued)

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e., rebalances the hedge) so that it meets the qualifying criteria again.

The Group's exposure to borrowing risk associated with changes in interest rates is as follows:

	<u>2025</u>	<u>2024</u>
Variable interest rate borrowings	152,576,390	103,588,032
Fixed interest rate borrowings	46,800,537	40,657,433

Interest rate sensitivity

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and consolidated statement of profit or loss by the amount shown below. The analysis assumes that all other variables remain constant.

	<u>For year ended December 31, 2025</u>			
	<u>Consolidated statement of profit or loss</u>		<u>Consolidated statement of changes in equity</u>	
	<u>100 bp increase</u>	<u>100 bp decrease</u>	<u>100 bp increase</u>	<u>100 bp decrease</u>
Loans at variable-rates	(1,525,764)	1,525,764	-	-
Interest rate swaps	-	-	421,557	(541,104)
Cash-flow sensitivity	(1,525,764)	1,525,764	421,557	(541,104)

	<u>For year ended December 31, 2024</u>			
	<u>Consolidated statement of profit or loss</u>		<u>Consolidated statement of changes in equity</u>	
	<u>100 bp increase</u>	<u>100 bp decrease</u>	<u>100 bp increase</u>	<u>100 bp decrease</u>
Loans at variable-rates	(1,035,880)	1,035,880	-	-
Interest rate swaps	-	-	431,351	(567,086)
Cash-flow sensitivity	(1,035,880)	1,035,880	431,351	(567,086)

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices (other than those arise from currency and interest rate risk). The Group exposed to the fair value risk due to changes in the prices of the financial assets through other comprehensive income ('FVTOCI') owned by the Group, where the risk to which the Group exposed is not significant, as the financial assets through other comprehensive income includes investments in unquoted equity securities.

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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 Risk management framework (continued)

45.2.2 Credit risk

Credit risk arises from balances and deposits with banks and financial institutions, loans to associates/joint ventures, other receivables as well as credit exposures to sales.

The Group assesses the credit quality of the subscribers taking into account its past experience and other factors.

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

Impairment on financial assets consist of:

	<u>2025</u>	<u>2024</u>
Impairment in accounts receivable	3,265,707	3,043,244
Impairment in loans to associates/joint ventures and other receivables	748,161	532,652
	<u>4,013,868</u>	<u>3,575,896</u>

The credit period for the Group's operations is normally 30 days which is either contractually agreed or internally defined. No interest is charged on outstanding receivables.

The expected impairment loss on government, semi government entities' receivables is estimated based on data that is determined to be predictive of the risk of loss such as credit default swap based on information obtained from agencies. The loss rates obtained from external agencies are multiplied by loss given default to reflect the difference between the contractual cash flows due, and those that the Group expects to receive, including from any collateral, and is expressed as a percentage of EAD at the reporting date.

The Group always measures the allowance for accounts receivable from sale of electricity which are unsecured at an amount equal to lifetime ECL. The expected impairment loss on receivables other than government/semi government is estimated using a provision matrix by reference to past default experience of a group of debtors with similar loss patterns and where applicable an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The receivables consist of a large number of customers with small balances. Loss rates are calculated under a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on common credit risk characteristics i.e. type of customer etc. Loss rates are based on actual credit loss experience over the past years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the accounts receivable.

Where a customer has defaulted, the recoveries from the collateral are considered in arriving at the expected credit losses. Inline with the connection contracts, the refundable deposits are considered as collateral by the group.

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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 Risk management framework (continued)

45.2.2 Credit risk (continued)

The Group believes that it is able to collect other than government and semi government receivables through the Group's ability to stop providing services to those who are late in paying their indebtedness in addition to their legal follow-up with the competent authorities.

The Group divides its customer base into different customer segments based on their type.

The following tables detail the risk profile of accounts receivables based on the Group's provision matrix used to estimate lifetime ECL using the simplified approach:

	Accounts receivables – days past due as of December 31, 2025							Total
	Not past due	0 - 90 days	91-180 days	181 – 270 days	271- 360 days	361 – 1080 days	More than 1080 days	
Estimated total gross carrying amount at default*	4,858,092	1,943,523	509,453	227,545	158,070	971,870	2,062,606	10,731,159
Expected credit loss rate**	0.79%	7.83%	25.56%	43.09%	52.07%	61.37%	100.00%	29.45%
Lifetime ECL	38,367	152,268	130,218	98,049	82,307	596,477	2,062,606	3,160,292

	Accounts receivables – days past due as of December 31, 2024							Total
	Not past due	0 - 90 days	91-180 days	181 – 270 days	271- 360 days	361 – 1080 days	More than 1080 days	
Estimated total gross carrying amount at default*	4,803,076	2,054,022	539,098	162,461	160,459	1,294,921	1,716,964	10,731,001
Expected credit loss rate**	0.92%	7.26%	23.96%	39.48%	47.11%	58.98%	100.00%	27.42%
Lifetime ECL	44,089	149,095	129,190	64,145	75,594	763,703	1,716,964	2,942,780

* These balances include accrued revenue. In addition to that, gross exposure at default has been adjusted for refundable deposits.

** Represents the weighted average credit loss rate for different classes of accounts receivables.

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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 Risk management framework (continued)

45.2.2 Credit risk (continued)

The following table shows the movement in lifetime expected credit losses that have been recognized for receivables from sale of electricity for other than government and semi government in accordance with the simplified approach set out in IFRS 9 *Financial Instruments*:

	Lifetime expected credit loss - not credit impaired		Lifetime expected credit loss - credit impaired	Total
	Collectively assessed	Individually assessed		
Balance as of January 1, 2024	3,361,275	-	-	3,361,275
Net re-measurement of loss allowance	(417,065)	-	-	(417,065)
Written off during the year	(1,430)	-	-	(1,430)
Balance as of January 1, 2025	2,942,780	-	-	2,942,780
Net re-measurement of loss allowance	354,918	-	-	354,918
Written off during the year	(137,406)	-	-	(137,406)
Balance as of December 31, 2025	3,160,292	-	-	3,160,292

The following table shows the movement in expected credit losses using the simplified approach that have been recognized for a class of customers (Government and Semi Government) with aggregate receivables from sale of electricity balance of S 21 billion (2024: S 14.9 billion):

	Lifetime expected credit loss - not credit impaired		Lifetime expected credit loss - credit impaired	Total
	Collectively assessed	Individually assessed		
Balance as of January 1, 2024	-	-	-	-
Net re-measurement of loss allowance	94,760	5,704	-	100,464
Balance as of December 31, 2024	94,760	5,704	-	100,464
Net re-measurement of loss allowance	(45,592)	50,543	-	4,951
Balance as of December 31, 2025	49,168	56,247	-	105,415

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 Risk management framework (continued)

45.2.2 Credit risk (continued)

Impairment in other debit balances

On December 31, 2025, and December 31, 2024, there are no collateral financial instruments held.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to sales, contract assets, Loans to affiliates, along with the other debit balances.

The Group's cash and cash equivalent are placed with commercial banks having a good grade credit rating.

Loans due from related parties and other receivables are unsecured. For loans due from related parties and other receivables, which are not purchased or originated credit-impaired financial assets, the impairment loss is recognised as 12-month ECL on initial recognition of such instruments and subsequently the group assesses whether there was a significant increase in credit risk.

In determining the expected credit losses for these assets, the management have taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

45.2.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in raising funds to meet obligations associated with the financial instruments.

The objective of liquidity risk management is to ensure that the Group has enough funding facilities available to meet its current and future obligations. The Group aims to maintain adequate flexibility in financing by keeping appropriate credit facilities available.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, cash receipts from receivables, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the group has at its disposal to further reduce liquidity risk are set out below.

As at December 31, 2025, the Group's current liabilities exceed its current assets by ~~ﷲ~~ 58.1 billion (December 2024: ~~ﷲ~~ 21.2 billion). This reflects the Group's ongoing large-scale capital expenditure programme aimed at expanding and renewing its power generation, transmission capacity and distribution capacity to meet future demand and regulatory requirements.

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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.2 Risk management framework (continued)

45.2.3 Liquidity risk (continued)

Management has assessed the Group's ability to meet its obligations as they fall due, taking into account the generation of robust internal cash flows, its strategic importance in the national energy infrastructure the Kingdom, the receipt of balancing account in accordance with the applicable required revenue mechanism reflecting strong support from its principal shareholder, which provides a stable financial foundation, and strong credit ratings that provide access to both local and international financing.

Management has prepared cash flow forecasts and liquidity plans that incorporate assumptions about capital expenditure schedules, operating cash flows, and financing arrangements. These plans indicate that the Group will have sufficient liquidity to meet its obligations for at least the next 12 months from the reporting date.

The Group continues to monitor its liquidity position closely and is actively managing working capital, capital expenditure, and financing activities to ensure ongoing financial stability. The Directors are confident that the Group will continue as a going concern and that no material uncertainties exist that would cast significant doubt on the Group's ability to continue operating.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date noting all current financial liabilities fall within a maturity period of one year or less. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
December 31, 2025:					
Loans	33,922,878	29,857,913	60,309,166	30,419,019	154,508,976
Sukuk	-	-	15,543,836	29,324,115	44,867,951
Trade payables	13,417,202	-	-	-	13,417,202
Accrued expenses and other liabilities	44,815,390	-	-	-	44,815,390
Refundable deposits from customers	1,908,999	-	-	-	1,908,999
Lease obligation	201,581	204,946	36,961	46,885	490,373
Total	94,266,050	30,062,859	75,889,963	59,790,019	260,008,891
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
December 31, 2024:					
Loans	10,994,586	39,834,053	39,108,850	19,157,380	109,094,869
Sukuk	2,437,500	-	7,500,000	25,213,096	35,150,596
Trade payables	11,291,979	-	-	-	11,291,979
Accrued expenses and other liabilities	24,533,266	-	-	-	24,533,266
Refundable deposits from customers	1,911,702	-	-	-	1,911,702
Lease obligation	170,110	174,986	186,336	33,119	564,551
Total	51,339,143	40,009,039	46,795,186	44,403,595	182,546,963

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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.3 Fair-value measurement

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

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

The 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 the market participants act in their economic best interest.

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.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either, directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3: Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

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

The following table presents the Group's financial assets and financial liabilities that are measured at fair value as of December 31, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets				
Financial assets through other comprehensive income	-	-	214,683	214,683
Derivative financial assets	-	55,642	-	55,642
Total financial assets	<u>-</u>	<u>55,642</u>	<u>214,683</u>	<u>270,325</u>
Financial liabilities				
Derivatives financial liabilities	-	208,550	-	208,550
Total financial liabilities	<u>-</u>	<u>208,550</u>	<u>-</u>	<u>208,550</u>

The following table presents the Group's financial assets and financial liabilities that are measured at fair value as of December 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets				
Financial assets through other comprehensive income	-	-	230,119	230,119
Derivative financial assets	-	202,377	-	202,377
Total financial assets	<u>-</u>	<u>202,377</u>	<u>230,119</u>	<u>432,496</u>
Financial liabilities				
Derivatives financial liabilities	-	-	-	-
Total financial liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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45. FINANCIAL RISK MANAGEMENT (CONTINUED)

45.3 Fair-value measurement (continued)

Valuation techniques used to derive fair value - Level 2

Interest rate swaps are fair valued using the mark-to-market value (or fair value) of the interest rate swap technique. The effects of discounting are generally insignificant for Level 2 derivatives.

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

Fair value measurements using significant unobservable inputs - Level 3

The Group has four financial assets through other comprehensive income i.e.

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

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

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

Unrealized gross (loss)/profit for the year ended December 31, 2025, included in other comprehensive income ("change in fair value of financial asset at other comprehensive income") for financial assets at other comprehensive income amounted to a loss of ₪ 15.4 million (2024: ₪ 20.5 million).

As on December 31, 2025, it represents the expected dividends and the main variable cost of equity entered into the model used for the fair valuation of financial assets through other comprehensive income. An increase of 5% in the cost of equity will lead to a decrease of ₪ 5.8 million (2024 ₪ 7.2 million) in the fair valuation of financial assets through other comprehensive income, while a 5% decrease in the cost of equity will lead to an increase of ₪ 6.1 million (2024: ₪ 7.6 million), where the discount risk rate reached in 2025: 8.8% (2024: 8.8%)

A 5% increase/decrease in expected dividend income will result in an increase/decrease of ₪ 10.7 million (December 31, 2024: ₪ 11.5 million) in the fair valuation of the financial asset through other comprehensive income.

There have been no transfers between level 1, level 2 and level 3 fair values.

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

	<u>2025</u>	<u>2024</u>
Opening balance	230,119	250,645
Change in present value during the year	(15,436)	(20,526)
Closing balance	<u>214,683</u>	<u>230,119</u>

Fair values of financial assets and liabilities measured at amortised cost:

The fair values of the financial assets and financial liabilities approximate their carrying amount.

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46. SIGNIFICANT EVENTS

Climate change effect

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

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

The higher fuel consumption costs and greenhouse gas emissions associated with the consumption of liquid fuels have an impact not only on the environment, but also on the Group's net profit, and the Group considers that there is no material impact resulting from these initiatives on the values of machinery and property and associated impairment losses.

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

47. NON-CASH TRANSACTIONS

The most important basic non-cash transactions for the year ended December 31, are as follows:

	<u>2025</u>	<u>2024</u>
Transfer of property to property, plant and equipment to intangible assets	1,257,756	-
Transfer from property, plant and equipment to investment properties, net	41,618	2,787
Transfer from inventory to property, plant and equipment	-	206,419
Right-of-use assets recognized	178,344	353,175
Lease liabilities recognized	178,344	353,175
Other adjustment to equity accounted investee	4,808	-
Transfer of investment property to property, plant and equipment, net	17,773	-
Additions to property, plant and equipment, net	18,131,286	4,752,996
Loan to associates and Joint Ventures	95,250	-
Fair value gain on remeasurement of previously held equity accounted investees	105,192	-
Transfer of Mudaraba instrument from trade payables to equity	5,687,333	-

48. BUSINESS COMBINATION

On Dhul-Qi'dah 2, 1446H (corresponding to April 30, 2025), the wholly owned subsidiary of the group Dawiyat Integrated For Telecommunications and Information Technology Company ("Dawiyat") entered into a Share Purchase Agreement ("SPA") with Data Hub Information Technology Company ("DHT") to acquire the remaining ownership stake in Global Data Hub Company ("GDH") representing 50% of GDH's issued share capital and as a result obtained control of GDH.. The Group currently holds 50%, and this acquisition makes GDH a wholly owned subsidiary of the Group. The agreed consideration for the transaction is ﷲ 110 million.

GDH is a limited liability company based in the Kingdom of Saudi Arabia, specializing in the implementation and installation of computer and telecommunications networks, operating systems, computing expertise activities, managing computing facilities, and hosting telecommunication and information technology equipment, in exchange for the Company's shares. The Group acquired GDH because it significantly enhances its capabilities in delivering advanced IT infrastructure and network solutions to clients.

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48. BUSINESS COMBINATION (CONTINUED)

The completion of the acquisition was subject to certain approvals and satisfaction of conditions precedent as stipulated in the SPA which were considered substantive in nature. The acquisition was completed on 9 Jumada Al-Awwal 1447H (corresponding to October 31, 2025), upon satisfaction of all the required approvals and conditions, the purchase consideration, amounting to ₪ 110 million as determined under the SPA was paid. The transaction was financed through the Group's own resources. GDH's financial information were consolidated upon achieving control.

The Group has concluded the acquisition as a business as per "IFRS 3 - Business Combinations" and accordingly accounted for the transaction using the acquisition method as per IFRS 3 with the group being the acquirer and GDH being the acquiree. The group engaged an independent expert to determine the fair value of the assets and liabilities of GDH as part of the purchase price allocation exercise.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	October 31, 2025
ASSETS	
Investment properties (a)	431,778
Right-of-use asset	21,977
Contract assets	15,722
Accounts receivable	34,661
Prepayments and other current assets	2,277
Cash and cash equivalents	5,397
Intangibles assets (b)	41,226
TOTAL ASSETS (1)	553,038
LIABILITIES	
Lease liability	25,951
Borrowings	296,152
Retention payables	7,026
Account payables	7,189
Accrued expenses and other current liabilities	47,506
Due to related parties (c)	112,949
TOTAL LIABILITIES (2)	496,773
Total identifiable net assets at fair value (1-2)	56,265
Goodwill arising on acquisition (d)	163,735
Total purchase consideration (e)	220,000
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary	5,397
Paid consideration for the acquisition	(110,000)
Net cash flow on acquisition	(104,603)

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48. BUSINESS COMBINATION (CONTINUED)

a) The fair values of the investment property were assessed using the Cost Approach, drawing on GDH's historical financial data alongside relevant industry benchmarks. Important factors taken into account during the fair value assessment included:

- The replacement cost of Data Center 1 accounts for the fact that only two of the four halls are currently operational, with a utilisation rate of 38%.
- The fair value of the uncommissioned portion of Data Center 1 and Data Center 2 have been provisionally estimated.

b) The value of Customer Contracts has been determined using the multi-period excess earnings method (MEEM) under the income approach. This value represents the present value of future excess earnings over multiple periods attributable to the individual Customer Contracts.

The multi-period excess earnings were discounted at a midpoint rate of 10.6% to calculate their present value. In the valuation of the customer contracts, fixed assets and net working capital were treated as contributory assets.

c) The balance due to related parties includes amounts of ﷲ 112.9 million due to Dawiyat Integrated Company (the "Buyer"), ﷲ 71.8 million due to Data Hub Technologies (the "Seller"), and ﷲ 18.5 million due to Electronic Solutiontech. According to the SPA, the liabilities owed by the Seller and Electronic Solutiontech have been waived, resulting in a cumulative adjustment of ﷲ 90.3 million.

d) The acquisition resulted in recognition of a goodwill amounting to ﷲ 163.8 million, reflecting the business and specialised expertise acquired.

e) Purchase consideration:

	October 31, 2025
Cash to be paid	110,000
Fair value of existing interest in GDH	110,000
Total	<u>220,000</u>

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48. BUSINESS COMBINATION (CONTINUED)

Impact on Group results

The Group has recognised a gain of ﷲ 105 million from the remeasurement of its previously held investment in GDH at the acquisition-date fair value. This gain is included in the consolidated statement of profit or loss for the year ended December 31, 2025.

From the date of acquisition, GDH contributed ﷲ 5.4 million in revenue and ﷲ 4.6 million to loss before zakat. Had the combination occurred at the start of the year, revenue would have amounted to ﷲ 34.7 million, with a loss before zakat and tax of ﷲ 6.8 million.

Impairment of Goodwill

At the reporting date, management has determined that the recoverable amount of this goodwill is higher than the carrying amount of goodwill. The recoverable amount was determined on the basis of value in use calculations. These calculations use cash flow projections based on business plan approved by the management. Cash flows are estimated over the five year periods for each CGUs and cash flows beyond the estimated period are based on assumption of terminal growth rate.

The discount rate was an estimate of the weighted average cost of capital as of December 31, 2025 based on market rates adjusted to reflect management's estimate of the specific risks relating the CGU. The cash flows related to CGU are discounted using a discount rates of 10.6%.

The terminal growth rates are based on management best estimation specific to the industry in which the CGU operates.

The value in use calculation is sensitive to the discount rate and the terminal growth rate. As of December 31, 2025, a reasonably possible change in discount rate and terminal growth rate is not expected to result in impairment.

49. COMPARATIVE FIGURES

Reclassification of Spare Parts from Inventories to Property, Plant and Equipment

During the year, the Group has reassessed the classification of certain spare parts amounting to ﷲ 2.8 billion, previously presented as Inventories in the comparative consolidated financial statements. It was determined that these spare parts are of a capital nature and meet the recognition criteria of Property, Plant and Equipment (PPE) in accordance with IAS 16. Consequently, these spare parts have been reclassified from Inventories to PPE to better reflect their intended use and economic benefit in the comparative figures as of December 31, 2024.

Customer related contracts

During the year, the Group has reassessed the nature and the related terms and conditions of various contracts particularly contracts for subscriber funded projects and customer construction contracts. Due to the status of some of these contracts and their terms and conditions, the Group has reclassified certain advances from Deferred Revenue to Advances from Subscribers amounting to ﷲ 1.3 billion, to reflect the status of these projects and classify them in accordance with IAS 1 – "Presentation of Financial Statements", in the comparative figures as of December 31, 2024. Additionally, the terms and conditions of certain contracts where re-evaluated and it was concluded that the group did not control these assets and accordingly adjusted the Property, plant and equipment and the related contract liabilities and advances from subscribers amounting to ﷲ 916 million, ﷲ 700 million and ﷲ 216 million respectively.

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49. COMPARATIVE FIGURES (CONTINUED)

Reclassification of Borrowings from Short term loan and facilities to Long term loan

During the year, the Group reassessed the classification of certain revolving loans that had previously been presented as short-term in the comparative financial statements. Following a detailed review of the loan agreements, terms and conditions, it was determined that the loans are contractually renewable for periods exceeding one year without conditions. As a result, the Group reclassified as of December 31, 2024, these loans as long-term liabilities to reflect their underlying contractual maturity and the substance of the arrangements.

The aforementioned reclassifications have been applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, with the comparative period balances reclassified accordingly to confirm with current period classification.

Impact on the Comparative Consolidated Statement of financial position

The table below summarises the impact of the reclassification on the comparative period statement of financial position as at December 31, 2024:

	As previously reported	Reclassifications	Amount after reclassification
Property, plant and equipment, net	500,297,029	1,835,612	502,132,641
Non-current assets	507,738,008	1,835,612	509,573,620
Inventories, net	3,865,380	(2,751,977)	1,113,403
Current assets	39,276,404	(2,751,977)	36,524,427
Total assets	547,014,412	(916,365)	546,098,047
Long term loans and facilities	89,468,867	8,631,416	98,100,283
Non-current portion of deferred revenue	74,999,729	(1,276,027)	73,723,702
Advances from subscribers	20,237,065	1,096,351	21,333,416
Non-current liabilities	228,562,471	8,451,740	237,014,211
Short term loan and facilities	16,631,416	(8,631,416)	8,000,000
Current portion of deferred revenue	2,917,674	(36,227)	2,881,447
Contract liabilities	3,785,231	(700,462)	3,084,769
Current liabilities	67,080,235	(9,368,105)	57,712,130
Total Liabilities	295,642,706	(916,365)	294,726,341

Impact on Consolidated Statement of Profit or Loss, Consolidated Statement of Other Comprehensive Income, and Consolidated Statement of Changes in Equity

There is no material effect on the Group's statement of profit or loss, other comprehensive income, or statement of changes in equity resulting from these reclassifications. In relation to spare parts reclassification there is an offsetting impact between the inventory provision reversal and the depreciation charge in the comparative prior year. The net impact on retained earnings and comparative operating revenue and cost of revenue on construction contracts was considered insignificant.

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49. COMPARATIVE FIGURES (CONTINUED)

Impact on Consolidated Statement of Cash Flows

The impact on the comparative year statement of cash flows is summarised below:

	As previously reported	Reclassifications	Amount after reclassification
Depreciation of property, plant and equipment	20,536,662	74,860	20,611,522
Allowance for slow moving and obsolete inventories	(167,720)	(74,860)	(242,580)
Advances from subscribers	1,503,626	1,312,254	2,815,880
Deferred revenue	2,911,661	(1,312,254)	1,599,407
Contract liabilities	(295,439)	(163,000)	(458,439)
Net cash generated from operating activities	38,316,683	(163,000)	38,153,683
Purchase of property, plant and equipment	(55,132,833)	163,000	(54,969,833)
Net cash used in investing activities	(55,572,940)	163,000	(55,409,940)
Net change in cash and cash equivalents	-	-	-

50. SUBSEQUENT EVENT AFTER REPORTING PERIOD

Except for below, there have been no significant subsequent events which would require either a disclosure or have a material impact on these consolidated financial statements.

- On 23 Sha'aban 1447H (corresponding to February 16, 2026), the Group has signed a Shari'ah-compliant Murabaha refinancing facility with Domestic banks amounting to ﷲ 16 billion for 3 years with an extension option, for the purpose of refinancing existing Murabaha facilities.
- On 10 Shaban 1447H (corresponding to January 29, 2026) a subsidiary of the Group entered into a Bridge to Senior murabaha facility agreement for a total facility amount of USD 850 million (ﷲ 3.19 billion).
- On 10 Shaban 1447H (corresponding to January 29, 2026) a subsidiary of the Group entered into a Bridge to Senior murabaha facility agreement for a total facility amount of USD 550 million (ﷲ 2.06 billion).
- On 23 Shaban 1447H (corresponding to February 11, 2026), the Group has signed interest rate swap hedging contract with bank with notional amount of ﷲ 1 billion until 2029.
- On 8 Ramadan 1447H (corresponding to February 25, 2026), the shareholders in an extraordinary meeting approved the change in the name of the Company from Saudi Electricity Company to Saudi Energy Company. Additionally, they made minor modification to the objective of the Company.

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50. SUBSEQUENT EVENT AFTER REPORTING PERIOD (CONTINUED)

- On 2 shaban 1447H (corresponding to January 21, 2026), a subsidiary of the Group signed the Energy Conversion Agreement for purchase of energy produced from Rabigh 1 expansion power plant with the Saudi Power Procurement Company – Principal Buyer (“PB”) for large-Scale Combined Cycle Gas Turbine (“CCGT”) Power Plant with Readiness to Build Carbon Capture Unit for duration 25 years. The Project is located in Western province of Saudi Arabia, with a production capacity of 1,179 MW with contract value amounting ~~ﷲ~~ 5.33 billion.
- On 26 Rajab 1447H, (corresponding to February 15, 2026), the Group has issued a Sukuk triple-tranche matured 3, 6 and 10 years in total amount of USD 2.4 billion.

51. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's consolidated financial statements were approved by the Board of Directors of the Group on 13 Ramadan 1447H corresponding to March 2, 2026.