

SAUDI ELECTRICITY COMPANY
(A Saudi Joint Stock Company)

Condensed consolidated interim financial statements (unaudited)
Together with independent auditors report on review
for the three-month ended 31 March 2021

SAUDI ELECTRICITY COMPANY

(A Saudi Joint Stock Company)

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

For the three-month ended 31 March 2021

Index	Pages
Independent auditor's review report of Condensed consolidated interim financial statements	-
Condensed consolidated interim statement of financial position	1
Condensed consolidated interim statement of income	2
Condensed consolidated interim statement of other comprehensive income	3
Condensed consolidated interim statement of changes in equity	4
Condensed consolidated interim statement of cash flows	5
Notes to the condensed interim consolidated financial statements	6-26



KPMG Professional Services

Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Headquarter

Commercial Registration No 1010425494

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

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

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

Introduction

We have reviewed the accompanying 31 March 2021 condensed consolidated interim financial statements of Saudi Electricity Company ("the Company") and its subsidiaries ("the Group") which comprise:

- the condensed consolidated interim statement of financial position as at 31 March 2021;
- the condensed consolidated interim statement of income for the three-month period ended 31 March 2021;
- the condensed consolidated interim statement of other comprehensive income for the three-month period ended 31 March 2021;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2021;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2021; and
- the notes to the condensed consolidated interim financial statements.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2021 condensed consolidated interim financial statements of Saudi Electricity Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Professional Services


Dr. Abdullah Hamad Al Fozan
License No.: 348
Date: 23 Ramadan 1442 H
Corresponding to: 5 May 2021



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كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة. مسجلة في المملكة العربية السعودية. رأس مالها (١٥.٠٠٠.٠٠٠) ريال سعودي مفروح بالكامل. الصمصة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". و هي عضو غير شريك في الشبكة العالمية للشركات كي بي إم جي المستقلة والتابعة لكي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

SAUDI ELECTRICITY COMPANY**(A Saudi Joint Stock Company)****Condensed Consolidated Interim Statement of Financial Position as at 31 March 2021 (unaudited)**

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	31 March 2021 (unaudited)	31 December 2020 (audited)
Assets			
Non-current assets			
Property, plant and equipment, net	10	437,074,106	436,779,330
Right of use assets, net		96,602	111,331
Investment properties		451,883	452,652
Intangible assets, net		460,484	469,568
Equity accounted investees		1,462,018	1,464,936
Financial assets at amortised cost		34,114	34,114
Financial assets through other comprehensive income		349,618	349,618
Total non-current assets		439,928,825	439,661,549
Current assets			
Inventories, net	11	4,954,984	4,937,483
Receivables from sale of electricity, net	12	35,739,188	34,968,645
Receivables and advances		590,536	623,324
Prepayments and other receivables		1,315,801	719,480
Cash and cash equivalents		4,370,429	4,539,092
Total current assets		46,970,938	45,788,024
Total assets		486,899,763	485,449,573
Equity and liabilities			
Equity			
Share capital		41,665,938	41,665,938
Statutory reserve		4,153,366	4,153,366
General reserve		702,343	702,343
Other reserves		(500,738)	(742,498)
Contractual reserve – Mudaraba instrument	14	2,816,482	927,375
Retained earnings		32,947,487	33,147,465
Total equity before Mudaraba Instrument (1)		81,784,878	79,853,989
Fair value for Mudaraba instrument		159,169,000	159,169,000
Fair value adjustment of Mudaraba instrument		8,751,563	8,751,563
Mudaraba instrument (2)		167,920,563	167,920,563
Total equity (1+2)		249,705,441	247,774,552
Liabilities			
Non-current liabilities			
Long term loans	15.2	53,276,665	56,145,525
Sukuk	15.2	44,160,577	44,160,434
Employees' benefits obligation		7,293,367	7,259,950
Non-current portion of Deferred revenue		57,387,855	56,619,625
Deferred government grants		1,273,720	1,089,377
Derivative financial instruments	15.3	754,125	937,806
Asset retirement obligations		262,495	270,425
Non-current portion of lease liabilities		60,618	62,067
Total non-current liabilities		164,469,422	166,545,209
Current liabilities			
Short term loans and facilities	15.2	14,094,971	13,413,842
Trade payables		14,530,412	14,145,642
Accruals and other liabilities		26,261,888	26,289,101
Provision for other liabilities and charges		415,093	365,411
Refundable deposits from customers		1,998,863	1,997,558
Advance from customers		13,388,915	12,710,153
Current portion of deferred revenue		1,906,512	2,024,808
Current portion of lease liabilities		42,599	56,085
Derivative financial instruments	15.3	85,647	127,212
Total current liabilities		72,724,900	71,129,812
Total liabilities		237,194,322	237,675,021
Total equity and liabilities		486,899,763	485,449,573

The accompanying notes from 1 to 26 form an integral part of these condensed consolidated interim financial statements.

SAUDI ELECTRICITY COMPANY
(A Saudi Joint Stock Company)
Condensed Consolidated Interim Statement of Income (unaudited)
For the three-month ended 31 March 2021
(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	31 March 2021 (unaudited)	31 March 2020 (unaudited)
Operating revenue	19	13,348,372	11,397,720
Cost of revenue	20	(10,420,293)	(12,590,070)
Gross profit / (loss)		2,928,079	(1,192,350)
Other income, net	21	133,054	142,016
Provision of electricity consumers and other receivables, net	12-c	(618,241)	14,429
General and administrative expenses		(183,107)	(235,877)
Operating profit / (loss) for the period		2,259,785	(1,271,782)
Finance income		43,256	328
Finance expense		(593,591)	(1,097,449)
Finance costs, net	22	(550,335)	(1,097,121)
Share of loss of equity accounted investees		(19,432)	(2,307)
Profit / (loss) for the period before zakat		1,690,018	(2,371,210)
Zakat expenses	18	(889)	(70,248)
Net profit / (loss) for the period		1,689,129	(2,441,458)
Loss per share			
(expressed in SAR per share)			
Basic and diluted loss per share	23	(0.05)	(0.59)

The accompanying notes from 1 to 26 form an integral part of these condensed consolidated interim financial statements.

SAUDI ELECTRICITY COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of other comprehensive income (unaudited)
For the three-month ended 31 March 2021
(All amounts in thousands Saudi Riyals unless otherwise stated)

	31 March 2021	31 March 2020
	(unaudited)	(unaudited)
Net profit / (loss) for the period	<u>1,689,129</u>	<u>(2,441,458)</u>
Other comprehensive income:		
Items that may be reclassified subsequently to condensed consolidated income statement:		
Cash flow hedges – effective portion	<u>241,760</u>	<u>(446,841)</u>
Total items that may be reclassified to condensed consolidated income statement	<u>241,760</u>	<u>(446,841)</u>
Items that will not be reclassified subsequently to condensed consolidated income statement:		
Re-measurement of employees’ benefits obligation	<u>-</u>	<u>-</u>
Total items that will not be reclassified to condensed consolidated income statement	<u>-</u>	<u>-</u>
Other comprehensive income / (loss) for the period	<u>241,760</u>	<u>(446,841)</u>
Total comprehensive income / (loss) for the period	<u>1,930,889</u>	<u>(2,888,299)</u>

The accompanying notes from 1 to 26 form an integral part of these condensed consolidated interim financial statements.

SAUDI ELECTRICITY COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of changes in equity (unaudited)
For the three-month ended 31 March 2021
(All amounts in thousands Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	General reserve	Other reserves				Contractual reserve for Mudaraba Instrument	Retained earnings	Total equity before Mudaraba Instrument (1)	Mudaraba instrument			Total equity (1+2)
				Fair value of derivatives	Employees' benefits obligation	Financial asset at FVOCI	Total other reserve				Fair value of Mudaraba instrument	Fair value adjustment for Mudaraba instrument	Mudaraba instrument (2)	
Balance as at 1 January 2020 (audited)	41,665,938	3,850,811	702,343	(636,373)	551,366	52,445	(32,562)	-	27,383,342	73,569,872	-	-	-	73,569,872
Net loss for the period	-	-	-	-	-	-	-	-	(2,441,458)	(2,441,458)	-	-	-	(2,441,458)
Other comprehensive loss	-	-	-	(446,841)	-	-	(446,841)	-	-	(446,841)	-	-	-	(446,841)
Total comprehensive loss	-	-	-	(446,841)	-	-	(446,841)	-	(2,441,458)	(2,888,299)	-	-	-	(2,888,299)
Balance at 31 March 2020 (unaudited)	41,665,938	3,850,811	702,343	(1,083,214)	551,366	52,445	(479,403)	-	24,941,884	70,681,573	-	-	-	70,681,573
Balance at 1 January 2021 (audited)	41,665,938	4,153,366	702,343	(1,102,482)	282,996	76,988	(742,498)	927,375	33,147,465	79,853,989	159,169,000	8,751,563	167,920,563	247,774,552
Net income for the period	-	-	-	-	-	-	-	-	1,689,129	1,689,129	-	-	-	1,689,129
Other comprehensive Income	-	-	-	241,760	-	-	241,760	-	-	241,760	-	-	-	241,760
Total comprehensive income	-	-	-	241,760	-	-	241,760	-	1,689,129	1,930,889	-	-	-	1,930,889
Transfer to Contractual reserve – Mudaraba instrument	-	-	-	-	-	-	-	1,889,107	(1,889,107)	-	-	-	-	-
Balance at 31 March 2021 (unaudited)	41,665,938	4,153,366	702,343	(860,722)	282,996	76,988	(500,738)	2,816,482	32,947,487	81,784,878	159,169,000	8,751,563	167,920,563	249,705,441

The accompanying notes from 1 to 26 form an integral part of these condensed consolidated interim financial statements.

SAUDI ELECTRICITY COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of cash flows (unaudited)
For the three-month ended 31 March 2021
(All amounts in thousands Saudi Riyals unless otherwise stated)

	31 March 2021	31 March 2020
	(unaudited)	(unaudited)
Cash flow from operating activities		
Profit / (loss) for the period before zakat and income tax	1,690,018	(2,371,210)
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	4,748,052	4,654,634
Depreciation of right of use asset	14,784	41,613
Amortisation of intangible assets	16,584	15,432
Finance costs, net	550,335	1,097,121
Employees' benefits obligation	147,074	206,743
Provision of inventory	31,412	48,240
Provision / (reversal) of electricity consumers and other receivables	618,241	(14,429)
Share of loss of equity accounted investees	19,432	2,307
Provision and other charges	49,674	6,934
Amortisation of deferred government grant	(13,891)	(342,070)
Depreciation of investment property	769	790
Gain on disposal of property, plant and equipment	(20,365)	(2,631)
Cash flow after adjustment of non-cash item	7,852,119	3,343,474
<i>Changes in working capital:</i>		
Inventories	(48,913)	52,540
Receivables from sale of electricity	(1,370,582)	(1,198,159)
Prepayments and other receivables	(614,523)	(305,782)
Loans and advances	32,788	31,212
Trade payables	384,770	2,354,187
Accruals and other liabilities	365,143	(1,529,817)
Refundable deposits from customers	1,305	(2,012)
Advances from customers	678,762	(943,422)
Deferred revenue	649,934	2,553,748
Employee benefits' obligation paid	(141,260)	(144,441)
Cash generated from operating activities	7,789,543	4,211,528
Zakat paid	(881)	(3,836)
Net cash generated from operating activities	7,788,662	4,207,692
Cash flow from investing activities		
Purchase of property, plant and equipment	(5,075,861)	(4,987,311)
Proceeds from sale of property, plant and equipment	24,973	91
Payments for intangible assets	(7,500)	-
Net cash used in investing activities	(5,058,388)	(4,987,220)
Cash flow from financing activities		
Proceeds from loans	2,137,588	6,400,000
Repayments of loans	(4,259,007)	(1,549,661)
Payment for lease liabilities	(15,617)	(29,915)
Receipt of government grant	198,234	-
Dividends paid	(5,067)	(710)
Net finance costs paid	(955,068)	(1,215,693)
Net cash (used in) / generated from financing activities	(2,898,937)	3,604,021
Net change in cash and cash equivalents	(168,663)	2,824,493
Cash and cash equivalents at the beginning of the period	4,539,092	1,918,304
Cash and cash equivalents at the end of the period	4,370,429	4,742,797

The accompanying notes from 1 to 26 form an integral part of these condensed consolidated interim financial statements.

SAUDI ELECTRICITY COMPANY**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statements (unaudited)****For the three-month period ended 31 March 2021**(All amounts in thousands Saudi Riyals unless otherwise stated)

1 Corporate information

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

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

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

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

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

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

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

In light of a letter; No. 2057-dated 29/03/1442 H corresponding to 15th November 2020, received by the Company from the Minister of Energy, Chairman of the Ministerial Committee for restructuring the electricity sector; the government fee has been cancelled as of 1 January 2021, with the aim of Ministerial Committee to restructure the electricity sector in Saudi Arabia and approved the organization of revenues of Saudi Electricity Company.

SAUDI ELECTRICITY COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (unaudited)
For the three-month period ended 31 March 2021
(All amounts in thousands Saudi Riyals unless otherwise stated)

1 Corporate information – continued

Pursuant to Royal Order No. 2719 - dated 14/01/1438 corresponding to 15th October 2016, and Ministry of Finance letter No. 5627 - dated 02/06/1441 corresponding to 27th January 2020, the balancing account has been activated by the Ministry of Finance starting from 2019 and based on the Ministry of Finance letter No. 8491 dated 16/08/1442 corresponding to 29th March 2021, regulated revenues for the Company were approved according to the minimum operating cost model for determining the required revenue for the fiscal year 2020. In line with the letter; No. 2057-dated 29 Rabi Awal 1442 corresponding to 15th November 2020, received by the Company from the Minister of Energy, Chairman of the Ministerial Committee for restructuring the electricity sector, the required revenue methodology has been approved for the Company, which is according to the Regulated asset base model using a specified weighted average cost of capital for the year 2021.

According to the Company's bylaws, the financial year begins on 1st January and ends on 31st December of each Gregorian year.

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

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

Subsidiary Company's name	Country of registration and place of business	Ownership in ordinary shares %		Principal activity
		31 March 2021	31 December 2020	
National Grid S.A. Company “Grid Company”	Kingdom of Saudi Arabia	100	100	Transmission
Dawiyat Telecommunication Company *	Kingdom of Saudi Arabia	100	100	Telecommunication
Electricity Sukuk Company	Kingdom of Saudi Arabia	100	100	Financing
Saudi Electricity for Projects Development Co. (business not commenced)	Kingdom of Saudi Arabia	100	100	Projects Management
Saudi Electricity Global Sukuk Company	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 2	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 3	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 4	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 5	Cayman Islands	100	100	Financing
Saudi Power Production Company	Kingdom of Saudi Arabia	100	100	Main buyer
Dawiyat Integrated Company for Telecommunications and Information Technology **	Kingdom of Saudi Arabia	100	100	Telecommunication
Saudi Energy Production Company (activity has not started)	Kingdom of Saudi Arabia	100	100	Energy Generation

* Dawiyat Telecommunication Company obtained a license from the Communications and Information Technology Commission to provide rental services for communications facilities.

** Dawiyat Integrated Company for Telecommunications and Information Technology obtained from the Communications and Information Technology Commission a license to provide wholesale services for the infrastructure.

1 Corporate information – continued

These condensed consolidated interim financial statements include Group’s share in joint operation as below:

	Country of registration and place of business	Holding company ownership percentage shares%	
		31 March 2021	31 December 2020
Independent Power Producers			
Hajr for Electricity Production Company	Kingdom of Saudi Arabia	50	50
Rabigh Electricity Company	Kingdom of Saudi Arabia	20	20
Dhuruma Electricity Company	Kingdom of Saudi Arabia	50	50
Al Mourjan for Electricity Production Company	Kingdom of Saudi Arabia	50	50

Joint Venture

Dawiyat Telecommunication Company established the Global Data Centre Company on 11 September 2018 with shareholding of 50% in the Kingdom of Saudi Arabia. Its main activity is the extension and installation of computer networks, communications, operating systems, computer consultancy activities and computer facilities management information. The investment has been accounted for using the equity method of accounting.

2 Significant events

Since the beginning of 2020, the Coronavirus (COVID-19) pandemic has adversely impacted the world, causing disturbances in the economic and commercial sectors in general, both globally and locally. The Kingdom of Saudi Arabia has taken incentive measures and initiatives to support the economy in order to reduce the adverse effects of that pandemic.

The Group management continuously monitors all other variables that may affect the activities of the Group and The Group believes that there is no significant impact on the Group’s results for the period ended 31 March 2021 but given the inability to determine the time period for this pandemic and the precautionary measures to be taken in the future it is currently difficult to determine the size and the extent of the financial impact on the results of the Group accurately and until the date of the issuance of these financial statements. Despite this, the Group does not expect that there will be significant future adverse impacts related to the going concern of the Group’s operations.

3 Basis of preparation

The condensed consolidated interim financial statements for the three-month ended 31 March 2020 have been prepared in accordance with IAS 34 ‘Interim financial reporting’ as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants.

These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2020.

SAUDI ELECTRICITY COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (unaudited)

For the three-month period ended 31 March 2021

(All amounts in thousands Saudi Riyals unless otherwise stated)

4 Use of estimates, assumptions and judgements

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the Group's annual consolidated financial statements as of 31 December 2020.

5 Basis of measurement

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

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

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

6 Significant accounting policies

The accounting policies adopted in preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020.

Accounting policies adopted in preparation of these interim condensed consolidated financial statements are described in note 6 of the Group's consolidated financial statements for the year ended 31 December 2020.

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

There are no new standards issued, however, several amendments to the standards are in effect from 1 January 2021, which have been explained in the Group's annual financial statements and that have no impact on the Group's interim consolidated financial statements.

7 Financial risk management

7.1 Fair-value measurement

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

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

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

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.

SAUDI ELECTRICITY COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (unaudited)
For the three-month period ended 31 March 2021
(All amounts in thousands Saudi Riyals unless otherwise stated)

7 Financial risk management - continued

7.1 Fair-value measurement - continued

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

The fair value of the Mudaraba is determined based on an income approach where perpetual cash flows based on the profit rate of the instrument are discounted at an appropriate discount rate of 4.3% derived based a cost of debt reflecting a yield to maturity of Kingdom of Saudi Arabia Government Sukuk with longest maturity plus a premium for the perpetual nature of the instrument based on the regulatory weighted average cost of capital is estimated at 6%.

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

As of 31 March 2021 Unaudited	Level 1	Level 2	Level 3	Total
Assets				
Financial assets through other comprehensive income	-	-	349,618	349,618
Total assets	-	-	349,618	349,618
Liabilities				
Derivatives used for hedging	-	839,772	-	839,772
Financial instruments liabilities	-	839,772	-	839,772
Equity				
Mudaraba instrument	-	-	159,169,000	159,169,000
Equity financial instrument	-	-	159,169,000	159,169,000
As of 31 December 2020 Audited	Level 1	Level 2	Level 3	Total
Assets				
Financial assets through other comprehensive income	-	-	349,618	349,618
Total assets	-	-	349,618	349,618
Liabilities				
Derivatives used for hedging	-	1,065,018	-	1,065,018
Financial instruments liabilities	-	1,065,018	-	1,065,018
Equity				
Mudaraba instrument	-	-	159,169,000	159,169,000
Equity financial instrument	-	-	159,169,000	159,169,000

7 Financial risk management - continued

7.1 Fair-value measurement - continued

Valuation techniques used to derive level 2 fair-value

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

Fair value measurements using significant unobservable inputs (Level 3)

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

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

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

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

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

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

There have been no transfers between level 1, level 2 and level 3 fair values during the three months ended 31 March 2021.

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

	<u>31 March 2021</u>	<u>31 December 2020</u>
	<u>Unaudited</u>	<u>Audited</u>
Opening balance	349,618	325,075
Revaluation	-	24,543
Closing balance	<u>349,618</u>	<u>349,618</u>

Fair value of financial assets and liabilities measured at amortised cost

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

8 Seasonality of operations

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

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

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

The main activities of each business unit / subsidiaries are as follows:

Generation: Generating and saving 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 collection.

Principal buyer: Purchase of power with the Group companies and from other power producer.

The Group is working on implementing an integrated plan aimed at splitting the activities into independent separate companies, as part of the Kingdom of Saudi Arabia's plan to restructure the electricity sector. Work is underway to develop legal arrangements for it. This will enable stakeholders to measure the performance and results of the separate companies.

The Company has entered into agreements with its subsidiaries (including Saudi Power Production Company) to lease electricity, transmission networks, buy and sell energy for both the generation and distribution activities..

As at the date of approval of these condensed consolidated financial statements, the process to split the activities of the Group in to independent separate companies is ongoing. Consequently, the financial information of the Saudi Electricity Company in the following schedule includes the generation activities (the generation license is being transferred to the Saudi Power Production Company), distribution and subscribers' services.

The financial information is presented as follows:

- For the joint operations as an independent sector for the electricity production, generation and distribution;
- For National Grid S.A. Company which includes transmission of electricity and the operation and maintenance of the transmission system;
- For Saudi Power Production Company includes purchase of electricity from the generation and maintenance sectors, generating equipment and other energy production companies, and selling electricity to the distribution sector; and
- For other subsidiaries includes the telecommunications sector.

SAUDI ELECTRICITY COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (unaudited)

For the three-month period ended 31 March 2021

(All amounts in thousands Saudi Riyals unless otherwise stated)

9 Segment information and future structure of the Group's activities – continued

For the three-month ended 31 March 2021 – SAR Million

	Saudi Electricity Company	National Grid Company	Saudi Power Production Company	Joint Operations	Other subsidiaries	Elimination Intercompany transactions	Total
Revenue							
External customers	13,311	-	-	-	51	(14)	13,348
Between segments	-	4,271	23	332	-	(4,626)	-
Total revenue	13,311	4,271	23	332	51	(4,640)	13,348
Cost of revenue							
Fuel	(1,107)	-	-	-	-	-	(1,107)
Purchase power	(2,144)	-	-	-	-	23	(2,121)
Government fee	-	-	-	-	-	-	-
Operating and maintenance costs	(6,496)	(550)	-	(80)	-	4,603	(2,523)
Depreciation - Operation and maintenance	(2,685)	(1,827)	-	(133)	(24)	14	(4,655)
Depreciation – Right of use asset	(15)	-	-	-	-	-	(15)
Total cost of revenue	(12,447)	(2,377)	-	(213)	(24)	4,640	(10,421)
General and administrative expenses	(16)	(15)	(21)	(27)	(10)	-	(89)
Depreciation - general and administrative	(94)	-	-	-	-	-	(94)
Total general and administrative expenses	(110)	(15)	(21)	(27)	(10)	-	(183)
Other revenue, net	240	25	-	-	14	(146)	133
Provision of electricity consumers and other receivables, net	(618)	-	-	-	-	-	(618)
Finance cost, net	(441)	(150)	-	(105)	-	146	(550)
Share of loss from equity accounted investee	(19)	-	-	-	-	-	(19)
Zakat expenses	-	-	-	(1)	-	-	(1)
Net profit / (loss) for the period	(84)	1,754	2	(14)	31	-	1,689
As at 31 March 2021 - SAR Million							
Property, plant and equipment, net	258,058	166,425	-	10,309	2,282	-	437,074
Total assets	429,209	166,824	2	11,737	2,812	(123,684)	486,900
Total liabilities	223,445	114,252	-	9,246	1,735	(111,484)	237,194

SAUDI ELECTRICITY COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (unaudited)
For the three-month period ended 31 March 2021
(All amounts in thousands Saudi Riyals unless otherwise stated)

9 Segment information and future structure of the Group's activities – continued

For the three-month ended 31 March 2020 - SAR Million

	Saudi Electricity Company	National Grid Company	Saudi Power Production Company	Joint Operations	Other subsidiaries	Elimination Intercompany transactions	Total
Revenue							
External customers	11,389	-	-	-	22	(14)	11,397
Between segments	-	3,496	-	323	-	(3,819)	-
Total revenue	11,389	3,496	-	323	22	(3,833)	11,397
Cost of revenue							
Fuel	(1,057)	-	-	-	-	-	(1,057)
Purchased power	(2,362)	-	-	-	-	323	(2,039)
Operating and maintenance costs	(5,459)	(465)	-	(82)	(2)	3,498	(2,510)
Government fee	(2,393)	-	-	-	-	-	(2,393)
Depreciation - Operation and maintenance	(2,648)	(1,807)	-	(93)	(15)	14	(4,549)
Depreciation - Right of use asset	(42)	-	-	-	-	-	(42)
Total cost of revenue	(13,961)	(2,272)	-	(175)	(17)	3,835	(12,590)
General and administrative expenses	(56)	(36)	-	(30)	(9)	-	(131)
Depreciation - general and administrative	(105)	-	-	-	-	-	(105)
Total general and administrative expenses	(161)	(36)	-	(30)	(9)	-	(236)
Other revenue, net	417	2	-	(15)	10	(271)	143
Provision of electricity consumers and other receivables, net	14	-	-	-	-	-	14
Finance cost, net	(977)	(274)	-	(115)	-	269	(1,097)
Share of loss from equity accounted investee	(2)	-	-	-	-	-	(2)
Zakat expenses	(68)	-	-	(2)	-	-	(70)
Net profit / (loss) for the period	(3,349)	916	-	(14)	6	-	(2,441)
As at 31 December 2020 - SAR Million							
Property, plant and equipment, net	256,114	168,313	-	10,421	1,931	-	436,779
Total assets	431,249	168,669	2	11,853	2,202	(128,525)	485,450
Total liabilities	222,499	120,674	-	9,490	1,336	(116,324)	237,675

SAUDI ELECTRICITY COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (unaudited)

For the three-month period ended 31 March 2021

(All amounts in thousands Saudi Riyals unless otherwise stated)

10 Property, plant and equipment, net

As at 31 March 2021, the cost of property, plant and equipment is SAR 701 billion (31 December 2020: SAR 696 billion). Accumulated depreciation is SAR 264 billion (31 December 2020: SAR 259 billion).

An amount of SAR 5 billion (31 December 2020: SAR 24 billion) was transferred from projects under construction to property, plant and equipment. The additions to projects under construction for the period amounting to SAR 9.3 Billion (31 December 2020: SAR 33 billion).

Capitalized Finance charges during the period on projects under construction amounting to SAR 246 million (31 December 2020: SAR 1.7 billion).

11 Inventories, net

	31 March 2021	31 December 2020
	Unaudited	Audited
Material and supplies - Generation plant	2,451,863	2,476,851
Materials and supplies - Distribution network	1,736,765	1,490,280
Materials and supplies - Transmission network	362,473	361,378
Fuel and oil	1,201,490	1,304,368
Others	22,125	112,477
Total	5,774,716	5,745,354
Less: Provision for slow moving inventories (a)	(819,732)	(807,871)
	4,954,984	4,937,483

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

	31 March 2021	31 December 2020
	Unaudited	Audited
Balance at the beginning of the period / year	807,871	817,125
Charge for the period / year	11,861	-
Reversal for the period / year	-	(9,254)
Balance at the end of the period / year	819,732	807,871

SAUDI ELECTRICITY COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (unaudited)

For the three-month period ended 31 March 2021

(All amounts in thousands Saudi Riyals unless otherwise stated)

12 Receivables from sale of electricity, net

Receivable from consumption of electricity	31 March 2021	31 December 2020
	Unaudited	Audited
Governmental institutions	12,715,970	11,476,392
Commercial and residential	11,318,884	12,614,486
Receivables for electricity service connection projects	2,243,939	2,083,300
Due from related parties	1,260,846	795,454
Other government receivables (a)	6,706,363	6,131,363
Total electricity consumers' receivable	34,246,002	33,100,995
Less: provision for doubtful electricity receivables (b)	(2,067,575)	(1,467,536)
Add: Unbilled revenues	3,560,761	3,335,186
	35,739,188	34,968,645

(a) This represents the Balancing Fund receivable by the Ministry of Finance.

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

	31 March 2021	31 December 2020
	Unaudited	Audited
Balance at the beginning of the year	1,467,536	1,549,779
Charge for the year	600,039	204,122
Written off during the year	-	(286,365)
Balance at the end of the year	2,067,575	1,467,536

(c) The provision for doubtful electricity receivables and other receivables is SAR 600 million and SAR 18 million, respectively (31 March 2020: reversal by SAR 14 million).

13 Transaction with the owners that are recognized directly to equity

The Company's General Assembly, in its meeting held on 15 Ramadan 1442H corresponding to 27 April 2021, approved the distribution of cash dividends for the year 2020 to the shareholders of the Company amounting to SAR 2.9 billion, SAR 0.70 per share, representing 7% of the par value of the share (2019: SAR 749.3 million).

14 Contractual reserve for Mudaraba instrument

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

The General Assembly, held on 12/05/1442H corresponding to 27th December 2020, approved to create contractual reserve for the purpose of payment of the profits from the contractual agreement concluded between the Company and the Ministry of Finance and referred to in the Mudaraba agreement. Furthermore, The General Assembly also authorized the Board of Directors to transfer the amount from the Company's retained profits to the contractual reserve and use the agreed reserve to pay the Mudaraba profits in accordance with the provisions of the Mudaraba Agreement as follows:

	31 March 2021	31 December 2020
	Unaudited	Audited
Balance at the beginning of the period / year	927,375	-
Transferred from retained earnings during period / year	1,889,107	927,375
Balance at the period /end of the year	2,816,482	927,375

SAUDI ELECTRICITY COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (unaudited)
For the three-month period ended 31 March 2021
(All amounts in thousands Saudi Riyals unless otherwise stated)

15 Financial instruments

15.1 Financial instruments other than interest bearing

	31 March 2021	31 December 2020
	Unaudited	Audited
Derivative financial liabilities		
Derivative financial instruments at fair value	839,772	1,065,018
	839,772	1,065,018
Other financial liabilities carried at amortized cost, other than interest bearing loans		
Trade payables	14,530,412	14,145,642
Accruals and other liabilities	26,261,888	26,289,101
Refundable deposits from customers	1,998,863	1,997,558
Total other financial liabilities carried at amortized cost, other than interest bearing loans	42,791,163	42,432,301

15 Financial instruments - continued

15.2 Interest bearing liabilities

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

	Term Loans	Sukuk	Total
Non-current	53,276,665	44,160,577	97,437,242
Current	14,094,971	-	14,094,971
	67,371,636	44,160,577	111,532,213

Classification of borrowings as appearing on the condensed consolidated interim statement of financial position as of 31 December 2020 is as follows:

	Term Loans	Sukuks	Total
Non-current	56,145,525	44,160,434	100,305,959
Current	13,413,842	-	13,413,842
	69,559,367	44,160,434	113,719,801

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

	Term loans	Sukuk	Government loans	Total
As at 1 January 2020	71,653,314	39,289,736	48,698,302	159,641,352
Proceeds from borrowings	10,043,960	4,875,000	-	14,918,960
Repayments of borrowing	(12,155,719)	-	-	(12,155,719)
Additions to deferred costs	17,812	(4,302)	-	13,510
Present value increase in loans	-	-	1,937,082	1,937,082
Transferred to Mudaraba Instrument	-	-	(50,635,384)	(50,635,384)
As at 31 December 2020	69,559,367	44,160,434	-	113,719,801
Audited	69,559,367	44,160,434	-	113,719,801
Proceeds from borrowings	2,137,588	-	-	2,137,588
Repayments of borrowing	(4,259,007)	-	-	(4,259,007)
Additions to deferred costs	(66,312)	143	-	(66,169)
As at 31 March 2021	67,371,636	44,160,577	-	111,532,213
Unaudited	67,371,636	44,160,577	-	111,532,213

SAUDI ELECTRICITY COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (unaudited)
For the three-month period ended 31 March 2021
(All amounts in thousands Saudi Riyals unless otherwise stated)

15 Financial instruments – continued

15.2.1 Term loans

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

	31 March 2021	31 December 2020
	Unaudited	Audited
Non-current:		
Saudi Electricity Company	45,757,540	48,544,121
Joint operations	7,519,125	7,601,404
	53,276,665	56,145,525
Current:		
Saudi Electricity Company	13,590,464	12,920,878
Joint operations	504,507	492,964
	14,094,971	13,413,842

The following are the term loans:

	Loan currency	Maturity date	Principal amount	31 March 2021	31 December 2020
				Unaudited	Audited
Domestic Bank 2	SAR	2025	5,000,000	1,921,600	1,921,600
Domestic Bank 3	SAR	2025	10,000,000	4,085,715	6,761,906
Domestic Bank 5	SAR	2021	1,300,000	216,667	216,667
Domestic Bank 6	SAR	2026	3,500,000	2,625,000	2,625,000
Domestic Bank 7	SAR	2024	2,400,000	2,340,000	2,340,000
Domestic Bank 8	SAR	2026	15,200,000	15,048,000	15,200,000
Domestic Bank 9	SAR	2029	1,850,000	1,850,000	1,850,000
Domestic Bank 10	SAR	2027	9,000,000	3,000,000	3,000,000
Direct loan from the Public Investment Fund	SAR	2024	2,583,375	756,413	756,413
International syndicated loan 1	USD	2021	4,057,417	146,353	146,353
International Bank 2	USD	2024	3,709,125	815,301	969,903
International syndicated loan 3	USD	2026	5,251,120	2,625,128	2,625,128
International syndicated loan 4	USD	2028	7,240,715	4,641,543	4,687,886
International Bank 5	USD	2021	5,625,710	936,932	936,933
International syndicated loan 6	USD	2029	3,375,585	2,391,010	2,531,671
International syndicated loan 7	USD	2029	1,575,336	1,115,860	1,181,507
International syndicated loan 8	USD	2022	6,562,878	6,562,878	6,562,878
Total value			88,231,261	51,078,400	54,313,845
<i>Less: The current portion of long-term loans</i>				(4,960,244)	(5,404,683)
<i>Less: The Unamortized portion of the prepaid fees</i>				(360,616)	(365,041)
Non-current portion of long-term loans				45,757,540	48,544,121

SAUDI ELECTRICITY COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (unaudited)
For the three-month period ended 31 March 2021
(All amounts in thousands Saudi Riyals unless otherwise stated)

15 Financial instruments - continued

15.2 Interest bearing liabilities - continued

15.2.1 Term loans - continued

The following are short-term loans:

	Loan currency	Principal amount	31 March 2021 Unaudited	31 December 2020 Audited
Domestic revolving bank loan 1	SAR	1,000,000	-	500,000
Domestic bank facilities 4	SAR	2,500,000	2,500,000	1,000,000
International syndicated loan 3	USD	8,066,263	5,920,748	5,920,748
Commercial payment facility	SAR	550,000	209,472	95,447
Total short-term loans		12,116,263	8,630,220	7,516,195
<i>Current portion of long-term loans</i>			4,960,244	5,404,683
Total short-term loans and current portion of long-term loans			13,590,464	12,920,878

Bank loans for joint operations:

The Group's share in bank loans for joint operations is as follows:

	31 March 2021 Unaudited		31 December 2020 Audited	
	Short-term	Long-term	Short-term	Long-term
Dhuruma Electricity Company	121,643	1,958,166	116,172	2,016,067
Rabigh Electricity Company	121,202	954,166	92,818	979,461
Hajr for Electricity Production Company	195,889	2,736,647	218,684	2,735,247
Al Mourjan for Electricity Production Company	65,773	1,870,146	65,290	1,870,629
	504,507	7,519,125	492,964	7,601,404

15 Financial instruments - continued

15.2 Interest bearing liabilities - continued

15.2.2 Sukuk

The outstanding Sukuk as of 31st March 2021 are as follows:

Local sukuk

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

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

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

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

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

The Group repurchased SAR 1.27 billion during second quarter of 2017, out of total Sukuk 3 issue of SAR 7 billion. The remaining balance has been rescheduled until it is fully purchased before May 2022.

Global Sukuk

1. During April 2012 the Group issued a global Sukuk amounting to SAR 6.6 billion equivalent to approximately (US\$ 1.75 billion). The issuance consists of two tranches of Sukuk certificates. The first tranche amounting to US\$ 0.5 billion maturing after 5 years with fixed rate of 2.665%, the second tranche amounting to US\$ 1.25 billion maturing after 10 years with fixed rate of 4.211%. The Group has repaid SAR 1.9 billion (US \$ 0.5 billion) during the first quarter of 2017, representing the repayment of the first type of these Sukuk.
2. During April 2013 the Group also issued a global Sukuk amounting SAR 7.5 billion equivalent to (US\$ 2 billion). The issuance consists of two types of Sukuk certificates. The first type amounting to SAR 3.75 billion (US\$ 1 billion) matures after 10 years with a fixed rate of 3.473%. The second type amounting to SAR 3.75 billion (US\$ 1 billion) matures after 30 years with a fixed rate of 5.06%.
3. During April 2014 the Group also issued a global Sukuk amounting to SAR 9.4 billion equivalent to (US\$ 2.5 billion). The issuance consists of two types of Sukuk certificates. The first with a value of SAR 5.6 billion (US \$ 1.5 billion), after 10 years with a fixed interest rate of 4% and the second with a value of 3.75 billion Saudi Riyals (US \$ 1 billion) is due after 30 years with a fixed rate of 5.5%.
4. During September 2018 the Group also issued a global Sukuk amounting to SAR 7.5 billion equivalent to US\$ 2 billion. The issuance consists of two types of Sukuk certificates. The first with a value of SAR 3 billion (US \$ 800 million), 5 years tenure with a fixed interest rate of 4.222% per annum and the second with a value of SAR 4.5 billion Saudi Riyals (US \$ 1.2 billion), 10 years tenure with a fixed rate of 4.723% per annum.

15 Financial instruments - continued

15.2 Interest bearing liabilities - continued

15.2.2 Sukuk continued

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

15.3 Derivative financial instruments

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

All derivatives as at 31 March 2021 are classified as cash flow hedges. Derivatives are classified as non-current or current assets and as non-current or current liabilities, depending on the expiration date of the financial instruments.

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

	31 March 2021	31 December 2020
	Unaudited	Audited
Derivative financial instruments at fair value:		
Current	85,647	127,212
Non-current	754,125	937,806
	839,772	1,065,018

16 Contingent liabilities

- (a) A committee has been formed represented by various stakeholders, who will study Contingent liabilities and give their recommendations to the Ministerial Committee, the most important of which are the following:
- During July 2020, an agreement was signed to settle the dispute between the Saudi Electricity Company and the Saudi Aramco. As per the settlement, Saudi Aramco paid to the Saudi Electricity Company an amount representing claims for consumption and various projects which were previously disputed. The settlement included an end to the dispute over the fuel price difference for the company's generation station in Al-Shuaiba, where the Saudi Electricity Company recorded an amount of SAR 808 million, representing the fuel cost difference which is in favour of Saudi Aramco for the period of 2017 and onwards, which is estimated at SAR 2.6 billion. The Company does not expect any additional commitment.
 - According to Council of Ministers resolution No. 216 dated 16 January 2018 whereby an agreement has been signed with Saudi Aramco regarding the recognition of handling fees as of 1 June 2018, the total disputed amount from the beginning of the Company's incorporation on April 5, 2000 until May 30, 2018 amounted to SAR 6.1 billion. This matter is within the scope of work of the committee formed as mentioned above. The Company does not expect any resulting outflow of resources from such commitment.
- (b) The Group has provided guarantees to some commercial banks for their share of the financing loan granted to some of the investee companies and guarantee to other parties amounting to SAR 455 million as at 31 March 2021 (31 December 2020: SAR 449 million).

SAUDI ELECTRICITY COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (unaudited)

For the three-month period ended 31 March 2021

(All amounts in thousands Saudi Riyals unless otherwise stated)

17 Capital commitment

The capital commitments at the date of the interim condensed consolidated financial position comprise of unexecuted portion of capital contracts conducted by the Group for the development and installation of power plants and other assets amounting to SAR 47.3 billion as of 31 March 2021 (31 December 2020: SAR 47 billion).

18 Zakat

The Group has submitted the Zakat return to the authorities for the year ended 31 December 2019 within the statutory term. The Company has submitted a request to submit consolidated Zakat declaration for the Saudi Electricity Company and its subsidiaries, which has been approved by the Authority. Based on the approval, the Company will commence submitting Zakat declaration starting from the year ending 31 December 2020.

19 Operating revenue

	For the three-month period ended	
	31 March 2021	31 March 2020
	Unaudited	Unaudited
Electricity Sales	11,114,166	9,789,762
Meter reading, maintenance and bills preparation tariff	356,020	343,404
Electricity connection tariff	510,350	623,013
Transmission revenue	492,288	546,765
Other operating revenue*	875,548	94,776
Total	13,348,372	11,397,720

* In line with the letter; No. 2057-dated 03/29/1442 AH corresponding to 15th November 2020, received by the Company from the Minister of Energy, Chairman of the Ministerial Committee for restructuring the electricity sector, the required revenue methodology has been approved for the Company, which is according to the Regulated asset base model with a specified weighted average cost of capital for the year 2021. As specified, the Company recognized an amount of SAR 575 million in the interim condensed consolidated income statement other operating income for the period ended 31 March 2021 (31 March 2020: Nil).

20 Cost of revenue

	For the three-month period ended	
	31 March 2021	31 March 2020
	Unaudited	Unaudited
Fuel	1,107,234	1,057,190
Procured power	2,121,319	2,038,729
Operations and maintenance	2,522,487	2,510,384
Government fees	-	2,392,555
Depreciation - operations and maintenance	4,654,469	4,549,599
Depreciation – right of use asset	14,784	41,613
Total	10,420,293	12,590,070

21 Other income, net

	For the three-month period ended	
	31 March 2021	31 March 2020
	Unaudited	Unaudited
Amortisation of Government grants	13,891	342,070
Net other income and (expenses)	93,557	(209,245)
Gain on disposal of property, plant and equipment	20,365	2,631
Dividend received	5,241	6,560
Total	133,054	142,016

SAUDI ELECTRICITY COMPANY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (unaudited)
For the three-month period ended 31 March 2021
(All amounts in thousands Saudi Riyals unless otherwise stated)

22 Finance costs, net

	For the three-month period ended	
	31 March 2021	31 March 2020
	Unaudited	Unaudited
Finance expense, net		
- Bank borrowings	799,140	861,034
- Government loans	-	581,125
- Lease Contract	627	1,825
- Less: Capitalised interest	(246,474)	(382,767)
Total finance expenses	553,293	1,061,217
Changes in present value of employees' benefit obligation	27,603	34,232
Changes in present value relating to asset retirement obligation	12,695	2,000
	593,591	1,097,449
Finance income		
Interest income	(43,256)	(328)
Total financing income	(43,256)	(328)
Net finance costs	550,335	1,097,121

23 Loss per share

Basic Earnings /(loss) per share is calculated by dividing the profit / loss attributable to equity holders of the Company less Mudaraba instrument profit by the weighted average number of ordinary shares in issue during the period.

The diluted profit / loss per share equal to the basic profit / loss per share for the year ended 31st March 2021 and 31st March 2020 as there are no financial instruments with a dilutive effect on basic earnings per share.

Details of Basic and diluted earnings per share are as follows:

	For the three months period ended	
	31 March 2021	31 March 2020
	Unaudited	Unaudited
	Saudi Riyals	Saudi Riyals
Profit /(loss) for the Period	1,689,129,000	(2,441,458,000)
Less: profit attributable to Mudaraba Instrument	(1,889,107,000)	-
Adjusted net loss for the period - Attributable to Shareholders "share"	(199,978,000)	(2,441,458,000)
Total Weighted Average Shares in thousands for Basic EPS	4,166,593,815	4,166,593,815
Basic and diluted loss per share	(0.05)	(0.59)

SAUDI ELECTRICITY COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (unaudited)

For the three-month period ended 31 March 2021

(All amounts in thousands Saudi Riyals unless otherwise stated)

23 Loss per share- continued

The following is the note of earnings per share without deducting dividends for the Mudaraba instrument for the period ending on 31 March 2021:

	For the three months period ended	
	31 March 2021	31 March 2020
	Unaudited	Unaudited
	Saudi Riyals	Saudi Riyals
Profit /(loss) for the Period	1,689,129,000	(2,441,458,000)
Total Weighted Average Shares in thousands for Basic EPS "share"	4,166,593,815	4,166,593,815
Basic and diluted loss per share	0.41	(0.59)

24 Related Parties transactions and balances

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

The following transactions were carried out with related parties:

(a) Sales of electricity

	For the three months period ended	
	31 March 2021	31 March 2020
	Unaudited	Unaudited
Sales of electricity:		
- Group's ultimate controlling party	2,219,125	2,260,817
- Entities under control of the Group's ultimate controlling party		
Saudi Aramco	89,846	72,712
Saline Water Conversion Corporation	118,825	134,098
	2,427,796	2,467,627

(b) Purchases of energy and Fuel:

	For the three months ended	
	31 March 2021	31 March 2020
	Unaudited	Unaudited
Purchases of energy:		
Entities under control of the Group's ultimate controlling party		
Saudi Aramco	1,638,048	1,668,492
Saline Water Conversion Corporation	115,882	68,067
Joint operations:		
Dhuruma Electricity Company	146,546	159,800
Rabigh Electricity Company	197,988	240,211
Hajr for Electricity Production Company	191,789	175,063
Al Mourjan for Electricity Production Company	110,199	114,434
Al-Fadhili Company for Cogeneration	178,397	-
	2,578,849	2,426,067

The Group purchases fuel from Saudi Aramco and power from Saline Water Conversion Corporation at rates stipulated within the respective governmental resolutions. The Group purchases energy from joint operation in accordance with their respective contracts.

24 Related Parties transactions and balances – continued

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

	31 March 2021	31 December 2020
	<u>Unaudited</u>	<u>Audited</u>
Due from related parties:		
Entities under control of the Group’s ultimate controlling party	19,422,333	17,194,708
Saudi Aramco	486,781	170,929
Saline Water Conversion Corporation	774,065	-
Al-Fadhli Co-production loans	253,874	253,874
Global Data Center Company loans	30,250	30,250
Total Due from related parties	<u>20,967,303</u>	<u>17,649,761</u>

Due to related parties:

Entities under control of the Group’s ultimate controlling party		
Payable to Saudi Aramco *	10,914,886	10,077,791
Saline Water Conversion Corporation	460,630	354,349
	<u>11,375,516</u>	<u>10,432,140</u>

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

(d) Loans and grants from related parties

	31 March 2021	31 December 2020
	<u>Unaudited</u>	<u>Audited</u>
Loans and grants from the Government:		
Group’s ultimate controlling party		
Deferred Government grant	1,287,612	1,089,377
Public Investment Fund	756,413	756,413
	<u>2,044,025</u>	<u>1,845,790</u>

(e) Compensation of key management personnel

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

	For the three months ended	
	31 March 2021	31 March 2020
	<u>Unaudited</u>	<u>Unaudited</u>
Annual and periodic bonus	2,426	2,486
Employees’ end of service benefits	8,896	-
	<u>11,322</u>	<u>2,486</u>

SAUDI ELECTRICITY COMPANY

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements (unaudited)

For the three-month period ended 31 March 2021

(All amounts in thousands Saudi Riyals unless otherwise stated)

25 Subsequent events

There have been no material events after the reporting date that may materially affect the interim condensed consolidated financial statements and related disclosures for the three-month period ended 31st March 2021.

26 Approval of the interim condensed consolidated financial statements

The Group's interim condensed consolidated financial statements were approved by Board of Director on 22 Ramadan 1442 H corresponding to 4 May 2021.