

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 period ended 31 March 2023



الشركة السعودية للكهرباء
Saudi Electricity Company
Diligently Serving You

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 2023

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KPMG Professional Services

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Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

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

المركز الرئيسي في الرياض

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

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

Introduction

We have reviewed the accompanying 31 March 2023 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 2023;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2023;
- the condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2023;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2023;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2023; 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 2023 condensed consolidated interim financial statements of Saudi Electricity Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Professional Services


Hani Hamzah A. Bedairi
License No.: 460

Date: 25 Shawaal 1444 H
Corresponding to: 15 May 2023



SAUDI ELECTRICITY COMPANY
(A Saudi Joint Stock Company)
Condensed Consolidated Interim Statement of Financial Position as at 31 March 2023 (unaudited)
(All amounts in thousands Saudi Riyals unless otherwise stated)

	Notes	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Assets			
Non-current assets			
Property, plant and equipment, net	10	439,817,103	438,083,263
Right of use assets, net		108,148	89,852
Investment properties		445,783	446,459
Intangible assets, net		335,697	353,118
Equity accounted investees		4,588,336	4,623,174
Financial assets at amortised cost		28,528	28,528
Financial assets through other comprehensive income		359,335	359,335
Derivative financial instruments	17.3	187,091	209,806
Total non-current assets		445,870,021	444,193,535
Current assets			
Inventories, net	11	4,189,007	3,377,551
Receivables from sale of electricity, net	12	22,740,242	24,896,380
Other receivables and advances	13	6,650,799	1,177,348
Prepayments and other receivables	14	1,440,412	2,673,898
Cash and cash equivalents		2,049,707	3,162,824
Total current assets		37,070,167	35,288,001
Total assets		482,940,188	479,481,536
Equity and liabilities			
Equity			
Share capital		41,665,938	41,665,938
Statutory reserve		7,105,975	7,105,975
General reserve		702,343	702,343
Other reserves		466,387	513,955
Contractual reserve – Mudaraba instrument	16	2,749,699	860,593
Retained earnings		36,871,993	38,281,357
Total equity before Mudaraba Instrument (1)		89,562,335	89,130,161
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)		257,482,898	257,050,724
Liabilities			
Non-current liabilities			
Long term loans	17.2.1	51,910,088	50,826,958
Long term Sukuk	17.2.2	22,491,520	29,990,770
Employees' benefits obligation		8,163,358	8,304,084
Non-current portion of Deferred revenue		68,904,781	68,829,879
Deferred government grants		1,365,497	1,398,714
Derivative financial instruments	17.2.3	60,260	79,611
Non-current portion of lease liabilities		75,914	60,650
Total non-current liabilities		152,971,418	159,490,666
Current liabilities			
Short term loans and facilities	17.2.1	16,365,823	15,285,553
Short term Sukuk	17.2.2	11,250,000	3,750,750
Trade payables		2,967,918	3,188,684
Accruals and other payables		15,813,623	15,286,387
Provision for other liabilities and charges		1,500,793	1,506,271
Refundable deposits from customers		1,999,701	1,999,401
Advance from subscribers		19,963,078	19,331,040
Current portion of deferred revenue		2,605,280	2,572,487
Current portion of lease liabilities		19,656	19,573
Total current liabilities		72,485,872	62,940,146
Total liabilities		225,457,290	222,430,812
Total equity and liabilities		482,940,188	479,481,536

Senior Vice President
and Chief Financial Officer
Manish Manchandya

Chief Executive Officer
Khaled bin Hamad Al-Gnoon

Chairman of the Board
Dr. Khaled bin Saleh Al Sultan

The notes from 1 to 28 form an integral part of these condensed consolidated interim financial statements.

SAUDI ELECTRICITY COMPANY
(A Saudi Joint Stock Company)
Condensed Consolidated Interim Statement of Profit or loss (unaudited)
For the three-month period ended 31 March 2023
(All amounts in thousands Saudi Riyals unless otherwise stated)

		31 March 2023	31 March 2022
	Notes	(Unaudited)	(Unaudited)
Operating revenue	21	13,379,207	13,531,320
Cost of revenue	22	(11,619,426)	(10,892,931)
Gross profit		1,759,781	2,638,389
Other income, net	23	320,724	151,196
Provision for receivable from consumption of electricity and other receivables, net	12,14	(118,787)	(345,986)
General and administrative expenses		(237,689)	(235,026)
Operating profit for the period		1,724,029	2,208,573
Finance income		19,154	46,828
Finance expense		(1,256,635)	(700,770)
Finance costs, net	24	(1,237,481)	(653,942)
Share of loss of equity accounted investees		(6,806)	(5,848)
Profit for the period before zakat		479,742	1,548,783
Zakat expenses	20	-	(1,076)
Profit for the period from continued operations		479,742	1,547,707
Discontinued operations			
Loss for the period from discontinued operations		-	(30,459)
Profit for the period		479,742	1,517,248
Loss per share			
(expressed in SAR per share)			
Basic and diluted loss per share from continuing operations	25	(0.34)	(0.08)
Basic and diluted loss per share	25	(0.34)	(0.09)

(69)

الشيخ

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SAUDI ELECTRICITY COMPANY**(A Saudi Joint Stock Company)****Condensed consolidated interim statement of other comprehensive income (unaudited)****For the three-month period ended 31 March 2023****(All amounts in thousands Saudi Riyals unless otherwise stated)**

	For the three-month ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
Profit for the period	479,742	1,517,248
Other comprehensive income:		
Items that may be reclassified subsequently to condensed consolidated interim statement of profit or loss:		
Derivative financial instruments at fair value - effective portion	(47,568)	579,907
Total items that may be reclassified to condensed consolidated interim statement of profit or loss	(47,568)	579,907
Items that will not be reclassified subsequently to condensed consolidated interim statement of profit or loss:		
Re-measurement of employees' benefits obligation	-	15
Total items that will not be reclassified to condensed consolidated interim statement of profit or loss	-	15
Other comprehensive (loss) / income for the period	(47,568)	579,922
Total comprehensive income for the period	432,174	2,097,170

(65)
الشيخ

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SAUDI ELECTRICITY COMPANY


(A Saudi Joint Stock Company)

Condensed consolidated interim statement of changes in equity (unaudited)


For the three-month period ended 31 March 2023

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Other reserves					Contractual reserve for Mudaraba Instrument	Retained earnings	Total equity before Mudaraba Instrument (1)	Mudaraba Instrument (2)	Total equity (1+2)
	Share capital	Statutory reserve	General reserve	Fair value of derivatives	Employees' benefits obligation	Financial asset at FVOCI	Total other reserve			
Balance as at 1 January 2022 (audited)	41,665,938	5,592,453	702,343	(600,648)	(119,581)	80,749	(639,480)	83,703,105	167,920,563	251,623,668
Profit for the period	-	-	-	-	-	-	-	1,517,248	-	1,517,248
Other comprehensive Income	-	-	-	579,907	15	-	579,922	579,922	-	579,922
Total comprehensive Income	-	-	-	579,907	15	-	579,922	2,097,170	-	2,097,170
Transfer to Contractual reserve – Mudaraba instrument (note 23)	-	-	-	-	-	1,889,106	-	-	-	-
Balance as at 31 March 2022 (unaudited)	41,665,938	5,592,453	702,343	(20,741)	(119,566)	80,749	(59,558)	85,800,275	167,920,563	253,720,838
Balance as at 1 January 2023 (audited)	41,665,938	7,105,975	702,343	95,969	331,281	86,705	513,955	89,130,161	167,920,563	257,050,724
Profit for the period	-	-	-	-	-	-	-	479,742	-	479,742
Other comprehensive Income	-	-	-	(47,568)	-	-	(47,568)	(47,568)	-	(47,568)
Total comprehensive income	-	-	-	(47,568)	-	-	(47,568)	432,174	-	432,174
Transfer to Contractual reserve – Mudaraba instrument (note 23)	-	-	-	-	-	1,889,106	-	-	-	-
Balance as at 31 March 2023 (unaudited)	41,665,938	7,105,975	702,343	48,401	331,281	86,705	466,387	89,562,335	167,920,563	257,482,898


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SAUDI ELECTRICITY COMPANY
(A Saudi Joint Stock Company)
Condensed Consolidated Interim Statement of cash flows (unaudited)
For the three-month period ended 31 March 2023
(All amounts in thousands Saudi Riyals unless otherwise stated)

	31 March 2023 (Unaudited)	31 March 2022 (Unaudited)
Cash flow from operating activities		
Profit for the period	479,742	1,517,248
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	4,678,801	4,657,853
Depreciation of right of use asset	8,703	3,459
Amortisation of intangible assets	17,421	2,518
Finance costs, net	1,237,481	653,942
Employees' benefits obligation	168,585	250,470
Impairment in inventory	24,158	74,542
Provision for receivable from consumption of electricity and other receivables	118,787	345,986
Share of loss of equity accounted investees	6,806	5,848
Provision for other liabilities and charges	(5,478)	28,983
Amortisation of deferred government grant	(33,217)	(19,666)
Depreciation of investment properties	676	676
Zakat expense	-	1,076
Gain on disposal of property, plant and equipment	-	(28,618)
Cash flow after adjustment of non-cash item	6,702,465	7,494,317
<i>Changes in working capital:</i>		
Inventories	(835,614)	(476,931)
Receivables from sale of electricity	2,060,820	(3,351,879)
Prepayments and other receivables	1,210,017	395,828
Other receivables and advances	(5,473,451)	(62,646)
Trade payables	(220,766)	451,516
Accruals and other liabilities	1,513,587	(679,914)
Refundable deposits from customers	300	833
Advances from subscribers	632,038	3,134,231
Deferred revenue	107,695	736,951
Employee benefits' obligation paid	(376,960)	(206,524)
Cash generated from operating activities	5,320,131	7,435,782
Net cash generated from operating activities	5,320,131	7,435,782
Cash flow from investing activities		
Purchase of property, plant and equipment	(7,103,683)	(5,032,750)
Proceeds from sale of property, plant and equipment	-	28,743
Cash classified as investment held for sale	-	(16,479)
Net cash used in investing activities	(7,103,683)	(5,020,486)
Cash flow from financing activities		
Proceeds from loans	5,478,803	-
Repayments of loans	(3,373,346)	(1,013,320)
Repayments of Sukuk	-	(4,687,850)
Payment for lease liabilities	(11,855)	(5,802)
Dividends paid	(2,189)	(1,005)
Net finance costs paid	(1,420,978)	(940,685)
Net cash generated from / (used in) financing activities	670,435	(6,648,662)
Net change in cash and cash equivalents	(1,113,117)	(4,233,366)
Cash and cash equivalents at the beginning of the period	3,162,824	6,243,256
Cash and cash equivalents at the end of the period	2,049,707	2,009,890

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The notes from 1 to 28 form an integral part of these condensed consolidated interim financial statements.

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 for provision of electricity. Electricity tariffs are determined by the Council of Ministers based on recommendations from the Water & Electricity Regulatory Authority (the “Authority”) which was established on 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 1437H 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 1437H 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 (corresponding to 7th November 2020) Royal Decree No. (16031) was issued to cancel the government fee.

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

Pursuant to Royal Order No. 2719 - dated 14/01/1438 corresponding to 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 starting from 2019.

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 for the Company is calculated based on an asset base model adjusted for regulatory return on the weighted regulatory return for the cost of capital for the years 2021-2023. The required revenue is subject to adjustment as per the revenue and payments correction methodology in line with the actual figures achieved. The Company re-estimates the required revenue and the expected revenue to record the difference required recorded for the period based on the actual achieved results and make the necessary adjustments, if any.

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 2023
(All amounts in thousands Saudi Riyals unless otherwise stated)

1 Corporate information – continued

On 14 Safar 1443H, corresponding to 21st September 2021, the Council of Ministers Resolution (No. 111) was issued approving the tariff for heavy consumption of electricity that will be applied to establishments operating in qualified activities or sectors and belonging to the categories of industrial, commercial and agricultural consumption - which are determined by a committee formed under the chairmanship of the Minister 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 regulator. And on 20 December 2022, the Council of Ministers Decision No. (361) was issued approving the application of this tariff as of 1 January 2023. There is no material impact on the current period financial statements as a result of implementing this decision.

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

The 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 2023	31 December 2022	
National Grid S.A. Company “Grid Company”	Kingdom of Saudi Arabia	100	100	Transmission
Dawiyat Telecommunication Company	Kingdom of Saudi Arabia	100	100	Telecommunication
Electricity Sukuk Company	Kingdom of Saudi Arabia	100	100	Financing
Saudi Electricity for Projects Development Co. (business not commenced)	Kingdom of Saudi Arabia	100	100	Projects Management
Saudi Electricity Global Sukuk Company	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 2	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 3	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 4	Cayman Islands	100	100	Financing
Saudi Electricity Global Sukuk Company – 5	Cayman Islands	100	100	Financing
Saudi Electricity Company for the International Sukuk Program	Cayman Islands	100	100	Financing
Dawiyat Integrated Company for Telecommunications and Information Technology	Kingdom of Saudi Arabia	100	100	Telecommunication
Saudi Energy Production Company (operating activity not commenced)	Kingdom of Saudi Arabia	100	100	Energy Generation
Solution Valley Company (business not commenced)	Kingdom of Saudi Arabia	100	100	Energy services

1 Corporate information – continued

Joint Venture

	Country of registration and place of business	Holding company ownership percentage shares%	
		31 March 2023	31 December 2022
Joint Venture			
Hajr for Electricity Production Company	Kingdom of Saudi Arabia	50	50
Rabigh Electricity Company	Kingdom of Saudi Arabia	20	20
Dhuruma Electricity Company	Kingdom of Saudi Arabia	50	50
Al Mourjan for Electricity Production Company	Kingdom of Saudi Arabia	50	50
Global Data Hub Company	Kingdom of Saudi Arabia	50	50
Equity accounted investees			
Gulf Cooperation Council Inter-Connection Authority	Kingdom of Saudi Arabia	31.6	31.6
Gulf Laboratory Company for testing electrical equipment	Kingdom of Saudi Arabia	25	25
Al Fadhly Co-Generation Company	Kingdom of Saudi Arabia	30	30
Green Saudi Company for Carbon Services	Kingdom of Saudi Arabia	51	51

2 Significant events

Climate change effect

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

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

The higher fuel consumption costs and greenhouse gas emissions associated with the consumption of liquid fuels have an impact not only on the environment, but also on the Group's net profit, and the Group considers that there is no material impact resulting from these initiatives on the values of machinery and property and associated impairment losses. The Company has contracted to supply its entire electricity power production to principal Buyer ("SPPC") for the remaining periods of the entire productive life of the plants as disclosed in contractual liabilities (Note18)

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

3 Basis of preparation

These condensed consolidated interim financial statements for the three-month ended 31 March 2023 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 2022.

4 Use of estimates, assumptions and judgements

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

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the Group's annual consolidated financial statements as of 31 December 2022. Except following is the accounting estimate which the group started to apply from the beginning of year 2023:

Accrued Purchased Power

The Group has calculated the average Bulk Supply Tariff (BST) on the basis of the predetermined (BST) information and the expected quantity information available at the beginning of the fiscal year from the Saudi Power Procurement Company (SPPC), and applied the average tariff to the power purchased during the period, in accordance with the Bulk Supply Agreement (BSA) From 1 July 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 regulator to influence consumption pattern, and this will result that Group incurred Uneven average cost during the fiscal year due to the different tariff structure used by SPPC to determine the bulk supply tariff 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) income does not have significant seasonal tariff / income, hence to be in line with the revenue recognized, the cost has been accrued accordingly to reflect the systematic and reasonable allocation of cost, resulting in a fair presentation of the condensed interim financial statements.

5 Basis of measurement

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

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

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

6 Significant accounting policies

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

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

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 2023, which have been explained in the Group's annual financial statements and that have no impact on the Group's interim consolidated financial statements.

7 Financial risk management

7.1 Fair-value measurement

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

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

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

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

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

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

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

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

As of 31 March 2023 (Unaudited)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets through other comprehensive income	-	-	359,335	359,335
Derivative financial instruments	-	-	-	-
Total assets	-	-	359,335	359,335
Liabilities				
Derivatives used for hedging	-	60,260	-	60,260
Financial instruments liabilities	-	60,260	-	60,260
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

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

Valuation techniques used to derive level two fair-value

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

Fair value measurements using significant unobservable inputs (Level three)

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

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

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

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

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

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

There have been no transfers between fair values levels during the three months ended 31 March 2023.

7 Financial risk management - continued

7.1 Fair-value measurement - continued

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

	<u>31 March 2023</u>	<u>31 December 2022</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Opening balance at the beginning of the period / year	359,335	353,379
Change in Fair value of the financial assets through other comprehensive income		5,956
Closing balance at the end of the period / year	<u>359,335</u>	<u>359,335</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.

Mudaraba instrument

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

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

7-2 Liquidity risk

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

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

8 Seasonality of operations

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

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

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

The main actions of each activity are as follows:

Generation: Production and sale of electricity.

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

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

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

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

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

- A. The financial information of the Saudi Electricity Company in the following schedule includes the generation activities, distribution and subscribers' services, as procedures are still underway to separate the generation and distribution activities - until the date of preparing these condensed consolidated interim financial statements - within the Company's integrated plan for the separation. The discontinued operations pertaining to the principal Buyer (Saudi Power Procurement Company) were presented and included within the Saudi Electricity Company financial statements till the exclusion date referred above.
- B. For National Grid S.A. Company which includes transmission of electricity and the operation and maintenance of the transmission system; and
- C. For other segments includes the telecommunication activities sector in addition to and joint operation for the period ended 31 March 2022.

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

For the three-month period ended 31 March 2023 – in (SAR Million)

	Saudi Electricity Company	National Grid S.A Company	Other subsidiaries	Intercompany transactions	Total
Revenue					
External consumers	12,314	923	142	-	13,379
Between sectors	-	4,658	-	(4,658)	-
Total revenue	12,314	5,581	142	(4,658)	13,379
Cost of sales					
Fuel	(10)	-	-	-	(10)
Purchased power	(2,570)	(880)	-	-	(3,450)
Operating and maintenance costs	(7,562)	(654)	(10)	4,662	(3,564)
Depreciation - Operation and Maintenance	(2,688)	(1,828)	(70)	-	(4,586)
Depreciation - Right of Use	(9)	-	-	-	(9)
Total cost of sales	(12,839)	(3,362)	(80)	4,662	(11,619)
General and administrative expenses					
Depreciation - general and administrative	(81)	(35)	(28)	-	(144)
	(93)	-	-	-	(93)
Total general and administrative expenses	(174)	(35)	(28)	-	(237)
Other income, net	449	21	37	(186)	321
Provision for receivable from consumption of electricity and other receivables, net	(119)	-	-	-	(119)
Finance cost, net	(1,227)	(193)	-	182	(1,238)
Share of loss from equity accounted investee	(7)	-	-	-	(7)
Zakat expenses	-	-	-	-	-
Profit for the period	(1,603)	2,012	71	-	480
As at 31 March 2023 in (SAR Million)					
Property, plant and equipment, net	265,674	170,650	3,493	-	439,817
Total assets	398,477	171,551	3,998	(91,086)	482,940
Total liabilities	172,475	132,070	1,934	(81,022)	225,457

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

For the three-month period ended 31 March 2022 – in (SAR Million)

	Saudi Electricity Company	National Grid S.A Company	Other subsidiaries	Intercompany transactions	Total
Revenue					
External consumers	13,418	-	127	(14)	13,531
Between sectors	-	4,683	299	(4,982)	-
Total revenue	13,418	4,683	426	(4,996)	13,531
Cost of sales					
Fuel	(1,189)	-	-	-	(1,189)
Purchased power	(2,224)	-	-	-	(2,224)
Operating and maintenance costs	(7,260)	(529)	(99)	4,982	(2,906)
Depreciation - Operation and Maintenance	(2,682)	(1,771)	(132)	14	(4,571)
Depreciation - Right of Use	(3)	-	-	-	(3)
Total cost of sales	(13,358)	(2,300)	(231)	4,996	(10,893)
General and administrative expenses	(87)	(24)	(37)	-	(148)
Depreciation - general and administrative	(87)	-	-	-	(87)
Total general and administrative expenses	(174)	(24)	(37)	-	(235)
Other income, net	284	1	21	(155)	151
Provision for receivable from consumption of electricity and other receivables, net	(346)	-	-	-	(346)
Finance cost, net	(546)	(161)	(102)	155	(654)
Share of loss from equity accounted investee	(6)	-	-	-	(6)
Zakat expenses, net	-	-	(1)	-	(1)
Loss from discontinued operation	(30)	-	-	-	(30)
(Loss) / profit for the period	(758)	2,199	76	-	1,517
As at 31 December 2022 in (SAR Million)					
Property, plant and equipment, net	264,069	170,802	3,212	-	438,083
Total assets	420,204	171,291	3,690	(115,703)	479,482
Total liabilities	170,362	155,943	1,766	(105,640)	222,431

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 2023****(All amounts in thousands Saudi Riyals unless otherwise stated)****10 Property, plant and equipment, net**

As at 31 March 2023, the cost of property, plant and equipment is SAR 737 billion (31 December 2022: SAR 731 billion after ceasing proportionate consolidation of joint operations with an amount SAR 12.4 billion). Accumulated depreciation is SAR 297 billion (31 December 2021: SAR 293 billion after ceasing proportionate consolidation of joint operations with an amount SAR 2.6 billion).

An amount of SAR 5 billion (31 December 2022: SAR 32 billion) was transferred from projects under construction to property, plant and equipment. The additions to projects under construction for the period amounting to SAR 6 billion (31 December 2022: SAR 27 billion).

Capitalized Finance charges during the period on projects under construction amounting to SAR 278 million (31 December 2022: SAR 836 million).

11 Inventories, net

	31 March 2023	31 December 2022
	(Unaudited)	(Audited)
Material and supplies - Generation plant	2,326,725	2,257,410
Materials and supplies - Distribution network	2,298,975	1,541,571
Materials and supplies - Transmission network	216,177	206,045
Others	298,844	304,698
Total	5,140,721	4,309,724
Less: Provision for slow moving inventories (11-a)	(951,714)	(932,173)
Total	4,189,007	3,377,551

-The amounts are net off of impairment against the value of the inventories totalling SAR 202 million as at 31 March 2023 (31 December 2022: SAR 198 million).

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

	31 March 2023	31 December 2022
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	932,173	822,075
Charge for the period / year	19,541	110,098
Balance at the end of the period / year	951,714	932,173

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12 Receivables from sale of electricity, net

	31 March 2023	31 December 2022
	(Unaudited)	(Audited)
Governmental institutions	5,562,137	5,760,367
Commercial and residential and industrial	11,768,889	12,561,012
Receivables for electricity service connection projects	2,116,937	2,053,199
Due from related parties	4,298,500	4,867,973
Total electricity consumers' receivable	23,746,463	25,242,551
Less: provision for doubtful electricity receivables (12-a)	(3,675,805)	(3,580,487)
Add: Unbilled revenues	2,669,584	3,234,316
Total	22,740,242	24,896,380

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

	31 March 2023	31 December 2022
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	3,580,487	2,364,760
Charge for the period / year	95,318	1,354,885
Write-off in the period / year	-	(139,158)
Balance at the end of the period / year	3,675,805	3,580,487

13 Other receivables and advances

	31 March 2023	31 December 2022
Due from a related party	359,701	346,701
Advances to:		
Saudi Power Procurement Company	5,095,159	-
Contractors and suppliers	1,171,304	797,695
Employees	24,635	32,952
	6,650,799	1,177,348

14 Prepayment and other receivables

	31 March 2023	31 December 2022
	(Unaudited)	(Audited)
Prepaid expenses and others	61,793	15,329
Insurance and other claims	229,618	216,888
Other receivable net	1,609,666	1,125,852
Due from the Ministry of Finance	-	1,753,025
Total	1,901,077	3,111,094
Less: Provision for doubtful other receivables balances (14-a)	(460,665)	(437,196)
	1,440,412	2,673,898

14 Prepayment and other receivables - continued

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

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period / year	437,196	413,606
(Release) / Charged	23,469	23,590
Balance at the end of the period / year	460,665	437,196

15 Transaction with the owners that are recognized directly to equity

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

The Board of Directors of the Saudi Electricity Company recommended, in its meeting held on 22 shaaban 1444H, corresponding to 14 March 2023, to the Company's general assembly of shareholders to pay cash dividends for the financial year 2022 to the shareholders of the Company and their equivalent with an amount of SAR 2.917 million represents SAR 0.70 per share representing 7 % of the nominal value per share.

16 Contractual reserve for Mudaraba instrument

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

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

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period / year	860,593	860,593
Transferred from retained earnings during period / year	1,889,106	7,661,376
Paid during the period / year	-	(7,661,376)
Balance at the end of period / year	2,749,699	860,593

17 Financial instruments

17.1 Financial instruments other than interest bearing

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Derivative financial liabilities		
Derivative financial instruments at fair value	60,260	79,611
	60,260	79,611
Other financial liabilities carried at amortized cost, other than interest bearing loans		
Trade payables	2,967,918	3,188,684
Accruals and other liabilities	15,813,623	15,286,387
Refundable deposits from customers	1,999,701	1,999,401
Total other financial liabilities carried at amortized cost, other than interest bearing loans	20,781,242	20,474,472

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Classification of borrowings as appearing on the condensed consolidated interim statement of financial position as of 31 March 2023 is as follows:

	Bank Loans	Sukuk	Total
	(Unaudited)	(Unaudited)	(Unaudited)
Non-current	51,910,088	22,491,520	74,401,608
Current	16,365,823	11,250,000	27,615,823
	68,275,911	33,741,520	102,017,431

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

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

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

	Bank loans	Sukuk	Total
As at 1 January 2022 Audited	64,721,524	44,159,820	108,881,344
Proceeds from borrowings	32,958,000		32,958,000
Repayments of borrowing	(23,743,752)	(10,405,320)	(34,149,072)
De-recognition of Joint operation loan	(7,556,581)	-	(7,556,581)
Additions to deferred costs	(266,680)	(12,980)	(279,660)
As at 31 December 2022 Audited	66,112,511	33,741,520	99,854,031
Proceeds from borrowings	5,478,803	-	5,478,803
Repayments of borrowing	(3,373,346)	-	(3,373,346)
Net change to deferred costs	57,943	-	5,478,803
As at 31 March 2023 Unaudited	68,275,911	33,741,520	102,017,431

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

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

	Loan currency	Maturity date	Principal amount	31 March 2023	31 December 2022
				Unaudited	Audited
Domestic Bank 2	SAR	2025	5,000,000	1,152,00	1,152,000
Domestic Bank 3	SAR	2025	10,000,000	-	2,723,810
Domestic Bank 6	SAR	2026	3,500,000	2,546,250	2,546,250
Domestic Bank 7	SAR	2024	2,400,000	2,220,000	2,220,000
Domestic Bank 8	SAR	2026	15,200,000	14,440,000	14,592,000
Domestic Bank 9	SAR	2029	2,850,000	2,840,000	2,840,000
Domestic Bank 10	SAR	2027	9,000,000	8,820,000	8,910,000
Domestic Bank 11	SAR	2032	1,500,000	1,500,000	1,500,000
Local Syndicated Loan 12 *	SAR	2030	10,000,000	3,000,000	-
International Bank 2	USD	2024	3,709,125	196,572	351,327
International syndicated loan 3	USD	2026	5,251,120	1,749,554	1,749,554
International syndicated loan 4	USD	2028	7,240,715	3,433,704	3,480,571
International syndicated loan 6	USD	2029	3,375,585	1,827,425	1,968,144
International syndicated loan 7	USD	2029	1,575,336	853,141	918,810
International syndicated loan 9	USD	2033	4,500,000	1,350,153	749,275
International syndicated loan 10	USD	2027	11,265,874	11,265,874	11,265,874
Total value			96,367,755	57,194,673	56,967,615
Less: The current portion of long-term loans				(5,076,348)	(5,873,977)
Less: The Unamortized portion of the prepaid fees and other fees				(208,237)	(266,680)
Non-current portion of long-term loans				51,910,088	50,826,958

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

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

	Loan currency	Principal amount	31 March 2023	31 December 2022
			(Unaudited)	(Audited)
Domestic revolving bank loan 1	SAR	2,000,000	2,000,000	2,000,000
Domestic revolving bank loan 2	SAR	2,000,000	1,500,000	1,500,000
International syndicated loan 4	USD	9,665,625	7,789,475	5,911,576
Total short-term loans		13,215,625	11,289,475	9,411,576
Add: Current portion of long-term loans			5,076,348	5,873,977
Total short-term loans and current portion of long-term loans			16,365,823	15,285,553

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

The outstanding Sukuk as of 31 March 2023 are as follows:

Local sukuk

Issue	Date of issue	Par value	Total issued amount	Maturity date
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		
	95%	60%	30%
	First purchase date	Second purchase date	Third purchase date
Sukuk 4	2024	2034	2044

Global Sukuk

1. During April 2013 the Group also issued a global Sukuk amounting SAR 7.5 billion equivalent to (US\$ 2 billion). The issuance consists of two types of Sukuk certificates. The first type amounting to SAR 3.75 billion (US\$ 1 billion) matures after 10 years with a fixed rate of 3.473%. The second type amounting to SAR 3.75 billion (US\$ 1 billion) matures after 30 years with a fixed rate of 5.06%. The Company has classified SAR 3.75 billion as current sukuk as of 31 March 2023.
2. 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%. The Company has classified SAR 4.5 billion sukuk as current sukuk as of 31 March 2023.
3. During September 2018 the Group also issued a global Sukuk amounting to SAR 7.5 billion equivalent to (US\$ 2 billion). The issuance consists of two tranches of Sukuk certificates. The first tranche with a value of SAR 3 billion (US \$ 800 million), 5 years tenure with a fixed interest rate of 4.222% per annum and the second tranches with a value of SAR 4.5 billion Saudi Riyals (US \$ 1.2 billion), 10 years tenure with a fixed rate of 4.723% per annum. The company has classified SAR 3 billion as negotiable sukuk as of 31 March 2023.
4. During September 2020 the Company issued an international green Sukuk amounting to SAR 4.87 billion (US\$1.3 billion). The issuance consists of two tranches of Sukuk certificates. The first one with value of SAR 2.43 billion (US\$ 650 million) maturing after 5 years tenure with a fixed rate 1.74% and the second one with a value SAR 2.43 billion (US\$ 650 million) maturing after 10 years tenure with fixed rate 2.413%.

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17 Financial instruments – continued**17.2.3 Derivative financial instruments**

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

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

All derivatives as at 31 March 2023 are classified as cash flow hedges. Derivatives are classified as non-current or current assets and as non-current or current liabilities, depending on the expiration date of the financial instruments.

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

	31 March 2023 (Unaudited)	31 December 2022 Audited
Derivative financial instruments assets:		
Non-current	187,091	209,806
Derivative financial instruments at fair value liabilities:		
Current	-	-
Non-current	60,260	79,611
	60,260	79,611

18 Contingent and contractual liabilities**Contingent liabilities**

- (a) As of 31 March 2022, the Group has potential obligations according to mentioned below, which are still under the study of the Ministerial Committee, and they are as follows:
 - Outstanding dispute between the Group and Saudi Arabian Oil Company (Saudi Aramco- Shareholder) in relation to supply of light oil instead of heavy oil to one of the station. According to the Group's assessment, the cumulative difference amounted to SAR 2.6 billion has not been recorded in the Group's liabilities, and the Group does not expect that the dispute will result in any additional commitments.
 - According to Council of Ministers resolution No. 216 dated 16 January 2018 whereby an agreement has been signed with Saudi Aramco regarding the recognition of handling fees as of 1 June 2018, the total disputed amount from the beginning of the Company's incorporation on 5 April 2000 until 30 May 2018 amounted to SAR 6.1 billion. The Group does not expect that the dispute will result in any additional commitments
- (b) There are some claims filed by one of the previous contractors against the Company. These are currently in the arbitral procedures, based on the amendment claims filed, the contractors are claiming an approximate amount of SAR 1.49 billion. However, the Company has also filed counter claims against the Contractors amounting to SAR 6.26 billion with the same arbitrator. The management currently believes that there is no basis for recording any obligation and that the company's position is strong to date according to the supporting documents available to the Company.
- (c) The Group has provided guarantees to some commercial banks and some other parties with a total amount SAR 65 million as at 31 March 2023 (31 December 2022: SAR 56 million).

Contractual liabilities

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

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19 Capital commitment

The capital commitments at the date of the condensed consolidated interim statement of financial position comprise of unexecuted portion of capital contracts conducted by the Group for the development and installation of power plants and other assets amounting to SAR 63 billion as of 31 March 2023 (31 December 2022: SAR 50 billion).

20 Zakat

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

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

21 Operating revenue

	For the three-month period ended	
	31 March 2023	31 March 2022
	Unaudited	Unaudited
Electricity Sales	10,813,273	11,252,160
Meter reading, maintenance and bills preparation tariff	366,856	362,045
Electricity connection tariff	643,368	581,568
Transmission revenue	509,993	608,377
Other operating revenue (21-a)	1,045,717	727,170
Total	13,379,207	13,531,320

(21-a) The item includes an amount of SAR 650 million, which represents the difference between required revenue and actual revenue based on the management's best estimate for the period ending on 31 March 2023 (31 March, 2022: SAR 399 million).

22 Cost of revenue

	For the three-month period ended	
	31 March 2023	31 March 2022
	Unaudited	Unaudited
Fuel	10,158	1,189,186
Purchased power	6,846,172	2,224,009
Less : Power supplied to Saudi Power Procurement Company	(3,396,194)	-
Net Purchased power	3,449,978	2,224,009
Operations and maintenance	3,564,537	2,904,943
Depreciation - operations and maintenance	4,586,050	4,571,334
Depreciation – right of use asset	8,703	3,459
Total	11,619,426	10,892,931

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23 Other income, net

	For the three-month period ended	
	31 March 2023	31 March 2022
	Unaudited	Unaudited
Amortisation of Government grants	33,217	19,666
Other expenses and income, net	287,507	99,632
Gain on disposal of property, plant and equipment	-	28,618
Dividend received	-	3,280
Total	320,724	151,196

24 Finance costs, net

	For the three-month period ended	
	31 March 2023	31 March 2022
	Unaudited	Unaudited
Finance expense		
- Bank Loans	1,467,248	861,648
- Lease Contract	203	220
- Other finance cost	-	7,723
- Less: Capitalised interest	(278,465)	(211,843)
Total	1,188,986	657,748
Changes in present value of employees' benefit obligation	67,649	40,445
Changes in present value relating to asset retirement obligation	-	2,577
Total finance expenses	1,256,635	700,770
Finance income		
Interest income	(19,154)	(46,828)
Total financing income	(19,154)	(46,828)
Net finance costs	1,237,481	653,942

25 Loss per share

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

The diluted loss per share equal to the basic loss per share for the period ended 31 March 2023 and 31 March 2022 as there are no financial instruments with a dilutive effect on basic loss per share.

On 29 June 2022 the Saudi Electricity Company (the seller) entered into a sale and purchase agreement to sell its share in the Saudi Power Procurement Company to the government represented by the Ministry of Finance and the Ministry of Energy (the buyer). Discontinuing operations have been classified in the statement of profit or loss related to the disposed group of the Saudi Power Procurement Company in the comparative period.

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25 Loss per share - Continued

	For the three months period ended		
	31 March 2023	31 March 2022	
	(unaudited)	(unaudited)	
	Profit of the period	Profit from continued operation	Profit of the period
Profit for the period	479,742	1,547,707	1,517,248
Less:			
Profit attributable to mudaraba instrument	(1,889,106)	(1,889,106)	(1,889,106)
Adjusted loss for the period	(1,409,365)	(341,399)	(371,858)
Weighted Average outstanding ordinary Shares in thousands		4,166,594	
Basic and diluted loss per share "Saudi Riyals"	(0.34)	(0.08)	(0.09)
Earnings per share without deduction of dividends			
Mudaraba instrument			
Basic and diluted earnings per share "Saudi Riyals"	0.12	0.37	0.36

26 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 independent power producer companies.

The following transactions were carried out with related parties:

Sales of electricity

	For the three-month period ended	
	31 March 2023 (Unaudited)	31 March 2022 (Unaudited)
Sales of electricity:		
- Group's ultimate controlling party	1,910,758	2,274,387
- Entities under control of the Group's ultimate controlling party		
Saudi Power Procurement Company	3,396,194	-
Saudi Aramco	70,181	90,657
Saline Water Conversion Corporation	159,834	135,093
	5,536,967	2,500,137

(a) Purchases of energy and Fuel:

	For the three-months ended	
	31 March 2023 (Unaudited)	31 March 2022 (Unaudited)
Purchases of energy:		
Entities under control of the Group's ultimate controlling party		
Saudi Aramco	-	1,734,904
Saline Water Conversion Corporation	-	144,360
Saudi Power Procurement Company	2,507,368	
Joint venture:		
Dhuruma Electricity Company	-	160,710
Rabigh Electricity Company	-	185,334
Hajr for Electricity Production Company	-	198,503
Al Mourjan for Electricity Production Company	-	99,171
Al-Fadhili Company for Cogeneration	-	152,255
	2,507,368	2,675,237

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26 Related Parties transactions and balances – continued

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

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

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Due from related parties:		
Group's ultimate controlling party -Electricity receivables, Governmental receivables	5,562,137	5,760,367
Entities under the control of the Group's ultimate controlling party		
Saudi Power Procurement Company	3,488,591	4,419,049
Saudi Aramco – Receivable from consumption of electricity	468,737	205,742
Saline Water Conversion Corporation– Receivable from consumption of electricity	341,172	243,181
Al-Fadhli Co-production loans	251,745	251,745
Loan to Global Data Center Company	68,250	55,250
Al Mourjan for Electricity Production Company	-	39,706
Total Due from related parties	10,180,632	10,975,040

Due to related parties:Group's ultimate controlling party

Governmental payables

Entities under control of the Group's ultimate controlling party

Saline Water Conversion Corporation	1,397	313,425
Government payable expenses	4,259,757	6,273,726
	4,261,154	6,587,151

(d) Loans and grants from related parties

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Loans and grants from the Government:		
Group's ultimate controlling party		
Deferred government grants	1,500,793	1,398,714
	1,500,793	1,398,714

(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-month ended 31 March 2023 (Unaudited)	31 March 2022 (Unaudited)
Salaries, compensation and allowances	3,423	2,599
Employees' end of service benefits	11,850	5,500
	15,273	8,099

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27 Subsequent events

- On 13 Ramadan 1444 AH, corresponding to 4 April 2023, the Company announced the issuance of international Sukuk with a total value of USD 2 billion, divided into two tranches, Green Sukuk tranche (USD 1,200 with a maturity of 10 years) and a Regular Sukuk tranche (USD 800 million with a maturity of 30 years).
- On 15 Ramadan 1444 AH, corresponding to 6 April 2023, the Company also announced redemption of full value of the second tranche of the international Islamic sukuk issued on 8 April 2013, at a value of USD 1 billion, listed on the London Stock Exchange.

28 Approval of the interim condensed consolidated financial statements

The Group's interim condensed consolidated financial statements were approved by Board of Director on 19 Shawaal 1444H Corresponding to 9 May 2023.



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