

**International Company for Water and Power
Projects and its Subsidiaries
A Saudi Joint Stock Company**

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020



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Independent auditor's review report on the interim condensed consolidated financial statements to the Shareholders of International Company for Water and Power Projects (A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of International Company for Water and Power Projects (A Saudi Joint Stock Company) (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2020, and the related interim condensed consolidated statements of profit or loss, other comprehensive income, cashflows and changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

for Ernst & Young

Fahad M. Al-Toaimi
Certified Public Accountant
License No. 354



Riyadh: 28 Rabi Thani 1442 H
(13 December 2020)

International Company for Water and Power Projects and its Subsidiaries
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | <i>Notes</i> | 30 Jun 2020 | 31 Dec 2019 |
|--|--------------|--------------------------|-------------------|
| <u>ASSETS</u> | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 3 | 12,495,729 | 12,036,771 |
| Intangible assets | | 2,004,811 | 2,004,811 |
| Equity accounted investees | 4 | 5,021,022 | 5,293,867 |
| Non-current portion of net investment in finance lease | | 10,244,065 | 10,364,334 |
| Due from related parties | 7.1 | 92,672 | 111,258 |
| Deferred tax asset | | 75,319 | 23,460 |
| Strategic fuel inventories | | 70,765 | 70,771 |
| Other assets | | 194,581 | 206,110 |
| TOTAL NON-CURRENT ASSETS | | <u>30,198,964</u> | <u>30,111,382</u> |
| CURRENT ASSETS | | | |
| Inventories | | 467,883 | 438,324 |
| Current portion of net investment in finance lease | | 280,450 | 209,902 |
| Due from related parties | 7.1 | 825,479 | 734,156 |
| Accounts receivable, prepayments and other receivables | | 2,903,628 | 2,953,802 |
| Cash and cash equivalents | 5 | 2,788,318 | 2,798,315 |
| | | 7,265,758 | 7,134,499 |
| Assets held for sale | | 466,911 | 475,402 |
| TOTAL CURRENT ASSETS | | <u>7,732,669</u> | <u>7,609,901</u> |
| TOTAL ASSETS | | <u>37,931,633</u> | <u>37,721,283</u> |

The attached notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

International Company for Water and Power Projects and its Subsidiaries
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)

As at 30 June 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | <i>Notes</i> | 30 Jun 2020 | 31 Dec 2019 |
|---|--------------|------------------------|----------------|
| <u>EQUITY AND LIABILITIES</u> | | | |
| EQUITY | | | |
| Shareholders' equity | | | |
| Share capital | | 6,429,344 | 6,429,344 |
| Share premium | | 1,177,031 | 1,177,031 |
| Statutory reserve | | 554,626 | 554,626 |
| Retained earnings | | 3,417,227 | 3,102,108 |
| Equity attributable to owners of the Company before other reserves | | 11,578,228 | 11,263,109 |
| Other reserves | 8 | (3,419,199) | (1,361,236) |
| Equity attributable to owners of the Company | | 8,159,029 | 9,901,873 |
| Non-controlling interests | | 530,993 | 703,504 |
| TOTAL EQUITY | | 8,690,022 | 10,605,377 |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Long-term financing and funding facilities | 6 | 16,512,604 | 17,480,944 |
| Due to related parties | 7.1 | 860,416 | 860,202 |
| Equity accounted investees | 4 | 1,609,004 | 516,982 |
| Fair value of derivatives | | 916,435 | 286,442 |
| Deferred tax liability | | 176,842 | 250,552 |
| Deferred revenue | | 156,614 | 129,827 |
| Other financial liabilities | | 385,456 | 395,724 |
| Employee end of service benefits' liabilities | | 171,349 | 159,598 |
| Other liabilities | | 297,223 | 252,117 |
| TOTAL NON-CURRENT LIABILITIES | | 21,085,943 | 20,332,388 |
| CURRENT LIABILITIES | | | |
| Accounts payable and accruals | | 3,473,874 | 3,439,786 |
| Short-term financing facilities | | 616,588 | 444,218 |
| Current portion of long-term financing and funding facilities | 6 | 2,255,506 | 2,271,229 |
| Due to related parties | 7.1 | 20,532 | 19,964 |
| Fair value of derivatives | | 22,197 | 51,883 |
| Zakat and taxation | | 249,407 | 183,411 |
| | | 6,638,104 | 6,410,491 |
| Liabilities associated with assets held for sale | | 332,890 | 373,027 |
| Long-term financing and funding facilities classified as current | 6.1 | 1,184,674 | - |
| TOTAL CURRENT LIABILITIES | | 8,155,668 | 6,783,518 |
| TOTAL LIABILITIES | | 29,241,611 | 27,115,906 |
| TOTAL EQUITY AND LIABILITIES | | 37,931,633 | 37,721,283 |

The attached notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

International Company for Water and Power Projects and its Subsidiaries
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-months period ended 30 June 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | <i>Notes</i> | 30 Jun 2020 | 30 Jun 2019 |
|---|--------------|------------------------|----------------|
| <u>CONTINUING OPERATIONS</u> | | | |
| Revenue | 10 | 2,270,861 | 1,939,072 |
| Operating costs | | (1,091,425) | (919,495) |
| GROSS PROFIT | | 1,179,436 | 1,019,577 |
| Development cost, provision and write offs, net of reversals | | (89,637) | (10,558) |
| General and administration expenses | | (471,323) | (275,441) |
| Share in net results of equity accounted investees, net of tax | 4 | 154,905 | 198,353 |
| Other operating income | | 62,591 | 46,155 |
| OPERATING INCOME BEFORE IMPAIRMENT LOSS AND OTHER EXPENSES | | 835,972 | 978,086 |
| Impairment loss and other expenses, net | 11 | - | (880,203) |
| OPERATING INCOME AFTER IMPAIRMENT LOSS AND OTHER EXPENSES | | 835,972 | 97,883 |
| Other income | | 60,564 | 44,704 |
| Exchange loss, net | | (17,300) | (2,793) |
| Financial charges, net | 12 | (548,305) | (409,494) |
| PROFIT / (LOSS) BEFORE ZAKAT AND INCOME TAX | | 330,931 | (269,700) |
| Zakat and tax | 9 | 29,170 | (26,229) |
| PROFIT / (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS | | 360,101 | (295,929) |
| <u>DISCONTINUED OPERATIONS</u> | | | |
| Profit from discontinued operations | | 21,238 | 19,198 |
| PROFIT / (LOSS) FOR THE PERIOD | | 381,339 | (276,731) |
| Profit / (Loss) attributable to: | | | |
| Equity holders of the parent | | 325,649 | 47,770 |
| Non-controlling interests | | 55,690 | (324,501) |
| | | 381,339 | (276,731) |
| Basic and diluted earnings per share (in SR) | 13.2 | 0.50 | 0.07 |
| Basic and diluted earnings per share for continuing operations (in SR) | 13.2 | 0.49 | 0.06 |

The attached notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

International Company for Water and Power Projects and its Subsidiaries
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME

For the six-months period ended 30 June 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | <i>Notes</i> | 30 Jun 2020 | 30 Jun 2019 |
|---|--------------|---------------------------|--------------------|
| PROFIT / (LOSS) FOR THE PERIOD | | 381,339 | (276,731) |
| <u>OTHER COMPREHENSIVE (LOSS) / INCOME</u> | | | |
| Items that are or may be reclassified subsequently to profit or loss | | | |
| Foreign operations – foreign currency translation differences | | 14,119 | 82,786 |
| Equity accounted investees – share of OCI | 8 | (1,657,996) | (676,932) |
| Net change in fair value of cash flow hedge reserve | | (599,648) | (158,354) |
| Items that will not be reclassified to profit or loss | | | |
| Re-measurement of defined benefit liability | | 9,588 | 4,521 |
| TOTAL OTHER COMPREHENSIVE LOSS | | <u>(2,233,937)</u> | <u>(747,979)</u> |
| TOTAL COMPREHENSIVE LOSS | | <u>(1,852,598)</u> | <u>(1,024,710)</u> |
| Total comprehensive loss attributable to: | | | |
| Equity holders of the parent | | (1,732,314) | (630,894) |
| Non-controlling interests | | (120,284) | (393,816) |
| | | <u>(1,852,598)</u> | <u>(1,024,710)</u> |

The attached notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

International Company for Water and Power Projects and its Subsidiaries
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-months period ended 30 June 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | <i>Notes</i> | 30 Jun 2020 | 30 Jun 2019 |
|---|--------------|------------------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit / (loss) before zakat and tax from continuing operations | | 330,931 | (269,700) |
| Profit before zakat and tax from discontinued operation | | 16,943 | 19,828 |
| <i>Adjustments for:</i> | | | |
| Depreciation on property, plant and equipment and right of use asset | | 284,871 | 175,256 |
| Financial charges | 12 | 548,305 | 542,097 |
| Unrealised exchange loss | | 12,505 | 8,711 |
| Share in net results of equity accounted investees, net of tax | | (154,905) | (201,659) |
| Charge for employees' end of service benefits | | 25,154 | 17,108 |
| Fair value of cash flows hedge and other reserve recycled to profit or loss | | (23,992) | (14,029) |
| Provisions and write-off | | 85,424 | 5,807 |
| Unwinding of discount on financial liabilities | | 14,383 | 6,420 |
| Impairment loss in relation to property, plant and equipment and goodwill | 11 | - | 880,203 |
| Loss on disposal of property, plant and equipment | 3 | 10,411 | - |
| Development cost, provision and write offs, net of reversals | | 89,637 | 10,558 |
| <i>Changes in operating assets and liabilities:</i> | | | |
| Accounts receivable, prepayments and other receivables | | (73,682) | (34,108) |
| Inventories | | (36,465) | 1,943 |
| Payables and accruals | | (97,873) | (90,621) |
| Due from related parties | | (94,776) | (192,280) |
| Strategic fuel inventories | | 6 | 803 |
| Other assets | | 5,019 | (16,763) |
| Other liabilities | | 45,106 | 28,914 |
| Deferred revenue | | 26,787 | 2,689 |
| Net cash from operations | | 1,013,789 | 881,177 |
| Employees' terminal benefits paid | | (3,815) | (5,059) |
| Zakat and tax paid | | (23,595) | (17,988) |
| Dividends received from equity-accounted investees | | 37,125 | 75,924 |
| <i>Net cash generated from operating activities</i> | | 1,023,504 | 934,054 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 3 | (739,438) | (437,154) |
| Net investment in finance lease | | 49,721 | (13,877) |
| Investments in equity accounted investees | | (81,599) | (1,658,397) |
| Assets held for sale | | (15,203) | - |
| <i>Net cash used in investing activities</i> | | (786,519) | (2,109,428) |

The attached notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

International Company for Water and Power Projects and its Subsidiaries
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(CONTINUED)

For the six-months period ended 30 June 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | <i>Notes</i> | 30 Jun 2020 | 30 Jun 2019 |
|--|--------------|-------------------------|------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Financing and funding facilities, net of transaction costs | | 353,480 | 192,278 |
| Due to related parties | | 214 | (530) |
| Other financial liabilities | | - | (165,953) |
| Financial charges paid | | (537,919) | (598,005) |
| Dividends paid | | (62,757) | (161,441) |
| <i>Net cash used in financing activities</i> | | <u>(246,982)</u> | <u>(733,651)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD | | | |
| | | (9,997) | (1,909,025) |
| Cash and cash equivalents at beginning of the period | | 2,798,315 | 5,498,265 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 5 | <u>2,788,318</u> | <u>3,589,240</u> |

The attached notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

International Company for Water and Power Projects and its Subsidiaries
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-months period ended 30 June 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

| | <i>Share capital</i> | <i>Share premium</i> | <i>Statutory reserve</i> | <i>Retained earnings</i> | <i>Other Reserves (note 9)</i> | <i>Equity attributable to owners of the Company</i> | <i>Non-controlling interests</i> | <i>Total equity</i> |
|-------------------------------------|-------------------------|-------------------------|--------------------------|--------------------------|--------------------------------|---|----------------------------------|-------------------------|
| Balance at 1 January 2019 | 6,429,344 | 1,177,031 | 437,239 | 2,363,259 | (717,900) | 9,688,973 | 1,385,184 | 11,074,157 |
| Profit / (loss) for the period | - | - | - | 47,770 | - | 47,770 | (324,501) | (276,731) |
| Other comprehensive loss | - | - | - | - | (678,664) | (678,664) | (69,315) | (747,979) |
| Total comprehensive income / (loss) | - | - | - | 47,770 | (678,664) | (630,894) | (393,816) | (1,024,710) |
| Dividends | - | - | - | (161,441) | - | (161,441) | - | (161,441) |
| Balance at 30 June 2019 | <u>6,429,344</u> | <u>1,177,031</u> | <u>437,239</u> | <u>2,249,588</u> | <u>(1,396,564)</u> | <u>8,896,638</u> | <u>991,368</u> | <u>9,888,006</u> |
| Balance at 1 January 2020 | 6,429,344 | 1,177,031 | 554,626 | 3,102,108 | (1,361,236) | 9,901,873 | 703,504 | 10,605,377 |
| Profit for the period | - | - | - | 325,649 | - | 325,649 | 55,690 | 381,339 |
| Other comprehensive loss | - | - | - | - | (2,057,963) | (2,057,963) | (175,974) | (2,233,937) |
| Total comprehensive income / (loss) | - | - | - | 325,649 | (2,057,963) | (1,732,314) | (120,284) | (1,852,598) |
| Changes in non-controlling interest | - | - | - | (10,530) | - | (10,530) | 10,530 | - |
| Dividends | - | - | - | - | - | - | (62,757) | (62,757) |
| Balance at 30 June 2020 | <u>6,429,344</u> | <u>1,177,031</u> | <u>554,626</u> | <u>3,417,227</u> | <u>(3,419,199)</u> | <u>8,159,029</u> | <u>530,993</u> | <u>8,690,022</u> |

The attached notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

International Company for Water and Power Projects and its Subsidiaries (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-months period ended 30 June 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 ACTIVITIES

International Company for Water and Power Projects (the “Company” or “ACWA Power”) is a Saudi joint stock company established pursuant to a ministerial resolution numbered 215 dated 2 Rajab 1429H (corresponding to 5 July 2008) and is registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration number 1010253392 dated 10 Rajab 1429H (corresponding to 13 July 2008).

The Company and its subsidiaries (collectively the “Group”) are engaged in the business of development, construction, acquisition, generation and sale of electricity and desalinated water, leasing, operation and maintenance of power generation, water desalination and steam plants, and other related or auxiliary business activities complimentary to it.

2 BASIS OF PREPARATION AND CHANGES TO GROUP ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements for the six months period ended 30 June 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred as “IAS 34 as endorsed in KSA”).

These interim condensed consolidated 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 2019. These interim condensed consolidated financial statements for the six months period ended 30 June 2020 are not affected significantly by seasonality of results. The results shown in these interim condensed consolidated financial statements may not be indicative of the annual results of the Group’s operations.

These interim condensed consolidated financial statements are prepared under the historical cost except for derivative financial instruments (including written put options) which are measured at fair value. These interim condensed consolidated financial statements are presented in Saudi Riyals (“SR”) which is the functional and presentation currency of the Company. All values are rounded to the nearest thousand (SR’000), except when otherwise indicated.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Amendments to IFRS

IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

International Company for Water and Power Projects and its Subsidiaries
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

For the six-months period ended 30 June 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

2 BASIS OF PREPARATION AND CHANGES TO GROUP ACCOUNTING POLICIES (CONTINUED)

2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of, nor is there expected to be any future impact to the Group.

2.3 SIGNIFICANT ACCOUNTING ESTIMATES

Use of estimates and assumptions

The preparation of the interim condensed consolidated financial statements in conformity with IAS 34 as endorsed in KSA requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments used in the preparation of these interim condensed consolidated financial statements is consistent with those used in preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019 except as explained below.

During the period ended 30 June 2020, the Group performed a detailed exercise to re-assess the useful life of the plants in its portfolio. Management categorized and considered all socio-economic, operational, performance and other factors surrounding the technology of the particular asset belongs to.

Based on the analysis, it was concluded that certain plants’ economic life is lower than the useful life due to advancement in technology which has resulted in the availability of more efficient new plants in the industry. As a result, the Group aligned the plants existing useful life to its re-assessed economic life with effect from 1 January 2020 as follows:

| Plants’ Technology | Existing useful life | Revised useful life | Financial impact for the six month period ended 30 June 2020 |
|----------------------------|-----------------------------|----------------------------|---|
| Photovoltaic | 30 years | 25 years | 2,133 |
| Concentrated Solar Power | 30-35 years | 30 years | 660 |
| Combined Cycle Gas Turbine | 35-40 years | 35 years | 22,827 |
| Seawater Reverse Osmosis | 30-40 years | 30 years | 9,601 |

This change in accounting estimate has result in SR 35.2 million being expensed in the statement of profit or loss, which is reflected in the Group operating cost (SR 17.2 million) and through share in net results of equity accounted investees (SR 18 million).

International Company for Water and Power Projects and its Subsidiaries
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

For the six-months period ended 30 June 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 PROPERTY, PLANT AND EQUIPMENT (“PPE”)

| | 30 Jun 2020 | 31 Dec 2019 |
|--|--------------------------|-------------------|
| At the beginning of the period / year, carrying amount | 12,036,771 | 8,752,084 |
| Additions for the period / year | 739,438 | 2,045,876 |
| Business combination | - | 6,912,698 |
| De-recognition on loss of control in a subsidiary | - | (2,445,117) |
| De-recognition due to assets held for sale | - | (422,394) |
| Depreciation charge for the period / year | (270,069) | (406,097) |
| Impairment loss for the period / year | - | (877,203) |
| Disposals | (10,411) | (2,605) |
| Finance lease recognition | - | (1,549,479) |
| Foreign currency translation | - | 29,008 |
| At the end of the period / year, carrying amount | <u>12,495,729</u> | <u>12,036,771</u> |

4 EQUITY ACCOUNTED INVESTEEES

Set out below is the contribution of equity accounted investees in the interim condensed consolidated statement of financial position, profit or loss and other comprehensive income, and the “Dividends received from companies accounted for using the equity method” line of the condensed consolidated interim statement of cash flows.

| | 30 Jun 2020 | 31 Dec 2019 |
|--|-------------------------|------------------|
| At the beginning of the period / year | 4,776,885 | 6,516,028 |
| Share of results for the period / year | 154,905 | 284,453 |
| Share of other comprehensive (loss) income for the period / year | (1,657,996) | (772,217) |
| Additions during the period / year | 175,349 | 1,621,790 |
| Business combination / loss of control | - | (2,614,142) |
| Dividends for the period / year | (37,125) | (259,027) |
| At the end of the period / year | <u>3,412,018</u> | <u>4,776,885</u> |
| Equity accounted investees shown under non-current assets | 5,021,022 | 5,293,867 |
| Equity accounted investees shown under non-current liabilities | (1,609,004) | (516,982) |
| | <u>3,412,018</u> | <u>4,776,885</u> |

5 CASH AND CASH EQUIVALENTS

| | As at 30 Jun 2020 | As at 31 Dec 2019 |
|--|------------------------------|----------------------|
| Cash in hand and at bank | 1,627,421 | 1,433,286 |
| Short-term deposits with original maturities of three months or less | 1,160,897 | 1,365,029 |
| | <u>2,788,318</u> | <u>2,798,315</u> |

International Company for Water and Power Projects and its Subsidiaries
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

For the six-months period ended 30 June 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 LONG-TERM FINANCING AND FUNDING FACILITIES

| As at | Note | 30 Jun 2020 | 31 Dec 2019 |
|--|------|-------------------|-------------------|
| Recourse debt: | | | |
| Financing facilities in relation to projects | | 1,898,776 | 1,825,887 |
| Corporate facilities | | 1,125 | 1,125 |
| Non-Recourse debt: | | | |
| Financing facilities in relation to projects | | 15,048,441 | 14,922,544 |
| APMI One bond | | 3,004,442 | 3,002,617 |
| Total financing and funding facilities | | 19,952,784 | 19,752,173 |
| Less: current portion shown under current liabilities | | (2,255,506) | (2,271,229) |
| Less: long-term financing and funding facilities classified as current | 6.1 | (1,184,674) | - |
| Non-current portion shown under non-current liabilities | | 16,512,604 | 17,480,944 |

Financing and funding facilities as reported on the Group's interim consolidated statement of financial position are classified as 'non-recourse' or 'with-recourse' facilities. Non-recourse facilities are generally secured by the borrower (i.e. a subsidiary) with its own assets, contractual rights and cash flows and there is no recourse to the Company under any guarantee. The with-recourse facilities are direct borrowings or those guaranteed by the Company. The Group's financial liabilities are either fixed special commission bearing or at a margin above the relevant reference rates. The Group seeks to hedge long term floating exposures using derivatives.

- 6.1** The off-taker of one of the Group's subsidiary ("the subsidiary") is partly withholding payments from monthly invoicing since February 2020. While the project has Government Guarantee on the receivables from the off-taker, the Government Guarantee has not been called. Given the certainty of the receivables, no provision is being taken on the receivables, however such deduction does constitute a breach under the financing documents. The management of the Subsidiary has requested for waiver from the lenders but such waiver has not been received till the date of these interim condensed consolidated financial statements. Even though the off-taker has not denied payment of the amounts withheld due to the breach under the financing documents, the breach has resulted in reclassification of the long term loan amount of SR 1,185 million to current liabilities in accordance with the requirements of International Financial Reporting Standards.

7 RELATED PARTY TRANSACTIONS AND BALANCES

- 7.1** Significant transactions with related parties during the period and significant balances at the reporting date are as follows:

| Particulars | Notes | Relationships | As at / For the period ended | |
|---|-------|----------------|------------------------------|-------------|
| | | | 30 Jun 2020 | 30 Jun 2019 |
| Transactions: | | | | |
| Revenue | | Affiliates | 1,206,483 | 1,179,811 |
| Service fees | | Joint ventures | 147,714 | 113,911 |
| Finance income | | Joint venture | 12,215 | 2,755 |
| Financial charges on loan from a related party | 12 | Affiliates | 2,276 | 2,344 |
| Key management personnel compensation including director's remuneration | | - | 9,680 | 15,493 |

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7 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

7.1 Significant transactions with related parties during the period and significant balances at the reporting date are as follows:

Due from related parties

| | | | 30 Jun 2020 | 31 Dec 2019 |
|---|---------|---------------|----------------|----------------|
| Current : | | | | |
| Al Mourjan for Electricity Production Company | (a) | Joint venture | 138,737 | 110,980 |
| Rabigh Electricity Company | (a) | Joint venture | 37,489 | 52,081 |
| Shuqaiq Water and Electricity Company | (a) | Joint venture | 53,240 | 43,817 |
| Shuaibah Water and Electricity Company | (a) | Joint venture | 43,034 | 31,429 |
| Shuaibah Expansion Project Company | (a) | Joint venture | 11,044 | 10,086 |
| Hajr for Electricity Production Company | (a) | Joint venture | 118,011 | 122,751 |
| ACWA Guc Isletme Ve Yonetim Sanayi Ve Ticaret | (a) | Joint venture | 3,944 | 1,013 |
| Dhofar O&M Company | (h) | Joint venture | 47,658 | 34,495 |
| Hassyan Energy Phase 1 P.S.C | (a),(h) | Joint venture | 70,360 | 30,094 |
| ACWA Power Oasis Three | (h) | Joint venture | 8,083 | 7,355 |
| Noor Energy 1 P.S.C | (a) | Joint venture | 25,511 | 14,617 |
| Taweelah RO Desalination Company LLC | (d) | Joint venture | 32,100 | 89,548 |
| Naqa Desalination Plant LLC | (d) | Joint venture | 42,430 | 50,468 |
| Khalladi Morocco | (a),(h) | Joint venture | 36,417 | 27,431 |
| Risha for Solar Energy Projects | (a) | Joint venture | 6,797 | 5,619 |
| ACWA Power Solafrika Bokpoort CSP Power Plant Ltd | (a) | Joint venture | 6,856 | 6,624 |
| Haya Power & Desalination Company | (a) | Joint venture | 60,018 | 2,046 |
| Ad-Dhahirah Generating Company SAOC | (a),(h) | Joint venture | 16,695 | 10,849 |
| Shinas Generating Company SAOC | (a),(h) | Joint venture | 13,599 | 7,124 |
| Saudi Malaysia Water and Electricity Company | (h) | Joint venture | 2,704 | 4,272 |
| Other related parties | | Affiliates | 50,752 | 71,457 |
| | | | <u>825,479</u> | <u>734,156</u> |
| Non-current : | | | | |
| Hassyan Energy Phase 1 P.S.C | (e) | Joint venture | 61,612 | 61,612 |
| ACWA Guc Isletme Ve Yonetim Sanayi Ve Ticaret | (f) | Joint venture | 31,060 | 49,646 |
| | | | <u>92,672</u> | <u>111,258</u> |
| Due to related parties | | | | |
| Current : | | | | |
| ACWA Power Africa Holdings (Pty) Ltd | (g) | Joint venture | 20,532 | 19,964 |
| | | | <u>20,532</u> | <u>19,964</u> |
| Non-current : | | | | |
| ACWA Power Renewable Energy Holding Company | (b) | Joint venture | 781,035 | 781,035 |
| Loans from minority shareholders of subsidiary | (c) | - | 79,381 | 79,167 |
| | | | <u>860,416</u> | <u>860,202</u> |

- (a) Due from project companies mainly include amounts due by project companies to NOMAC (and its subsidiaries) for O&M services provided to these project companies under O&M contracts.
- (b) During the year 2018, ACWA Renewable Energy Holdings Limited (“APREH”) entered in to a convertible loan agreement whereby amounts drawn down under such agreement was advanced to the ACWA Power Global Services (“APGS”), a fully owned subsidiary of the Company, through an intra-group shareholder advance agreement (“the agreement”). An amount of SAR 1,361.2 million was advanced to APGS and bears a commission rate of 4.3% per annum for first 18 months and 3.4% per annum thereafter on the principal outstanding. The debt is guaranteed by ACWA Power (i.e. recourse to ACWA Power).

During 2019, an amount of SR 580.6 million adjusted against the advance, which represents a consideration for sale of 49% shares of the Group in APREH.

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7 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

- (c) These represent shareholder loans to ACF Renewable Energy Limited. The loans are due for repayment on 31 August 2024 and carry profit rate at 5.75% per annum.
- (d) This represents receivable on account of development fee and reimbursement of cost incurred on behalf of the Joint Venture.
- (e) The balance represents sub-ordinated advance provided to related parties that has no specific repayment and bears no profit rate. As per the terms of the agreement the advance repayment will not occur for at least a period of one year. Accordingly, the balance is shown as a non-current asset.
- (f) This represents amounts payable to NOMAC for O&M services provided to the project company under O&M contracts. The amount will mature in 2023. During the period ended 30 Jun 2020, the Group has provided SR 22.6 million provision against this balance.
- (g) This represents amounts payable to an equity accounted investee for transfer of project development cost.
- (h) The balance represents advance provided to related parties that has no specific repayment and bears no profit rate.

8 OTHER RESERVES

Movement in other reserve is given below:

| | Cash flow hedge reserve (note 8.1) | Currency translation reserve | Share in OCI of equity accounted investees (note 8.1) | Re- measurement of defined benefit liability | Other | Total |
|------------------------------|---|------------------------------------|--|--|------------------------|---------------------------|
| Balance as at 1 January 2019 | (115,377) | (331,876) | (242,533) | (934) | (27,180) | (717,900) |
| Changes during the period | <u>(86,127)</u> | <u>84,382</u> | <u>(676,932)</u> | <u>13</u> | <u>-</u> | <u>(678,664)</u> |
| Balance as at 30 June 2019 | <u>(201,504)</u> | <u>(247,494)</u> | <u>(919,465)</u> | <u>(921)</u> | <u>(27,180)</u> | <u>(1,396,564)</u> |
| Balance as at 1 January 2020 | (313,175) | (29,721) | (971,975) | (19,185) | (27,180) | (1,361,236) |
| Changes during the period | <u>(425,305)</u> | <u>15,766</u> | <u>(1,657,996)</u> | <u>9,572</u> | <u>-</u> | <u>(2,057,963)</u> |
| Balance as at 30 June 2020 | <u>(738,480)</u> | <u>(13,955)</u> | <u>(2,629,971)</u> | <u>(9,613)</u> | <u>(27,180)</u> | <u>(3,419,199)</u> |

- 8.1** This mainly represent movement in market to market valuation of hedging instruments ('interest rate swaps' or 'IRS') net of deferred taxation in relation to the Group's subsidiaries.

9 ZAKAT AND TAXATION

9.1 Amounts recognized in profit or loss

| | 30 Jun 2020 | 30 Jun 2019 |
|---|-------------------------|---------------|
| Zakat and current tax | 89,591 | 24,323 |
| Deferred tax | <u>(123,056)</u> | <u>2,536</u> |
| Zakat and tax (credit) / charge | (33,465) | 26,859 |
| Less: Tax credit / (charge) from discontinued operation | <u>4,295</u> | <u>(630)</u> |
| Zakat and tax (credit) / charge reflected in profit or loss | <u>(29,170)</u> | <u>26,229</u> |

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9 ZAKAT AND TAXATION (CONTINUED)

9.2 Significant zakat and tax assessments

ACWA Power

The Company has filed Zakat/tax returns for all the years up to 2019. During July 2020, the Company received a Zakat assessment from the General Authority of Zakat and Tax ("GAZT") for the periods 2009 – 2018 with a net additional Zakat charge of SR 784 million. Of this SR 350 million additional assessed liability pertains to the years 2009 to 2013 which are considered to be time barred according to 5 years statute of limitation provided in the Zakat Regulations. The balance of SR 434 million additional liability is attributed to years 2014 thru 2018 mainly due to inconsistent application of the relevant Zakat Regulations. In August 2020, the Company has filed an appeal to GAZT against the said assessments. The GAZT has not yet issued its decision against the Company's appeal.

Of the additional assessed liability for the years 2014 to 2018, the Company has accepted certain GAZT's adjustments in the assessments and has settled SR 33 million zakat before filing the appeal. The Company has provided SR 70 million provision against this assessment. The Company provided SR 45 million during the period ended 30 June 2020 (30 June 2019: SR 25 million). As of 30 June 2020, total provision made of SR 85 million includes Zakat provision of SR 11 million relating to year 31 December 2019 and SR 4 million relating for the period ended 30 June 2020.

Rabigh Arabian Water & Electricity Company ("RAWEC")

The GAZT raised assessments for the years 2007 to 2013, claiming additional tax, zakat and withholding tax to SR 10.7 million including delay penalties. The Company has submitted an objection against the assessments issued. During 2019 the GAZT reverted to the Company and requested for the objection to be escalated to the General Secretariat of Tax Committees ("GSTC"). The case is currently under the review of the GSTC.

The GAZT has also raised an assessment for the year 2017, claiming additional tax and zakat amounting to SR 47 million. The Company raised an objection against the assessment for which the GAZT revised the assessment for tax and zakat to SR 2.5 million. The Company has escalated the case to the GSTC.

NOMAC Saudi Arabia

The Company has filed the Zakat returns for all the years up to 2019. During the prior years, the Company received Zakat assessment from GAZT for the years 2008-2012 with an additional Zakat demand of SR 7.7 million. During 2017, GAZT issued a revised assessment for these years resulting in a reduced demand of SR 4.4 million. The Company had filed appeal before the GAZT against the revised assessment. The GAZT had rejected the appeal. The Company has filed an appeal against the GAZT's decision to the first level appeal committee, Tax Violation and Dispute Resolution Committee (TVDRC) through the General Secretariat for Tax Committees (GSTC) in February 2020. The final hearing at the TVDRC was completed in August 2020 and the resolution is yet to be issued by TVDRC. Considering minutes of TVDRC hearing, the amount lawfully due and payable should not exceed SR 4 million against this assessment for the period ended 30 June 2020. However, the Company has right to file an appeal against this decision (once issued) to the second and final level appeal committee. The Company has recorded a provision of SR 2 million against this assessment.

During 2018, the Company received a Zakat assessment from GAZT for the years 2013 to 2016 with an additional Zakat demand of SR 7.6 million. The Company had filed appeal before the GAZT against this assessment. The GAZT had rejected the appeal. The Company has filed an appeal against the GAZT's decision to the first level appeal committee, Tax Violation and Dispute Resolution Committee (TVDRC) through the General Secretariat for Tax Committees (GSTC) in January 2020. The TVDRC is yet to hear this appeal. The Company has recorded a provision of SR 2 million against this assessment.

The assessments for the years 2017 to 2019 are yet to be issued by the GAZT. However, the Company has recorded a provision of SR 3 million for the years 2017 and 2018 on account of Zakat on the foreign investments.

The Company has also provided SR 1.5 million provision for the period ended 30 June 2020.

Others

Other Zakat and tax assessments in relation to the Company's subsidiaries and equity accounted investees are not considered as significant for the purpose of these interim condensed consolidated financial statements.

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10 REVENUE

| | <i>Notes</i> | 30 Jun 2020 | 30 Jun 2019 |
|----------------------|--------------|-------------------------|------------------|
| Services rendered | 10.1 | 850,160 | 1,066,792 |
| Sale of electricity | 10.2 | 744,921 | 588,531 |
| Sale of water | 10.2 | 522,440 | 82,557 |
| Finance lease income | 10.3 | 153,340 | 201,192 |
| | | <u>2,270,861</u> | <u>1,939,072</u> |

10.1 Revenues from rendering technical, operation and maintenance services are recognised when contracted services are performed. Revenue from development is recognised when related services are rendered.

10.2 Revenue from supply of desalinated water and power is recognised upon satisfaction of performance obligation which in general happens upon delivery of desalinated water and power to the customer in accordance with underlying Power and Water Purchase Agreements (“PWPA”) or Power Purchase Agreements (“PPA”) or Water Purchase Agreements (“WPA”).

10.3 Finance lease income is amortised over the term of the lease and is allocated to the accounting periods to reflect a constant periodic rate of return on the Group’s net investment outstanding with respect to the lease.

11 IMPAIRMENT LOSS AND OTHER EXPENSES, NET

| | 30 Jun 2020 | 30 Jun 2019 |
|--|--------------------|----------------|
| Impairment loss on property, plant and equipment | - | 877,203 |
| Impairment loss on goodwill | - | 3,000 |
| | <u>-</u> | <u>880,203</u> |

Impairment loss relates to the impairment in the carrying value of property, plant and equipment of the Group’s subsidiaries as follows:

ACWA Power Barka SAOG (“Barka”):

ACWA Power Barka SAOG’s existing PWPA in relation to Power and RO Plants (“Plants”) are expiring on 31 December 2021. Considering the uncertainty around contract renewals at this stage, there was an impairment assessment done under IFRS to test the Plants recoverable value against its carrying value. Based on the assessment carried out by the Group for the six-month period ended 30 June 2019, the Plants recoverable value was lower by SR 789.5 million than its carrying value. This impact was taken to the income statement of the previous year as required by IAS 36 “Impairment of Assets”.

Recoverable value was estimated based on value in use method as it reflects more accurately the manner in which the economic benefits embodied in the asset are expected to be realised by the entity. All future cash flows were based on management’s best estimate about the future course of action Barka may likely carry out. A pre-tax discount rate of 8.2% was used in assessing the Present Value (PV) of future cash flows.

International Barges Co. for Water Desalination (“Bowarege”):

Bowarege’s off take agreement expired in 2017 and since then the WPA has not been renewed. Accordingly, considering the uncertainty involved with respect to further operations, the management of Bowarege decided to fully impair the assets. Impairment loss recorded in the interim condensed consolidated statement of profit or loss for the six month period ended 30 June 2019, amounts to SR 87.7 million.

12 FINANCIAL CHARGES, NET

| | <i>Notes</i> | 30 Jun 2020 | 30 Jun 2019 |
|---|--------------|-----------------------|----------------|
| Financial charges on borrowings | | 505,152 | 378,591 |
| Financial charges on letters of guarantee | | 14,475 | 14,961 |
| Financial charges on loans from a related party | 7.1 | 2,276 | 2,344 |
| Other financial charges | | 26,402 | 13,598 |
| | | <u>548,305</u> | <u>409,494</u> |

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13 EARNINGS PER SHARE

13.1 The weighted average number of shares outstanding during the period (in thousands) are as follows:

| | 30 Jun 2020 | 30 Jun 2019 |
|--|--------------------|----------------|
| Issued ordinary shares as at | <u>645,763</u> | <u>645,763</u> |
| Weighted average number of ordinary shares outstanding during the period ended | <u>645,763</u> | <u>645,763</u> |

13.2 The basic and diluted earnings per share are calculated as follows:

| | | |
|---|----------------|---------------|
| Net profit for the period attributable to equity holders of the Parent | <u>325,649</u> | <u>47,770</u> |
| Profit for the period from continuing operations attributable to equity holders of the Parent | <u>316,729</u> | <u>37,395</u> |
| Basic and diluted earnings per share (in SR) | <u>0.50</u> | <u>0.07</u> |
| Basic and diluted earnings per share for continuing operations (in SR) | <u>0.49</u> | <u>0.06</u> |

14 CONTINGENCIES AND COMMITMENTS

At 30 June 2020, the Group had outstanding contingent liabilities in the form of letters of guarantee, corporate guarantees issued in relation to bank facilities for project companies and performance guarantees amounting to SR 10.56 billion (31 Dec 2019: SR 10.57 billion). The amount also includes the Group's share of equity accounted investees' commitments.

Below is the breakdown of contingencies as of the reporting date:

| | As at 30 Jun 2020 | As at 31 Dec 2019 |
|--|------------------------------|----------------------|
| Guarantees in relation to equity bridge loans or equity letters of credits | <u>3,419,452</u> | 2,923,679 |
| Bonds, letter of credits and other contingencies and commitments | <u>7,138,642</u> | <u>7,647,665</u> |
| | <u>10,558,094</u> | <u>10,571,344</u> |

In one of the Group's subsidiaries, "CEGCO", the fuel supplier ("Jordan Petrol Refinery PLC") has claimed an amount of SR 568.5 million, (31 Dec 2019: SR 554.7 million) as an interest on late payment of the monthly fuel invoices. The Fuel Supply Agreement ("FSA") with the Supplier stipulates that the Supplier shall be entitled to receive interest on late payment of the unpaid invoices after 45 days from invoice. However, the FSA in Article 13.3 further provides that CEGCO shall not be liable for non-performance under the FSA and shall not be in default to the extent such non-performance or default is caused by the off-taker ("NEPCO"). Given the delay in making the fuel payments to the Supplier are caused by the delay in receipt of the fuel revenues from NEPCO, contractually the Supplier has no basis to claim for any delay interest from CEGCO. Hence, the management and its independent legal counsel are of the view that as per the terms of the FSA signed between the Supplier and CEGCO, the Supplier has no contractual basis to claim these amounts. Accordingly, no provision has been made in these interim condensed consolidated financial statements.

Further, certain of the Group's subsidiaries and joint ventures are in dispute with contractors and off-takers on various matters. Those matters have already been referred to arbitration however as management is expecting favourable outcome, no provision or contingent asset has been recognized in these interim condensed consolidated financial statements.

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14 CONTINGENCIES AND COMMITMENTS (CONTINUED)

In relation to certain equity accounted investees (“the Investees”) of the Group, GAZT is currently in the process of performing Zakat audits for years from 2009-2018. It is likely that GAZT may raise an additional claim with respect to zakat and taxes for prior years. For the years where GAZT has raised an additional claim, the investees have submitted an objection against these assessments and believe that its positions will be upheld at Appeal level and the Investees will get full relief from any such claim. In few cases, the investees have agreed to settle amounts based on pre-agreed settlement with GAZT and the same is being currently finalised, amounts related to such settlement is already provided for in the investees financial statements. The Group’s share in existing zakat and tax charge of the Investees are recorded in profit or loss along with share in net results of the Investees.

15 SUBSEQUENT EVENTS

Subsequent to the period-end, the Group in accordance with the nature of its business, has entered into or is negotiating various agreements. Management does not expect these to have any material impact on the interim condensed consolidated financial position and results as of the reporting date.

16 SIGNIFICANT MATTERS DURING THE PERIOD

- 16.1** Other than as disclosed in note 6.1, the outbreak of Novel Coronavirus (“Covid 19”) continues to progress and evolve. The extent and duration of business and economic impact remains uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these interim condensed consolidated financial statements. These developments could impact the Group’s future financial results, cash flows and financial condition.
- 16.2** The Group is in process of issuing a Sukuk in Kingdom of Saudi Arabia to finance the equity requirements of a project in Kingdom of Saudi Arabia. Terms and conditions of the Sukuk have not been finalized, as of the date of approval of these interim condensed consolidated financial statements.
- 16.3** The Group’s Board of Directors have approved the initial public offering (IPO) for listing of the Company’s shares on the Saudi stock exchange (Tadawul). The management has appointed respective advisors to carry out the work for submitting the application to the Capital Market Authority in Saudi Arabia.
- 16.4** During the period Property, Plant and Equipment of certain of the Group’s equity accounted investees and a subsidiary (“the Assets”) were tested for impairment. The impairment testing was performed by comparing the carrying amount of each asset to the recoverable amount which has been determined based on a value in use calculation using relevant cash flow projections, based on financial forecasts covering a period ranging from 11-22 years, discounted at 5%. The Management noted that the value in use is higher than the carrying amount for all the Assets. Hence, no impairments were required for any of the Assets.

The calculation of value in use is most sensitive to the assumptions on weighted average cost of capital (“WACC”). The table below shows the sensitivity of the value in use to the changes listed below; all other assumptions held constant:

| Change in WACC | Impact on profit or loss in period |
|------------------------------|---|
| Increase by 10 basis points | (20,121) |
| Increase by 50 basis points | (56,525) |
| Increase by 100 basis points | (100,653) |

The numbers included in above table represents ACWA Power share only.

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17 OPERATING SEGMENTS

Consistent with the Group's internal reporting process, business segments have been approved by management in respect of the Group's activities. The Group's operations are structured as follows:

Generation (Power & Water)

This segment comprises of power and water projects that are currently either operational or under construction. Typically, these projects have long term contracts with credit-worthy off-takers.

Services

This segment comprises of various services to other business segments including operation and maintenance ("O&M") services to the generation segment under long term contracts. The O&M services contracts have the same duration as that of the long term contracts of the project companies under the Generation segment. The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on individual segment's profit or loss. Inter-segment revenues are eliminated on consolidation.

| | Generation (Power & Water) | Services | Discontinued operation * | Total |
|--|-------------------------------|-----------|-----------------------------|------------|
| For the six months period ended 30 Jun 2020 | | | | |
| External revenues | 1,424,701 | 846,160 | 44,637 | 2,315,498 |
| Inter-segment revenues | - | 360,323 | - | 360,323 |
| Total revenues | 1,424,701 | 1,206,483 | 44,637 | 2,675,821 |
| Segment profit before zakat, tax and impairment loss | 275,753 | 55,178 | 16,943 | 347,874 |
| Impairment (loss) | - | - | - | - |
| Financial charges, net | 391,782 | 156,523 | 9,829 | 558,134 |
| Exchange loss, net | 17,300 | - | 393 | 17,693 |
| Depreciation | 228,199 | 48,380 | 9,761 | 286,340 |
| Share in net results of equity accounted investees | 140,583 | 14,322 | - | 154,905 |
| As of 30 Jun 2020 | | | | |
| Segment total assets | 30,296,897 | 7,167,825 | 466,911 | 37,931,633 |
| Equity accounted investees | 3,344,358 | 67,660 | - | 3,412,018 |
| Additions to property, plant and equipment | 686,018 | 53,420 | - | 739,438 |
| Segment total liabilities | 22,625,763 | 6,282,958 | 332,890 | 29,241,611 |
| For the six months period ended 30 Jun 2019 | | | | |
| External revenues | 881,260 | 1,057,812 | 223,426 | 2,162,498 |
| Inter-segment revenues | - | 131,268 | - | 131,268 |
| Total revenues | 881,260 | 1,189,080 | 223,426 | 2,293,766 |
| Segment profit before zakat, tax and impairment loss | 466,031 | 144,472 | 19,828 | 630,331 |
| Impairment (loss) | (880,203) | - | - | (880,203) |
| Financial charges, net | 244,938 | 164,556 | 132,603 | 542,097 |
| Exchange loss / (gain), net | 2,369 | 424 | (8,150) | (5,357) |
| Depreciation | 114,230 | 8,233 | 52,793 | 175,256 |
| Share in net results of equity accounted investees | 189,619 | 8,734 | 3,306 | 201,659 |
| As of 31 Dec 2019 | | | | |
| Segment total assets | 30,015,658 | 7,230,223 | 475,402 | 37,721,283 |
| Equity accounted investees | 4,723,547 | 53,338 | - | 4,776,885 |
| Additions to property, plant and equipment | 2,009,740 | 36,136 | - | 2,045,876 |
| Segment total liabilities | 21,302,666 | 5,440,213 | 373,027 | 27,115,906 |

*This relates to generation (power and water) segment.

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17 OPERATING SEGMENTS (CONTINUED)

Inter-segment revenues mainly includes revenue on account of operation, maintenance and other technical services. Inter-segment transaction pricing is determined by third party partners on the projects.

The Company is headquartered in the Kingdom of Saudi Arabia. Group's revenue, profit after tax, assets and liabilities contributed by Kingdom of Saudi Arabia and overseas subsidiaries and equity accounted investees including discontinued operation are as follows:

| | Revenue | Profit/ (loss) after tax |
|---|----------------------------|---------------------------------|
| <u>For the six months period ended 30 Jun 2020</u> | | |
| Kingdom of Saudi Arabia | 939,073 | 303,356 |
| Overseas | 1,376,425 | 77,983 |
| | <u>2,315,498</u> | <u>381,339</u> |
| <u>For the six months period ended 30 Jun 2019</u> | | |
| Kingdom of Saudi Arabia | 615,729 | 134,205 |
| Overseas | 1,546,769 | (410,936) |
| | <u>2,162,498</u> | <u>(276,731)</u> |
| | <u>Total assets</u> | <u>Total liabilities</u> |
| <u>As of 30 Jun 2020</u> | | |
| Kingdom of Saudi Arabia | 14,468,499 | 9,440,313 |
| Overseas | 23,463,134 | 19,801,298 |
| | <u>37,931,633</u> | <u>29,241,611</u> |
| <u>As at 31 December 2019</u> | | |
| Kingdom of Saudi Arabia | 14,678,629 | 8,835,437 |
| Overseas | 23,042,654 | 18,280,469 |
| | <u>37,721,283</u> | <u>27,115,906</u> |

18 COMPARATIVE FIGURES

Certain figures for the prior period have been reclassified to conform to the presentation in the current period. Summary of reclassifications within interim condensed consolidated statement of financial position is as follows:

| Particulars | As previously reported | Reclassifications | As reported in these financial statements |
|--|---------------------------|-------------------|--|
| <i>Current assets</i> | | | |
| Accounts receivable, prepayments and other receivables | 3,000,020 | (46,218) | 2,953,802 |
| Due from related parties | 714,192 | 19,964 | 734,156 |
| <i>Non-current liabilities</i> | | | |
| Deferred revenue | 176,045 | (46,218) | 129,827 |
| <i>Current liabilities</i> | | | |
| Due to related parties | - | 19,964 | 19,964 |

19 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements have been approved by the Board of Directors on 10 December 2020, corresponding to 25 Rabi Thani 1442.