
**ACWA Power Financial Results Conference Call for
the year ended December 31 2022****Thursday, 02 March 2023**

Ozgur Serin Good morning and good afternoon, everyone, who is joining us today in the Earnings call. That's the call for the purposes of going through the Financial Results of ACWA Power for the fiscal year ended 31st December, 2022. For those of you who may not know us, bear with me for very quick introductions.

As Sam introduced, I'm Ozgur. I'm the Head of Investor Relations at ACWA Power. To my left is sitting Paddy, Mr Paddy Padmanathan, and who is the President and the CEO of ACWA Power. And to Paddy's left is sitting Mr Abdulhameed Al Muhaidib, and he is the current CFO of ACWA Power.

We have some prepared remarks, as usual, for you, which Paddy and Abdulhameed are going to mostly cover, and then we will open the forum for questions and answers. In the meantime, the presentation we will be sharing with you is already on the website. You might have already seen it. And in addition to that one, we have a very detailed management discussion and analysis which is also available on the website for detailed analysis of financial results. So with that, I am passing the word to Paddy. Paddy?

Paddy Padmanathan Thank you. Good day to all of you, and once again, thank you very much for taking the time to participate in this call. It's my privilege and pleasure to be sharing with you our performance for year 2022. World over, it has been a very tumultuous, very challenging environment, a very difficult year.

At some levels, no different, and we are in the world, interconnected, very much relying on all the supply chains, all the partners right across the world, but very, very, very privileged and blessed to be able to announce that we have been able to deliver a very robust financial result.

I think I'd like to claim all the credit, but in fact, the honest truth is, yes, there's a very large team of people who are responsible for delivering the services that we provide, who develop the services, who then take it through to deliver it and present these financial results.

But underneath it all, it's our very robust develop, invest, operate and optimise business model that we have always talked about that, as you will see as I present these results, has put us in this excellent position. Every metric, operating profit, adjusted net profit, reported net profit, everything is well above our performance of the previous year. So we're very, very happy. Some are excellent performance, earnings per share doubling.

But this is all, as I said, underpinned or fed by a record volume of capacity that we have brought online during the course of 2022, which is starting to kick into supplying earnings, and a record amount of power purchase and water purchase agreements that we have signed, in terms of volume and in terms of capacity, which also has contributed to the developed segment of our value creation. And you've got the numbers in front of you.

What I'd like to point out is that in the 5.4 GW of new PPAs that we have signed, 2.1 or 2.06 is from that PIF pipeline, the framework contract that we have to deliver 75% of the capacity that the Kingdom of Saudi Arabia will be procuring, the renewable energy, between now and 2030, that many of you who follow us are familiar with. So 2.06 MW [ACWA Power: Mr. Padmanathan meant to say "2.06 GW"] is additional in that pipeline that we have signed.

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And in terms of the other thing I want to... I'll touch on it just now, that 5.4 GW represents a 12% capacity addition to our portfolio. Interesting news? The entire amount of that 5.4 GW is in renewable energy. So we have added 12% to our portfolio, all of it in renewable energy.

And the 600,000 cubic metre a day water purchase agreement we signed is adding 10% to our desal capacity. So these are all very large plants. There may be one or two or three, but they tend to be of significant volume, we have achieved three financial closes. That's over SAR 8 billion. And we have also happily brought seven plants into different stages of production, adding 1.8 GW and 1.1 million cubic metres of desal water a day, which is contributing to our revenues.

For me, and I'm sure for the world, one of the most exciting things that everybody is watching is this at-scale green hydrogen plant that we have been developing, which had already gone into construction during the course of 2022. Just in the last few days or I think on 1st March, yesterday, we announced the financial close, we call it dry because, okay, it's all irrevocably signed-off finance documents, we're just completing some CPs or drawdown, of 6.3 billion non-recourse project finance debt into this project.

So this project is actively fully funded now, and as I said, construction is earnestly underway. So we're truly, truly, truly excited about this, more than anything else, because okay, first of all, we have seized the first-mover advantage on what the world recognises as potentially a significant game-changer for decarbonization by 2050, possibly giving as much as 20% of the energy of the world green hydrogen. But also, this allows us in order to now rush forward and replicate this plant with the confidence and the knowledge that we have gained through this first project.

But everybody is focused on the hydrogen piece. But I think we shouldn't forget, behind that, what is fuelling that 600 tonnes per day of carbon-free hydrogen is 4.6 GW of solar and wind energy. So it's the largest, by far, green hydrogen plant being fed by the largest single-site wind farm and the largest single-site photovoltaic farm. Exciting project. Very much looking forward to getting this completed and into production, but also now starting to replicate this elsewhere.

And all of this adds to the decarbonization focus that we have as a company. Well, as I've already pointed out, all the power generation capacity was renewable energy that we added in 2022. And then on top of that, we managed to convert a couple of carbon-emitting assets. The most significant, in my view, is the Hassyan IPP, which was being built as a coal-fired power plant, which we have now worked with the offtaker to convert to a gas-fired power plant, thereby ending up with savings of 30 million tonnes of carbon dioxide by 2030.

And Shuaibah IWP, an independent water and power project in Saudi Arabia, which has been utilising 22 million barrels of heavy fuel oil if we were to carry on operating it beyond 2025, coming to an agreement with the government to shut it down and decommission it by 2025, saving 9.5 million tonnes of carbon dioxide per year, but from 2025 onwards, and replacing that with a desalination plant, a reverse osmosis desalination plant.

All done very much in accordance with the PPA and with a close collaboration with the Kingdom of Saudi Arabia Ministry of Energy, again very much reinforcing the Kingdom's commitment to decarbonising the power generation fleet as fast as possible, shutting down oil output power generation by 2030.

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As I said to you, I think the real value is showing through of the develop, invest, operate and optimise pillars of our business model. So I already have covered the significance of actions in the develop and invest and operate part. And on the optimise part also, we had a very, very satisfactory year.

We were able to raise new debt very competitively. In fact, the pricing was, albeit at the top end, but at the two-digit range, and it was very heavily oversubscribed, just showing the demand that we had and the confidence of the market places in us. We were able to recycle capital by partly divesting some of our assets, and we were also able to refinance, a fairly significant refinancing of RAWEC and Barka, and a restructure and refinance at Shuaibah 3.

And in terms of managing liquidity, having raised money in order to then optimally utilise that money, we have prepaid a convertible loan that we had taken from Silk Road Fund, and we also repaid some of our EBLs and partially paid down ACWA 39 bond. Even though that bond, quite frankly, at that time when we placed it was a very competitive landmark transaction, given the pricing at which we are able to raise debt now and given the size of our portfolio, it made sense for us to start doing that.

Moving on now to the operational side of the business, here, got to be the first to acknowledge that we could have and should have done better. At some levels, we have, but the most challenging for me, and for the people concerned, of course, was the unfortunate losses we had in life. Even though we are struggling to implement and really drive home a zero-harm environment, we did have accidents and we had loss of life during the course of 2022. Tragic.

It focuses our attention on placing high priority on this subject, and our view is that we should be placing higher priority on this subject than on any other subject as we go forward. And from right through 2022, we have already started to take some very specific actions to enhance workplace safety.

We have worked, during the year, 80 million man hours. The company... Look, I don't even really want to even get into this, but I am going to just make the passing comment. We've got a rapidly growing fleet. We've got a rapidly growing construction portfolio. As I said, in 2022, we worked 80 million man hours, but we did lose lives. We did injure people. And that's not acceptable. So I think we need to continue to work hard at that.

And also, on the operating platform, we have had outages. If we look at on the water plants, our availability is very robust, 97%. Love to be even higher than that. We'll continue to strive towards it. But this is okay. This is something that we can live with.

On the power side, it has not been so pretty. Availability as a number is a stark 87%, which is for sure way below standards and way below where we would like to be. Our balanced portfolio and this four-pillar model allows us to continue to deliver, well, the excellent result that we have delivered.

But I think, on a long-term basis, we need to focus very much our attention on the things that we are poor at, where even within this balanced portfolio, within all these wonderful other things that we do, I think we want to strive to be doing everything as best as we can. And definitely, enhancing power availability is something that we will focus at.

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But if you look at it a little bit more deeply, you will find that we actually have a few problem children in our fleet. We have got 38, 42, now I'm going to get into trouble by omitting numbers, operating assets, of which we have got two very difficult children, Noor 3 and Al Mourjan. We're very aware of the issues. We've been working through their issues.

Noor 3 actually is now back online, okay, early days of being back online after a very long outage, so we're still having a bit of teething issues. But okay, hopefully, we are on the right track. Al Mourjan, we know exactly what the issues are, so we're working through that. If we take those two out, then the availability bumps up to around about 90% level. Still not good enough, so we will continue to...

So we've got a very specific reliability of supply programme that we are working through plant by plant, looking at single points of failures, looking at increasing monitoring, increasing automation, trying to do more and more preventative maintenance, and adding a hell of a lot more digital capability to these plants in order to continue to improve their performance. So that's the confession, and we are working on it. But otherwise, we are doing fine.

I want to touch on the green hydrogen project, as I say, because there's an enormous amount of global attention at it. We ourselves, it's a huge project for us one of our largest single investments, and I think it's worth spending a couple of minutes on this. As I said, we've achieved dry financial close on 1st March, US \$5.9 billion of senior limited recourse project finance debt and \$0.5 billion of mezzanine debt.

Bearing in mind that this is the first project of this scale, albeit of fairly well tried and tested, robust technology, having limited recourse project finance and bringing on 26 banks and three financial institutions as our partners in this, I think, is a remarkable feat, and we are very, very, very satisfied with the outcome.

The plant has been developed... We started developing the plant three years ago, so it's a pretty fast development phase, to be quite honest, given that it was not the conventional one, where we respond to an RFP. Here, we created this project, we convinced partners, so three years is pretty rapid. Two years into the development, we were confident enough to go into full construction. So, in fact, the project is well into construction now.

But because of the way in which... And the world during this three-year period completely changed, turned upside down, coming... Well, COVID. Soon after we started developing, COVID crash-landed on earth. And coming out of COVID, then we had... Well, okay, I don't want to go through all the messes, the tragic war and all the rest of it. So we have had inflation impact, no question, and we have also had base rate increments. So project financing costs have gone up. And so, all in all, the project costs have gone up.

But we have been able to maintain the development phase, and we have been able to structure a project that was viable enough for it to be funded on a limited recourse basis, having all these other additional partners, and for us to be satisfied to invest and go forward with. We are truly excited about the opportunity this project has provided us.

Within the project, we can get into any details if anybody is interested in it, there are opportunities for us to continue to improve performance as we bring the project online. The plant capacity is actually higher, for a variety of reasons, than the contracted values, as one example. So there is a lot of opportunity. And I think, exactly like what we have

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done in all our other plants, as we get into operations, we are confident that we'll continue to be able to optimise operations and maintenance.

And we have embarked on the third leg to our business, if you like, renewable energy, desalination, or energy and desalination, and now green hydrogen. So as we develop more plants, we will again be able to take advantage of those new developments, even to filter back into this development.

Quickly, looking forward, before I hand over to Abdulhameed, on 2023. Priority, safety first. We really, really do need to focus on, and we are focusing on creating and maintaining a zero-harm environment. And the second priority, as I said to you, I think we need to be honest and accept the things that we are weak at, continue to do the things we are good at, very good, but at the same time, put the focus on the things that we are not so good at.

Reliability of supply, that generates a steady stream of cash income. That's a long-term, enduring year-by-year cash flow. So we're putting a lot of effort into reliability of supply. And then it's the routine business. We will complete all the projects that we are lining up to financially close, and then, of course, some of the projects that are in construction will come into either initial commercial operation or project commercial operation, the full commercial operation. So we need to remain on track and not allow anything to slip by.

And, well, we are very busy adding new capacity in terms of bids. So just taking the PIF pipeline, and I know, I think that's one of those things that everybody is tracking very carefully, I think in the IPO... Not I think. I know, in the IPO prospectus, we had forecasted that by 2025, we should be contracting 11 GW in that pipeline. Well, I'm happy to say we are ahead of schedule.

We have got 1.5GW Sudair project in construction, as you know. I just now told you that we signed PPAs for 2.1 GW in 2022. Just in the first two months of this year, we have submitted over 4 GW, a couple of projects, of new offers within this pipeline, which obviously we'll be working very hard to convert to PPAs during the course of this year. So that's about 8 GW already of our ambition to be at 11 GW of contracted capacity by 2025. So we are in 2023.

So I'm very confident that, well, first of all, we're clearly on track. We are clearly ahead of track. And all of this gives us confidence, and we will remain focused at decarbonising our portfolio. And we will continue to lead the energy transition on a global basis, particularly as the Kingdom of Saudi Arabia and some of the markets that we work in offers us stunning opportunities. Thank you. Abdulhameed. Sorry for taking longer than I should have.

Abdulhameed Al Muhaidib Thank you very much, Paddy, and salaam alaykum. Good afternoon, everyone. And I would like to pick it up from the great detailed intro that has been presented by our CEO and President, Mr Paddy. What I will do, I will actually take you through the key KPIs from the bird's-eye view, and then we'll go through the details of each, and the main drivers for these changes.

So starting with operating income before impairment and other expenses, we have seen a great growth this year to reach a level of SAR 2.6 billion. We have seen gradual, continuous, consistent growth over the last three years. Similarly, for adjusted net profit attributed to the equity holders of the parent, we have reached SAR 1.5 billion, a great new record also for 2022. This is around a 32% increase from last year.

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Looking at the cash, parent operating cash flow, we had a remarkable year, mainly driven from refinancing specific assets. However, even on that number, there is a significant increase on the POCF. We're going to take you through detail as well in the next few slides. That number for 2022 has been increased by around 160%.

If you look at specifically the drivers for them, we'll go through the details, but now I'll take you through the main business reasons behind these changes. So the first one was highlighted also by Paddy. We actually brought a great number of assets into operation. And these assets have been in different jurisdictions, different technologies, starting with Shuaa Energy 3, which is the phase five of Mohammed Bin Rashid Solar Park. We were able, during 2022, to bring online 300 MW in different timing.

We have also brought fully Al Dur Power and Water in Bahrain. This is around 1,500 MW, together with almost a quarter of a million metre cubed per day of desalination water. Umm Al Quwain, another big water project that we have brought partially online during 2022. So this is around 450,000 metre cubed per day that was brought online.

Finally, there, we have also brought the largest water desalination unit that we have ever built and also the world has witnessed, which is Taweelah IWP in Abu Dhabi. So far, we have brought around 455,000 metre cubed per day online, and the remaining 450,000 metre cubed per day is coming throughout, inshallah, this year. So a great number of assets came online during this 2022. Subsequent to that and post 2022, we have announced also, in January and February, another 300 MW of Noor Energy 1 in Dubai coming online as well.

This is from the operation side. And if you move into the projects that have successfully achieved financial close during the year 2022, we had three. One of them is a very, very interesting project we have touched upon, in terms of Paddy talked about it a bit, is Shuaiba 3 IWP.

So this is actually a legacy project that we had in ACWA Power, which is the first-ever IWPP we built with Shuaiba IWPP, that is now going to be phased out or decommissioned. And in its place, we are building a great IWP, which is a water desalination unit, using part of the power coming from renewables. This is a SAR 2.9 billion investment. It will bring 600,000 metre cubed per day once it's come online.

We have also two other wind projects that we are building further capacities, 1,000 MW in Uzbekistan, Bash and Dzhankeldy. These are two projects we have successfully achieved the financial close during December 2022. The overall total, the three of them, is around SAR 8 billion of financial closes.

Also, subsequent to that, just highlighted by Paddy, we have successfully achieved NEOM Green Hydrogen, which is around \$8.5 billion of total investment. This is a huge asset that now we are closing. We have already closed it, but seek to bring it to the wet financial close, inshallah, in the next two months.

Now, I would like to take you on a deep dive on specific KPIs. So let's start with the net operating income before impairment and other expenses. So this is where we have showed you that it went up 13% on 2022. Looking at the details, so the main drivers for that specific growth, around SAR 438 million is coming from bringing capacity online, which we just highlighted in the previous slide. Also, there has been, together with that, the O&M income for these specific assets that have been coming online.

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The second big factor is also that the development and construction management fees have been increased in 2022 compared to the previous year, along with a specific reduction in the project development cost from the provisioning and write-offs that we had compared to 2021.

We have also recorded around SAR 157 million mainly on recoveries, I would say, recovery either with the insurance or recovering with liquidated damages that has been related to accidents that has been during the year or during the previous years.

This was offset, big time, by SAR 600 million mainly from unexpected outages, which was also highlighted by Paddy, and we mentioned about the reliability of supply targets. So this is mainly from the outages of Morocco and KSA, together with, I will say, having Barka PPA being expired.

We are discussing also with the offtaker for potential opportunities as well for the future. Together with that, there is also a factor of high maintenance cost during some outages which took longer than what was expected. So this brought us to around SAR 2.6 billion of operating income.

Moving to the adjusted net income. So here, we have recorded... If you look at it, we are going to build it up from where we have actually reached our profit. So the profit of the year doubled compared to 2021. And this is what has been highlighted earlier, that we are doing the adjustment from the beginning of our IPO prospectus, and as we are maturing, we are expecting less and less, let's say, difference between the adjusted net income and the net income.

So clearly, this year, we have only adjusted for a very small amount, which is around SAR 35 million, compared to the previous year. We are delivering on that. And we expect, as we also evolve, less and less adjustment to the net profit that will happen.

So looking at the adjustment of this year, it is a very, very small adjustment. One is around SAR 54 million, which is mainly related to impairment on the Barka asset. And also, there is another SAR 14 million that is basically a reversal of an investment we had in Vietnam, where we had built up actually a higher development cost than was actually paid. So that brought us to around SAR 1.5 billion in terms of adjusted net profit, around a 32% increase from last year.

Moving to the consolidated net profit. So this is where we have shown you the doubling compared to 2021 numbers. So if you would like to understand the big difference, which is mainly we have adjusted for last year, you can see that the main one was SAR 280 million, which was the one-time share-based IPO grant that has been in 2021. This was a big impact that has been also adjusted for the past year.

There has been also a higher operating income to report, around SAR 311 million. Around SAR 280 million, it's a net gain on a sale or divestment we have in Sirdarya. So this is something that we used to own 100%, where we have divested around 49% and we are now having 51% in Sirdarya.

Finally, around a SAR 353 million difference is merely because of the higher income earned on... I will say financial optimisation. I will say also related to liquidity management. So we have done a great exercise of ACWA 39 bond divestment, 50% divestment. We have recognised around a SAR 75 million gain on the principal, separate from the

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interest. And also, we have managed to do some, I will say, liquidity management, where we have retired a couple of EBLs. We have also created a higher income from deposits that we had.

That was countered by a few other elements, mainly SAR 175 million related to higher finance charges as we bought Rabigh 3 online. And we have consolidated Rabigh 3, so we have this cost coming to our P&L as well as around SAR 150 million for higher, I will say, Zakat mainly. Sorry, tax mainly. Zakat was around only a SAR 10 million increase. However, the Zakat is because of the deferred tax that we have in Morocco. And then we have also other costs of around SAR 117 million. So that brought us to around SAR 1.5 billion.

Moving to the building blocks of the adjusted net profit, and I don't want to repeat also the details of what we have mentioned earlier, but I think just linking with the story also as produced by Paddy earlier and also our four corner, I will say, values, which is develop pockets of investment, develop, operate, invest and optimise, here again, we are showing the diversity of our cash flow, where we are being able to successfully get income from every single pocket that we have from the four main drivers.

So around SAR 900 million coming from the development and construction management fees. We have showed the details earlier. Income from owning our shares on these specific assets, around SAR 667 million. NOMAC has contributed SAR 500 million. And finally, on the optimisation and divestments and refinancing, we were able to bring in around SAR 680 million. So overall, the breakdown and the different buckets have contributed positively to the adjusted net income of ACWA Power.

Looking into the details of the parent operating cash flow, if you look at comparatively, you will see around a 10% increase on the distribution from the assets. And then if you also add the management fees, it's around, I will say, equal to what has been done in 2021.

However, the big component of change that had happened this year is mainly from the capital recycling. This is around SAR 2.4 billion. Of that total cash flow increase, we have done a couple of refinancings, which was a significant contributor to this capital recycling. RAWEC was the big one that we had done earlier in 2022. Also, we have done some capital reduction, including also some divestments of Shuqaiq and other assets.

So that is the main driver for the big change, and then taking you to a total parent operating cash flow of around SAR 4.1 billion. If you take out the total cash used, you will end up actually the year with around SAR 4.2 billion. It's almost equivalent to the cash position that we had earlier last year.

Also, we have introduced this new slide based on also some investors' feedback. So this is presenting, on a simple way, where did we use the cash during 2022. So around SAR 1.9 billion has gone through investments. So these are investments either in Saudi, UAE, South Africa, Morocco, and including some repositioning of ourselves in some projects, which is mainly the signing of equity bridge loans.

Then we had also around SAR 2.4 billion that has been in debt servicing. And while our debt servicing [unclear] was much less than that, but this is through the, I will say, liquidity management programme that we have launched, which is around SAR 2.4 billion. We have been able to... We have paid back 50% of ACWA 39, and we have prepaid also a Silk

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Road Fund convertible loan fully during 2022, creating a great saving in the principal and in the interest, overall, paid during 2022.

We have also distributed the cash dividends last year, which is around SAR 562 million, together with almost a SAR 200 million positive impact from collection of LNTP payments that has been paid earlier. So net-net, we end up, the use of cash flow is around SAR 4.7 billion.

The final slide I have before we open it up for the Q&A is the leverage. So if you look at our total liability on our balance sheet, it's around SAR 24 billion. If you exclude the non-recourse part of it, which is around SAR 17 billion, you will end up with around SAR 6.6 billion which is on our balance sheet with recourse to ACWA Power. And this is mainly, we have the revolving facility, we have the sukuk and we have the PIF loan. These are the main, I will say, recourse on our balance sheet.

Then you will add also all the off-balance sheet recourse debt to it, which is around SAR 6.5 billion. This is including all our equity bridge loans, the guarantees provided for the equity bridge loans, for the equity standby LCs and other funding guarantees. So you'll end up with around SAR 13 billion of parent leverage.

And then if you discount the cash that we have just presented, which is around SAR 4.2 billion, you will end up on a position of total parent-level net leverage of around SAR 8.8 billion. So calculating the parent net debt over POCF, you will get to a number of 2.12 for the year 2022.

Obviously, this is a number that is very, very healthy. However, we have a guideline over the years that is expected between, let's say, a 5% to 6% multiple, so this is not, let's say, a reflection of where we want to end up. I think, with the upcoming growth momentum with the pipeline that we have, we will be comfortably sitting at around 5X to 6X over the next few years. This is all from my side, and we'll now take you through the Q&A. So thank you very much for your time.

Operator Thank you. If you would like to ask a question, please press the raise hand icon on your screen if you have joined via Zoom, or if you have joined on the phone, please press star followed by one on your telephone keypad now. Alternatively, Zoom users can submit a written question via the Q&A function on Zoom. Our first question comes from Anna Antonova from JP Morgan. Anna, your line is now open. Please go ahead.

Anna Antonova Yes. Good afternoon, gentlemen. Thank you very much for the presentation and the very comprehensive comments that you have provided. Anna Antonova here from JP Morgan.

Paddy Padmanathan Hi.

Anna Antonova I have three questions from our side. I would like to ask them just one by one if I may. So first, a rather technical question, but still. Your parent operating cash flow was supported by SAR 2.4 billion of capital gains last year. Can you please comment on what can we reasonably expect to see this year? To put it another way, is there a way you think you can further optimise your portfolio? Or the asset perimeter looks satisfactory post all the recent deals that you made? So that's my first question.

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Abdulhameed Al Muhaidib Hi, Anna, and good to hear from you. So if you'd like to ask three questions today, go ahead and ask.

Paddy Padmanathan Do you want to answer the first one?

Abdulhameed Al Muhaidib So definitely, we have marked this as a one-off capital recycling. However, we are always opening our eyes for opportunities for divestment, capital recycling, refinancing opportunities that would be offered to us. We are actually looking at various options and opportunities during the year of 2023.

I definitely see what we have achieved in 2022 is remarkable, and it is not a reference for us, going forward. However, we will be growing. If you take the capital recycling out, I believe we are confident that we can grow from the level of 2022 as we are continuously going up. So definitely, part of our model is optimisation.

Paddy Padmanathan Yes.

Abdulhameed Al Muhaidib And we will continue to optimise. We will never say no to any optimisation opportunity. There is a tremendous opportunity that we are looking at. So we'll see where we end up at the end.

Anna Antonova That's all clear. Thank you so much. My second question is maybe a bit more technical in nature, but still, if I could pick your brain on the parent leverage. So I know MD&A report that you have restated the parent leverage lower, by roughly SAR 2 billion, which looks like that you now do not include off-balance sheet guarantees of ACWA to the subsidiaries and associates. May I ask, why have you changed your previously more prudent approach to leverage calculation to the one that you are presenting now?

Abdulhameed Al Muhaidib No, thank you, Anna. We did not change anything in terms of our structure. So to re-emphasise what we are doing, if you look at our balance sheet, we presented around SAR 24 billion of total balance sheet exposure. So any exposure that is related to project finance, non-recourse, it gets consolidated to our assets, just for the simple reason because we have or we own more than 50% of the company. This is not a recourse debt to us. So it was never in our calculation in the last decade that it has been part of our leverage ratio. So it always out.

However, we are also fairly adding back any recourse debt, even if it's not off-balance sheet. So for example, any liquid... Let's say any standby LC related to, let's say, a financial obligation in ACWA Power, whether it is an equity bridge loan or it is a standby LC or even for our funding, we add it back. And this is where we have added back SAR 6.5 billion. With that, we calculate the leverage ratio. It was always the same. We never changed it since the last decade as far as I recall.

Anna Antonova Understood. Thank you. And my final question is on the NEOM project, which is very big and very exciting. As you correctly mention, it's your single largest investment project. However, it's not the typical project for ACWA Power. So my question is, can you please shed some light on the expected project economics and the base-case returns and perhaps elaborate more on how you plan to increase those over and above those that you currently budget? That would be very helpful. Thank you.

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Paddy Padmanathan Yes, okay. Look, first of all, just a point of record. It is not our biggest. Jazan is bigger. But, okay, that's neither here nor there. But it is very large compared to many of the others that we've got. However, as the energy transition takes hold, I'm very confident that energy projects will all move towards these kind of sizes. Otherwise, we're never going to spend the \$3 trillion that we're going to have to spend as a world to transition. But anyway, that's philosophical.

Coming back to your specific question, look, I'm not going to get into specific numbers on any project by project. That's not what we have done, and I don't think that's what we should be starting to do. But what I should do is immediately point out to you that this is not any different, so let me be very clear about it, to what we are doing with all the other projects. So it is being funded with a significant amount, 75%, of limited recourse project finance. We have an offtake. So we have a creditworthy, long-term offtake.

So it's exactly like. It's structured. It is executed. We are executing, we are implementing very large, complex projects and getting them built on time, and then going forward and operating them. So the only difference, a big part of this project is the power generation side, and then there is a conversion of that power generation to molecules. And then we are shipping molecules as opposed to electrons. That's the only difference.

And we have got a very strong, capable partner who has a track record, not in bio-generation, that's what we bring, but in molecule management, molecule generation and molecule management, who also is the offtaker, Air Products. So it's very much business as usual for us, except it is exciting, the first of its kind in the world, and this sets the world on the path towards a solution for about 20% of the energy needs of the world by 2050.

Anna Antonova Thank you. And going back to your slide six of the presentation, so maybe if you could comment more on the last bullet about the opportunities for higher base case returns. So higher...

Paddy Padmanathan Sure.

Anna Antonova Ammonia output, for example. Do you expect there could be some capacity added in terms of production, after it is constructed or at some earlier stages?

Paddy Padmanathan Yes.

Anna Antonova Just could you shed some light on this?

Paddy Padmanathan Yes. So let me first... Okay. So we are trying our level best to not overcount the eggs. So that comment relates to the fact that we are actually building a plant that will deliver, that has the capacity to deliver more than 1.15 million tonnes per year of liquid ammonia. So that's a fact. That's what we are building. And so therefore...

But our contracted capacity is 1.15, so we have built ourselves quite a bit of safety margins and operating gaps which we are very confident that we will be able to utilise. And I think, I don't know, we will all have a different view perhaps, but my view, by 2026, the world will take any molecule that we deliver, any last molecule that is available to deliver.

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So we are looking forward to being able to operate the plant efficiently and generate more molecules than we have contracted, which in turn will then go to the market, and generate. So that's one opportunity we have ahead of us.

And a second opportunity we have ahead of us is... Again, we are not counting it into the base case, but it is there. We have a very long lease on the land, well beyond the PPA. Sorry, the offtake agreement. And the fact of the matter is, the plant is not going to vanish or evaporate once we finish the contract. So there will be opportunity for us to continue to keep operating that plant, albeit with certain modernisations, certain refurbishment at that time. But we have not factored that in at this point. That's a bonus for the future.

But more immediate, our expectation is that as we start operating this plant, we should be able to continuously improve performance, our own performance in operation and maintenance of the plant, the efficiency gains that we will be able to achieve. Definitely not in the first few years, as we bed the plant, but certainly after a few years, particularly as we expect, by then, to have other plants of exactly the same configuration.

We've already publicly announced, for example, that we are developing the same block in Oman, and we are looking at the same block in other places. So we should be able to then leverage on that multi-site operations as we get into the details of operation. So all of these will be nice add-ons.

But we have not convinced ourselves on this investment on the basis of all these nice add-ons. It's just that we're very mindful of it. We want to put pressure on ourselves by telling all of you, so that you can come back and pressurise us, to say, hey, what are you doing in 2028 or 2029? No, but seriously, these are real value propositions, and we want to be out there, putting it on the table.

Abdulhameed Al Muhaidib Thank you, Paddy. Anna, I would like also to add one specific point related to, I think, the second question you asked. So while the definition was kept the same, during 2021, also we had a specific, I will say, performance obligation that is related to NOMAC and also other subsidiaries, which is non-financial, it's non-financing obligations that was already put in formula, which was actually eliminated.

And this is something very reasonably in line with what the definition is, because for us, anything that is non-financial should not be part of the leverage ratio. And also, we have been looking at this obligation for the last ten years, and the likelihood of any of them happening is almost nil, based on which it actually was excluded from the calculation. However, the definition by itself was always looking at it from a financial point of view, so this is what we have done. You are absolutely right. Hopefully, this has also answered your question.

Anna Antonova Yes, that's very helpful. Thank you. And just to be perfectly clear, so if I heard you correctly, you said you are building the plant... Going back to NEOM project, that you're building the plant for 1.5 million tonnes of liquid ammonia capacity.

Paddy Padmanathan No.

Anna Antonova With a contracted 1.15, which means 0.3 million tonnes is the merchant exposure, or is that incorrect?

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Paddy Padmanathan No. Sorry, no. I'm not quite sure where, somewhere along the way, we lost it. 1.5, no. There is no 1.5. The contracted capacity is 1.15 million tonnes per annum. We are building a plant that will deliver more than 1.15. We are not at this point declaring how much more, but definitely, there is more that is worth considering.

We have not factored that in, as into our investment case or the base case, but we recognise that we can achieve more, and for sure, we will achieve more. And we will then approach the market at that time with that additional capacity as it comes online as to how we contract that, whether we take it through into a spot market, depending on how the market has evolved by then.

My personal view, this is my personal view, but even by then, I think the world will still be procuring hydrogen on a capacity basis, so on a long-term offtake basis. So once you become confident and comfortable, particularly during the first year of operations or the first 18 months of operation, we should then be able to get into discussions about how to contract that additional extra capacity that we have. So that's very much a bonus. It's cherry on the cake.

Anna Antonova All clear. Thank you so much. No more questions from our side.

Paddy Padmanathan Thank you.

Operator And our next question comes from the telephone lines, and comes from the line of Oliver Connor from Citigroup. Oliver, your line is now open. Please go ahead.

Oliver Connor Hi, all. Thank you for the presentation, and congratulations on the strong set of results, despite obviously operational challenges that you described in the year. Two questions, if I can, the first one on that operational side of the business. I know, Ozgur, you mentioned around trying to improve the availability up to 90%-plus. If you can get back to your targeted levels, higher than that.

But how should we think about this year in terms of overall revenue growth in JV income? Because clearly, you've got plants ramping up from the end of last year, but do you see that reversal in availability coming through this year to give you that boost? Or are we still going to be slightly negative on that from where we are this year?

And then the second question just on NEOM. I know you can't speak specifically in terms of returns number, but how do you think about the returns of that asset now versus in 2020? Because I understand it, from Air Products, is that the ammonia price hasn't changed, but clearly, the investment has changed significantly since 2020, and the financing costs. So how have the returns on that project shifted, in your mind, since inception?

And then if I can, just a follow-up on that. Obviously, the announcement on the Shareek investment coming through from the Saudi government, that's clearly going to have a role here. And so just wondering how that dynamic feeds into your returns analysis. Thank you.

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Paddy Padmanathan Yes, okay. So let me start off, and then if you want to add anything, on the first question. On the first question, look, let me be very straight about it. We are operating... Okay. The renewables actually, by and large, are some of the most straightforward stuff.

But we still have a gas plant and we have got a couple of residual oil-fired power plants. These are plants that operate at crazy speeds, operate at amazing pressures, put together by a bunch of people. I'm always fascinated as to why we think they should work, but they do, fortunately for us, but then they do fail. So I'm not going to sit here and say it's going to be perfect, we have overcome all our challenges.

What I can tell you is that the significant challenges that we have been plagued with over the last few years, as we have brought more of those kind of plants online, we are working through them. And the very targeted exercise that we have been undertaking, we see already the benefit of that with the outage pattern, unplanned outages.

So I'm confident that bar any surprises, and I'm not going to sit here and predict any surprises, on the operating fleet, our performance... And this is going to be my worst nightmare now, but I'm going to say it. But I really, really am expecting our operating fleet to be performing better than it did in 2022.

As I say, definitely, Noor 3 contributed significantly to the deficit in 2022. It's back online. Mourjan, we are sorting out the issues. Okay, I dare say, with the number of assets we have got, some of the surprise would pop up. But at the same time, I think we are getting better at surprise management, so I'm confident. Is there anything you want to add to that.

Abdulhameed Al Muhaidib Yes, I would like to add one point, thank you, Paddy, is number to number, the comparison also includes some recoveries, so we have already done...

Paddy Padmanathan Yes.

Abdulhameed Al Muhaidib Some recoveries from the insurance companies and we had some recoveries from the EPC contractor. So while the outages that have been described by Paddy are significant, but with that recovery, you have seen that the difference is only 87 million from last year. So...

Paddy Padmanathan Yes.

Abdulhameed Al Muhaidib Operating wise, it could be better. Financially, we have recovered some part of the loss. And this is actually part of our business model, where we are fully protected, well, to some extent.

Paddy Padmanathan Or substantially protected.

Abdulhameed Al Muhaidib Substantially protected with the insurance coverage, with some related LCs and the standby LCs, from the EPC contractor related to delays or during the warranty period any outages. So that is also an important point to factor here.

Paddy Padmanathan Thank you.

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Abdulhameed Al Muhaidib Yes.**Paddy Padmanathan** It's a good point. So that's that. Moving on to the second question, on NEOM, look, the way you presented it, let me just stick to that for a minute. So capital cost has gone up from the time we started developing the project. The selling price of ammonia, as declared by Air Products, has remained the same. Okay, simple mathematics. Of course, we're not going to make as much profit as we thought we would.

But the bottom line is, when we started to develop the project, we had budget estimates and we might have extra-celebrated the wonderful returns. And as we then absorbed all the challenges... And by the way, that additional... The increasing cost is not entirely on a... Overall, yes, there has been increasing cost, but there has been performance increments as well embedded within it.

And as I said to you, we are ending up building a plant that is sized to deliver more than the contracted volume. Just for rigour, we have done the financial close entirely, which is recourse financing, our base case, on the basis of that contracted capacity. And we have kept that as the cherry on the cake.

But the capital cost is embedded. So overall, again, I'm not going to get into the details, not going to get into the details of any project on a project-by-project basis, but at the same time, we are comfortable with the investment case. My board investment committee was comfortable, and we have invested on that basis.

In the case of Shareek's contribution, first and foremost, everybody is jumping into the Shareek contribution as a financial investment or a financial contribution. Actually, I want to point out that, okay, it's early days, I think, for all of you to understand what Shareek is, we have worked with Shareek on this with part of the first wave of projects, and so we have seen it in action.

Shareek is very much, as I see it now at an operational level, a one-stop shop that helps us with regulatory support. Look, we are operating in many, many countries. What I can tell you is that in the Kingdom of Saudi Arabia, all the government agencies, particularly today, are extremely welcoming. They just want to solve problems and allow you to get on with the project.

So we do get a good reception, but it's very good to have a powerful agency like Shareek standing alongside us as we then get into regulatory issues and to find solutions. So they bring a lot of value beyond the co-financing that they provide. But definitely, the co-financing they provide, the value of it is not just necessarily in reducing overall financing cost. It's much more, it is, in terms of giving more confidence to the limited-recourse debt financing provider.

So I have no doubt, okay, I'm not sitting there, doing RAROC calculations for the banks, but I have no doubt that the pricing that the banks have given us will be different with Shareek than without Shareek, for example. It's always good to have. We know that from all the project financing that we do, to have sovereign lenders and multilateral financing agencies. They definitely bring overall cost down, regardless of what their cost of capital or what they are offering into the project.

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So all in all, this is all part of that has allowed us to become comfortable, well, first of all, allowed the limited-recourse project financier to participate in the project, 75% of the money is coming from them, and then for us, 25% equity providers, to invest in that project. And I am definitely not answering your question on dissecting into the numbers. Sorry. So please don't... Forgive me for not delving into the detail.

Oliver Connor No, thank you. That's very helpful. Thank you for that.

Operator There are now, currently, no further questions registered. But as a reminder, if you would like to ask a question and have joined us on Zoom, please use the raise hand icon found on your bottom toolbar. Alternatively, submit a written question using the Q&A function. And if you have joined us on the phone, please press star followed by one on your telephone keypad now. Our next question comes from Govinder Kumar from HSBC. Govinder, your line is now open. Please go ahead.

Govinder Kumar Yes, hi. Thanks for the presentation. My question is about your estimate or your guidance on capital expenditure in 2023. And also, if you could give some guidance on investments in equity associates in 2023.

Abdulhameed Al Muhaidib Yes.

Paddy Padmanathan Good question for you.

Abdulhameed Al Muhaidib Yes. Thank you very much. So I think what we have demonstrated in the upcoming pipeline is actually a rich and busy pipeline. Actually, 2023 is a busy year that started from an early time. So not only with NEOM, but we have a very, very strong upcoming pipeline of projects to be closed. So Paddy already highlighted our investment in NEOM, our investment also in the upcoming 4-plus GW in the PIF framework.

We are also bidding into a couple of projects. So I can highlight a few. So today, for example, in Dubai, we are bidding for the upcoming water desal, Hassyan IWP, and also, we are bidding for phase six, I would say, in Dubai. One key project in Abu Dhabi also is in the pipeline, a few other wind projects also in Uzbekistan.

Paddy Padmanathan Uzbekistan, yes.

Abdulhameed Al Muhaidib There is a target...

Paddy Padmanathan Lots.

Abdulhameed Al Muhaidib To close also one new project in a new territory, Azerbaijan. It has been in the pipeline for a while, but we are targeting also this year to achieve something there. New countries, we are looking at it also from a green hydrogen perspective. So these will take a bit longer time compared to the PV and wind project that we are looking at. There are four CCGT projects in Saudi, Qassim and Taiba, that also we are bidding for them.

Overall, we are expecting to invest higher than what we have invested in the past, or in 2022. In fact, our target is to invest more, depending on, of course, our winning ratio, depending on how successfully we close a couple of these

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projects of PIF framework agreement into our financial close. And with that, we are expecting to be higher. Of course, we don't usually give a guideline of a number, specific number that we want to achieve by 2023, but inshallah, our objective and target is to go more.

Govinder Kumar Okay, thank you. Thanks for this. One more question, if I may. This is about the amount of electricity that you generate. Pardon me if I have missed it somewhere, but do you report that or could you just provide that information, amount of electricity generated? I know you disclose availability.

Abdulhameed Al Muhaidib Yes, so it's 44.4 GW.

Paddy Padmanathan Our contracted capacity today stands at 44 GW of contracted capacity.

Abdulhameed Al Muhaidib And this is where Paddy has mentioned, during 2022, we have increased it with this 12%, which is up 5.4 GW. So with the 5.4 GW, we have reached 44.4 GW, which is a 12% growth on the power capacity contracts.

Paddy Padmanathan Contracted capacity.

Govinder Kumar All right. Thank you.

Abdulhameed Al Muhaidib Just to put that into perspective, this is a capacity equivalent to UAE capacity [unclear]. I believe UAE is at 43 GW.

Paddy Padmanathan Yes, the country of UAE.

Abdulhameed Al Muhaidib About that, yes.

Govinder Kumar And is...

Paddy Padmanathan [Overtalking]. Sorry, Govinder.

Govinder Kumar Sorry. So is it a good assumption that you produce all that you contract?

Paddy Padmanathan Yes.

Govinder Kumar Okay.

Abdulhameed Al Muhaidib Yes.

Paddy Padmanathan Yes, because we all on PPA capacity contracts.

Abdulhameed Al Muhaidib Yes. So, of course, some of these are actually during, I would say, a phase between award and the financial close, some of them from financial close until construction, also a couple at COD or commercial operation date, and some of them are already operating.

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Ozgur Serin Now, if you're asking specifically the electricity that we are dispatching, in a few weeks' time, we will announce the numbers in our annual report. So if that was your question.

Paddy Padmanathan Yes, if your question was terawatt hours and megawatt hours...

Ozgur Serin Yes.

Paddy Padmanathan Yes, that'll come through...

Govinder Kumar Yes, exactly.

Paddy Padmanathan Oh, my apologies then. That'll come through in the annual report.

Abdulhameed Al Muhaidib It will come in the annual report as part of the sustainability insert.

Govinder Kumar All right. Thank you.

Abdulhameed Al Muhaidib Thank you.

Operator And just one final reminder today. If you would like to ask a question and have joined on Zoom, please use the raise hand feature or submit a written question in the Q&A function. If you have joined us on the phone, please press star followed by one now. And there are no further questions, so I'll hand back to the management team for any closing remarks.

Paddy Padmanathan Well, thank you very much for your time. I'm glad you have been able to share that time with us. Look, I'm sure Ozgur is now going to tell you that he's available day and night. I'll leave him to do that. But in the meantime, I will thank you for the opportunity for us to be able to share our 2022 with you and our brief look into what is exciting and what we look forward to into 2023. Thank you very much, on my part. Ozgur?

Ozgur Serin Thank you, Paddy, and thank you, Abdulhameed, and thank you, everyone, most importantly, for joining us today. As usual, if you have any questions, you know how you will reach us, and I don't need to repeat that, even any time of the week or time of the day. Anyway, thank you so much, and have a wonderful day or evening where you are. Thank you.

Abdulhameed Al Muhaidib Thank you.