International Company for Water and Power Projects (ACWA Power)

2021 Third Quarter Interim Report

For the three-month and nine-month periods ended September 30, 2021

CEO's Statement

It is a privilege to address you following a truly landmark IPO process and successful listing on 11 October 2021 on Tadawul, the Saudi stock exchange, valuing ACWA Power at SAR 40.9 (USD 10.9) billion at the time of the IPO. We offered 81.2 million shares to the public representing 11.1% of the company, which was oversubscribed by an overall factor of 250 times (including 20 times by the Saudi retail investors), and subsequently raised SAR 4.5 (USD 1.2) billion in capital. As of the date of this report, the total number of outstanding shares of the Company stood at 731,099,729 with 15 percent in free float.

This level of success is humbling but not surprising for us. We have been constantly demonstrating our capacity and capability to deliver breakthrough results across geographies and technologies both in power generation and water desalination since ACWA Power was founded 17 years ago. For the best part of the last decade, we stayed at the forefront of the energy transition by repetitively delivering competitive renewable energy tariffs in multiple countries. We are now a proud Saudi flagbearer; both in the country's ambitious journey towards a cleaner future by not only being entrusted to lead the development of 70 percent of the kingdom's renewables target but also being a partner in the world's largest green hydrogen production facility and a giga-city that is entirely carbon-free in NEOM, and in other countries' efforts in improving their energy mix in favor of cleaner renewable energy-sourced power and water plants.

The trust of all our shareholders, old and new, in our ability to be a force for greater good for people and the planet is our greatest motivation and inspiration. We all understand the responsibility to live up to this trust and what all this now means for us; that is, to not only continue to fulfil our mission to deliver electricity and desalinated water reliably, responsibly and profitably at low cost to several hundreds of millions of people we are serving, but also to nurture the monetary investment that over 1.3 million people have entrusted in us. This in turn, will require us, even more than before, to demonstrate scrupulous integrity, maintain high levels of transparency, and embrace accountability to consistently deliver excellence. Rest assured, though, that none of these callings need to interfere or compromise our DNA revolving around ingenuity, entrepreneurship, passion, and commitment to make a world of difference, as indeed all these attributes are elements of our core values of safety, people, and performance.

Paddy Padmanathan
President and CEO

Business and operational highlights

As of 30 September 2021, the Group's portfolio comprised 65 power and/or desalinated water projects in 13 countries with a total estimated project cost of SAR 251.8 ($67.1) billion. Of these projects:

- 39 were in operation representing a total estimated project cost of SAR 100.3 ($26.7) billion;

- 13 were under construction representing a total estimated incurred and future project cost of SAR 59.1 ($15.7) billion; and

- 13 were in a state of advanced development (either where the Group has been awarded a preferred bidder status, has signed the long-term Offtake Agreement, or for some negotiated deals has committed significant financial resources, and is working on achieving financial close) representing a total estimated incurred and future project cost of SAR 92.4 ($24.6) billion.

As of the same date, the Group's portfolio of projects in operation, under construction or in advanced development represented approximately 42.7 GW of gross electricity generation and 6.4 million m3 per day of desalinated water production capacity.

Key developments in the Group's portfolio within the third quarter ended 30 September 2021 were:

- 1,500 MW Sudair PV IPP in KSA achieved financial close on 29 July 2021 and moved to projects under construction from in advanced development. The Sudair project, located at Sudair Industrial City in Saudi Arabia, is the Group's first project under PIF's renewable energy programme and will contribute to its commitment to deploy 70 percent of the renewable energy capacity as part of Saudi Arabia's Vision 2030 plan. The SAR 3.56 billion (USD 905m) project is one of the largest single-contracted PV plants globally and the largest in Saudi Arabia. It will use bi-facial modules with tracking technology and is expected to generate enough power to supply 185,000 homes.

- DEWA V—the fifth phase of the 5,000 MW Mohammed bin Rashid Al Maktoum solar project in Dubai, United Arab Emirates—Phase A achieved ICOD in record time of less than twelve months (300 MW capacity online out of 900 MW total capacity) as of 24 July 2021.

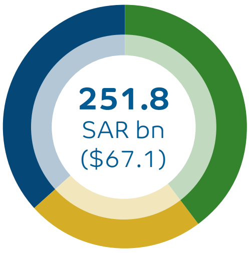
- On 27 September 2021; Jazan Integrated Gasification and Power Company (JIGPC), a joint venture consisting of Saudi Aramco Power Company (SAPCO), Air Products, ACWA Power and Air Products Qudra, signed the asset acquisition and project financing agreements of the USD 12 billion Jazan Integrated Gasification Combined-Cycle (IGCC) power plant, an Air Separation Unit and certain ancillary assets from Aramco, located in Jazan Economic City. Jazan IGCC will supply power, steam, hydrogen, and other utilities for Aramco's Jazan refinery, under a 25-year contract with Aramco. With ACWA Power holding a 25%[1] equity stake in the project, Jazan IGCC is the largest agreement of its kind in ACWA Power's history and is expected to be a significant contributor in the Group's financial results as soon as 2022 conditional upon completion of asset transfers as per schedule.

- ACWA Power entered into an agreement for the sale of its 32 percent effective shareholding in Shuqaiq Water and Electricity Company ("Shuqaiq IWPP"), an oil-fired asset located in the Kingdom of Saudi Arabia, with 850 MW power and 212,000 m3/day water desalination capacity. The buyer is based in Saudi Arabia and the agreement includes the sale of 32 percent interest in the O&M contract of NOMAC, First National Operations and Maintenance Company, which is ACWA Power's wholly owned subsidiary. The sale is part of ACWA Power's capital recycling strategy as well as its target of gradually reducing its greenhouse gas (GHG) emission intensity and ultimately achieving net zero-emissions by 2050G.

- Egypt 1,100 MW Wind IPP was added on projects in advanced development, following the Council of Ministers of the Government of Egypt's approval for signing a PPA.

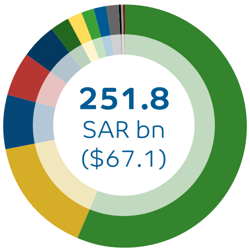
[1] ACWA Power has an effective interest of 21.25% in the returns of JIGPC.

Portfolio Highlights as of September 30, 2021



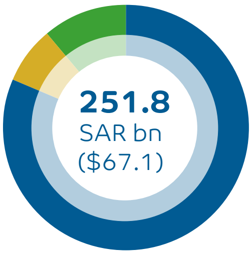
Operating mix by project cost

Operating	39.9%
Under construction	23.4%
Advanced development	36.7%



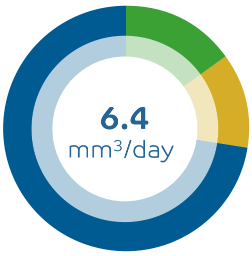
Project split by geography by project cost

Saudi Arabia	58.3%	Egypt	2.2%	Turkey	1.4%
UAE	15.1%	South Africa	2.0%	Azerbaijan	0.4%
Uzbekistan	6.8%	Bahrain	1.6%	Ethiopia	0.3%
Oman	5.5%	Jordan	1.6%	Vietnam	0.1%
Morocco	4.7%				



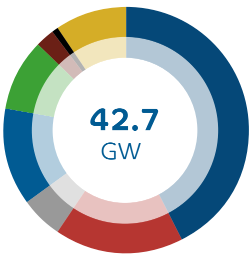
Average age of protfolio (based on year of PCOD)

0-5 years	81.5%
6-10 years	7.5%
> 10 years	11.0%



Water split by technology (based on year of PCOD)

MSF	15.2%
MED	12.5%
SWRO	72.3%



Power split by technology (gross capacity) - Detailed

Natural gas	42.7%	CSP parabolic	2.4%
Oil	17.0%	CSP tower	0.8%
Coal	5.6%	Green Hydrogen	
PV	12.8%	(includes solar and wind)	9.4%
Wind	9.3%		

Summary financial performance

	Third quarter					Nine months				
	SAR		USD[1]			SAR		USD[1]		
Consolidated, in SAR millions	2021	2020	2021	2020	change	2021	2020	2021	2020	change
Operating income before impairment and other expenses	573	790	153	211	-27.5%	1,660	1,659	443	442	0.1%
Net profit/(loss) attributable to equity holders of the parent	(27)	524	(7)	140	-105.1%	420	850	112	227	-50.6%
Comparable adjusted net profit attributable to equity holders of the parent[2]	340	548	91	146	-38.0%	974	929	260	248	4.8%

Key factors affecting the financial results of the third quarter of 2021 in comparison to the same period in 2020

- In line with related disclosures on the IPO prospectus, an incentive plan comprising shares and cash benefits for eligible employees payable upon a successful IPO was granted and vested on 28 September 2021. Accordingly, the Company recognized a total expense of SAR 280.0 million (SAR 231.7 corresponding to 4,137,552 shares at IPO price of SAR 56 per share and SAR 48.3 million on account of equity-settled and cash-settled share-based payments, respectively).

- Effective from 1 January 2021, ACWA Power decided to restrict the useful lives of two oil-fired assets in its portfolio to the terms of their remaining PPAs and started to use accelerated depreciation. The impact of this in the third quarter was SAR 49.6 million.

- In relation to the sale of its shareholding in the Shuqaiq IWPP (“SQWEC”) as mentioned above and pursuant to the consideration agreed in the corresponding sale and purchase agreement, ACWA Power management estimated that the carrying value of the assets exceed the recoverable amount by SAR 28.5 million and booked an impairment loss of the same amount through share in net results of equity accounted investees.

[1] Supplementary information converted at a fixed rate of U.S. Dollar 1.00=SAR 3.75.
[2] Non-IFRS KPI: refer to MD&A below.

Management discussion and analysis of the key financial indicators

ACWA Power's management uses several key performance metrics internally to review the Group's financial performance (KfPIs). The KfPIs that pertain to the financial results are analyzed below.

Operating income before impairment loss and other expenses ("Operating Income")

Operating income for nine months ended 30 September 2021 ("current period") was SAR 1,660 million and flat versus the same period in 2020 ("previous period") as a result of higher operating income from O&M business on account of full year of operation of some projects (such as Al Dur) and start of operation for new projects (such as Hassyan) and development and construction management fees following the financial close of projects (such as Sudair, Sirdarya and Redstone), which was offset by recognition of employee long-term incentive plan (LTIP) expense and lower share in net results of equity accounted investees, net of tax mainly because of accelerated depreciation on two oil fired assets (RABEC and SQWEC) together with an impairment charge on SQWEC which was negated by reversal of impairment at SWEC.

Adjusted net profit attributable to equity holders of the parent ("Adjusted Net Profit")

ACWA Power considers certain transactions as non-recurring transactions, which are defined as those that are unusual and/or are not expected to repeat in the future in the ordinary course of business and adjusts the value of these transactions in the respective year of their realizations to arrive at the KfPI of adjusted net profit or loss.

Below table lists the reconciling adjustments from the consolidated net profit for the current period and the previous period.

Reconciliation to Adjusted net profit	Nine months				
	SAR		USD[1]		
SAR in millions	2021	2020	2021	2020	Change
Net profit attributable to equity holders of the parent	**420**	**850**	**112**	**227**	**-50.6%**
Impairments in relation to subsidiaries and equity accounted investees	58	-			
Provision for zakat and tax or prior year assessments	11	52			
Corporate social responsibility contribution	-	39			
Provision for long term incentive plan	29	(22)			
IPO incentive plan grants expense	280	-			
Other adjustments	5	10			
Total adjustments	**383**	**79**			
Adjusted net profit attributable to equity holders of the parent	**803**	**929**			
Recurring transactions that did not occur before 2021 - for comparison purpose to 2020					
Accelerated depreciation	149	-			
Discounting impact on loan from shareholder subsidiary	22	-			
Comparable adjusted net profit attributable to equity holders of the parent	**974**	**929**	**260**	**248**	**4.8%**

Adjusted Net Profit for the current period was SAR 803 million. Key adjustments to the consolidated net profit attributable to equity holders of the company (SAR 420 million, 51% lower than previous period, as a result of flat Operating Income that was further decreased by higher finance cost and higher tax expense mainly because of the recognition of deferred tax asset in the previous period for Moroccan assets on unused tax losses) were the IPO incentive plan expense (SAR 280 million); and impairments in relation to subsidiaries (Barka, SAR 60 million, contract expiry in 2021) and equity accounted investees (Shuqaiq, SAR 29 million, impairment loss on lower recoverable value and Shuaibah, SAR -30 million, reversal of previous period impairment charge).

[1] Supplementary information converted at a fixed rate of U.S. Dollar 1.00=SAR 3.75.

Two transactions affecting the current period but not the previous period, namely the accelerated depreciation and the discounting impact on loan from shareholder subsidiary, are not considered as adjustments in arriving at the adjusted net profit for the period as they are recurring in nature. For comparability purposes, Comparable Adjusted Net Profit takes into account the impact of these two transactions on the current period. Accordingly, Comparable Adjusted Net Profit was SAR 974 million for the current period and 4.8% ahead of previous period's SAR 929 million.

Management's guideline estimate for full fiscal year 2021

The management re-affirms its earlier guideline estimate for full year 2021 Adjusted Net Profit to be in line with the Adjusted Net Profit of 2020.