

CFO'S MESSAGE

Abdulhameed Al Muhaidib

Chief Financial Officer of ACWA Power

ACWA Power's successful financial results in 2023 once again demonstrated the resilience of our business model supported by a healthy balance sheet. This is a testament to our commitment to deliver sustainable stakeholder value growth.

A year marked by exceptional growth for ACWA Power

ACWA Power recorded significant year-on-year growth in 2023. With the addition to our portfolio of 16 assets, representing 11 GW of power and 1.4 million m³/day of water, we committed SAR 5.8 billion of equity during the year. Not only was this 30% higher vs. 2022, but also exceeded the IPO guidance on our average annual equity commitment to back our accelerated growth ambitions. Going forward towards our 2030 ambitions, we now expect our equity commitment to reach around SAR 9 billion on average every year between 2024 to 2030.

The year also had a record 12 financial closes, led by ACWA Power, for a total of SAR 59 billion. This involved structuring some of the most complex yet unique multi-tranche mega financing packages from a diversified pool of local and international banks, including Development Financial Institutions and

Export Credit Agencies. The largest transaction was the SAR 31.9 billion landmark Neom Green Hydrogen Project's financial closing, which involved 23 regional and international banks and investment firms; it was certified by S&P Global (as the second party opinion provider) as adhering to green loan principles and is one of the largest non-recourse project financings structured under the green loan framework.

With a proven in-house team of experts and the strong relations we have established over the years with a wide range of financing partners across the globe, we are well positioned to structure funding for our future growth projects.

We enhanced our operational and under-construction portfolio by reaching key project milestones, including bringing 5 GW of new power and 1 million m³/day of new water desalination capacity online, which significantly contributed to our operating income growth. In the meantime, we have been addressing the legacy issues in the projects affected by the pandemic and geopolitical challenges, which are expected to reach full closure within the next 12 months.

All these positive contributions from business development and our operating portfolio were partially offset by higher corporate general and administration expenses and lower performance liquidated damages and insurance recoveries during 2023. Accordingly, our operating income increased by 14% and reached SAR 2,984 million.

Supported by this strong operating income but partially offset by lower capital recycling gains and higher net financial expenses, our net profit grew by 8% and reached a record SAR 1,662 million. This robust earnings growth is a testament to the dedication of our team and the effectiveness of our strategic direction and portfolio diversification and underscores our commitment to deliver stakeholder value.

Our Parent Operating Cash Flow (POCF) was SAR 2.5 billion, and although 41% lower than 2022 (mainly due to the high level of refinancing proceeds from RAWEC and divestment proceeds from SQWEC in 2022), we have seen higher inflows from our development and operating activities compared to 2022. Parent Net Leverage stood at SAR 13.5 billion as of 31 December 2023, and was 53% higher than 2022, driven mainly by the issuance of the second and the last tranche of our SAR 5 billion Sukuk programme which raised SAR 1.8 billion at a record low double digit pricing, additional debt borrowed at project level with recourse to the Company in the Kingdom, The Republic of Uzbekistan, Azerbaijan and UAE, and other off-balance sheet equity bridge loan commitments, which were partially offset by a higher year-end parent level cash balance.

¹ Operating income before impairment loss and other expenses.
² Net profit/(loss) attributable to equity holders of the Parent.

This resulted in a Parent Net Leverage to POCF ratio of 5.5 times. Although higher than 2022, this is still within the Company's long-term guideline ratio of between five and six times.

Our cash dividend distribution to our shareholders amounted to SAR 1.2 billion for the years 2021 and 2022, reflecting successively increasing amounts in line with our IPO guidance. Now that we have rolled out our ambitious new growth strategy to triple our portfolio size and assets under management by 2030, the management chose to optimise our cash utilisation without deteriorating the total distribution value to its shareholders for 2023, and, accordingly, the Company's Board resolved to recommend to the General Assembly a hybrid cash and non-cash bonus share distribution for 2023. The cash dividend distribution of SR 0.45 per share and the bonus share distribution of one share for every 500 shares owned by the shareholders at the record date via capital increase have both been approved by the shareholders at the Extraordinary General Assembly Meeting held on 29 April 2024.

The Group's only listed bond – the Irish Stock Exchange-listed ACWA39 bonds – has been reinstated its investment grade rating by the Moody's, following a very successful early and partial buy-back, at the end of 2022, at an approximate amount of USD 400 million. This bond maintains two investment grade ratings currently. In tandem with our increased equity commitments as part of our new growth pipeline, we raised more than SAR 8.3 billion of equity bridge loans with another SAR 2.3 billion in related non-funded facilities.

In December 2023, we conducted our first capital markets day at one of our landmark projects in the UAE. Our sell-side coverage increased with the addition of Morgan Stanley in late December 2023 and Al Rajhi subsequently in January.

During the year the Company proudly celebrated several prestigious awards, including the Local Currency Bond Deal of the Year and EuroMoney Islamic Finance deal of the year for our Sukuk transaction and the ARC Foundation Gold Award for our 2022 Integrated Annual Report. These accolades, among others, are a testament to our team's outstanding performance and our pursuit of excellence in all that we do.

As we start executing our new growth strategy, we remain committed to maintaining the financial strength and health of the Company while funding our expansion efforts in a prudent and optimal manner.

Abdulhameed Al Muhaidib
Chief Financial Officer