

H1 2023 Earnings Release

August 2023



Saudi Electricity Company ('SEC')

Reports H1 2023 Revenue of SAR 33.1 billion



Revenues

+0.5%

SAR 33.1 billion



Net profit

(35.9)%

SAR 4.5 billion



Total assets

+3.0%

SAR 493.9 billion



Total equity (compared to 2022YE)

(0.9)%

SAR 254.8 billion



Transmission network

93.2 C.KM



Number of subscribers

+2.6%

11.0 million



Fibre optic network

86,382 C.KM

Comparisons reflect year-on-year changes

Riyadh, 8 August 2023 – Saudi Electricity Company ("SEC"), the national vertically integrated utility company in the Kingdom of Saudi Arabia, announces its consolidated financial results for the six months ended 30 June 2023.

During the first half of 2023, SEC's customer base grew 2.6 % Y-o-Y reaching in excess of 11 million subscribers. SEC met that growing demand by increasing its energy production by 1.8% in H1 2023 to 89,885 GWh. Revenues for H1 2023 increased 0.5% Y-o-Y to 33.1 billion.

Commenting on the results, Engineer Khaled bin Hamad Al-Gnoon,
President & CEO of SEC said:



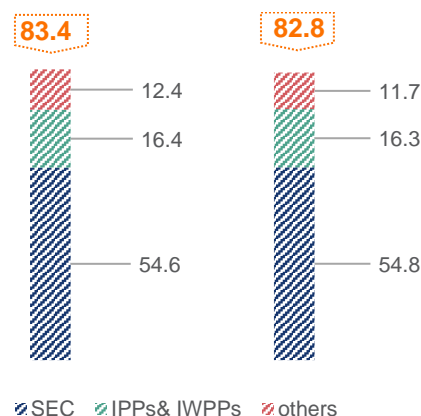
Commenting on the results, Engineer Khaled bin Hamad Al-Gnoon, President & CEO of SEC said:

"Our progress in implementing strategic initiatives and investments ensures security of supply and reliability, safety and operational excellence, and leading customer experiences. We achieved a 19% increase in distribution automation and improved thermal efficiency to 40.1% in H1. During Hajj season, we provided highly reliable electricity service for pilgrims, satisfying historic loads with top global safety standards. Demand for electricity service continues to grow in line with our vibrant economy under Saudi Arabia 2030's vision. We invested over SAR 15.4 billion in updating and expanding services. Financially, despite increased financing costs, our performance remained strong with growing revenues and a subscriber base of over 11 million. This wouldn't be possible without significant government support and guidance from top leadership."



GENERATION HIGHLIGHTS

In GW	Q2 2023	Q2 2022	%
SEC	54,809	54,559	0.5%
IPPs & IWPPs	16,257	16,440	(1.1)%
Others	11,729	12,356	(5.1)%
Total	82,795	83,354	(0.7)%



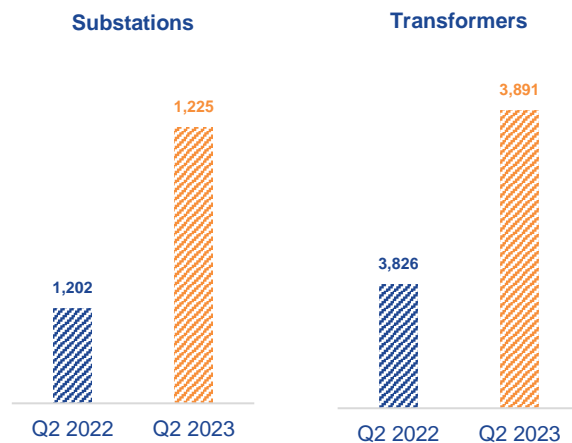
KSA's Power generation capacity (connected to the grid)
-0.7% YoY in H1 2023 to 82,795 GW (H1 2022: 83,354 GW)

Power generation capacity directly owned and operated by SEC
+0.5% YoY in H1 2023 to 54,809 GW (H1 2022: 54,559 GW) on increased demand



TRANSMISSION HIGHLIGHTS

	Q2 2023	Q2 2022	%
Network length C-Km	93,198	92,545	+0.7%
Substations	1,225	1,202	1.9%
No. of Transformers	3,891	3,826	1.7%
Transformers Capacities (M.V.A)	477,044	468,287	1.9%



Transmission network
93,198 C-Km (Q2 2022: 92,545 C-Km).

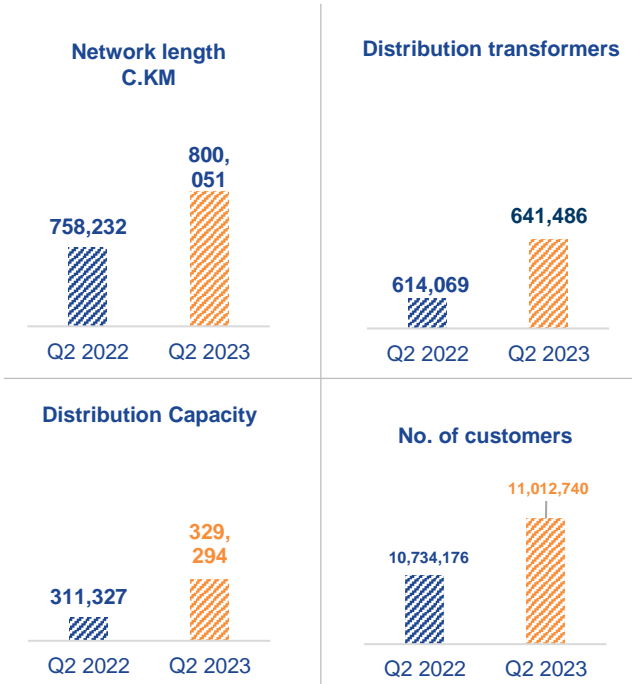
Transforming substations increased to
1,225 +1.9% when compared to same period last year.

Number of transformers substations increased by
1.7% to 3,891 transformers from 3,826 in Q2 2022.



DISTRIBUTION & CUSTOMER SERVICE HIGHLIGHTS

	Q2 2023	Q2 2022	%
# of Customers (in million)	11.0	10.7	2.6%
Network length (C.KM)	800,051	758,232	5.5%
Transformers (in thousands)	641	614	4.5%
Capacity (Thousand MVA)	329,294	311,327	5.8%



The number of SEC's subscribers increased by **2.6% YoY in H1 2023 to 11.0 million (H1 2022: 10.7 million)**

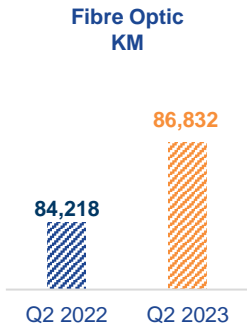
SEC's distribution network increased by **5.5% YoY in H1 2023 to 800,051 C.KM (H1 2022: 758,232 C.KM)**

The number of SEC's distribution transformers up by **4.5% YoY in H1 2023 to reach 641,485 (H1 2022: 614,069)**



FIBRE OPTIC HIGHLIGHTS

	Q2 2023	Q2 2022	%
Network length (000KM)	84,218	86,382	3.1%
Network availability	99.99%	99.99%	-



The fibre optic network increased by **3.1% YoY in Q2 2023 to reach 86,382 km (Q2 2022: 84,218 km)**

Network availability was maintained **at ~99.99%**





FINANCIAL HIGHLIGHTS

Income Statement						
Figures in SAR million	H1 2023	H1 2022	%	Q2 2023	Q2 2022	%
Revenues	33,097	32,933	0.5%	19,718	19,402	1.6%
Gross Profit	7,815	9,183	(14.9)%	6,055	6,545	(7.5)%
Gross Margin %	23.6%	27.9%	(4.3)pp	30.7%	33.7%	(3.0)pp
Operating Profit	7,558	8,070	(6.3)%	5,834	5,861	(0.5)%
Operating Margin %	22.8%	24.5%	(1.7)pp	29.6%	30.2%	(0.6)pp
EBITDA ⁽²⁾	17,157	17,710	(3.1)%	10,767	10,893	(1.2)%
EBITDA Margin %	51.8%	53.8%	(1.9)pp	54.6%	56.1%	(1.5)pp
Net profit	4,497	7,020	(35.9)%	4,017	5,502	(27.0)%
Net Margin %	13.6%	21.3%	(7.7)pp	20.4%	28.4%	(8.0)%
Adjusted Net Profit ⁽³⁾	697	3,220	(78.3)%	2,107	3,592	(41.3)%
Basic & Diluted Earnings per Share (SAR) ⁽⁴⁾	0.17	0.77	(78.3)%	0.51	0.86	(40.7)%
Earnings per share without deducting dividends for the Mudaraba instrument	1.08	1.68	(35.9)%	0.96	1.32	(27.0)%

(1) pp: percentage points

(2) EBITDA = net profit/loss + depreciation + net interest expense + zakat + net amortization

(3) Reflecting Net profit attributable to common shares after deducting the Mudaraba instrument's profit

(4) Reflecting Net profit attributable to common shares after deducting the Mudaraba instrument profit and including loss from discontinued operations

Revenue grew **1.6% YoY in Q2 2023 to 19,718 MSAR (0.5% YoY in H1 2023 to 33,097 MSAR)**, mainly driven by increase in revenue from transmission system usage, higher electricity connection tariff and meter reading, maintenance and bills preparation tariff. The increase is primarily driven by the continued increase in the subscribers' base.

Electricity Sales in H1 2023 declined **by 1.7% YoY to 28,140 MSAR**, mainly due to a marginal decrease in quantity sold by **0.2% to 137.6 Twh** and change in sales mix. Decline in government & industrial category consumption is partially offset by an increase in commercial & Agriculture. Decline in industrial category consumption is mainly due to the implementation of the intensive consumption tariff that has been issued as per the Council of Ministers resolution, effective from 01/01/2023.

Cost of revenues increased **6.3% YoY in Q2 2023 to 13,663 MSAR (6.5% YoY in H1 2023 to 25,282 MSAR)**. The increase is reflecting higher overall costs of Purchased Power and Fuel combined which reached 5,343 MSAR in Q2 2023 from 4,971 MSAR in Q2 2022 (8,804 MSAR in H1 2023 compared to 8,384 MSAR in H1 2022), in addition to increased Operations & Maintenance costs (up 8.7% YoY in Q2 2023 and 15.3% in H1 2023) and higher depreciation. Overall, the higher O&M costs are primarily driven by operating asset base growth and SEC's intensive operation and maintenance operations in preparation for the summer season.

Other Income and Expenses Net increased **100.5% YoY in Q2 2023 to 148 MSAR (108.3% YoY in H1 2023 to 468 MSAR)**, mainly due to increase in profits from the sale of surplus inventory, govt. grant, fuel pipeline lease income, and others.

Net finance costs were up by **178.1% YoY in Q2 2023 to 1,748 MSAR (132.8% YoY in H1 2023 to 2,985 MSAR)**, on rising interest rates in addition to the increase in financing costs attributable to additional funding obtained during the current year to finance the company's capital projects.

Net profit decreased 27.0% YoY in Q2 2023 to 4,017 MSAR (down 35.9% YoY to 4,497 in H1 2023). The main reasons for the decrease in profits are 1) higher finance costs, 2) higher operating costs, and 3) Absence of income from discontinued operations. These were partially offset by higher operating revenues and other Income, lower provisions for receivables and general and administrative expenses



BALANCE SHEET

Figures in SAR billion	30 Jun 2023	31 Dec 2022	%
Total assets	493.9	479.5	3.0%
Total liabilities	239.2	222.4	7.5%
Total equity	254.8	257.1	(0.9)%
Cash & cash equivalents	5.8	3.2	83.0%

SEC's asset base increased **3.0% to 493.9 BSAR** compared to 497.5 BSAR at year-end 2022. That is a reflection of an increase in Property, Plant & Equipment as SEC continues to invest in its fleet and the grid infrastructure.

An amount of **12.9 BSAR (December 31, 2022: 32 BSAR)** was transferred from projects under construction to property, plant and equipment. Project under construction as of June 30, 2023 is 45.7 BSAR (December 31, 2022: 43.3 BSAR)

Trade receivables increased by **7.6% in H1 2023 to 26.8 BSAR**, on higher receivables from commercial, residential, and industrial customers as well as governmental institutions.

Cash and cash equivalents increased from 3.2 BSAR at 2022 year-end to **5.8 BSAR at the end of H1 2023**, due to new loans and Sukuk issuance.



CASH FLOW STATEMENT

Figures in SAR million	H1 2023	H1 2022	%
Net cash flow from operating activities	14,521	21,217	(31.5)%
Net cash used in investing activities	(15,242)	(13,209)	15.4%
Net cash used in financing activities	3,347	(11,417)	-

Cash flow from operating activities decreased **31.5% to 14.5 BSAR in H1 2023 compared to 21.2 BSAR** in H1 2022. The variation is due to a lower H1 2023 net profit and higher advances.

Net cash used in investing activities grew **15.4% to 15.2 BSAR in H1 2023** (H1 2022 13.2 BSAR). SEC continued to invest in its infrastructure.

Net cash generated from financing activities in H1 2023 was **3.3 BSAR**. During the period, SEC raised net proceeds from loans of 8.1 BSAR and net proceeds from Sukuk of SAR 3.8 billion.

This left SEC with an end of period gross cash position of **5.8 BSAR (H1 2022: 2.8 BSAR)**.



ADDITIONAL BUSINESS HIGHLIGHTS

1. In April of 2023, the company issued an international green Sukuk amounting to SR 7.5 billion (US\$ 2 billion). The issuance consists of two types of Sukuk certificates. The first one with value of SR 4.5 billion (US\$ 1.2 billion) maturing after 10 years tenure with a fixed rate 4.63% and the second one with a value SR 3 billion (US\$ 800 million) maturing after 30 years tenure with fixed rate 5.68%.
2. In April of 2023, SEC announced the redemption of the full value of the second tranche of its International Islamic Sukuk (the Sukuk) issued on April 8, 2013, amounting to US\$ 1 billion. The Sukuk has been de-listed from the London Stock Exchange.

BUSINESS OUTLOOK



1. The company expects capital expenditure of between 30 and 35 billion Saudi riyals in 2023 to support its growing fleet, with number of customers forecasted to reach 11.3 million by the end of the year.
2. SEC is Enabling and aligning to KSA's target energy mix for electricity generation of 50% renewables and 50% gas thermal by 2030. Accordingly, SEC will increase integrated renewable capacity to the grid.
3. SEC will continue to bolster its extra high voltage lines and transformers capacities as well as develop energy transfers and interconnection projects within the MENA region
4. Following the successful roll-out of 10+ million smart meters across the Kingdom, the company is ramping-up the installation of automation equipment in distribution network. The automation will:
 1. Reduce interruptions through self-healing equipment
 2. Facilitate faster power restoration through remote control from our Control Centers.
 3. Minimize commercial energy losses "power not-sold"
 4. Reduce carbon-footprint of our fleet as engineers will not have to travel to the location to restore power.



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ABOUT SAUDI ELECTRICITY COMPANY

Saudi Electricity Company (SEC) is a joint stock company founded in the kingdom of Saudi Arabia according to the Royal Decree #M/16 dated 6/9/1420(H) and in accordance with the Minister of Commerce resolution No. 2047 dated 30/12/1420(H).

SEC is a vertically integrated utility company involved in the generation, transmission and distribution of electricity to over 11.0 million customers in Saudi Arabia. Saudi Arabia is one of the top 20 economies globally whose demand for electricity is driven by favorable demographic makeup and an increasingly diversified and growing economy.

SEC is one of the largest utilities in the MENA region with a market capitalization of **SAR 110.4 billion (31 March 2023: US \$29.4billion)** and is one of the largest companies listed on the Saudi Stock Exchange (Tadawul) by market Cap.

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