

# FY 2022 Earnings Release

MARCH 2023

# Saudi Electricity Company ('SEC')

## Achieves Full Year 2022 - Net Income of SAR 15.1 billion



Revenues up by  
4.0% to  
SAR 72.1 billion



Transmission network increased by  
1.7% to 93.0 C.KM



Net income up by  
5.2% to SAR 15.1 billion



Number of subscribers up by  
3.9% to 10.9 million



Total assets up  
1.0% to  
SAR 479.5 billion



Fibre optic network increased by  
2.0% to reach 84,716 C.KM



Total equity up (compared to 2021YE)  
2.2% to  
SAR 257.1 billion

Comparisons reflect year-on-year changes

**Riyadh, 15 March 2023** – Saudi Electricity Company ("SEC"), the national vertically integrated utility company in the Kingdom of Saudi Arabia, announces its consolidated annual financial results for the year ended 31 December 2022.

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



"We are pleased with our financial performance for the year as we made robust investments to meet the growing demand for electricity, while continuously working to improve the quality of services provided to customers and enhance the efficiency and reliability of the electricity sector. We are proud to have grown our customer base to 10.9 million and improved our customer satisfaction rate to 75% this year.

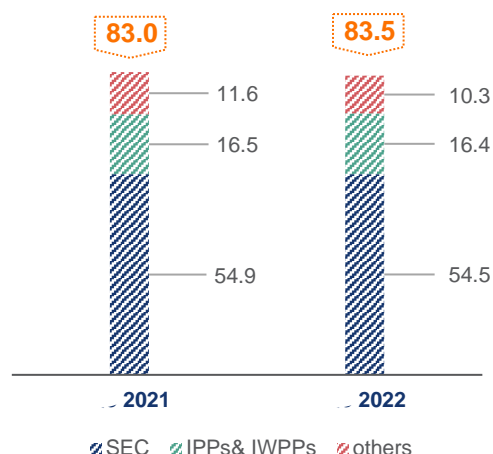
I am proud to report that SEC has made significant progress on its strategic objectives in 2022 which are directly aligned with the achievement of the Ministry of Energy's electricity sector objectives as well as the Kingdom's Vision 2030. Our work to reduce carbon emissions and enable a targeted energy mix of 50% of electricity from renewable energy sources and 50% from natural gas by 2030 is core to our strategy.

As we look ahead, we are focused on investing in our business to achieve our ambitions of facilitating production, while improving our network through increased digitalization and automation. SEC is in constant pursuit of excellence, and we extend our gratitude to the Kingdom's visionary leadership and HRH Prince Abdulaziz bin Salman Al Saud, Minister of Energy of the Kingdom of Saudi Arabia, for supporting SEC in its continuous growth."



## GENERATION HIGHLIGHTS

	FY 2022	FY 2021	%
<b>SEC</b>	54,533	54,871	-0.6%
<b>IPPs &amp; IWPPs</b>	16,459	16,539	-0.5%
<b>Others</b>	12,547	11,626	7.2%
<b>Total</b>	83,539	83,036	0.6%



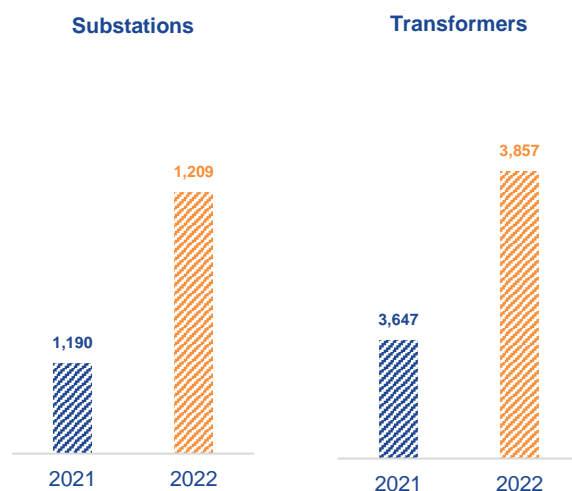
KSA's Power generation capacity (connected to the grid) up  
0.6% YoY in FY 2022 to 83,539 GW (FY 2021: 83,036 GW)

Energy produced by SEC increased by  
2.6% YoY in FY 2022 to 191,940 GW (FY 2021: 186,985 GW) on increase demand



## TRANSMISSION HIGHLIGHTS

	FY 2022	FY 2021	%
<b>Network length</b>	93.0	91.4	1.7%
<b>Substations</b>	1,209	1,190	1.5%
<b>No. of Transformers</b>	3,857	3,647	5.8%
<b>Transformers Capacities (M.V.A)</b>	474.3	461.5	2.8%



Transmission network up  
1.7% to 93.0 c.km (FY 2021: 91.4 c.km).

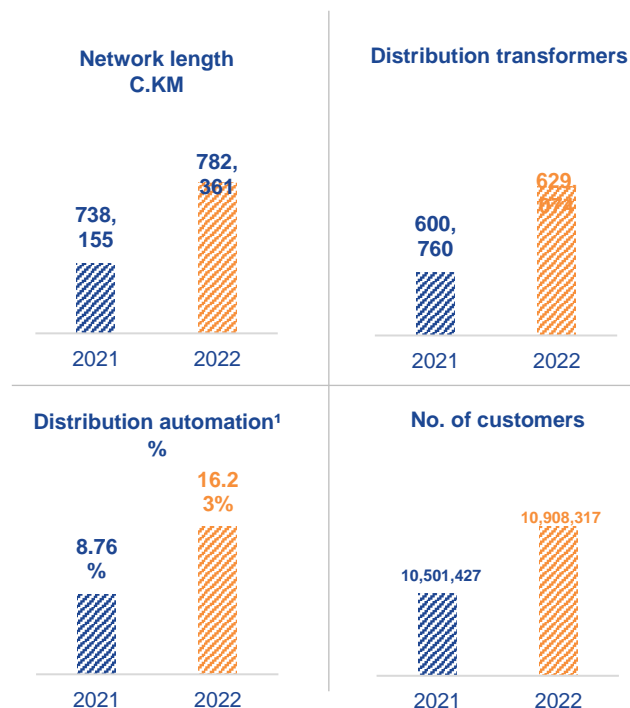
Transforming substations increased to  
1,209 by 1.5% when compared to same period last year.

Number of transformers substations increased by  
5.8% to 3,857 transformers from 3,647 last year.



## DISTRIBUTION & CUSTOMER SERVICE HIGHLIGHTS

	FY 2022	FY 2021	%
No. Customers (in million)	10.9	10.5	3.9%
Network length (C.KM)	782.3	738.1	6.0%
Transformers (in thousands)	629	600.7	4.7%
Capacity (Thousand MVA)	320.6	303	6.0%
Automation	16.2%	8.7%	85.3%



The number of SEC's subscribers increased by **3.9% YoY in FY 2022 to 10.9 million (FY 2021: 10.5 million)**

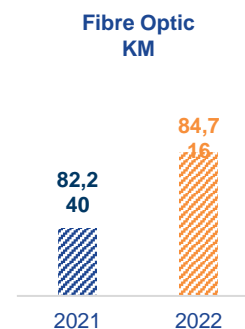
SEC's distribution network increased by **6.0% YoY in FY 2022 to 782,361 C.KM (FY 2021: 738,155 C.KM)**

The number of SEC's distribution transformers up by **4.7% YoY in FY 2022 to reach 629,074 (FY 2021: 600,760)**



## FIBRE OPTIC HIGHLIGHTS

	FY 2022	FY 2021	%
Network length (000KM)	84,716	82,240	2.0%
FTTH connections	670k	648k	7.4%
Network availability	99.99%	99.99%	-



The fibre optic network increased by **2.0% YoY in FY 2022 to reach 84,716 KM (FY 2021: 82,240 KM)**

SEC completed more than 52 thousand FTTH activations during 2022  
**total number of households with FTTH connection is up 7.4% to 700 thousand connections**

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



## FINANCIAL HIGHLIGHTS

Income Statement			
Figures in SAR million	12M 2022	12M 2021	%
Revenues	72,079	69,338	4.0%
Gross Profit	19,760	20,542	(3.8)%
Gross Profit Margin %	27.4%	29.6%	(2.2)pp
Operating Profit	17,986	17,561	2.4%
Operating Profit Margin %	25.0%	25.3%	(0.3)pp
EBITDA <sup>(2)</sup>	37,444	37,095	0.9%
EBITDA Margin %	52.0%	53.5%	(1.6)pp
Net Income	15,135	14,391	5.2%
Net Income Margin %	21.0%	20.8%	0.2pp
Adjusted Net Income <sup>(3)</sup>	7,474	6,729	11.1%
Adjusted Net Income Margin %	10.4%	9.7%	0.7pp
Basic & Diluted Earnings per Share (SAR) <sup>(4)</sup>	1.79	1.62	10.5%

(1) pp: percentage points

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

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

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

Revenue grew **4.0% YoY in 2022 to 72,079 MSAR (2021: 69,338 MSAR)**, mainly driven by the growth in demand for electric power, the increase in balancing account amounts recognized during the current year and higher fiber optic rental revenue from Dawiyat company.

Electricity sales were up by **2.2% YoY in 2022 to 62,334 MSAR (2021: 60,989 MSAR)**. This was mainly due to an increase in consumption from the commercial and Industrial segments, whilst Residential slightly declined.

Cost of revenues increased by **7.2% YoY in 2022 to 52,320 MSAR (2021: 48,796 MSAR)** mainly due to higher Purchased Power costs. Operations & Maintenance costs were also up which is mainly driven by input driven costs including labour, material and contracts costs. Gross Margin was down by **2.2pp to 27.4% (2021: 29.6%)**, mainly due to higher purchased power costs as well as operation and maintenance costs.

General & Administrative Expenses were up by **81.9% YoY** when compared to 2021, mainly due to increase in contract cost, direct material cost, productivity program and employee benefits.

Finance costs were up by **4.8% for the reported period when compared to 2021**, largely due to lower capitalization of interest cost and higher interest expenses.

There was a **5.2% increase in Net Income YoY to 15,135 MSAR (2021: 14,391 MSAR)**. The main reasons for the increase in profits are 1) higher operating revenue mainly driven by the growth in demand for electric power and the increase in the balancing account amounts compared to the prior year, 2) higher other income mainly due to recorded non-recurring items, and 3) higher income from equity accounted investees mainly due to the change in classification of SEC's interest in IPPs, from being accounted as joint operations to joint ventures.

EBITDA for the period increased by **0.9% YoY in 2022 to 37,444 MSAR (2021: 37,095)**, with EBITDA margin slightly down by **1.6pp to 52.0% in 2022 (2021: 53.5%)**





## BALANCE SHEET

Figures in SAR billion	31 Dec 2022	31 Dec 2021	%
Total assets	479.5	474.9	1.0%
Total liabilities	222.4	223.3	(0.4)%
Total equity	257.1	251.6	2.2%
Cash & cash equivalents	3.2	6.2	(49.3)%

During the reported period, SEC's asset base increased **1.0% to SAR 479.5 billion (2021: SAR 474.9 billion), mainly driven by 214% increase** in equity-accounted investees due to the impact of SPPC carve out and change of IPPs accounting treatment from proportionate consolidation to equity accounting as joint ventures.

Trade receivables increased by **19.8% during FY 2022 to reach SAR 24.9 billion**, driven by higher government and inclusion of SPPC receivables related to Energy Conversion Agreements.

Reflecting positive adjusted net income, total equity grew **2.2% to SAR 257.3 billion (2021: SAR 251.6 billion)**.



## CASH FLOW STATEMENT

Figures in SAR million	31 Dec 2022	31 Dec 2021	%
Net cash flow from operating activities	42,435	46,283	(8.3)%
Net cash used in investing activities	(30,012)	(26,059)	(15.2)%
Net cash used in financing activities	(15,503)	(18,519)	(16.3)%

Cash flow from operating activities down by **8.3% to SAR 42.4 billion in 2022 compared to SAR 46.3 billion** in 2021, decrease is mainly due to changes in working capital mainly driven by higher receivables.

Net cash used in investing activities was **15.2% higher at SAR 30 billion in 2022 compared to SAR 26 billion** for the same period last year.

Net cash used in financing activities was down by **16.3% to SAR 15.5 billion in 2022 compared to SAR 18.5 billion in 2021**.

This left SEC with an end of period gross cash position of SAR **3.16 billion (2021: SAR 6.2 billion)**.



## ADDITIONAL BUSINESS HIGHLIGHTS

The company has been successfully executing the Sale and Purchase Agreement (announced on 29 June 2022), for the transfer of ownership of SEC's entire equity in Saudi Power Procurement Company ("SPPC"), to KSA Government.

The statement of cash flows has been affected by the impact of the most important non-cash transactions that resulted from the derecognition of the proportional consolidation of the independent power producers as follows:

<i>Figures in SAR million</i>	<i>31 December 2022</i>
<i>Property, plant and equipment, net</i>	9,941
<i>Other assets</i>	1,337
<i>Equity accounted investees</i>	(2,858)
<i>Loans and facilities</i>	(7,556)
<i>Other liabilities</i>	(863)

1. During the period, the Company signed SAR 3.568 billion financing facilities (A US\$567 million ECA facility and US\$3.0 billion international syndicated facility) to finance the Company's long-term growth and Saudi Arabia – Egypt electricity interconnection project.
2. On 05 April 2022, the Company announced the redemption of 100% of the total issuance of the second tranche value of international Islamic Sukuks denominated in US dollars, issued on 03 April 2012 at a value of US\$ 1.25 billion listed on the London Stock Exchange, and the de-registration and listing of these Sukuks from the London Stock Exchange.
3. On 25 April 2022, the Company announced its decision to redeem all local Islamic Sukuks due on 10 May 2022 with a 100% redemption of the total issuance, listed on the Saudi Exchange (Tadawul) and issued on 10 May 2010 at a value of SAR 5.7 billion.

## BUSINESS OUTLOOK



1. 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.
2. 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
3. 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.



## 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 10.8 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 93.4 billion (31 December 2022: US \$24.9billion)** and is one of the largest companies listed on the Saudi Stock Exchange (Tadawul) by market Cap.

## INVESTOR RELATIONS CONTACTS

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### SEC IR APP

