



FY 2021 Earnings Conference Call

Results Presentation

March 21st, 2022

03:30 pm (Saudi)

04:30 pm (Dubai)

12:30 pm (London)

08:30 am (New York)

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Agenda

1. **Highlights**
2. Financial performance
3. Fleet overview
4. Q&A

FY2021 Key takeaways : Demand growth bounce, subscriber base growth accelerates, historic milestones in SMP and on-track timely implementation of reforms



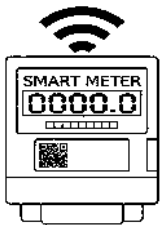
Robust operational performance

- With **428.9K new subscriber** (2020: 385K) joining during 2021, SEC is serving a record 10.5m subscribers.
- **5.5% YoY growth** in electric power volume (292.7 TWh vs 277.4 TWh in 2020) is reflecting recovery from Covid-19 pandemic impact in 2020, improved metering efficiency and continued growth in subscribers' base.
- **Continued fleet growth** with 2.97 GW new capacity addition to SEC's generation capacity in 2021, transmission, fiber optic and distribution networks lines grew YoY by 2.7%, 8.3% and 3.4% to 91.4K C.KM, 82.6K KM and 738.2K C.KM respectively. SEC has **reliably met all time high recorded peak load** of 64.2 GW during 2021 summer.



On track implementation of transformative regulatory reforms

- In 2021, inline with the regulatory and financial **reforms** approved for the electricity sector in November 2020 :
- During 2021, SEC implemented the government **fees cancellation** and **RAB based required revenue**.
- late Nov 2021, a **Cabinet resolution** has been issued for SEC to take all the necessary legal procedures to transfer the ownership of SEC's entire equity in Saudi Power Procurement Company ("SPPC") to KSA Government.
- The timely implementation of the sector reforms **positively impacts SEC's credit rating**, which is on Par with the Kingdom's Sovereign credit rating

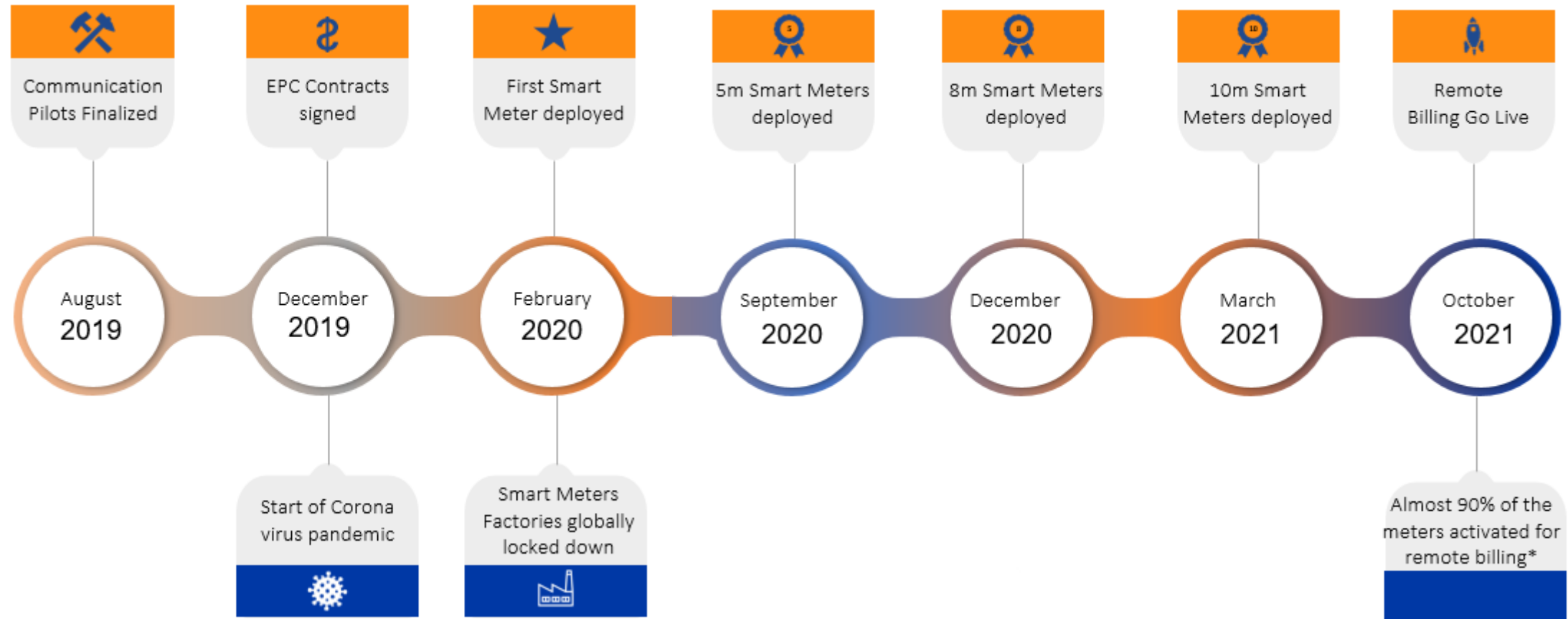


Progressing grid smartification, digitalization and automation

- **Successfully completed Smart Metering Project**, a key major national project enabling SEC strategic aims towards digital transformation, billing enablement, better customer service, and improving service reliability and energy efficiency while contributing to **sustainable economic and environmental** development.
- Major strides in creating an **information** infrastructure, using business intelligence, **integrating** the grid **smart components** and boasting energy and cost **efficiencies**



Smart metering project was unique successful journey: key milestones achieved and successfully mitigated challenges



FY2021 financial highlights (1/2)

Income statement

- Revenue growth reflecting power service demand growth which is partly offset by lower mounts recognized from the balancing account
- implementing the regulatory and financial reforms significantly improves SEC FY2021 profitability compared to previous year.

Revenue (BSAR)

69.3 ▲ +0.9%
Year-on-Year

Net income (BSAR)

14.4 ▲ +375.6%
Year-on-Year

Adjusted Net Income¹ (BSAR)

6.7 ▲ +220.7%
Year-on-Year

Balance sheet

- Lower total assets reflects net settlement of government receivables & payables pertaining to 2020.
- Classification of the perpetual Mudarabah instrument under equity reflects positively on equity base and lower net debt levels

Total assets (BSAR)

474.9 ▼ (2.2) %
Year-on-Year

Total Equity³ (BSAR)

251.6 ▲ +1.5%
Year-on-Year

Net Debt² (BSAR)

102.6 ▼ (6.0)%
Year-on-Year

CapEx, PP&E & dividends

- Lower CapEx year reflecting lower spending on generation and higher recognition of CapEx accruals in 2020
- Steady growth on PP&E assets reflects transfer of 38.1 BSR worth of projects to operating asset during 2021.

CapEx (BSAR)

21.7 ▼ -33.8%
Year-on-Year

PP&E, Net (BSAR)

438.9 ▲ +0.4%
Year-on-Year

2021 Dividend Recommendation

0.7 SAR / share

Financial highlights (2/2)

Key credit metrics

- Reformed capital structure improves SEC's credit ratios
- Implemented reforms reflects positively on SEC's credit ratios and credit ratings

Net debt/Equity (%)

41% ▼ (7.4%)
Year-on-Year

FFO/Net debt(%)

32% ▲ +72.4%
Year-on-Year

Net debt/EBITDA

2.77 ▼ (36.1%)
Year-on-Year

Credit rating

FitchRatings

A / stable

- Standalone rating upgraded to **BBB** from BBB-
- Upgrade drivers are :
 - Track record under new framework
 - Positive rating action on KSA
 - FFO net leverage < 4.0x

MOODY'S

A1 / Stable

- Senior rating improved to **A1** from A2
- Current rating is on par with the sovereign
- Upgrade triggers are :
 - Track record under new regulatory regime
 - Positive rating action on KSA

S&P Global
Ratings

A- / stable

- Standalone rating improved to **BBB-** from BB-
- Upgrade triggers are :
 - Track record under new framework
 - Positive rating action on KSA

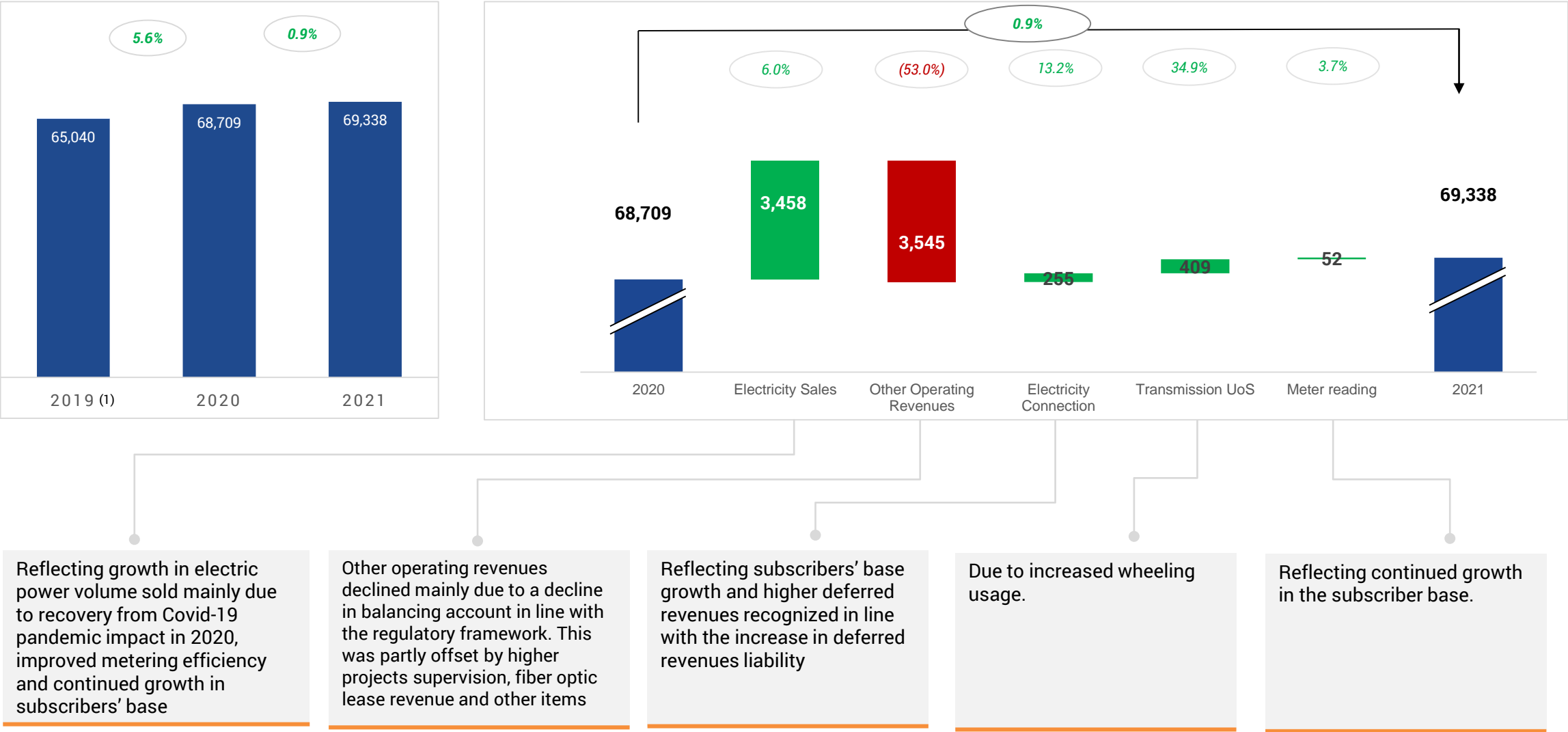


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Revenue

SAR million



2021 Consumption mix

- An increase in overall consumption is mainly due to recovery from Covid-19 pandemic impact in 2020, improved metering efficiency and continued growth in subscribers' base.

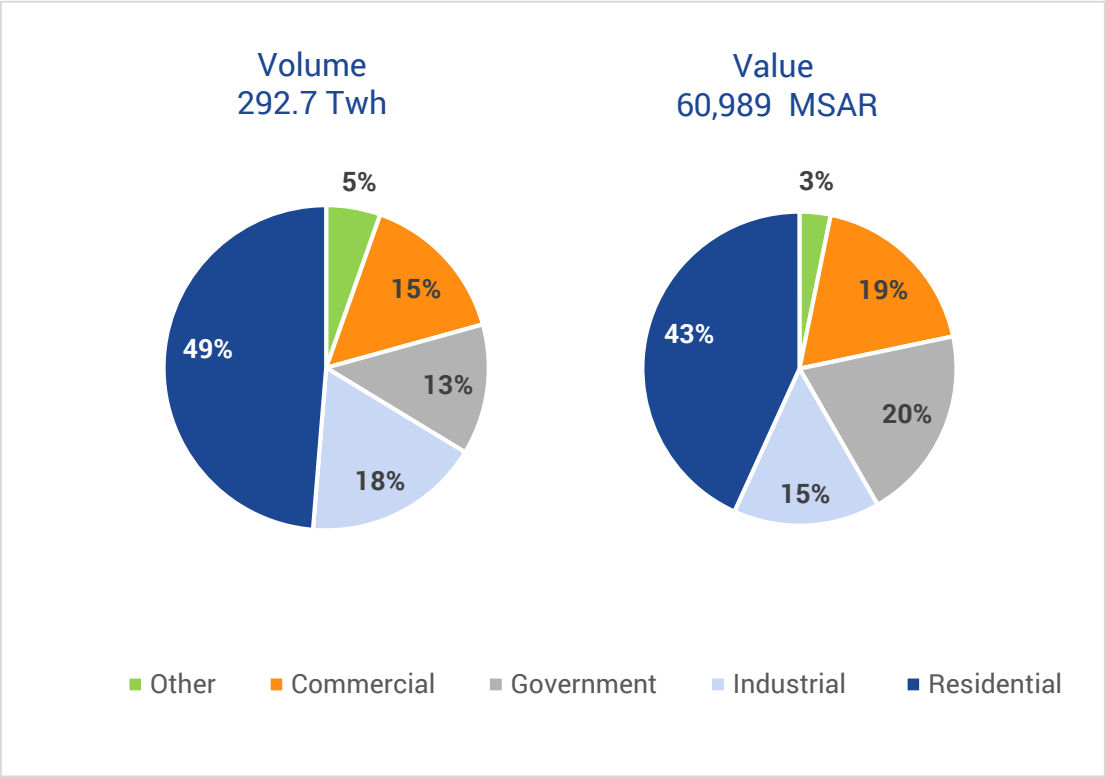
Electricity consumption (Twh)



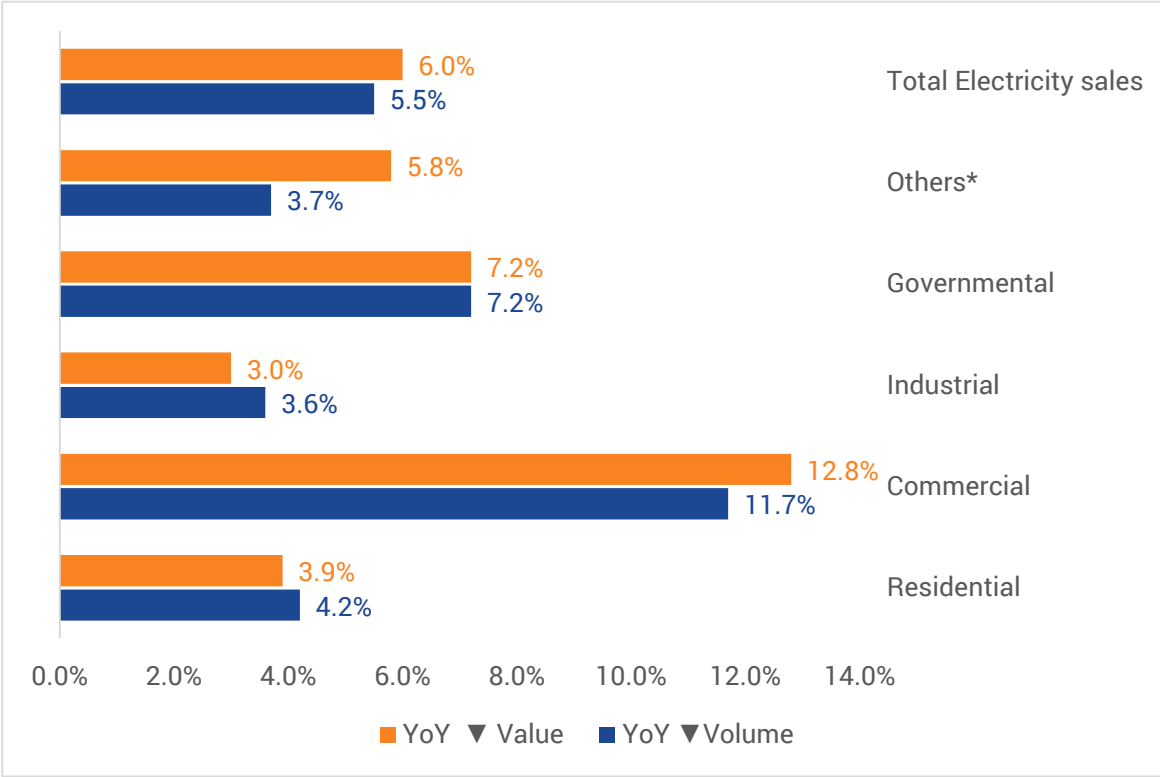
YoY change

5.5%

2021 consumption split

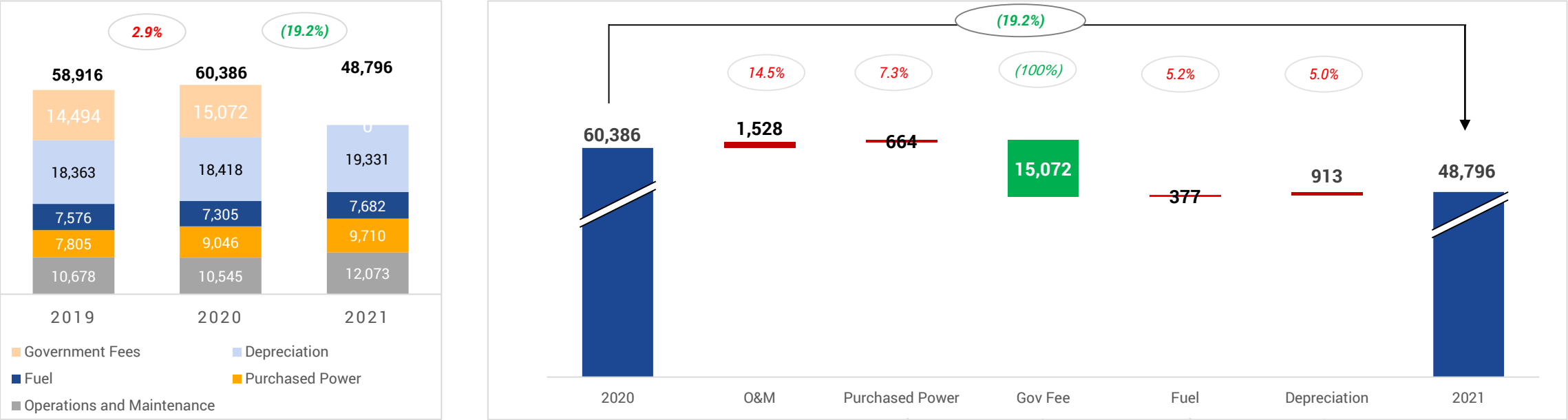


YoY change in volume and value by segment



Costs of Sales

SAR million



O&M is mainly due to the increase in licensing fees, labor and contracts costs linked to higher produced power and fleet growth

Increase in Purchase Power cost mainly due to higher output from IPP/IWPP and others due to addition of new units

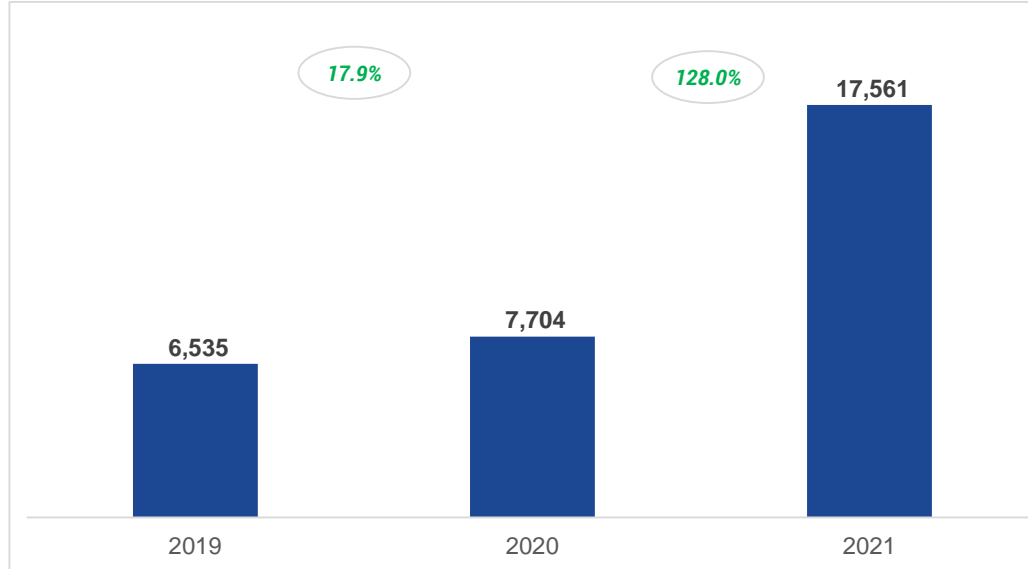
the government fee was cancelled as of January 1, 2021 as opposed to a cost of 15.07 BSR in 2020.

Fuel cost increased due to higher produced power volume and energy mix with increased usage of crude oil

Depreciation increase reflects additional 38.1 BSAR worth of projects were completed and joined operating asset during 2021.

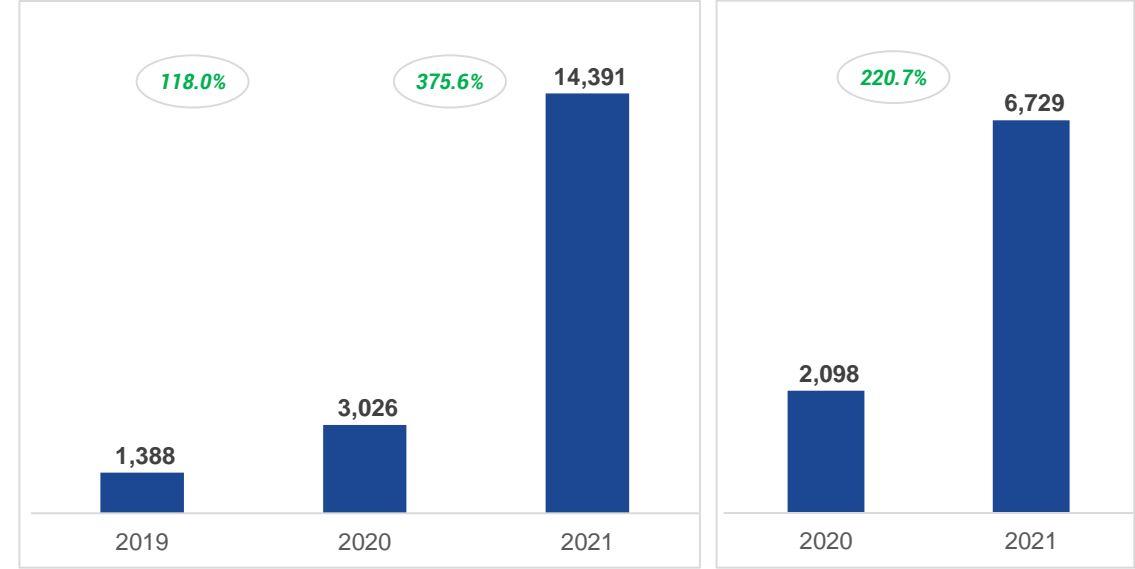
Operating & Net profit

Operating profit SAR million



- 2021 EBIT 128% YoY growth is mainly due to the following:
 - Implementation of the regulatory and financial reforms
 - Lower other income reflects lower government grants and higher impairment loss due to assets retirement
 - Higher receivable provisions reflecting higher revenue base retained by the company after the government fee cancellation
 - Lower G&A and one-off fuel disputes settlement partly offset and higher receivable provisions and lower other income

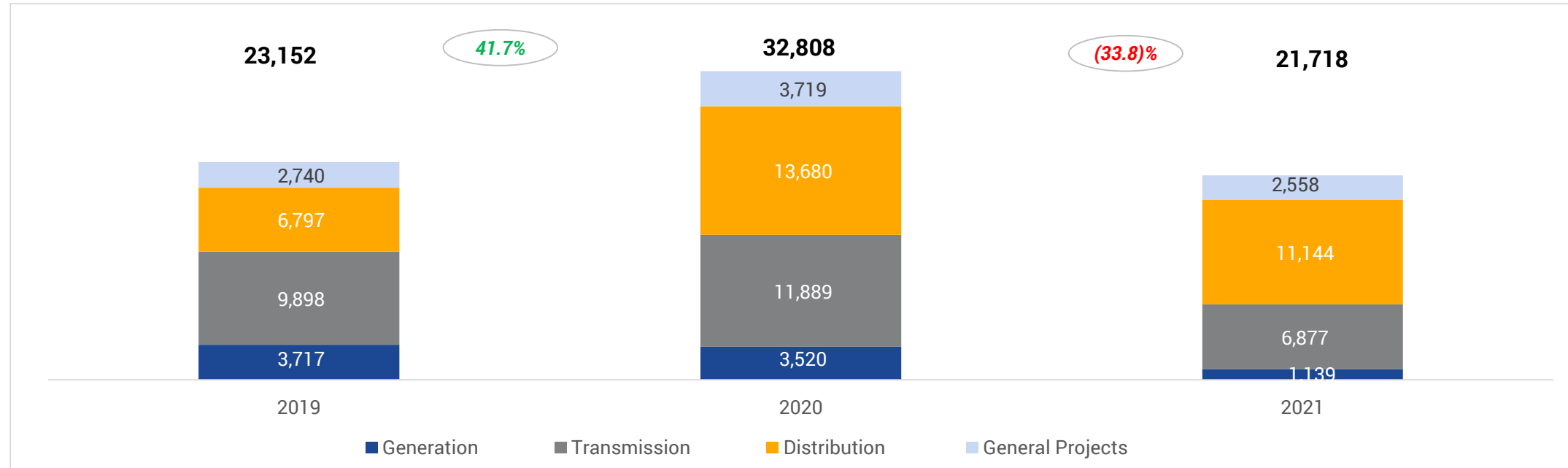
Net Profit / Adjusted Net Profit* SAR million



- Lower finance % is mainly due lower overall debt levels and proactive liability management to optimize funding costs
- Significant YoY improvement in 2021 net income is mainly attributable to implementing the reforms.
- Adjusted net profit for 2021 "net profit attributable to common shares after deducting profit attributable to Mudaraba Instrument of 7.7 BSR" amounted to 6.7 BSR compared to 2.1 BSR for the prior year, representing an increase of 221%.

Capital Expenditure

SAR million



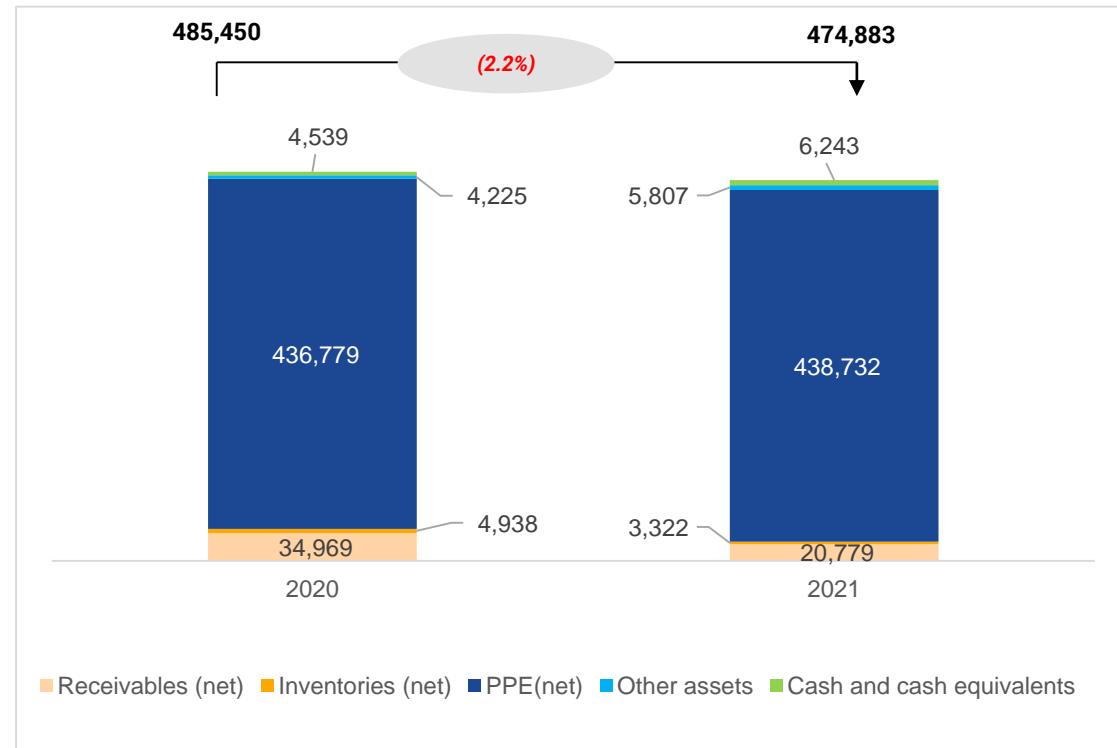
▪ **Key planned investments by SEC during 2022-2024 period includes:**

- 9.5 GW generation capacity addition by the private sector which will be connected to the grid by SEC
- About 15.9K c.km of transmission lines and 76 HV&EHV transforming substation
- About 126.4K c.km of distribution lines
- Connecting 1.4 million new subscriber by 2024
- Increasing automation in distribution grid to 31% by 2024

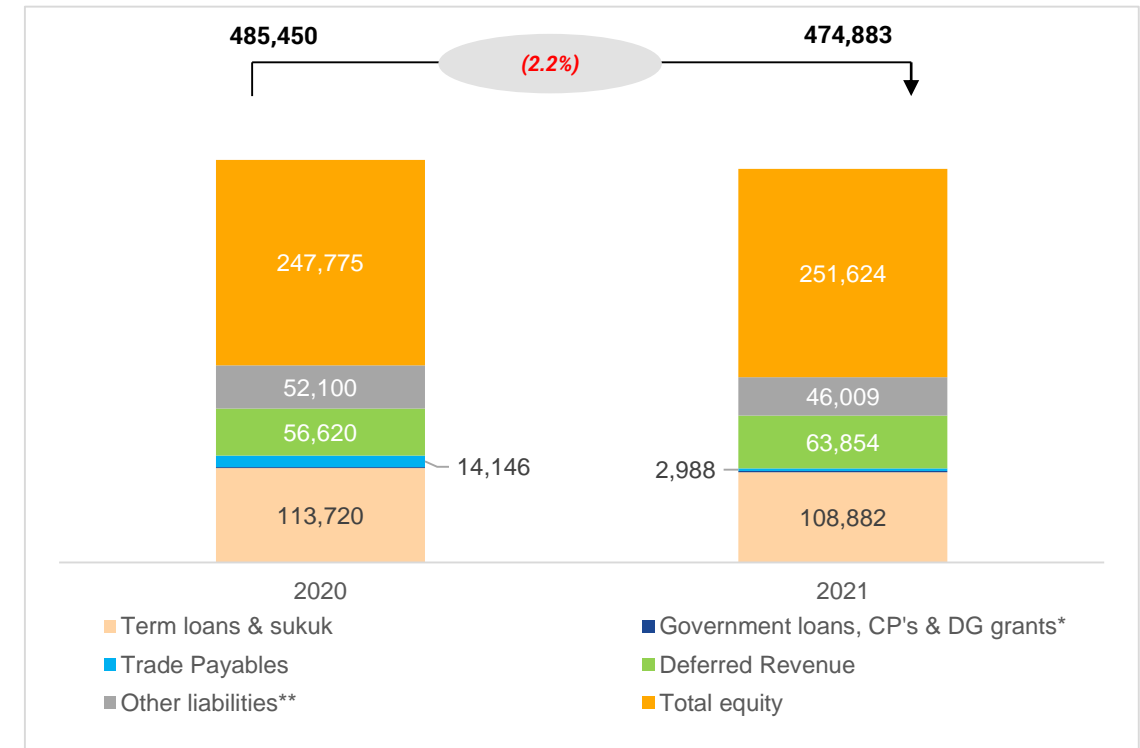
Balance Sheet

SAR million

Assets split



Liabilities and Equity split



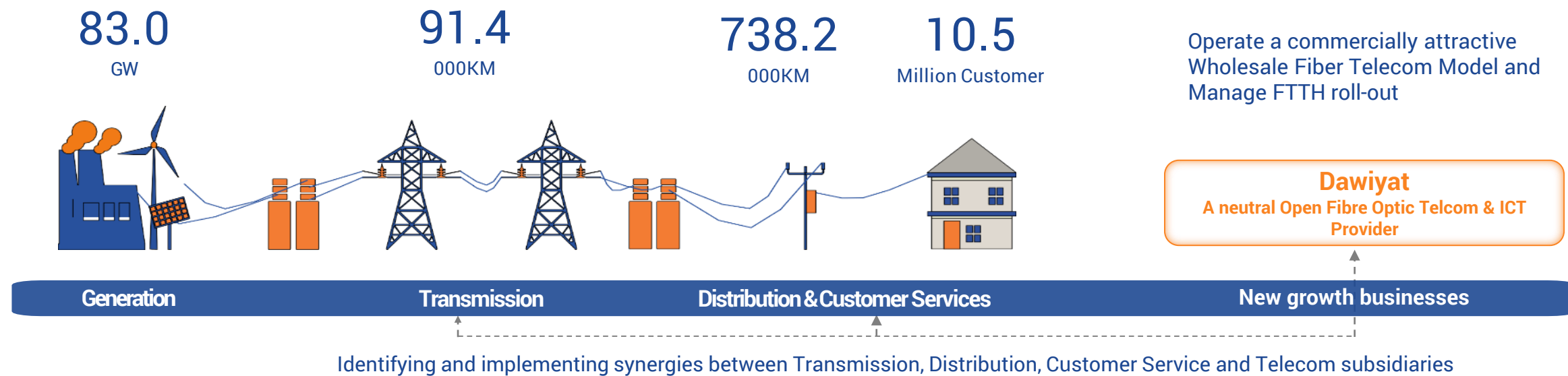
- The decline in the asset base reflects lower trade receivables which declined by 40.6% YoY mainly due to a decline in government receivables as a result of the net settlement with MoF regarding government payable & receivable pertaining to 2020 and payment of public sector electricity consumption reforms.
- Shareholder equity for 2021 (equity excluding Mudaraba instrument) amounted to 83.7 BSR compared to 79.9 BSR for the prior year, representing a growth rate of 4.8%.



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SEC is vertically integrated across the value chain, and is pursuing a new and diversified non-regulated sources of revenue



71.3	GWSEC(16.5 JVs)	1,190	Substations	600.8 k	Transformers	648.6 K	FTTH (Bit-Stream access)
11.7	GW Non-SEC	3,647	Transformers	303,089	Transformers Capacities (MVA)	297.4K	Activated FTTH
		461,501	Transforming Capacity (MVA)			Mega projects, businesses and banks	Fiber connectivity and capacity, dark fiber and ICT services
39.9%	Efficiency	82.6k KM	Fiber Optic	10.5 million	Smart meters	Modular T-III Certified commercial DC in KAUST	Data centers & Colocation

Q & A

SEC's investor relations contacts:

Email: IR@se.com.sa

Telephone: +966 11 80 77161 or +966 11 80 77978

Website: www.se.com.sa