



الشركة السعودية للكهرباء
Saudi Electricity Company



Earnings Release FY 2023

06 MARCH 2024



SAUDI ELECTRICITY COMPANY ADVANCES GROWTH AND INFRASTRUCTURE INVESTMENT THROUGH STRATEGICALLY ACCELERATED CAPEX DEPLOYMENT, ENSURING SUSTAINED TOP-LINE GROWTH



Capex increased **51.8%** y-o-y as SEC accelerates its growth plans



T&D RAB grew **4.5%** y-o-y, reaching **SAR 209 billion**



Revenue increased **4.5%** y-o-y on strong electricity sales



Healthy EBITDA margin of **45%**



Board proposes dividend for 2023 of **SAR 0.70** per share



Announced target to **net-zero by 2050**

Riyadh, 06 March 2024 – 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 2023.

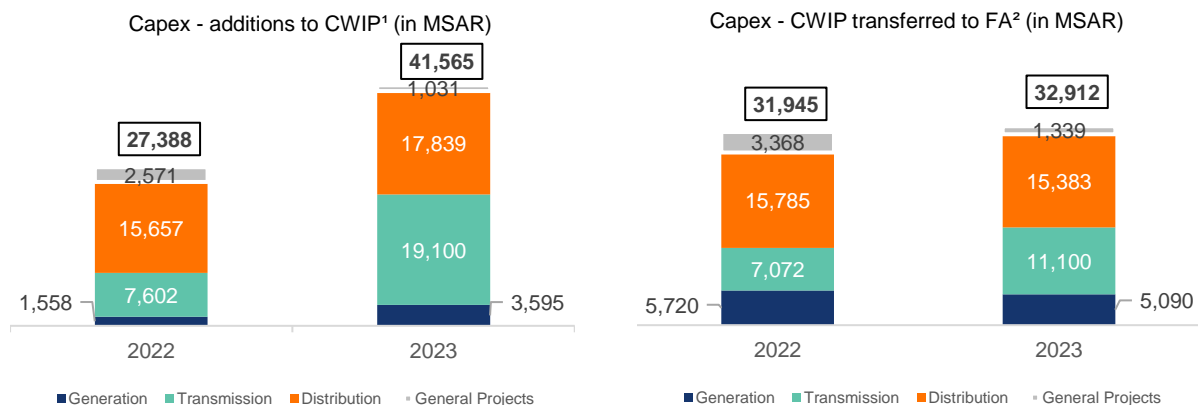
Reflecting on the company's financial and operational performance, **Eng. Khaled bin Hamad Al-Gnoon, President & CEO of SEC** said:

“We aspire to be strategic partners in propelling progress and prosperity within the Kingdom's electricity sector. Our investments, both present and future-oriented, are geared towards achieving sustainable development and fulfilling the needs of investors, subscribers, and the communities we serve. In 2023, we witnessed accelerated growth in expansion-focused capital investments, which allowed us to maintain our pivotal role as the largest producer, transmitter, and distributor of electricity in the Middle East and North Africa.”

"We have taken significant strides in digital transformation, downstream substations automation, and technological capability enhancement, allowing us to deliver electrical services of superior quality and reliability. Additionally, we have reinforced investments in developing new business ventures in fiber optics, data centers, electric vehicle infrastructure, and other areas expected to enhance future growth opportunities."

"These achievements and the ongoing enhancement in service levels owe much to the unwavering support extended to the electricity sector by the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz and His Royal Highness Crown Prince Mohammed bin Salman as well as the continuous guidance and oversight provided by His Royal Highness Minister of Energy, Prince Abdulaziz bin Salman. Their commitment ensures the provision of resources necessary to overcome obstacles and challenges, facilitating the sector's development and the enhancement of services provided to subscribers."

OPERATIONAL HIGHLIGHTS

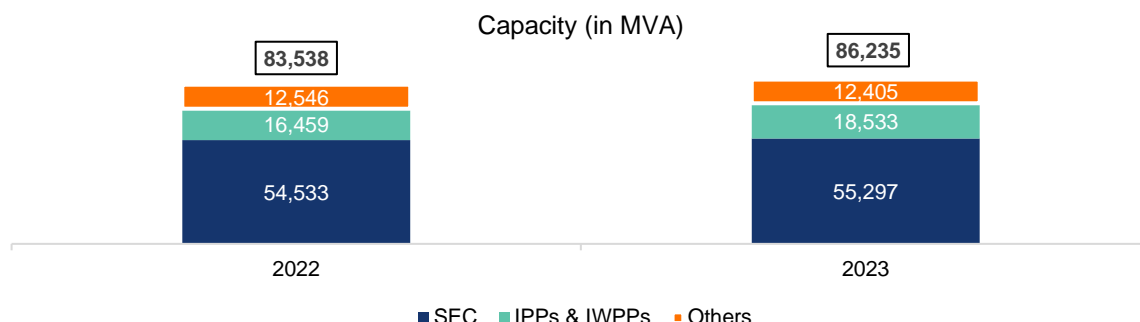


¹ CWIP: constructions work in progress

² FA: fixed assets

SEC is ramping up its growth plan with an ambitious capex program. Capex for the year amounted to SAR 41.6 billion, marking a significant 51.8% surge from 2022. Notably, the construction work in progress transferred to fixed assets from T&D segments up 16% y-o-y to SAR 26.4 billion reflecting positively in 4.5% growth in the T&D regulated asset base which amounted to SAR 209 billion at end of 2023. This underscores the company's intensified commitment to rapidly invest in its grid infrastructure, aiming to address the anticipated rise in demand for electric power, with the strategic focus to secure reliable and sustainable electricity, propel growth, and driving innovation.

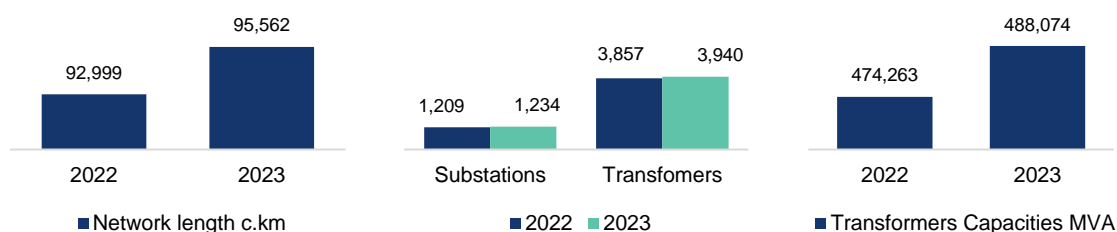
GENERATION



The total directly owned capacity stands at 55.3 GW at 2023-year end, representing approximately two-thirds of the Kingdom's overall capacity. Electricity production reached 219 TWh, indicating a 2.1% y-o-y growth. SPPC's approval has been granted for expanding the Rabigh plant, which will contribute an additional 1.2 GW of capacity. Furthermore, SEC consortium has successfully been awarded and signed PPAs for the Taiba 1 and Qassim 1 power stations, boasting a combined capacity of 3.6 GW and requiring an investment of SAR 14.6 billion.

Moreover, within the framework of its ESG efforts, SEC has not only initiated its tenth fuel-to-gas conversion project to enhance thermal efficiency and reduce the carbon footprint associated with the target power plant's energy production but has also leveraged its resources to qualify as one of the developers set to participate in the fifth phase of renewable energy projects. These projects boast a total capacity of 3700 megawatts under the National Renewable Energy Program, supervised by the Ministry of Energy.

TRANSMISSION:

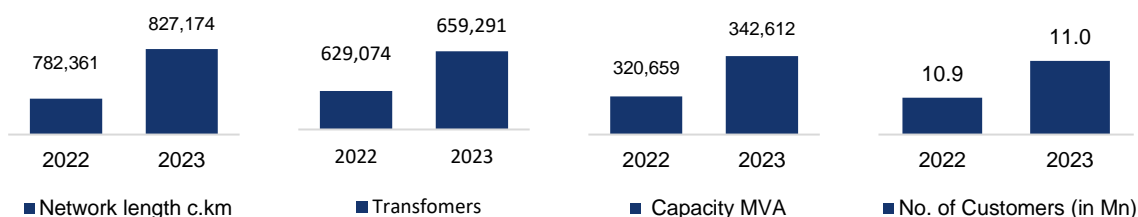


Throughout the year, we incorporated 25 transmission substations, elevating the total to 1,234. The cumulative station capacity achieved 488,073 MVA, reflecting a y-o-y growth of 2.9%. We expanded the transmission networks by 2,563 c.km, totaling 95,562 c.km, while the fiber optic lines increased by 4.5% to reach 89,976 km. The count of transmission transformers increased by 83, reaching a total of 3,940.

In 2023, transmission fixed assets amounting to SAR 11.1 billion have been put into operation, alongside an added investment of SAR 19.1 billion. This signifies a noteworthy 151.3% y-o-y increase from the SAR 7.6 billion invested in 2022. These purposeful investments are poised to drive improvements in our grid infrastructure.

SEC transmission regulated asset base reached SAR 132.2 billion at year end 2023.

DISTRIBUTION AND CUSTOMER SERVICE:



The network length increased by 5.7%, reaching 827,174 c.km. Our commitment to digital transformation persisted as we successfully deployed smart meters across the Kingdom, upgrading and integrating over 10.8 million meters into our billing systems. Furthermore, 104,000 transformers, 196 sub-stations, and 75,000 network devices underwent updates. The customer base expanded to serve 11.0 million customers, with new addition of 346,000 customers. Notably, customer satisfaction has seen an improvement of 8% to reach 81% compared to 75% in the year prior.

In 2023, distribution fixed assets totaling SAR 15.4 billion have been operationalized, accompanied by an additional investment of SAR 17.8 billion. This represents a significant 13.9% y-o-y increase from the SAR 15.7 billion invested in 2022. These investments are positioned to propel enhancements in our distribution infrastructure and elevate the services offered to our customers.

SEC distribution regulated asset base reached SAR 76.3 billion at year end 2023.

NON-REGULATED ACTIVITIES:

Invested SAR 254 million for a **25% stake in EVIQ** "Electric Vehicle Infrastructure Company". EVIQ aims to facilitate Saudi Arabia's shift towards electric vehicles (EVs) by establishing a comprehensive national network of fast charging stations.

SEC's Fiber optic network utilized by Dawiyat, witnessed a y-o-y growth of 4.5%, reaching a total length of 89,976 km. Around 70,000 homes were connected with FTTH in 2023, bringing the overall number of homes connected through fiber optic technology to approximately 770,000. Additionally, over 600,000 FTTH connection chips were activated in 2023 to facilitate Internet of Things technology, supporting various projects undertaken by the Saudi Electricity Company.

Throughout the year, our engineering arm "**SEPDC**" incorporated 26 new transmission substations and upgraded 12 existing stations, resulting in a combined transfer capacity of 17,379 MVA. Augmenting the transmission network, we introduced overhead lines and underground cables, comprising 124 circuits and covering a total length of 3,678 c.km. The projects portfolio being executed by the company at year end 2023 reached SAR 84.4 billion, encompassing 682 projects for SEC and others.



FINANCIAL HIGHLIGHTS

SAR million	2022	2023	Change %
Revenues	72,079	75,330	4.5%
EBITDA ¹	37,444	33,923	(9.4)%
Margin	51.9%	45.0%	(6.9)pp ²
Net profit	15,135	10,249	(32.3)%
Basic & Diluted Earnings per Share (SAR) ³	1.79	0.62	(65.4)%
Capex	27,388	41,565	51.8%
Capital intensity	38.0%	55.2%	17.2pp
Total equity ⁴	257,051	256,318	(0.3)%
Net debt	96,691	109,332	13.1%
Net debt / EBITDA	2.58x	3.22x	-
Net debt / Equity	0.38x	0.43x	-

¹ EBITDA = net profit/loss + depreciation + net interest expense + zakat + net amortization (excluding one-off expense)

² pp: percentage points

³ Reflecting Net profit attributable to common shares after deducting the Mudaraba instrument profit and including loss from discontinued operations

⁴ Including shareholder instrument

Revenues increased 4.5% to SAR 75.3 billion, attributed to growing demand for electric power, continued expansion in the subscriber base, a rise in transmission system revenues, and increased revenue from Dawiyat Company, propelled by the growing subscribers' base for FTTH connection. These in addition to new revenue from development projects to construct substations and transmission lines for SEC's customers. Electricity sales grew at a mid-single digit rate 4.1% thanks to higher consumption in the commercial and residential segments. The transmission use of system revenue segment benefited from higher wheeled energy as well as increased backup capacity charge.

EBITDA decreased 9.4% to SAR 33.9 billion. This performance decline is mainly attributable to higher cost of revenues, which increased by 14.3% y-o-y. The primary drivers of this increase were operations & maintenance costs, predominantly associated with transient costs of expansion of business and operating assets, higher labor, contracts and material costs as well as to the recognition of the costs from new construction contracts with customers to build substations and transmission lines. Additionally, lower net other income/expense mainly driven by non-recurring items further contributed to the decline.

The aforementioned impacts were partially offset by higher operating revenues and lower net provisions for receivables driven by improved collections during 2023.

Net profit arrived at SAR 10.2 billion. The decrease in net profit for the current year compared to the previous year can be primarily attributed to several factors. Firstly, there were higher operating and maintenance costs attributable to the aforementioned factors. Moreover, increasing financing costs, which rose 36.2% y-o-y, mainly influenced by the prevailing high-interest rates globally. This increase in financing costs was further accentuated by additional funding acquired during the current year to support the company's capital projects. Another contributing factor to the decline in net profit was the booking of a non-recurring expense item, impacting the net other income/expense adversely. However, these decline in net profit was partly mitigated by higher operating revenues and reduced net provisions for receivables, attributed to improvements in collections.

The Board of Directors is recommending a **dividend of SAR 0.70 per share**. The recommendation is pending the upcoming AGM approval.

Financing growth. Throughout 2023, SEC has successfully closed multiple landmark and high-profile transactions including ESG-themed issuances with a combined value of 34 BSAR across the debt spectrum, including DCM, Local and International Syndications, and ECAs.

As a testament to our successful financing year in 2023, SEC proudly won three prestigious awards at the Capital Markets & ESG Finance Saudi Arabia event in February 2024. Our notable achievements include being recognized as the Corporate Treasury & Funding Team of the Year, receiving the ESG Bond Deal of the Year, and earning the title of Power Finance Deal of The Year.

Net debt, driven by the company's dynamic debt market activities, climbed to SAR 109.3 billion, marking a 13.1% surge from the SAR 96.7 billion recorded at the close of 2022. Additionally, the net debt to EBITDA ratio increased to 3.2x from 2.6x in the preceding year, while net debt to equity increased to 0.43x from 0.38x in 2022.

APPENDIX

INCOME STATEMENT

SAR '000s	2022	2023	Change
REVENUES	72,079,424	75,329,673	4.5%
Fuel	(3,736,318)	(122,227)	(96.7%)
Purchased power	(15,576,584)	(21,630,397)	38.9%
Operations and maintenance	(14,114,434)	(19,008,086)	34.7%
Depreciation - operations & maintenance	(18,876,198)	(19,005,429)	0.7%
Depreciation – ROU assets	(16,073)	(42,158)	162.3%
GROSS PROFIT/(LOSS)	19,759,817	15,521,376	(21.4%)
Other income & expenses*	1,214,120	46,496	(96.2%)
Bad debt expenses	(1,378,475)	149,868	(110.9%)
General and administrative expenses	(1,232,044)	(1,206,396)	(2.1%)
Depreciation - general and administrative	(377,478)	(345,704)	(8.4%)
OPERATING PROFIT/(LOSS)	17,985,939	14,165,641	(21.2%)
Finance income	61,231	310,260	406.7%
Finance cost	(2,741,896)	(3,961,294)	44.5%
FINANCE COSTS/INCOME - NET	(2,680,665)	(3,651,034)	36.2%
Share of loss on equity accounted investees	307,749	83,673	(72.8%)
PROFIT/(LOSS) FOR THE PERIOD BEFORE ZAKAT	15,613,023	10,598,280	(32.1%)
Zakat	(416,621)	(348,981)	(16.2%)
PROFIT/(LOSS) FOR THE FROM CONTINUING OPERATIONS	15,196,402	10,249,299	(32.6%)
Profit/(Loss) from discontinued operations	(61,178)	-	(100.0%)
PROFIT/(LOSS)	15,135,225	10,249,299	(32.3%)

*During 2023, SEC has incurred an amount of SR 844 million as additional employee benefits/allowances as a result of Board of Director's decision to amend the basis of computation for certain payroll elements retroactively.



BALANCE SHEET

SAR '000s	2022.DEC	2023.DEC
Property, plant and equipment	438,083,263	460,951,523
Intangible Assets, net	353,118	288,882
Right of use assets, net	89,852	370,377
Investment properties	446,459	462,372
Equity-accounted investees	4,623,174	4,696,923
Financial assets at amortised cost	28,528	18,807
Financial asset through other comprehensive income	359,335	250,645
Derivative financial instruments	209,806	150,374
NON-CURRENT ASSETS	444,193,535	467,189,903
Inventories, net	3,377,551	3,609,490
Receivables from sale of electricity, net	24,896,380	23,472,078
Loans and advances	1,177,348	3,799,411
Contract Assets		248,679
Prepayments and other receivables, net	2,673,898	1,847,705
Cash and cash equivalents	3,162,824	621,552
CURRENT ASSETS	35,288,001	33,598,915
TOTAL ASSETS	479,481,536	500,788,818
Share capital	41,665,938	41,665,938
Statutory reserve	7,105,975	7,105,975
General reserve	702,343	702,343
Other reserves	513,955	109,636
Contractual reserve - Mudaraba instrument	860,593	860,593
Retained earnings	38,281,357	37,952,664
TOTAL EQUITY BEFORE MUDARABA INSTRUMENT (1)	89,130,161	88,397,149
Mudaraba instrument (2)	167,920,563	167,920,563
TOTAL EQUITY (1+2)	257,050,724	256,317,712

Long - term loans	50,826,958	60,637,794
Long term sukuk	29,990,770	24,366,949
Employees' benefits obligation	8,304,084	9,280,894
Non-current portion of deferred revenue	68,829,879	72,257,165
Advance from subscribers	15,610,907	18,733,439
Deferred government grants	1,398,714	1,256,645
Derivative financial instruments	79,611	173,663
Non-current portion of lease liabilities	60,650	286,961
NON-CURRENT LIABILITIES	175,101,573	186,993,510
Short term loans and facilities	9,411,576	8,915,653
Current portion of long term loans	5,873,977	2,907,948
Short term sukuk	3,750,750	13,125,000
Trade payables	3,188,684	4,115,266
Accruals and other payables	15,286,387	18,421,750
Provision for other liabilities and charges	1,506,271	1,175,113
Refundable deposits from customers	1,999,401	1,910,357
Current portion of deferred revenue	2,572,487	2,748,577
Contract Liabilities	3,720,133	4,080,670
Current portion of lease liabilities	19,573	77,262
CURRENT LIABILITIES	47,329,239	57,477,596
TOTAL LIABILITIES	222,430,812	244,471,106
TOTAL EQUITY AND LIABILITIES	479,481,536	500,788,818



STATEMENT OF CASH FLOWS

SAR '000s	2022	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before zakat (continued and discontinued operations)	15,551,845	10,598,280
Adjustments for:		
Depreciation of property, plant and equipment	19,250,895	18,856,236
Depreciation of right-of-use assets	16,074	42,159
Depreciation of investment properties	2,741	2,895
Amortisation of intangible assets	68,931	70,193
Finance costs, net	2,680,665	3,651,034
Employees' benefits obligation	1,396,346	2,000,875
(Reversal)/provision for slow-moving and obsolete inventories, net	110,098	(144,146)
(Reversal)/provision for receivable from consumption of electricity and other receivables, net	1,378,475	(149,868)
Share of profit on equity accounted investees	(307,749)	(83,673)
Provision for other liabilities and charges, net	44,577	(148,189)
Amortisation of deferred government grant	(127,273)	(142,069)
(Gain)/loss on disposal of property, plant and equipment	46,576	(103,544)
Impairment of property, plant and equipment	(615,680)	-
Derivative financial instrument reserve reclassified	-	337,088
Cashflows after adjustment of non-cash transactions	39,496,521	34,787,271
Changes in operating assets and liabilities:		
Inventories, net	(199,621)	(87,793)
Receivables from sale of electricity, net	(10,908,956)	1,481,033
Prepayments and other receivables	492,457	919,330
Loans and advances	(593,771)	(2,622,063)
Contract assets	-	(248,679)
Trade payables	136,272	926,582
Accruals and other payables	3,086,079	(7,351,948)
Refundable deposits from customers	891	(89,044)
Advances from subscribers and contract liabilities	7,416,025	3,483,069
Deferred revenue	4,521,542	3,603,376
Cashflows after adjustment of non-cash transactions	43,447,439	34,801,134
Employees' benefits obligation paid	(737,274)	(1,650,334)
Provision for other liabilities	-	(60,004)
Zakat paid	(437,685)	(471,946)
NET CASH FROM OPERATING ACTIVITIES	42,272,480	32,618,850

SAR '000s	2022	2023
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(29,802,239)	(32,435,533)
Proceeds from sale of property, plant and equipment	126,783	261,942
Purchase of intangible assets	(13,072)	-
Additional investment in equity accounted investees	-	(108,568)
Dividend received from investments	10,762	76,282
Proceeds from financial assets at amortised cost	2,546	9,721
Derecognition of cash at Independent Power Producer companies (IPPs)	(337,470)	-
Net cash used in investing activities	(30,012,690)	(32,196,156)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	32,958,000	22,571,910
Proceeds from issuance of sukuks	-	7,501,000
Repayments of loans	(23,743,752)	(16,223,026)
Repayments of Sukuk	(10,405,320)	(3,750,571)
Payment from contractual reserve for Mudaraba instrument	(7,661,376)	(7,661,376)
Payment for lease liabilities	(33,924)	(43,981)
Dividends paid	(2,902,560)	(2,875,740)
Net finance costs paid	(3,551,290)	(2,482,182)
Net cash used in financing activities	(15,340,222)	(2,963,966)
Net change in cash and cash equivalents	(3,080,432)	(2,541,272)
Cash and cash equivalents at the beginning of the year	6,243,256	3,162,824
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	3,162,824	621,552

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 ~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 79.1 billion (31 December 2023: US \$21.1 billion) and is one of the largest companies listed on the Saudi Stock Exchange (Tadawul) by market Cap.

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Disclaimer

This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as “according to estimates”, “anticipates”, “assumes”, “believes”, “could”, “estimates”, “expects”, “intends”, “is of the opinion”, “may”, “plans”, “potential”, “predicts”, “projects”, expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding our business and management, our future growth or profitability and general economic and regulatory conditions and other matters affecting us.

Forward-looking statements reflect our management’s (“Management”) current views of future events, are based on Management’s assumptions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause our actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements. Our business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to become inaccurate. These risks include fluctuations prices, costs, ability to retain the services of certain key employees, ability to compete successfully, changes in political, social, legal or economic conditions in Saudi Arabia, worldwide economic trends, the impact of war and terrorist activity, inflation, interest rate and exchange rate fluctuations and Management’s ability to timely and accurately identify future risks to our business and manage the risks mentioned above.



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