

Saudi Electricity Company ('SEC')

Financial results for the three and six months period ended 30 June 2020

Customer base growth pace continues, consumption stabilizes and operating revenue grows slightly, however one-off expense, changing sales mix during Covid-19 lockdown period, higher purchased power and finance charges mainly impact bottom line.

Riyadh, 28 July 2020 – Saudi Electricity Company ("SEC"), the largest utility company in the Middle East and North Africa region, announces its interim financial results for the three and six-months period ended 30 June 2020.

Figures in SAR million	Quarterly Periods			Six Months Periods		
Description	Q2 2020	Q2 2019	% change	H1 2020	H1 2019	% change
Operating Revenue	16,669	16,520	0.9%	28,066	27,916	1.0%
Gross Profit / (Losses)	739	1,821	(59.4%)	(440)	1,184	-
Gross Profit / (Losses) Margin %	4.43%	11.02%	(6.6)pp ⁽²⁾	(1.6%)	4.24%	-
Operating Profit / (Losses)	351	1,933	(81.8%)	(921)	1,338	-
Operating Profit/ (Losses) Margin %	2.40%	11.70%	(9.3)pp	(3.3%)	4.80%	-
Net Profit / (Losses)	(869)	789	-	(3,310)	(700)	372.9%
Reported Earnings/ (Losses) per Share (SAR)	(0.21)	0.19	-	(0.79)	(0.17)	372.9%
Net Comprehensive Income / (Losses)	(1,017)	587	-	(3,905)	(1,039)	275.8%
EBITDA ⁽¹⁾	4,569	6,225	(26.6%)	7,665	9,988	(23.3%)
EBITDA Margin %	27.4%	37.68%	(10.3)pp	27.3%	35.8%	(8.5)pp

(1) EBITDA = net profit/losses + depreciation + net interest expense + net zakat and tax expense + net amortization

(2) pp: percentage points

(3) comparative figures has been reclassified

HIGHLIGHTS

- A slight increase in total operating revenue primarily driven by continued growth in customer base.
- Overall consumption volume remains stable albeit with higher contribution from the lower margin residential segment due to change in sales mix during Corona virus "Covid-19" pandemic lockdown period.

- Net losses during Q2 2020 and H1 2020 periods were impacted by one-off fuel dues settlement expense, changing sales mix during Covid-19 lockdown period, higher purchased power and higher finance charges, which has been partially offset by the reversal of deferred tax expense.
- SAR 10.4 billion invested in capital projects during H1 2020 (H1 2019: SAR 9.9 billion).
- SEC's AGM approved a dividend payment for 2019 of SAR 0.70 a share, which is in line with the payout in previous years.
- SEC continues to be one of the highest rated corporate in Saudi Arabia with A2, Negative / A-, Stable / A-, Stable ratings by Moody's, Fitch and S&P respectively.

PERFORMANCE REVIEW

Operating Revenue

Item (SAR million)	H1 2020	% of total	H1 2019	% of Total	%Change
Electricity sales	25,178	89.7%	25,512	91.4%	(1.3%)
Meter reading, maintenance and bill preparation income	689	2.5%	669	2.4%	3%
Electricity connection tariff	1,218	4.3%	786	2.8%	55.1%
Transmission system revenue	719	2.6%	544	1.9%	32.2%
Other operating revenue	261	0.9%	405	1.4%	(35.6%)
Total operating revenue	28,066	100%	27,915	100%	0.5%

- A slight increase YoY in total operating revenue in H1 2020 is reflecting the following:
- 1.3% YoY decline in electricity sales in H1 2020 over corresponding period of 2019 is reflecting the change in the sales mix towards higher residential and lower commercial, governmental and industrial consumption during corona virus "Covid-19" pandemic lockdown period.
- Overall consumption volume remained stable at 122.5 Twh. Residential consumption grew 11% YoY and contributed 48% of total volume sold, while commercial, government and industrial consumption declined 14%, 15% and 2 % YoY respectively and all combined contributed 46% of total volume sold.
- Higher revenue from the tariffs charged for meter reading, maintenance and bills preparation are in line with the continuing increase in the customer base.
- 55.1% YoY increase in electricity connection fee revenue is mainly driven by a 3.5% YoY growth in the customer base to 9.93 million at end of H1 2020 compared to 9.59 million at end of H1 2019, and higher recognized component of deferred revenue.
- Higher revenue of transmission system is due to higher wheeling charges to other power producers who use SEC's transmission national grid to transmit power.
- 35.6% YoY decrease in other operating revenue is primarily driven by one-off penalty charges booked in Q1 2019, lower disconnection fee revenue in H1 2020 and all that were partially offset by strong growth in fibre optic lease revenue due to increasing utilization of FTTH connections.

Cost of Sales

Item (SAR million)	H1 2020	% of total	H1 2019	% of total	Change
Fuel	3,171	11%	3,006	11%	5.5%
Purchased energy	4,175	15%	3,673	14%	13.7%
Operation and maintenance	5,154	18%	4,613	17%	11.7%
Government fees	6,903	24%	6,401	24%	7.9%
Depreciation ⁽¹⁾	9,103	32%	9,039	34%	0.7%
Cost of Sales	28,506	100%	26,731	100%	6.6%

⁽¹⁾ Depreciation related to operating assets and right of use assets

- 5.5% YoY increase in fuel costs is mainly driven by higher fuel transportation and treatment costs in H1 2020.
- 13.7% YoY increase in purchased power cost is due to an additional IPP becoming operational in H1 2020, higher output from some IPPs/IWPPs producers as opposed to IPPs outages in the same prior year period.
- 11.7% YoY increase in operations and maintenance costs is mainly driven by higher contracts and material costs. Furthermore, H1 2019 included a one-off a reversal of provisions as opposed to additional provisions allocated in H1 2020.
- 7.9% YoY increase in Government fees is reflecting the change in the sales mix towards higher residential and lower commercial, governmental and industrial consumption during corona virus "Covid-19" pandemic lockdown period.
- Almost stable depreciation costs is reflecting the positive change in estimate of residual value of property, machinery and equipment in H1 2020 by 1.8% of the historical cost (previously estimated at zero), this change resulted in SAR 448 million reduction in depreciation expense.

EBITDA and Net Profit/ Losses

- H1 2020 includes a one-off settlement of fuel dues differences to Saudi Aramco of SAR 837 mn relates to the supply of light fuel oil rather than heavy fuel oil to one of the Company's power plants.
- The increase in net losses during H1 2020 and reported net losses in Q2 2020 compared to corresponding prior year periods are mainly reflecting the aforementioned one-off expense item, higher purchased power costs, changing sales mix during Covid-19 lockdown period and higher finance charges, which has been partially offset by the reversal of deferred tax expense.
- Reflecting the aforementioned factors, EBITDA is down 22.8% YoY in H1 2020 to SAR 7,665 million. Excluding the one-off settlement of fuel dues differences and the reversal of deferred tax expense, EBITDA would decline YoY 10.8%.

Cash Flow and Capital Expenditure

- 16% YoY decrease in cash flow from operating activities to SAR 9.5 billion (H1 2019: SAR 11.4 billion) is mainly reflecting higher net profit losses in H1 2020.
- 5.5% YoY increase overall to SAR 9.5 billion in H1 2020 (H1 2019: SAR 9 billion) net outflow of cash due to investing activities, in line with SEC's strategy to meet the demand, improve reliability of supply, connect new customer.

- Net cash outflow from financing activities during H1 2020 of SAR 0.396 billion (H1 2019: SAR 0.617 billion) is reflecting proceeds drawn down from commercial loan facilities (totaling SAR 7 billion) and received government grant of SAR 0.178 billion, and these were offset by repayments of loans of SAR 4.0 billion, paid finance costs of 2.73 billion, lease contracts obligations and dividend disbursements of SAR 0.804 billion.
- SEC closed H1 2020 with a gross cash position of SAR 1.5 billion (H1 2019: SAR 4.1 billion).

Asset and Equity Base

- The growth in the asset base reflects SEC is continuing major investments into its generation, transmission and distribution capabilities. During H1 2020, SEC's asset base had grown 1.7% to SAR 488 billion (2019 end: SAR 479.8 billion), with shareholders' equity declining 6.3% to SAR 68.9 billion (2019 end: SAR 73.6 billion).

Further enquiries

Sayed Algohary
Investor Relations Manager

sgohary@se.com.sa

(Tel # +966 11 80 77161)

Waleed Alahmadi
Investor Relations Analyst
(Tel # +9661 14077202)

WTAhmadi@se.com.sa

Overview of Saudi Electricity Company ("SEC")

SEC is the largest utility in the MENA region with a market capitalization of SAR 54.0 bn (US\$ 06-3 bn) as at 30 June 2020, and is one of the largest companies listed on the Saudi Tadawul by market size. It is a vertically integrated company involved in the generation, transmission and distribution of electricity to over 8-82 million customers in Saudi Arabia. Saudi Arabia is one of the Top 20 economies globally whose demand for electricity is growing driven by favorable demographic makeup and an increasingly diversified and growing economy.

For further information on SEC and the consolidated interim financial statements for the six months period ended 30 June 2020, please refer to the corporate website: www.se.com.sa

End of Release