

H1 2021 Earnings Conference Call

Results Presentation

August 11th, 2021



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Agenda

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

Key takeaways : Demand growth bounce, subscriber base growth continues, historic milestone in SMP and the first year under the RAB based model



Robust operational performance

- **10% YoY growth** on electric power **volume** driven by growth bounce back in commercial, government and industrial consumption and along with continued growth in residential consumption.
- **Continued growth** in subscribers' base, with connecting **213K new subscriber** during H1 2021. Overall subscribers base reached **10.3 million** at end of H1 2021.
- **2.1 GW new capacity addition** (Vs 1.3 GW retirement at 2020 end) to **SEC generation capacity** in H1 2021. Transmission, fiber optic and distribution lines **grew 3%, 6% and 5% YoY** respectively.



On track implementation of transformative regulatory reforms

- The year 2021 is a **transformational year** in SEC's financial performance as the first year SEC implements the government fees **cancellation** and the **RAB based** required revenue model, inline with **the regulatory and financial reforms** approved for the electricity sector in November 2020.
- A **balancing account is being disbursed to SEC on a quarterly basis**. **SAR 575 million** has been recognized from MoF for Q2 2021, bringing total amounts for H1 2021 to **SAR 1,150 million**.
- 2020 Dividends paid to **all shareholders** and **cash settlement** of fuel payments to Saudi Aramco applied
- **Consumption seasonality** continues to reflect on quarterly results



Progressing grid smartification, digitalization and automation

- Achieved a **major milestone** in the **Smart Meter** Project, a key major national project enabling SEC strategic aims towards **digitalization**, distribution **automation** and improving **energy efficiency**.
- The installation phase that started in H1 2020 to install a **10.1 million smart meter**, has been completed during Q1 2021 on a record time (almost 13 months only). Currently working on telecom and backend **systems integration**
- Major strides in creating an **information** infrastructure, using business intelligence, **integrating** the grid **smart** components and boasting energy and cost **efficiencies**



Smart Metering Project



Smart meters are the next generation of digital electricity meters that will bring many benefits to customers, and the economy. They will also enable the development of the smart grid and facilitate more flexible, reliable and better network planning

Merits of the Smart Meter to be activated gradually

1 2 3 4 5

Computerized systems – from reading to billing

Helps raise power grid reliability

Monitor consumption through Alkahraba application

Information on electricity consumption obtainable, to help amend consumption patterns and rationalize

Restoring service connection remotely within a short time

01

Engaged Customer

02

Innovative Energy Product

03

Enduring Enabled Data Rich Platform

04

Sustainable Future



Financial highlights

SAR million

	Revenue	EBITDA	Operating profit	Net Income	EPS ¹
H1 2021	32,284 +15% Year-on-year	18,306 +116% Year-on-year	8,722 Profit compared to loss Year-on-year	7,517 Profit compared to loss Year-on-year	SAR 0.89 Profit compared to loss Year-on-year
H1 2020	28,066	8,463	(921)	(3,310)	SAR (0.79)

1. Based on net profit attributable to common shares for H1 2021 (after deducting profit attributable to Mudaraba Instrument of SAR 3,799 million)

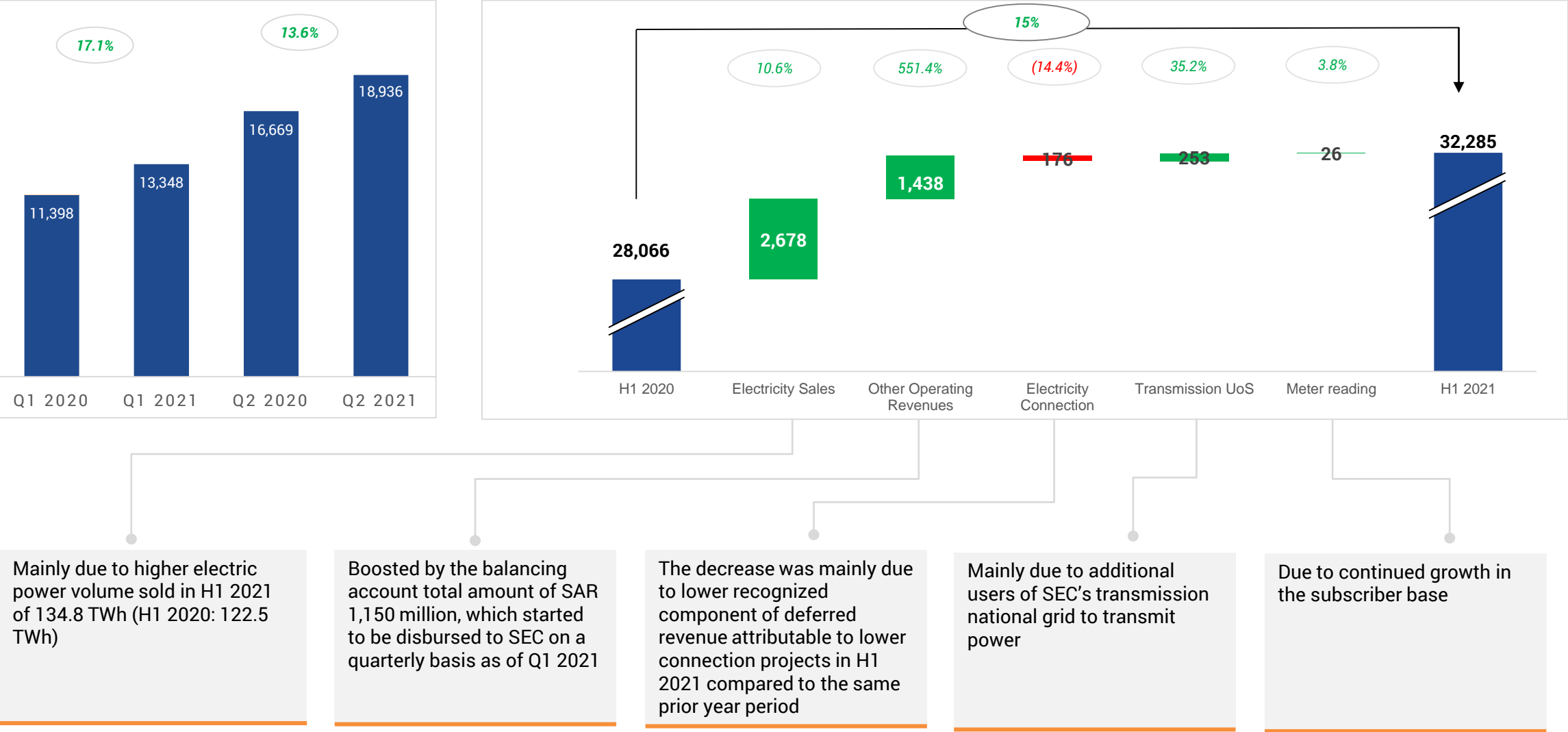


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Revenue

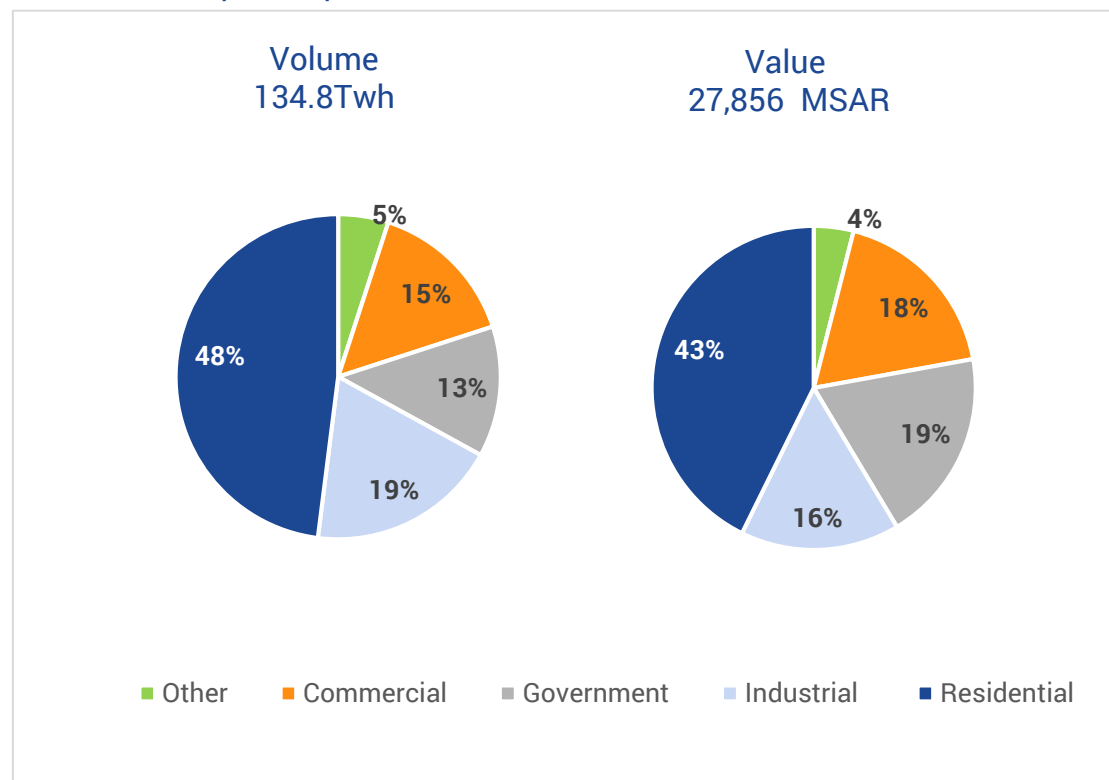
SAR million



H1 2021 consumption mix

- Demand bounce back in commercial, government and industrial consumption coupled with continued growth in residential consumption reflects on 10% YoY growth
- Reflecting ease of lockdown restriction and restored economic activity

2020 consumption split



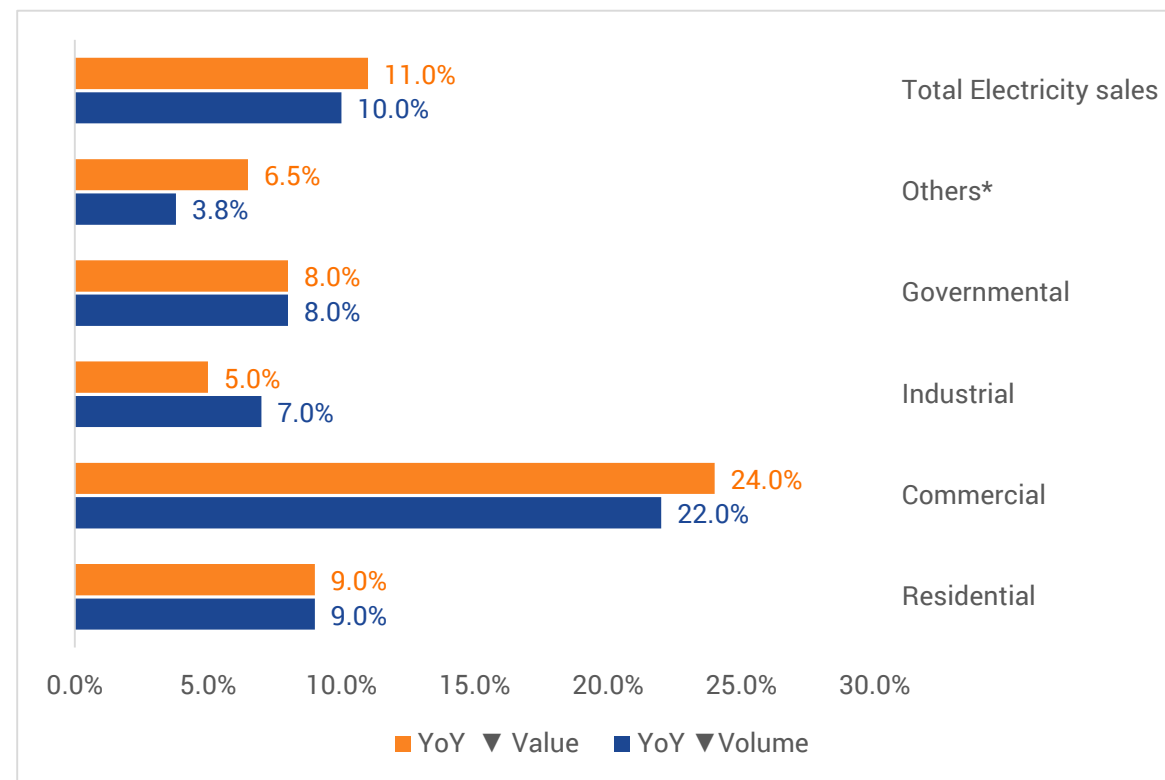
Electricity consumption (Twh)

YoY change



10%

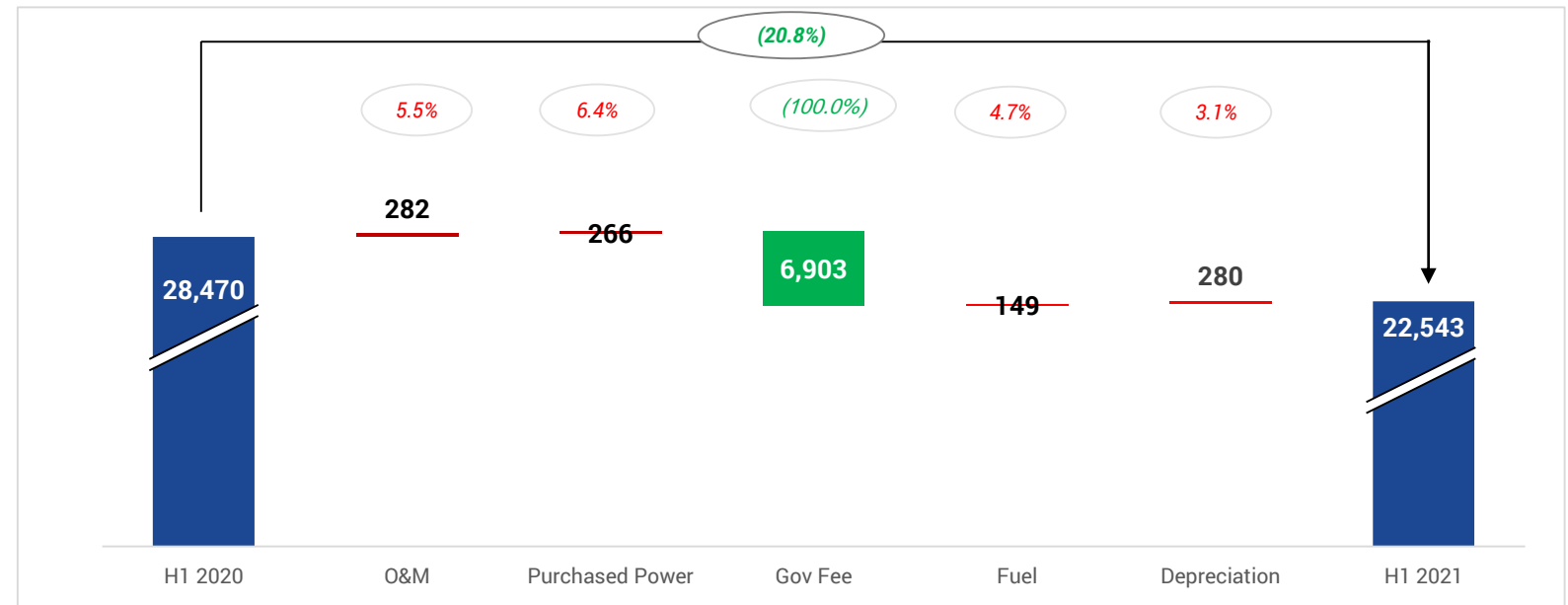
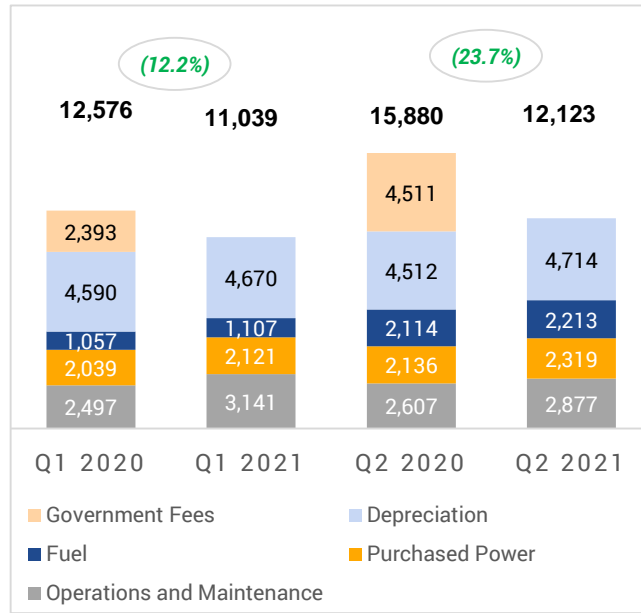
YoY change in volume and value by segment



*: Others include SWCC, agriculture, health and education

Costs of Sales

SAR million



Mainly driven by higher maintenance costs and higher electric power volume produced

Mainly due to higher output from IPPs/IWPPs producers attributable to higher online IPPs/IWPPs capacity in H1 2021 compared to the same prior year period

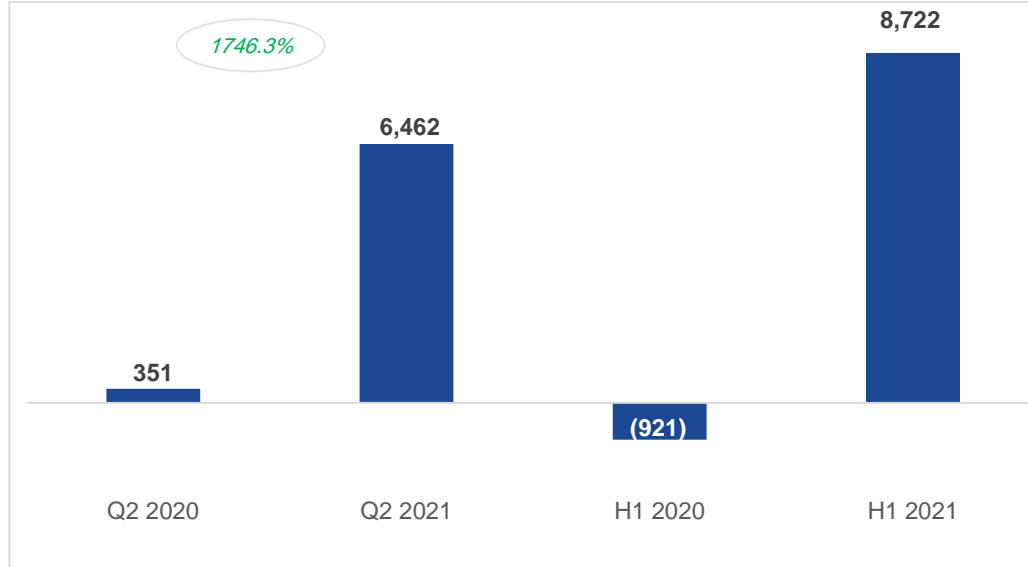
Government fees were cancelled in H1 2021 compared to last prior year period due to the rollout of regulatory and financial reforms effective January 2021

Mainly driven by higher produced energy from SEC's generating plants and change in the fuel mix due to diesel displacement

Reflects the growth in the operating asset base as projects amounting to SAR 21 billion were completed and became operational over the course of the last 12 months

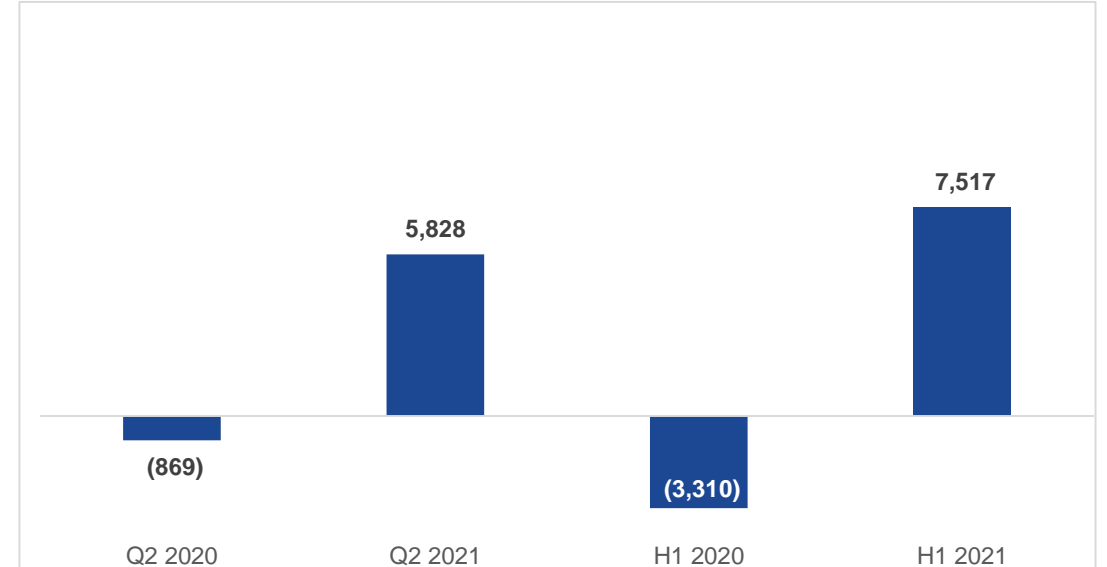
Operating & Net profit

Operating profit SAR million



- Significant YoY positive change in Q2 2021 and H1 2021 operating profit comes as a direct result of implementing the regulatory and financial reforms including :
 - government fee costs cancellation
 - Amounts received from the balancing account
 - These are in addition to higher electric power volume sold.

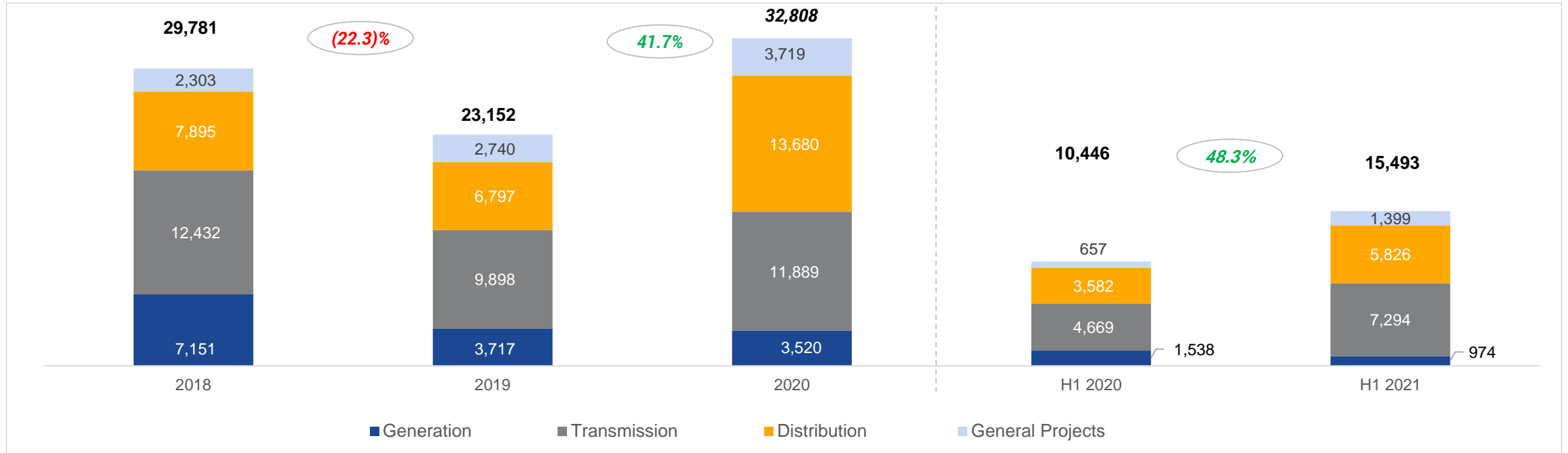
Net Profit SAR million



- Furthermore to significant operating profit improvement, lower financing costs due to lower overall debt levels has contributed to significant positive change in Net profit achieved.
- Net profit attributable to common shares (after deducting the Mudaraba instrument's profit) in Q2 2021 and H1 2021 reached to SAR 3,918 million and SAR 3,718 million respectively

Capital Expenditure

SAR million



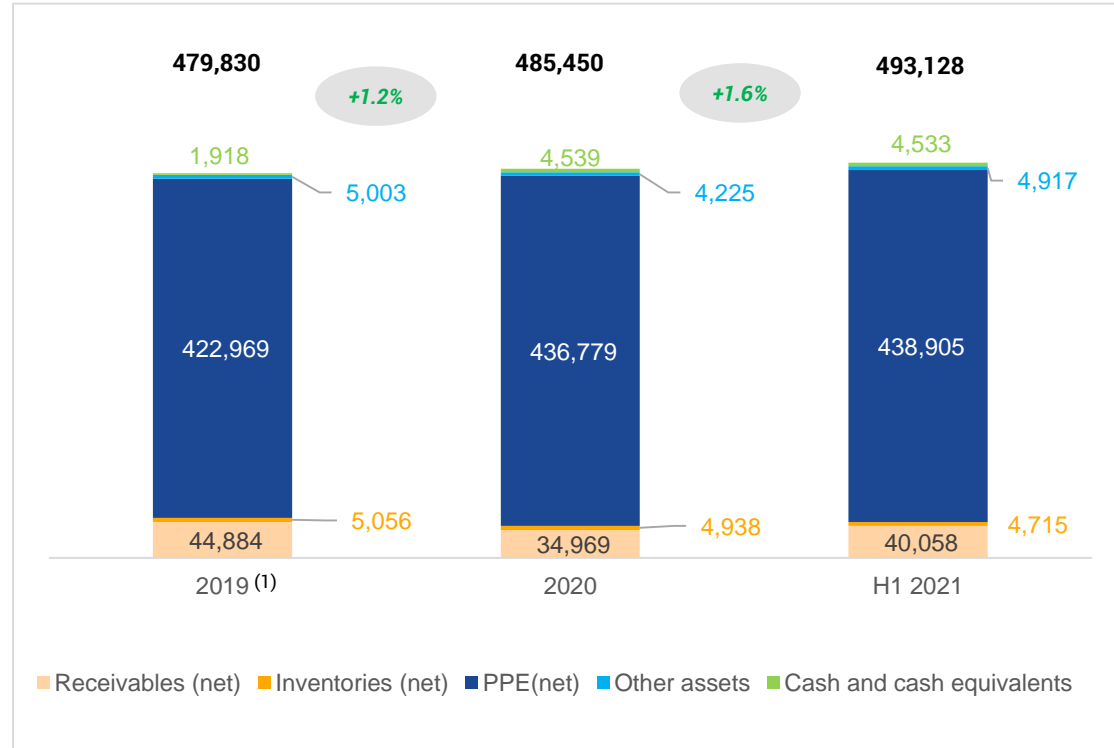
▪ **Key planned investments by SEC during 2021-2023 period includes:**

- 3.8 GW generation capacity addition from SEC's existing generation project under development
- 8.2 GW generation capacity addition by the private sector which will be connected to the grid by SEC
- About 5.4K c.km of transmission lines and 86 transforming substation
- About 126.4K c.km of distribution lines
- Connecting 1 million new customer

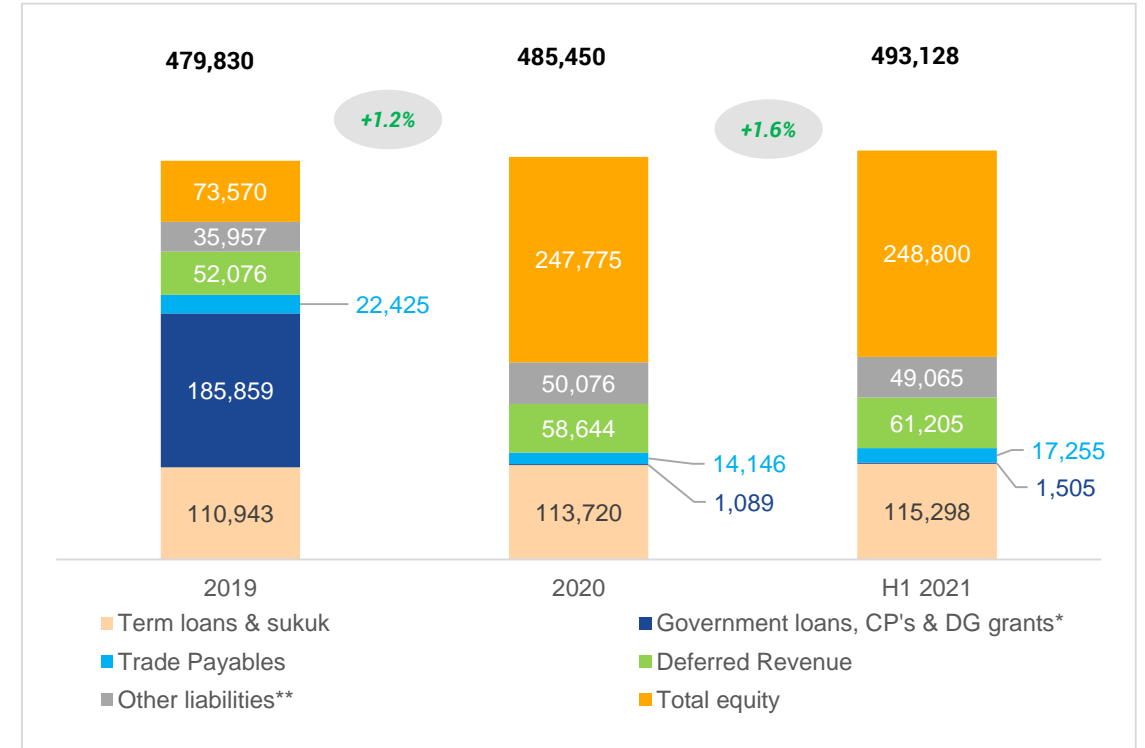
Balance Sheet

SAR million

Assets split



Liabilities and Equity split



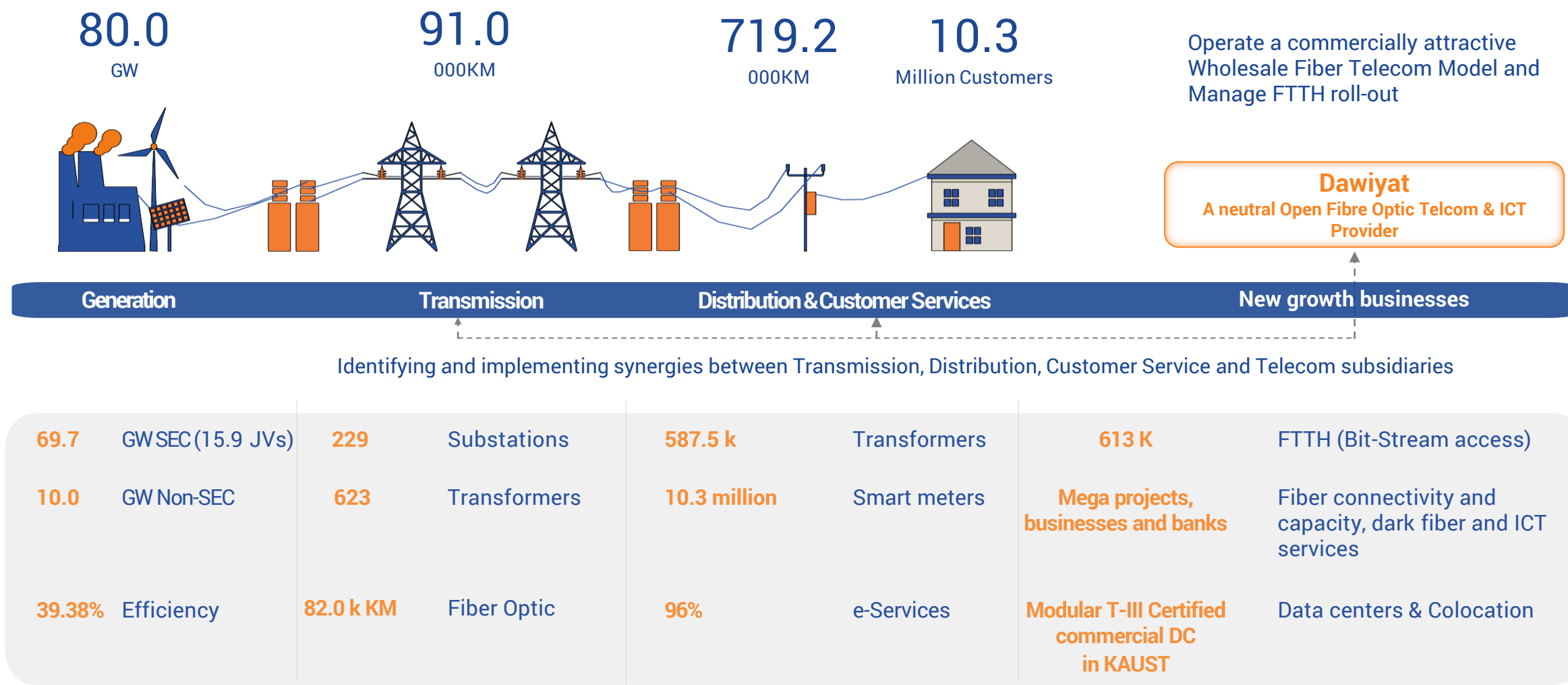
- The growth in the asset base reflects SEC's continuing major investments into its generation, transmission and distribution capabilities
- Reflecting the increase in the net income in H1 2021, total equity grew 0.4% to SAR 248.8 billion (2020 end: SAR 247.8 billion)
- SEC's asset base had grown 1.6% to SAR 493.1 billion (2020 end: SAR 485.5 billion).



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



Q & A

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