

Saudi Electricity Company ('SEC')
Financial results for the fiscal year ended 31 December 2020

Saudi Electricity sees robust revenue, profit and customer growth in 2020

Riyadh, 30 March 2020 – Saudi Electricity Company ("SEC"), the national vertically integrated utility company in the Kingdom of Saudi Arabia, announces its annual financial results for year ended 31 December 2020.

Description (SAR million)	2020	2019	% change
Revenue	68,709	65,040	5.6%
Gross profit	8,097	6,124	32.2%
Gross profit margin %	11.8%	9.4%	2.4 pp
Operating profit	7,627	6,535	16.7%
Operating profit margin %	11.1%	10.1%	1.0 pp
Net profit	3,026	1,388	118.0%
Net comprehensive income	2,316	641	261.3%
Reported earnings per share (SAR)	0.50	0.33	51.5%
EBITDA ⁽¹⁾	26,372	24,025	9.8%
EBITDA margin %	38.4%	36.9%	1.5 pp

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

(2) pp: percentage points

MAIN HIGHLIGHTS

- Serving a record 10.12m customers, with a further 385,000 customers joining in 2020.
- Operating revenues of SAR 68,709million, 5.6% higher as a direct result of the regulatory and financial reforms announced in Q4 2020.
- Ministry of Finance approved the full year 2020 balancing account revenues of SAR 6,131 million (2019: SAR 1,126m). The balancing account is a measure of the extent of tariff support for customers as well as shortfall in regulated revenue; and covers the difference between required and actual revenues from applied tariffs.
- Significant growth in FY2020 net income is mainly due to higher operating revenue reflecting continued growth in subscribers' base and higher balancing account revenue, in addition to a one-off reversal of

deferred tax expense. These items were partly offset by slightly lower sold volume, changing sales mix, higher purchased power and a one-off fuel dues settlement expense.

- Net profit attributable to common shares reached SAR 2,098 million (after deducting the Mudaraba instrument's profit of SAR 927m), representing a 51% increase year-on-year (2019: SAR 1,388m).
- Earnings per share is SAR 0.50 compared to SAR 0.33 in 2019.
- End of year gross cash position of SAR 4.5 billion.
- Capex increased to SAR 32.8 billion, a 42% rise (2019: SAR 23.2bn), reflecting higher investments in growing the grid as well as smartification and automation, which will ultimately enhance customer and reliability of service across the Kingdom.
- Following the announced financial and regulatory reforms in November 2020, Moody's upgraded SEC's credit rating to A1. SEC current rating is on par with the Kingdom's sovereign credit rating.
- SEC continues to be one of the highest rated corporates in Saudi Arabia with A1/A-/A- ratings by Moody's, Fitch and S&P respectively.
- SEC's Board recommends a dividend payment for 2020 of SAR 0.70 a share, a total dividend amount of SAR 2,917 million. The recommendation is subject to the next shareholders' general assembly meeting approval.
- Implemented immediate safety policies among its communities, customers and employees regarding Covid-19. It continued to work with stakeholders and health and safety experts to address strategies to mitigate the negative impact which ensuring business continuity.
- Maintained its push to integrate its customer service, deepening its digitally enabled products and services. 96% of its communication is now online or via the app.
- Achieved a major milestone in the Smart Meter Project, a major national project, installing nearly 9 million smart meters in record time despite the challenges posed by lockdown measures, border closures and curfews at zero-cost to the consumer.

PERFORMANCE REVIEW

Revenue

Item (SAR million)	2020	% of total	2019	% of total	% change
Electricity sales	57,532	83.7%	58,865	90.5%	(2.3)%
Meter reading, maintenance and bill preparation income	1,392	2.0%	1,348	2.1%	3.2%
Electricity connection tariff	1,928	2.8%	1,834	2.8%	5.1%
Transmission system revenue	1,171	1.7%	1,131	1.7%	3.5%
Other operating revenue	6,686	9.7%	1,862	2.9%	259.4%
Total operating revenue	68,709	100%	65,040	100%	5.6%

- Total operating revenue grew 5.6% year-on-year, due to the following reasons:
 - The meter reading, maintenance and bills preparation segment saw revenue increase by 3.2% year-on-year, reflecting the record number of customers (10.12m) and the additional 385,000 new customers who joined in 2020.
 - Similarly, the electricity connection fee revenue jumped 5.1% as a result of the 385,000 new customers required connections in 2020.
 - Transmission system revenue was up 3.5% mainly due to increased wheeling charges on other producers who use SEC's transmission national grid to transmit power.
 - Other operating revenue was 2.6x higher, boosted by the full year 2020 balancing account revenue of SAR 6.1 billion compared to SAR 1.1 billion in 2020; as well as higher fibre optic lease revenue due to the growth utilization of FTTH connections.
 - The balancing account is a measure of the extent of tariff support for customers as well as shortfall in regulated revenue. The balancing account is to cover the difference between required and actual revenues from applied tariffs.
- Electricity sales declined by 2.3%, which partially offset the growth in operating revenues. The decline was due to lower sales volume of electric power - 2020: 277.4 TWh vs 2019: 279.7 TWh - and the change in the sales mix. Lockdown and stay-at-home orders created a situation where residential consumption rose and commercial and governmental declined. Below is 2020 consumption mix.

Segment	Volume (GWh)	Volume Contribution %	Value SAR million	Value Contribution %
Residential	136,452	49.2%	25,401	44.2%
Commercial	40,203	14.5%	9,984	17.4%
Industrial	49,893	18.0%	8,942	15.5%
Governmental	35,508	12.8%	11,362	19.7%
Others	15,308	5.5%	1,843	3.2%
Electricity sales	277,364	100.0%	57,531	100.0%

Cost of Sales

Item (SAR million)	2020	% of total	2019	% of total	Change
Fuel	7,305	12.1%	7,576	12.9%	(3.6)%
Purchased energy	9,046	14.9%	7,805	13.2%	15.9%
Operation and maintenance	10,770	17.8%	10,678	18.1%	0.9%
Government fees	15,072	24.9%	14,494	24.6%	4.0%
Depreciation ⁽¹⁾	18,419	30.4%	18,363	31.2%	0.3%
Cost of Sales	60,612	100.0%	58,916	100.0%	2.9%

⁽¹⁾Depreciation relating to operating assets and the right of use of assets

- Cost of sales grew 2.9% year-on-year, due to the following reasons:
 - Purchased power cost rose 15.9% due to an additional IPP becoming operational in 2020, and higher output from IPPs/IWPPs producers as compared to some IPPs outages in the prior year.
 - Operations and maintenance costs was up by 0.9% mainly driven by higher material costs, which was partly offset by lower labor costs.

- Government fees was 4% higher reflecting the change in the consumption mix with an elevated contribution from the lower margin residential segment.
- The slight increase in depreciation reflects the positive change in estimate of residual value of property, machinery and equipment in 2020 by 1.8% of the historical cost (previously estimated at zero), this change resulted in SAR 811 million reduction in depreciation expense, this was partly offset the increase in depreciation due to addition of SAR 22.0 billion of completed projects to the operating asset base during 2020.
- A decrease in fuel costs of 3.6% partially offset the rise in cost of sales. The decrease reflects the lower produced power volume by SEC and an improvement in fuel mix due to diesel displacement, lower usage of heavy fuel oil, which is in line with SEC's strategy of moving towards cleaner sources of energy.

EBITDA and Net Profit

- 2020 included a one-off settlement of fuel dues differences of SAR 808 million related to the supply of light fuel oil rather than heavy fuel oil to one of the Company's power plants. This has been partly offset by a one-off reversal of the net deferred tax expense of SAR 412 million in line with the approved amendment of the Income Tax Law during 2020.
- Other Income decreased 4.7% year-on-year, reflecting a one-off impairment expense of SAR 231 million related to the reduction in book value of electromagnetic meters following their replacement by smart meters. This has been partly offset by higher amortization of Government grants and others.
- EBITDA is up 9.7% to SAR 26,372 million; EBITDA margin is 37.8% (2019: 36.9%) and Net Profit reached SAR 3,026 million, up 118% year-on-year.
- The strong growth in net profit demonstrates the resilience of our business and the benefits the implementation of the supportive regulatory reforms approved and announced in November 2020.

Cash Flow and Capital Expenditure

- Capex increased to SAR 32.8 billion, a 42% rise (2019: SAR 23.2bn), reflecting higher investments in growing the grid as well as smartification and automation, which will ultimately enhance customer and reliability of service across the Kingdom.
- Cash flow from operations was higher by 9.3% to SAR 28.1 billion in 2020 (2019: SAR 25.7 billion), reflecting higher net income and working capital movement in 2020.
- Net cash used in investing activities was higher by 10.9% to SAR 23.4 billion in 2020 (2019: SAR 21.1 billion), in line with SEC's strategy to pursue smartification and automation of the grid, improve reliability of supply and connect new customer.
- Net cash outflow from financing activities during 2020 of SAR 2.1 billion (2019: SAR 5.1 billion) reflects proceeds drawn down from commercial loan facilities and Sukuk (totaling SAR 14.9 billion) and received government grant of SAR 0.55 billion. These were offset by repayments of loans of SAR 12.2 billion, paid finance costs of 4.56 billion, lease contracts obligations of SAR 0.157 billion and dividend disbursements of SAR 0.716 billion.
- SEC closed 2020 with a gross cash position of SAR 4.5 billion (2019: SAR 1.9 billion).

Asset and Equity Base

- The growth in the asset base reflects SEC's continuing investments into its generation, transmission and distribution capabilities. As of 2020 end, SEC's asset base had grown 1.1% to SAR 485.4 billion (2019: SAR 479.8 billion).
- Total equity significant YoY growth to SAR 247.8 billion (2019: 73.6 billion) is reflecting the classification of perpetual equity like financial instrument of SAR167.92 billion under equity following the supportive regulatory and financial reforms approved in 2020.

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About Saudi Electricity Company

SEC is the largest utility in the MENA region with a market capitalization of SAR 88.7 billion (31 Dec 2020: US\$23.6 billion) and is one of the largest companies listed on the Saudi Stock Exchange (Tadawul) by market size. It is a vertically integrated utility company involved in the generation, transmission and distribution of electricity to over 10.1 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.

For further information on SEC and Consolidated financial statements and independent auditor's report for the year ended 31 December 2020, please refer to the corporate website: www.se.com.sa

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