

Saudi Electricity Company ('SEC')

Financial results for the three months ending 31 March 2020

Customer base growth pace continues, residential consumption grows and operating revenue slightly increase, however higher operating costs and finance charges mainly impact net losses.

Riyadh, 3 May 2020 – Saudi Electricity Company ("SEC"), the largest utility company in the Middle East and North Africa region, announces its interim financial results for the period ended 31st March 2020.

Figures in SAR million	Periods		
	Q1 2020	Q1 2019	% change
Description			
Operating Revenue	11,398	11,395	0.03%
Gross Losses	(1,179)	(636)	(85.4)%
<i>Gross Losses Margin %</i>	(10.3)%	(5.6)%	<i>(4.7)pp</i>
Operating Losses	(1,272)	(594)	(114.1)%
<i>Operating Losses Margin %</i>	(11.2)%	(5.2)%	<i>(6.0)pp</i>
Net Losses	(2,441)	(1,489)	(63.9)%
Reported Losses/Earnings per share (SAR)	(0.59)	(0.36)	(63.9)%
Net comprehensive income/losses	(2,888)	(1,626)	(77.6)%
EBITDA ⁽¹⁾	3,096	3,763	(17.7)%
<i>EBITDA Margin %</i>	27.2%	33.0%	<i>(5.8)pp</i>

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

(2) pp: percentage points

HIGHLIGHTS

- A slight increase in total operating revenue primarily driven by continued growth in customer base.
- Higher electricity consumption in residential segment partially offset the decline in commercial and industrial segments. Overall consumption volume decline 1.8% YoY during Q1 2020.
- 63.9% YoY increase in net losses is primarily driven by higher purchased power costs and finance charges, this in addition to Q1 2019 benefited from a provision reversal.
- SAR 5 billion invested in capital projects during the first three months of 2020 (Q1 2019: SAR 5 billion).
- SEC's Board recommends to the AGM a dividend payment for 2019 of SAR 0.70 a share, which is in line with the dividend payout per share in previous years.

- SEC continues to be one of the highest rated corporates in Saudi Arabia with A2/A/A- ratings by Moody's, Fitch and S&P respectively.

PERFORMANCE REVIEW

Revenue

Item (SAR million)	Q1 2020	% of Total	Q1 2019	% of total	Change
Electricity sales	9,790	85.9%	9,886	86.8%	(1.0)%
Meter reading, maintenance and bill preparation income	343	3.0%	333	2.9%	3.0%
Electricity connection tariff	623	5.5%	388	3.4%	60.6%
Transmission system revenue	547	4.8%	491	4.3%	11.4%
Other operating revenue	95	0.8%	297	2.6%	(68.0)%
Total operating revenue	11,398	100.0%	11,395	100.0%	0.03%

- A slight increase YoY in total operating revenue in Q1 2020 is reflecting the following:
 - 1% YoY decline in electricity sales in Q1 2020 over corresponding period of 2019 is mainly attributable to lower electric power volume sold in Q1 2020 of 47.3 TWh (Q1 2019: 48.2 TWh), and a change in the consumption mix towards higher contribution of the residential segment and stable government consumption.
 - Higher revenue from the tariffs charged for meter reading, maintenance and bills preparation are in line with the continuing increase in the customer base.
 - 60.6% YoY increase in electricity connection fee revenue is mainly driven by a 4% YoY growth in the customer base to 9.76 million at end of Q1 2020 compared to 9.41 million at end of Q1 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.
 - 68% YoY decrease in other operating revenue is primarily driven by one-off penalty charge booked in Q1 2019, lower revenue from project supervision services and marginally lower fibre optic lease revenue.

Cost of Sales

Item (SAR million)	Q1 2020	% of total	Q1 2019	% of total	Change
Fuel	1,057	8.4%	1,033	8.6%	2.3%
Purchased energy	2,039	16.2%	1,859	15.0%	9.7%
Operation and maintenance	2,497	19.9%	2,214	18.0%	12.8%
Government fees	2,392	19.0%	2,367	20.0%	1.1%
Depreciation ⁽¹⁾	4,591	36.5%	4,559	38.0%	0.7%
Cost of Sales	12,576	100.0%	12,032	100.0%	4.5%

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

- A marginal YoY increase in fuel costs is reflecting higher produced energy from SEC's generating plants and savings from continued optimization of the fuel mix towards lower consumption of the diesel.
- 9.7% YoY increase in purchased power cost is mainly due to a marginal higher purchased power volume from non-SEC generation as well as a higher fuel costs and capacity payments allocated in purchased power costs during Q1 2020 compared to Q1 2019.
- 12.8% YoY increase in operations and maintenance costs is reflecting a one-off a reversal of provisions occurred in Q1 2019 as opposed to an increase of SAR 38 million in actuarial end of service indemnities provisions during Q1 2020. Excluding these one-off items, O&M costs would decline 0.5% YoY.
- 1.1% YoY increase in Government fees is primarily due to higher consumption from residential segment during Q1 2020.
- Almost stable depreciation costs is reflecting the positive change in estimate of residual value of property, machinery and equipment in Q1 2020 by 1.8% of the historical cost (previously estimated at zero), this change resulted in SAR 196 million reduction in depreciation expense.

EBITDA, Margins, and Net Profit/ Losses

- 59.1% YoY decrease in other income is mainly driven by a one-off expense of SAR 240 million attributable to fuel cost adjustment related to previous years.
- EBITDA down 17.7% YoY to SAR 3,096 million (Q1 2019: SAR 3,763 million) is reflecting higher operating costs despite a slight increase in operating revenue. Excluding one-off items impact, EBITDA would decline 3.6% YoY in Q1 2020.
- 63.9% YoY increase in reported net loss attributable to SEC shareholders in Q1 2020 to SAR 2,441 million (Q1 2019: SAR 1,489 million) is primarily due to higher operating costs, finance charges, lower other income and higher deferred tax expenses allocated in Q1 2020.

Cash Flow and Capital Expenditure

- 17% YoY decrease in cash flow from operations to SAR 4.2 billion (Q1 2019: SAR 5.1 billion) is mainly driven movement in working capital primarily arrived from higher advances from customers and receivables as well as increase net losses in Q1 2020.
- Overall SAR 5.0 billion in Q1 2020 (Q1 2019: SAR 4.9 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 and continue smart metering roll out.
- Net cash inflow from financing activities during Q1 2020 of SAR 3.6 billion (Q1 2019: SAR 0.33 billion) was primarily from proceeds drawn down from commercial loan facilities totaling SAR 6.4 billion. This is partially offset by repayments of loans of SAR 1.55 billion, paid finance costs of 1.22 billion, lease contracts obligations and dividend disbursements of SAR 0.036 billion.
- SEC closed Q1 2020 with a gross cash position of SAR 4.74 billion (Q1 2019: SAR 3.0 billion).

Balance Sheet

- The growth in the asset base reflects SEC's continuing major investments into its generation, transmission and distribution capabilities. At end of Q1 2020, SEC's asset base had grown 1.0% to SAR 484.7 billion (FY 2019 end: SAR 479.8 billion), with shareholders' equity declining 3.9% to SAR 70.7 billion (FY 2019 end: SAR 73.6 billion).

Further enquiries

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Overview of Saudi Electricity Company ("SEC")

SEC is the largest utility in the MENA region with a market capitalization of SAR 66.3 billion (US\$17.7 billion) as at 31 March 2020, and is one of the largest companies listed on Saudi stock exchange "Tadawul" by market size. It is a vertically integrated company involved in the generation, transmission and distribution of electricity to over 9.76 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 the full interim financial statements for the three months period ended 31 March 2020, please refer to the corporate website: www.se.com.sa

End of Release.