

**Saudi Electricity Company ('SEC')**  
**Financial results for the three and six months period ended 30 June 2021**

**Riyadh, 8 August 2021** – Saudi Electricity Company ("SEC"), the national vertically integrated utility company in the Kingdom of Saudi Arabia, announces its consolidated interim financial results for the three and six-months period ended 30 June 2021.

Figures in SAR million	Quarterly Periods			Six Months Periods		
	Q2 2021	Q2 2020	% change	H1 2021	H1 2020	% change
Operating Revenue	<b>18,936</b>	16,669	13.6%	<b>32,285</b>	28,066	15.0%
Gross Profit / (Loss)	<b>6,813</b>	789	763.6%	<b>9,741</b>	(403)	-
Gross Profit / (Loss) Margin %	<b>36.0%</b>	4.7%	31.2 pp <sup>(1)</sup>	<b>30.2%</b>	(1.4)%	-
Operating Profit / (Loss)	<b>6,462</b>	350	1746.3%	<b>8,722</b>	(921)	-
Operating Profit/ (Loss) Margin %	<b>34.1%</b>	2.1%	32.0 pp	<b>27.0%</b>	(3.3)%	-
Net Profit / (Loss)	<b>5,828</b>	(869)	-	<b>7,517</b>	(3,310)	-
Reported Earnings/ (Loss) per Share (SAR) <sup>(1)</sup>	<b>0.94</b>	(0.21)	-	<b>0.89</b>	(0.79)	-
Net Comprehensive Income / (Loss)	<b>5,877</b>	(1,017)	-	<b>7,808</b>	(3,905)	-
EBITDA <sup>(2)</sup>	<b>11,286</b>	5,013	123.5%	<b>18,306</b>	8,463	116.3%
EBITDA Margin %	<b>59.6%</b>	30.2%	29.5 pp	<b>56.7%</b>	30.2%	26.5 pp

(1) pp: percentage points

(2) Reflecting Net Income attributable to common shares after deducting the Mudaraba instrument's profit

(3) EBITDA = net profit/loss + depreciation + net interest expense + zakat and tax expense + net amortization

## MAIN HIGHLIGHTS

- 213.4K new subscriber joining in H1 2021, reaching 10.3 million subscribers as of H1 2021 end.
- SEC achieved a major milestone in the Smart Meter Project, a major national project, installing nearly 10.1 million smart meters at zero-cost to the consumer in record time (13 months) despite the challenges posed by lockdown measures, border closures and curfews.
- Operating revenues increase during Q2 2021 and H1 2021 is mainly attributable to higher electricity sales, amounts received from the balancing account, higher fibre optic lease revenues and others.
- Ministry of Finance provided SEC with balancing account amount of SAR 575 million for Q2 2021, bringing the total balancing account amount for H1 2021 to the tune of SAR 1,150 million.
- Significant YoY positive change in Q2 2021 and H1 2021 net income comes as a direct result of implementing the regulatory and financial reforms approved for the electricity sector in November 2020,

as per which 1) the government fee costs was cancelled effective January 1, 2021, 2) the balancing account estimated amount is being disbursed to the company on a quarterly basis. and 3) lower financing costs due to lower overall debt levels. These are in addition to higher electric power volume sold.

- 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.
- Capex increased in H1 2021 to SAR 15.5 billion, a 49% rise (H1 2020: SAR 10.4 billion), 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.
- End of period gross cash position of SAR 4.5 billion.
- 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.

## PERFORMANCE REVIEW

### Revenue

Item (SAR million)	H1 2021	% of total	H1 2020	% of total	%Change
Electricity sales	27,856	86%	25,178	90%	10.6%
Meter reading, maintenance and bill preparation income	715	2%	689	2%	3.8%
Electricity connection tariff	1,043	3%	1,219	4%	(14.4)%
Transmission system revenue	972	3%	719	3%	35.2%
Other operating revenue	1,698	5%	261	1%	550.6%
Total operating revenue	32,284	100%	28,066	100%	15.0%

- Total operating revenue grew 15 % year-on-year, due to the following reasons:
  - Electricity sales grew 10.6% year-on-year due to higher electric power volume sold in H1 2021 of 134.8 TWh (H1 2020: 122.5 TWh), which is mainly due to the easing of restrictions in the current year as opposed to full lockdown witnessed during Q2 2020.
  - The meter reading, maintenance and bills preparation segment saw revenue increase by 3.8% year-on-year, reflecting the record number of subscribers (10.3m) and 213.4K new subscribers joined in H1 2021.
  - However, the electricity connection fee revenue decreased by 14.4% due to lower recognized component of deferred revenue attributable to lower connection projects in H1 2021 compared to the same prior year quarter.
  - Transmission system revenue was up 35.2% mainly due to additional users of SEC's transmission national grid to transmit power.
  - Other operating revenue was 5.5x higher, boosted by the balancing account total amount of SAR 1,150 million, which started to be disbursed to SEC on a quarterly basis starting from Q1 2021.

## Cost of Revenue

Item (SAR million)	H1 2021	% of total	H1 2020	% of total	Change
Fuel	3,320	15%	3,171	11%	4.7%
Purchased energy	4,440	20%	4,175	15%	6.4%
Operation and maintenance	5,399	24%	5,117	18%	5.5%
Government fees	0	-	6,903	24%	(100)%
Depreciation <sup>(1)</sup>	9,384	42%	9,104	32%	3.1%
<b>Cost of Revenue</b>	<b>22,543</b>	<b>100%</b>	<b>28,470</b>	<b>100%</b>	<b>(20.8)%</b>

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

- Cost of sales decreased 20.8% year on year reflecting the following reasons:
  - Government fees were cancelled in H1 2021 compared to prior year period due to the rollout of regulatory and financial reforms effective January 2021.
  - Purchased power cost rose 6.4% 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.
  - Operations and maintenance costs was up by 5.5% mainly driven by higher maintenance costs and higher electric power volume produced.
  - The 3.1% increase in depreciation 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.
  - An increase in fuel costs of 4.7% compared to the same prior year period is mainly driven by higher produced energy from SEC's generating plants and change in the fuel mix due to diesel displacement.

## G&A, Other Income and Financing Costs

- G&A decrease was mainly driven by a positive one-off item related to receiving SAR 120 million support from the Saudi Human Resources Development Fund (HRDF) to SEC internship ending with employment program, coupled with lower G&A depreciation and employee benefits.
- Other income has mainly decreased due to decrease in government grants revenues which resulted in lesser amortization following the conversion of the government loans as part of the Mudaraba Instrument signed in November 2020.
- Financing costs declined 58.1% year-on-year mainly due to lower overall debt level following the conversion of the government loans as part of the Mudaraba Instrument signed in November 2020.

## EBITDA and Net Profit

- In Q2 2021 and H1 2021, EBITDA is significantly up year on year by 123.5% to SAR 11,286 million and 116.7% to SAR 18,2/5 million respectively, which is mainly reflecting the applied financial and regulatory reforms in 2021. EBITDA margin in Q2 2021 and H1 2021 stood at 59.5% and 56.6% respectively
- Significant YoY positive change in Q2 2021 and H1 2021 net income comes as a direct result of implementing the regulatory and financial reforms approved for the electricity sector in November 2020,

as per which 1) the government fee costs was cancelled as of January 1, 2021, 2) the balancing account estimated amount is being disbursed to the company on a quarterly basis. and 3) lower financing costs due to lower overall debt levels. These are in addition to higher electric power volume sold.

- 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.
- Q2 2021 and H1 2021 adjusted earnings per share arrived at SAR 0.94 and SAR 0.89 respectively, compared to a loss per share of SAR 0.21 and SAR 0.79 for the same prior year periods respectively.

#### **Cash Flow and Capital Expenditure**

- Capex increased in H1 2021 to SAR 15 billion, an 44% rise (H1 2020: SAR 10.4 billion), 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 1.1x to SAR 20.3 billion in H1 2021 (H1 2020: SAR 9.5 billion), reflecting higher net income and positive working capital movement.
- Net cash used in investing activities was higher by 44.3% to SAR 13.7 billion in H1 2021 (H1 2020: SAR 9.5 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 H1 2021 of SAR 6.5 billion compared to a net cash outflow of SAR 0.4 billion in H1 2020, reflects the increased repayments of loans, increased overall dividends paid and Mudaraba profit paid. These were partially offset by higher proceeds received from loans, lower finance costs and a receipt of 444 million in government grants.
- SEC closed H1 2021 with a gross cash position of SAR 4.5 billion (H1 2020: SAR 1.5 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 H1 2021 end, SEC's asset base had grown 1.6% to SAR 493.1 billion (2020 end: SAR 485.5 billion).
- 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).

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### **About Saudi Electricity Company**

SEC is the largest utility in the MENA region with a market capitalization of SAR 0//.5 billion (2/ June 2021: US\$26.8 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 10.3 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 30 June 2021, please refer to the corporate website: [www.se.com.sa](http://www.se.com.sa)

### **Further Enquiries**

SEC Investor Relations

T: +966 11 80 77161 | +966 11 80 77978

E: [ir@se.com.sa](mailto:ir@se.com.sa)