



Earnings Release

For the annual consolidated financial results for the
fiscal year ended 31-12-2021

March 2022

0.9% ↑ , **221% ↑**

YoY increase in FY 2021 operating revenues and adjusted net income respectively.

Credit Rating

- **Moody's : A1, Stable**
- **Fitch : A, Stable**
- **S&P : A-, Stable**

Figures in SAR million, unless stated otherwise	FY 2021	FY 2020	▲ %
Revenues	69,338	68,709	0.9%
Gross Profit	20,542	8,323	146.8%
<i>Gross Profit Margin %</i>	29.6%	12.1%	17.5pp ¹
Operating Profit	17,561	7,704	128.0%
<i>Operating Profit Margin %</i>	25.3%	11.2%	14.1pp
EBITDA²	37,095	25,216	47.1%
<i>EBITDA Margin %</i>	53.5%	36.7%	16.8pp
Net Income for the year	14,391	3,026	375.6%
<i>Net income Margin %</i>	20.8%	4.4%	16.4pp
Adjusted Net Income³	6,729	2,098	220.7%
<i>Adjusted Net Income Margin %</i>	9.7%	3.1%	6.6pp
Basic and Diluted EPS⁴ (SAR)	1.62	0.50	224%

(1) pp: percentage points

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

(3) Net profit attributable to common shares after deducting profit attributable to Mudaraba Instrument

(4) Reflecting Net Income attributable to common shares after deducting the Mudaraba instrument's profit and including loss from discontinued operations

Operations

- Serving a record 10.5m customers, with a further 428.9K customers joining in 2021.
- Reliably meeting all time high recorded peak load of 64.2 GW during 2021 summer.
- 5.5% YoY growth in electric power volume (292.7 TWh vs 277.4 TWh in 2020) mainly due to recovery from Covid-19 pandemic impact in 2020, improved metering efficiency and continued growth in subscribers' base.
- 2.97 GW new capacity addition (Vs 1.3 GW retirement at 2020 end) to SEC's generation capacity in 2021. SEC Capacity grew 3.1% YoY to 54.78 GW (2020:53.16 GW).
- Transmission, fiber optic and distribution networks lines grew YoY by 2.7%, 8.3% and 3.4% to 91.4K C.KM, 82.6K KM and 738.2K C.KM respectively.
- 648,578 Households connected with FTTH connection, out of which 297,428 connections are activated as end of 2021.

Income Statement Highlights

Financial

- Significant YoY improvements net profit in 2021 is mainly attributable to implementing the regulatory and financial reforms approved for the electricity sector in November 2020, as per which:
 - the government fee was cancelled starting from January 1, 2021, this as opposed to the same prior year included a government fee costs of 15.07 BSAR. This has reflected in 19% lower operating costs year on year despite the increase in the costs of fuel, purchased power, operation and maintenance and depreciation;
 - adopting RAB Model to regulate the company's revenue, effective from the fiscal year 2021, and accordingly the balancing account estimated amount of 1.7 BSAR has recognized by the company as other operating revenue for 2021, this is compared to a recognition of 6.1 BSAR from the balancing account for 2020 (booked in Q4 2020), where the Minimum Service Operating Cost Model was used to decide 2020 required revenue as approved by the Ministerial Committee for Restructuring the Electricity Sector.
 - The improved power demand during 2021 compared to last year has positively reflected in growing electricity sales, electricity service connection fees, meter reading, maintenance and bills preparation fees and transmission system revenue, which completely offset the decrease in other operating revenue due to lower revenue recognized from the balancing account in 2021.
 - lower finance costs on income statement due to lower overall debt levels following the conversion of the government loans as part of the Mudaraba Instrument signed in November 2020, this has been partly offset by lower other income due to decrease in government grants amortization.
- Furthermore, Lower general and administrative expenses and non-recurring expenses due to a one-off fuel disputes settlement related to previous years has partially offset higher Zakat provision due to higher profits and higher accounts receivable provisions reflecting higher revenue base retained by the company after the government fee cancellation.
- Adjusted net profit for 2021 "net profit attributable to common shares after deducting profit attributable to Mudaraba Instrument of 7.7 BSAR" amounted to 6.7 BSAR compared to 2.1 BSAR for the prior year, representing an increase of 219%.
- 2021 basic and diluted earnings per share arrived at SAR 1.62 compared to SAR 0.50 of the prior year;

Financial

Cash Flow and Capital Expenditure

- Booked CapEx in 2021 reached 21.7 BSAR, a 33.8% decline (2020: 32.8 BSAR), reflecting lower spending on generation due to completion and commissioning of existing projects and higher recognition of capex accruals in 2020.
- Cash flow from operations was higher by 64.8% to 46.3 BSAR in 2021 (2020: 28.1 BSAR), reflecting higher net income and positive working capital movement in 2021.
- Net cash used in investing activities was higher by 11.5% to 26.1 BSAR in 2021 (2020: 23.4 BSAR), 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 2021 was 18.5 BSAR (2020 : 2.1 BSAR) reflects proceeds drawn down from commercial loan facilities and Sukuk (totaling 14.9 BSAR) and received government grant of SAR 0.51 BSAR related to FTTH installation subsidy. These were offset by repayments of loans of 19.6 BSAR, Mudarabah profit payment of 7.7 BSAR, net finance costs paid of 3.6 BSAR, lease contracts obligations of 0.07 BSAR and dividend paid of 2.9 BSAR.
- SEC closed 2021 with a gross cash position of 6.2 BSAR (2020: SAR 4.5 BSAR), representing an increase of 37.8%.

Balance Sheet Highlights

- Shareholder equity for 2021 (equity excluding Mudaraba instrument) amounted to 83.7 BSAR compared to 79.9 BSAR for the prior year, representing a growth rate of 4.8%.
- 38.1 BSAR worth of projects were completed and joined operating asset during 2021 compared to 24.5 BSAR in 2020, representing an increase of 55.5%. This is mainly reflecting higher completion of generation and transmission projects compared to 2020.
- Trade receivables declined 40.6% YoY is mainly due to decline in government receivables in line with timely implementation of various initiatives including net settlement with MoF regarding government payable & receivable pertaining to 2020 and payment of public sector electricity consumption.

Additional Business Highlights

- On 29 November 2021, SEC publicly announced the Cabinet approval for SEC to take all the necessary legal procedures to transfer the ownership of SEC's entire equity in Saudi Power Procurement Company ("SPPC"), to KSA Government.
- In addition to the sale of the equity ownership in SPPC, SEC expects the transfer of the fuel and oil inventories to SPPC.
- SEC has classified net assets amounting to 785 MSAR as asset held for sale with the corresponding increase in liabilities directly related to the asset held for sale amounting to 82 MSAR. The net loss attributable to SPPC for the year ending 2021 amounts to SAR 145.4 MSAR.

CEO Quote

- **Commenting on these result set, Engineer Khalid Al-Gnoon, SEC's Acting CEO, said:** "We are delighted with the on-track and timely implementation of the historical and comprehensive regulatory and financial reforms for the sector and the company, which has reflected positively on the financial position of SEC and redefined the foundation of the electricity sector ecosystem and enabling it to become more sustainable, reliable and efficient.
- During 2021 SEC continued to make a remarkable progress in its strategy to improve security and reliability of supply, efficiency and customer service while pursuing increasing smartification and automation of the grid.
- SEC to push forward with the required investments to improve the reliability and efficiency in the electricity system in KSA, including enhancing the power transmission grid reliability, so as to raise the generation efficiency, and enable the production of electricity from the renewable energy sources. This is inline with the objective of achieving the target energy mix for electricity production. Furthermore, the aims include enhancing and automating the distribution grid. All these contribute to achieving the aspired goals in raising the quality and reliability of the electrical service provided to the end consumer and in the mean time, it is an important tributary enabling greenhouse gases emissions reduction initiatives and contribute positively towards environmental sustainability
- On behalf of SEC and all of its employees, we sincerely express our gratitude to the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud, his Royal Highness the Crown Prince, Mohammed bin Salman and his Royal Highness Prince Abdulaziz bin Salman, the Minister of Energy for their continued support for the electricity sector and the Company".

About SEC

Saudi Electricity Company

SEC is the largest utility in the MENA region with a market capitalization of 99.9 BSAR(31 December 2021: 26.6 BUS\$) 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 10.5 million subscriber 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.

SEC will organize an earnings conference call to discuss FY2021 financial results with investors and financial analysts on Monday 21/03/2022 at 3:30 PM (KSA Time). Investors wishing to participate in this conference call are requested to contact the Company's Investor Relations Department.

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